TENASX DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

10:30 a.m.
Thursday,
August 8, 2002

Capitol Extension Auditorium
1400 North Congress Avenue
Austin, Texas

COMMITTEE MEMBERS:

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

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
BROOKE BOSTON
DAVID BURRELL
HOMER CABELO
RUTH CEDILLO
DAVID GAINES
KEITH HOFFPAUIR
CURTIS HOWE
BYRON JOHNSON
ROBERT ONION
LISA VECCHIETTI
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REPORT ITEMS

Executive Director's Report:

EXECUTIVE SESSION:

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MR. JONES: I now call to order the board meeting of the Texas Department of Housing and Community Affairs, August 8, 2002.

The first order of business is to determine a quorum.

Ms. Anderson?

MS. ANDERSON: Here.

MR. JONES: Mr. Bogany is absent.

Mr. Conine?

MR. CONINE: Here.

MR. JONES: Mr. Gonzalez?

MR. GONZALEZ: Here.

MR. JONES: Mayor Salinas?

MAYOR SALINAS: Here.

MR. JONES: We do have a quorum -- and Mr. Jones is here. So we do have a quorum with five members present and one absent. And I will certify that.

(Pause.)

MR. JONES: The next order of business is public comment. And we do have a number of witness affirmation forms. Pursuant to the legislation under which we operate, you'll have an opportunity to either speak now and provide public comment now or you may delay...
it until the time of the agenda item in question.

The first witness affirmation I have is from
Mr. Spicer.

Jeff Spicer?

MR. SPICER: I'll delay.

MR. JONES: Excuse me?

MR. SPICER: I'll wait until the time of the
presentation.

MR. JONES: Okay. That would be great. I
notice that you're set down for Agenda Items 4 and 5. So
you would want to talk at the time of Agenda Item 4?

MR. SPICER: Correct.

MR. JONES: Thank you, sir.

Mr. Bill Fisher?

MR. FISHER: The same thing, Mr. Chair. I'll
wait until the two agenda items.

MR. JONES: Mr. Gonzales?

MR. GONZALES: I'll wait.

MR. JONES: Thank you.

Mr. Kelly?

MR. KELLY: Item 4(b), please.

MR. JONES: Okay.

Lee Sloan?

MR. SLOAN: Yes.
MR. JONES: Thank you, sir.

MR. SLOAN: Excuse me. I have some handouts.

MR. JONES: You can just give them to Delores. She'll take care of them for you. Okay?

(Pause.)

MR. SLOAN: Chairman Jones and members of the Board of TDHCA, my name is Lee Sloan. I am president of the Kensington Park Neighborhood Association of Southeast Austin and also a member of the steering committee of SCAN. SCAN is the Southeast Corner Alliance of Neighborhoods of Austin.

I'm here today on behalf of Kensington Park and SCAN to raise some serious concerns about the Pleasant Valley Courtyards Project, TDHCA Number 02073, as it's currently configured. First, however, I want to take a few minutes to clear up some misconceptions, and then I'll get on to our concerns. So you can hold off on the packages for just a second.

First, it has been rumored that the only reason that I appear here before you is because I have some financial interest in another LIHTC project in the area. I'd like to set that record straight.

My son, Nathan, and his family live about a half-mile away from me. Nathan is employed by Deutsche
[phonetic] Telecom. He is not dependent on me, but his property is under contract to another LIHTC project, the Woodway Village project. Neither my -- I nor my wife are a party to this sale, and neither she nor I will profit from it.

In fact, when Woodway first appeared, I told Nathan straight up and down that we probably were going to be opposing this thing because we were tired of having trash projects dumped in our area out there, and he said he understood. He said that if he didn't sell it to Woodway, he'd probably end up selling it to somebody else.

But the Woodway developers came, and they worked with our neighborhoods. We visited other projects they had built and were impressed with the quality and lay-outs. We got the developer to set aside large green belts along the McKinney Falls Creek for the City of Austin to have in the future, and because they worked with us and offered quality development sensitive to the area of Kensington Park along with seven other neighborhoods and, also, with SCAN, ended up supporting the Woodway project.

And that brings me to a second point. Contrary to rumors and attacks from opponents, the neighborhoods of southeast Austin and SCAN are not a NIMBY group. We
currently -- have worked with and support three other affordable housing units in our area this year alone. That would be Woodway Village, Woodway Square and the Villas of Cordova.

We would like to work with the applicant, Mr. Herrera, but he has been unavailable to meet with us and neighbors, with the neighborhoods and SCAN except for an 11th-hour meeting that we had last night. We don't know at this point the quality of his product, but we do know that the site plan that he has submitted to TDHCA is fatally flawed. And I would now like to address that.

You will notice in the handout I gave you -- if you turn to the second page, there is a plastic overlay. The plastic overlay is a copy of the site plan submitted by the developer -- and we got this off the TDHCA web site -- filed with TDHCA. This is overlaid on a map of the area. The map is from the City of Austin.

On the map, the zonings for the various tracts in the area are indicated. And in yellow on the handout sheet, you have the 100-year flood plain of the McKinney Falls Creek. If you align that overlay -- sort of switch it around so it aligns, you'll see -- the first point is that there are some five and possibly seven buildings that have footprints in the flood plain.
These -- one, two, three, four -- five buildings in the center section are all in the flood plain, all in the yellow area. And there's, I think, two more down here in this bottom part that are touching the yellow.

In a July 17, 2000 letter to State Representative Maxey from Edwina Carrington, the Executive Director of Housing of TDHCA, she states there is a TDHCA, quote, "Prohibition against constructing the footprint of a building in the flood plain." TDHCA does not allow buildings in the flood plain. This lay-out is not allowed. And this site plan is simply invalid, I believe.

A second point is: When we got to looking at this overlay, we noted that part of the land in the crossed hatch area with the building -- you will note that there's part of the land, part of the site, in this cross-hatched area, sort of in this area right here. It turns out that that land is not owned by or under the control of the applicant; it is owned by Woodway Village. And the reason that I know that is that this map came from our zoning.

With Woodway Village, this is a project we worked long and hard on. And these are in fact the boundaries of the Woodway Village project.
Earlier, this application was rejected because it was discovered then that there was also land not owned or under contract that had been included in the site plan. And now we have a second instance of that happening.

The third point is: The applicant has claimed in his appeal, which we got off the web site, that there -- this rezoning is required because this site has MF-2, MF-3 and LO zoning changes. In actuality, the site plan as it is currently filed has MF-2, MF-3, LO, CS, RR and SF-2 zoning on it. I mean this is a real mish-mash here.

From our dealings with the city, I can assure this board that the City of Austin will not allow such rezoning. These zonings were put in place some 15 years ago with the city, and they have held fast. The most recent attempt by another project -- LIHTC project, the Kingfisher Creek project, to rezone a piece of land here resulted in a seven/zero rejection by the city council.

And on top of that, the neighborhood plan for this area of Austin, a plan we worked on for about a year, was finalized last night. The current zonings for these properties therefore were reconfirmed and are effectively locked in place.

In summary, this site plan has over half of its
buildings' footprints in the flood plain. That is simply not allowed by TDHCA. Second, the site plan, again, apparently incorporates land not owned or under control of the applicant. And, third, the site plan requires zoning that, just simply, ain't going to happen. This proposed project needs to be sent away for serious overhaul.

And, finally, to Mr. Herrera, I would say the neighborhoods would still like to work with you. Pull this flawed project and this unworkable site plan and come talk to us. Come and work with us like we started last night, and we'll put together a good project with you. And then, when we've got that, I will assure you that we will be here to support you and to move forward with good, quality affordable housing for Austin.

Thank you for your time and consideration.

MR. JONES: Thank you, Mr. Sloan.

There's a Ms. Brown.

Dora Brown, yours was attached to his.

MS. BROWN: I clipped those together so that we would be called in this order and our presentations would make a little more sense perhaps.

MR. JONES: Thank you, ma'am.

MS. BROWN: Good morning.

MR. JONES: Before you start, Ms. Brown --
MS. BROWN: Yes?

MR. JONES: -- I have -- we are continuing to receive witness affirmation forms. And we literally have dozens of people that would like to speak to us today, and we want to hear from everyone. And I think we're just going to have to impose a time limit. Even with a time limit of three minutes per speaker, we will be listening to hours of testimony from the speakers. So I always hate to do that. I apologize to everybody that wants to speak, but unless the board wants to overrule me, the Chair would at this point institute a three-minutes-per-speaker time limitation.

And I apologize to everybody for that, but I don't know how we'll ever be able to handle this very efficiently without such a time limit. So I would start imposing that.

And, Delores, could you help me with the time limits? Thank you.

Thank you, ma'am.

MS. BROWN: Thank you. And I understand the reason for the time constraints.

My name is Dora Brown. I'm a member of the steering committee of SCAN, the Southeast Corner Alliance of Neighborhoods in southeast Austin. SCAN consists of
the neighborhood associations in Zip Code 78744; approximately 40,000 people live in our area.

Unfortunately, we have no choice but to oppose the tax credit application of Pleasant Valley Courtyard. We have been frustrated in our attempts to meet with the developer. Three representatives of SCAN spoke with Mr. Carlos Herrera, the developer, a time. Four times, he agreed to meet with us; four times, he was a no-show. Finally, last night, he and four advisors met with a few representatives of SCAN.

At least a dozen times during that meeting, he and his advisors stated flatly that they do not have a site plan. When we showed them the site plan that Mr. Sloan presented to you -- and it's from your own files -- they dismissed it and assured us repeatedly that that site plan should be thrown away; that's not what they're really going to build. Well, what can we make of that?

Their application clearly does contain a site plan: A bad one, we think. And that site plan is the only one that apparently exists, and that's all that we have to go on.

As you've already seen and heard, the Pleasant Valley proposal should never have been before this board in the shape it's now in. It provides for development on
property that the developer does not own. It provides for structures in the 100-year flood plain -- not near it, not around it, not adjacent to it, but within the 100-year flood plain, in clear violation of this organization's own rules and regulations.

Now, Mayor Salinas, if you -- as you have stressed in the past and as we all know, zoning is not a matter that should come before this board; that's the role of the city's, City of Austin in this case. But we want all of you to be aware that zoning is the key to the survival of this project. Even if the tax credits remain allocated to Pleasant Valley, there's little likelihood that it will be constructed if it is not a well-planned, appropriately located, environmentally sensitive project that offers safety, security and amenities to the tenants.

The proposal calls for zoning changes by the City of Austin that won't be approved. They would have to change rural residential, local office and single family designations to dense, multifamily housing.

And while I certainly can't speak for any council member or planning commission, SCAN has had considerable experience with those bodies. Six times in the last year or so, SCAN representatives have appeared before one or the other of those bodies on zoning matters,
four times in favor of zoning changes that would make
possible sound, well-thought-out affordable housing, and
two times in opposition. Our views have prevailed each
time, six times in a row.

Now, I'd like to claim that our brilliant
presentation swayed opinion, but, in fact, it was simply
that reasonable minds came together in recognition of good
proposals or bad ones. So please don't waste the
taxpayers' funds on a project that is not going to be
built. There are so many worthwhile projects seeking
funding. Why expend any of these funds when Pleasant
Valley Courtyard as it's presently constituted will surely
stagnate and die?

SCAN remains willing to work with the
developer --

MR. JONES: Ma'am?

MS. BROWN: -- to bring forth a plan that we
can all live with.

MR. JONES: Ma'am, I'd like --

MS. BROWN: My three minutes are up?

MR. JONES: Yes.

MS. BROWN: All right.

MR. JONES: Thank you, ma'am.

MS. BROWN: Thank you, very much.
MR. JONES: Thank you so much.

Mr. John Moore?

MR. MOORE: I'm John Moore, President of Glen Oaks Homeowners Association, Dallas, Texas. I had thought that this discussion was going to come later, at our particular project.

MR. JONES: If you want to delay, you certainly may.

MR. MOORE: Yes.

MR. JONES: You have a choice: You can either speak now at the first of our meeting or you can speak at the time of the agenda item, whichever you'd prefer, sir.

MR. MOORE: I'd like to speak at the later time.

MR. JONES: Thank you.

MR. MOORE: Thank you.

MR. JONES: That'll be fine.

Mr. David Longoria?

MR. LONGORIA: I'd like to wait. Thank you.

MR. JONES: Thank you, sir.

Mr. James Kirkpatrick?

MR. KIRKPATRICK: I'll wait for the agenda item.

MR. JONES: Mr. Bryan Cogburn?

ON THE RECORD REPORTING
(512) 450-0342
MR. COGBURN: I'll wait for the agenda item.

MR. JONES: Mr. Jay Brown?

MR. BROWN: I'll wait.

MR. JONES: Mr. James Betterson?

MR. BETTERSON: I'll wait.

MR. JONES: Mr. Chris Richardson?

MR. RICHARDSON: Good morning.

MR. JONES: Good morning.

MR. RICHARDSON: My name's Chris Richardson. I'm here about two matters, basically. We've just been given our move-forward on our full percent tax credit you heard about from a couple of the neighbors a minute ago, Woodway Village. It's on Michael's Crossing close to Pleasant Valley Courtyards.

We actually control the land that they brought up that's in question that encroaches. When we got our notice, I contacted our surveyor to go out and start on his topo, reviewed the site plan with him that was on the internet that was the subject of some discussion last week at the award and gave him these coordinates so he could map out just where they were, to be sure we had closure on our back side that we have rezoned to SF-2.

We have down-zoned some MF-2 and MF-3 to SF-2 to work with the neighbors on an overall plan for the
area. And that's how we gained their support and approval, as described by Ms. Brown and Mr. Sloan.

But the surveyor just as late as mid-day yesterday gave me some information that shows 1.1 acres of our site as shown on their site plan. And now I understand that they may be reworking their site plan, but I felt like we should bring it to your attention. There was another situation where part of it went to Kingfisher Creek, and then, now, this shows up as far as my site.

You heard some of the zoning problems, but I just felt like it should be brought to the board.

And we're -- you know, we've got the concentration issues. We worked hard to have a high-scoring project last year, you know, and were given the reason that the Austin market was very soft. We didn't put any in Austin hardly last year. So we didn't go back in the 9 percent.

We submitted it in the bond round, got a good number, felt like we would be reached and felt like with the -- what we knew about the zoning effort in the area, there would be little or no chance of around us properties being zoned multifamily. So that's one reason we didn't go back in when we had a good number in the 4 percent round lottery. We elected not to resubmit in the 9
percent.

So we were one of the high scorers last year and certainly understand the reasons for not getting it last year but felt like you should know about this. Thank you.

MR. JONES: Thank you, sir.

MR. CONINE: I've got a question.

MR. JONES: Sure, Mr. Conine.

MR. CONINE: Can you help me out with the color code here?

MR. RICHARDSON: All right. The color code is based on several different items. The yellow is low office, which -- you know, the city indicates that they won't change that zoning to multifamily. The RR is the flood plain and was, you know, the area in the low.

Where it crosses over our hash-marks, our property goes to the center of the creek. And the red hash-marks over the green is where their survey that was on the internet that I pulled of the internet -- and their coordinates on there show that that would come down, encroaching on what we have under contract.

MR. CONINE: And your property is the 14-acre piece that's in --

MR. RICHARDSON: Our property is the 14-acre
piece, the SF-2. Our entire tract consists of 30 acres. This is a picture of it. I didn't have extra copies of it. This is the 14 acres. Up here on Knuckols' Crossing is where we had rezoned for our Woodway Village project, 160 units, to go up there.

MR. CONINE: Well, this is showing Bobby Pospacill [phonetic], or whatever --
MR. RICHARDSON: Right.
MR. CONINE: -- on both -- what looks like both tracts --
MR. RICHARDSON: Right.
MR. CONINE: -- on --
MR. RICHARDSON: Well, you've got zoned --
MR. CONINE: -- this color tract up here and the bottom 14-acre tract.
MR. RICHARDSON: Well, let me approach, and I'll let you see.
MR. CONINE: Do we have common sellers here maybe that --
MR. RICHARDSON: You've got a father and a son, Bobby Pospacill and Joe Pospacill. Do you see the, "Joe," right beside the -- above the 9.9 in the far right-hand corner of the -- it's actually two in a family, sellers.
MR. CONINE: Oh. Okay. I see where it's cut
off on my sheet.

    MR. RICHARDSON:  Right.

    MR. CONINE:  So we have a common seller and an engineer that didn't -- either didn't quite draw a sales contract correctly or --

    MR. RICHARDSON:  Apparently, yes.

    MR. CONINE:  So this --

    MR. RICHARDSON:  I don't know all the details on their side. But I mean I looked for -- I don't know Mr. Herrera. I looked for -- I remember when I came up last week. But I looked for him and didn't see him. So I was going to talk to him ahead of time, too.

    But this is a copy of what we have under contract, the full 30 acres. And we had it completely surveyed, worked with the neighbors, walked the sites, agreed to set-backs on the creek, down-zoned SF-2 and, you know, changed some zoning on the multifamily to work with them and have it submitted, and have been reached on the -- in the bond lottery and are moving forward.

    MR. CONINE:  Now, this discussion, though, is on a tax -- a 9 percent credit that we did last meeting. Is --

    MS. CARRINGTON:  Last week.

    MR. CONINE:  -- that correct?
MS. CARRINGTON: Yes.

MR. CONINE: So it's kind of hard to unwind what we've already wound, but -- all right. I'll save some questions for later on.

MR. RICHARDSON: Okay.

MR. CONINE: Okay.

MR. JONES: Thank you, sir.

MAYOR SALINAS: Has this project been approved by the City of Austin?

MS. CARRINGTON: Well, it was approved by the board last week as -- for an allocation of 2002 credits.

MAYOR SALINAS: I know.

MS. CARRINGTON: So they have met all of our requirements.

MAYOR SALINAS: I understand. But is -- how about the planning and zoning or the zoning with the city?

MR. RICHARDSON: Mine has been zoned.

MAYOR SALINAS: Are they going to get -- you know that if you don't get the approval of the zoning, they won't give you a permit.

MR. RICHARDSON: That's right.

MAYOR SALINAS: Right?

MR. RICHARDSON: It's a popular area, too.

MS. CARRINGTON: Yes, it sure is.
MAYOR SALINAS: I mean I know this is not the guidelines to get any approval here. But even if we did approve this project, you know, if planning and zoning does not work with you and if the zoning does not work for you, I mean this project --

MR. RICHARDSON: Now, my project's zoned. I'm moving forward. I --

MAYOR SALINAS: You've got --

MR. RICHARDSON: I have zoning for the -- with the conditional overlay that I will do the things that are shown on this map.

MAYOR SALINAS: So you got the city --

MR. RICHARDSON: Right. My zoning is in place and ready to move forward.

MAYOR SALINAS: Which one is not?

MR. RICHARDSON: It's called Woodway Village. It's in the -- it was in last year's 9 percent round. We submitted for a bond and have been reached on bond.

MAYOR SALINAS: Okay.

MR. RICHARDSON: Okay. Thank you.

MR. JONES: Thank you, sir.

Ms. Shelly Ann --

MS. LEMKOWITZ: Lemkowitz.

MR. JONES: Thank you, ma'am.
MS. LEMKOWITZ: I'd like to speak at the --
when the issue comes up.

MR. JONES: Thank you.

Mr. Sam Ellison?

MR. ELLISON: I choose to speak at the time it
comes up.

MR. JONES: Mr. Melvin Warren?

MR. WARREN: The same for me.

MR. JONES: Mr. Jay Oji?

MR. OJI: Mr. Chairman, I choose to speak when
the agenda item comes up.

MR. JONES: Thank you, sir.

Mr. Robert Voelker?

MR. VOELKER: I'll speak on Item 4(b) and (d)
when you get to them.

MR. JONES: Mr. Littlejohn?

MR. LITTLEJOHN: I would prefer to defer my
comments until after the staff presentation of 4(d).

MR. JONES: Mr. Johnson?

MR. JOHNSON: I'll speak on Item 4(d) when you
get there. Also, we have Sam Brewster, Rose Garcia and
Cynthia Bast. Thank you.

MR. JONES: Thank you.

Mr. Carlos Herrera?
MR. HERRERA: Good morning.

MR. JONES: Good morning.

MR. HERRERA: My name is Carlos Herrera. I'm President of El Dorado Housing. I'm glad I was here this morning. I was not aware that there would be either this agenda item or that this item would come back up. I don't have an answer to everything, because I don't have any of my packages or anything with me, but I do want to respond to two or three mentions that were made.

I have met with this group prior to the 11th hour last night. I did meet with them last night until all the way up to 11 o'clock. I am aware of all the concerns that there are about this. I've talked to them. The indication was not to scrap any item; the indication was to work with them through the issues and concerns that they have, because I have the right to appeal to the city for the rezoning. That's part of the process. I've followed that process. I'm at a certain point in it and am still trying to resolve all of the issues that have come up.

At the last meeting, I did have, as in the packages as required in the application, letters of support from all the elected officials who are acutely aware of all the issues that surround this, as they would
be as representatives of that district.

In addition to that, at the last meeting, the commissioner for that district, Margaret Gomez, was here; she had to leave. I think her name was called out twice. She gave me a letter yesterday to submit today, simply to say that she was here and had submitted this. It was not read into the record.

So I would like to turn in that to you, Mr. Chairman.

MR. JONES: Thank you, sir.

MR. HERRERA: Beyond that, I am in the process of meeting with the group to make sure that whatever the zoning issues are and whatever it's going to take to present my case to the city council or the planning process is what I'm doing now. I'm going to continue that until it's concluded one way or the other. Thank you.

MR. JONES: Thank you, sir.

Any questions?

(No response.)

MR. JONES: Thank you, sir.

Mr. Eugene Mendora?

MR. MENDOZA: Mendoza.

MR. JONES: Excuse me.

MR. MENDOZA: No. I'll speak at the item.
MR. JONES: Thank you.

Mr. Marc Caldwell?

MR. CALDWELL: Mr. Chairman, I'll defer until the item, as well.

MR. JONES: Mr. Elliot Stone?

MR. STONE: I'll defer until the item comes up.

MR. JONES: Maureen -- how about the mayor of Killeen?

MS. JOUETT: Jouett.

MR. JONES: Excuse me.

MS. JOUETT: J-U-W-I-T is the phonetic pronunciation. I'll defer until Item 4, please.

MR. JONES: Thank you.

MS. JOUETT: Thank you so much.

MR. JONES: I'm sorry, Mayor.

Ms. Sarah Flores?

MS. FLORES: The same.

MR. JONES: Mayor Repp?

MAYOR REPP: We're here to address 5(a) on the agenda, sir. Thank you.

MR. JONES: Mr. Gary Fisher?

MR. FISHER: I'll defer until later.

MR. JONES: Mr. Cagle?

MR. CAGLE: Defer.
MR. JONES: Mr. Bates?
MR. BATES: Defer until later.
MR. JONES: Ms. Kathryn Thompson?
MS. THOMPSON: I'll wait for the Agenda Item 5(a), sir.

MR. JONES: Mr. Peter Thorne?
MR. THORNE: I'll wait for Item 5(a).
MR. JONES: Mr. Ron Gebauer?
MR. GEBAUER: I'll wait, too, please, sir.

MR. JONES: Mr. Steve Martin?
Mr. MARTIN: Defer until 5(a), please.

MR. JONES: I hope you're funny.
(Laughter.)

MR. JONES: Ms. Carla Fahey?
(No response.)
MR. JONES: Carla Fahey?
MS. FAHEY: Defer until later, please.
MR. JONES: Okay.
Jerry Cook?
MR. COOK: Defer.
MR. JONES: Tom Wilkinson?
MR. WILKINSON: I'll defer until the item.
MR. JONES: Judge Morgan?
JUDGE MORGAN: The same.
MR. JONES: Mr. Westbrook?

MR. WESTBROOK: Defer.

MR. JONES: Mr. Palmer?

MR. PALMER: I'll defer until the item.

MR. JONES: And Mr. Robbins?

(No response.)

MR. JONES: Mr. Paul Robbins?

MR. ROBBINS: Commission members, my name is Paul Robbins. I'm speaking to Item (b), 02-413, Pleasant Valley Villas, Austin, Texas.

I have a lot to say in a short time, so let a picture be worth a thousand words. I will try and get one of my neighbors who's testifying later to give this -- a smaller copy of this to you to enter in the record. But I met with people from Southern Union Gas yesterday and asked them to show me where the active gas lines were on this proposed property.

May I approach?

MR. JONES: Sure.

MR. ROBBINS: You'll note that in the middle of this proposed property is the planned extension of Pleasant Valley Road. This road does not currently exist, but it is a right-of-way. And you'll note that part of an active -- what I think what I have been told is an active
pipeline is running right through that road.

The other part of this Southern Union Gas simply has no knowledge of. And the representatives at Pacific Gas and Electric, who currently owns this pipeline, cannot tell me exactly where it is, but you can tell from this map that at least a good portion of it runs in the right-of-way.

Again, I will ask one of my neighbors to give you a smaller copy of this for the record. Did you all see this?

(Pause.)

MR. ROBBINS: I'm sorry. Did you see this, Ms. Groneck?

MS. GRONECK: I will.

MR. ROBBINS: Let it be known that I did offer.

Okay. My point to you is that to -- I spoke with a representative from Pacific Gas and Electric yesterday, and he told me that under no circumstances would they allow a stretch of pipeline like this, a huge, expansive pipeline, to be covered by a street. And this is a very expensive thing to relocate. It might be cheaper to relocate the street.

I personally do not believe this cost has been accounted for because one Pacific Gas and Electric

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official I spoke with, as I said, didn't say anything about it. He told me he had never been contacted by the developer about this. And the City of Austin -- one of the supervisors reviewing this project was totally unknowledgeable about this when I contacted him.

Now, I realize that I'm going to be accused of being obstructionist by the developer, that this is a last-minute ploy to keep him from getting the lottery. So let me just say my understanding is that you all have another meeting that you may schedule for later in August, so this may be accounted for in that time gap, but if it can't be, that is not my problem. That is -- it's the developer's cost.

Thank you for your time. I'll try and get you a copy of this.

MR. JONES: Great. Thank you, Mr. Robbins. I appreciate it.

All right. I have now gone through all the witness affirmation forms that I have and will call on those people who deferred until the agenda item at the time of the particular agenda item.

With that in mind, we will then turn our attention -- well, let me do this first. I would like to thank Senator Barrientos for graciously providing this
room to us today. And thank you to both him and his
office for doing that.

Also, we have several guests with us. Paul
Hudson is here from the governor's office.

Paul?

MR. CONINE: He's back there in the back.

MR. JONES: Okay.

I can't hear you. That's a pretty small wave
there, Paul.

You know, he's kind of --

Raise your eyebrows.

All right. From Senator Lucio's office, we
have Stephen Rosales and Perla Cavazos.

We're glad to have you all. Thank you so much.

We have Julie Street from the House Committee
on Urban Affairs.

Thank you for being here, Julie.

We have Stacy Gunkel from the lieutenant
governor's office.

Thank you for being here.

We have Marcelo Guerara from the Sunset
Advisory Commission.

Thank you. We appreciate you being here.

And Alex Vidales from Senator Shipley's office,
thank you for being here.

Thank you so much.

All right. We will then turn to Item 1 on our agenda, which is Mayor Salinas talking to us about his visit to El Paso.

Mayor?

MAYOR SALINAS: As you know, in our February meeting, we were in El Paso, and we were approached by about a hundred people that had problems in the colonias as far as Fort Hancock is concerned. They've asked us to follow it back on a meeting that -- I asked Chairman Jones -- and if we could follow up on the problems and I would probably take a tour into El Paso and look at the colonia problems. And I did that on July 9.

And I met with -- a three-day agenda -- Anibal Olique, who works for the Department of Housing for our office up in El Paso, which -- I have to say that he does a wonderful job and has had a lot of good comments from the people in El Paso. On Tuesday, we met with the officials of the city of Socorro which we knew that we wanted to see about their projects and about their needs.

And sure enough, I understand that there is some developers coming into the city of Socorro as far as building maybe something to 800 lots and also having
affordable homes here. And I think that the County of El Paso has offered about $11 million to do that affordable home program in the city of Socorro.

The following meeting, at 3:15, we met with Alianza Para El Desarrolo Communitario [phonetic] -- it's a colonia nonprofit -- which gave me an overall about the problems that they have with the colonias in El Paso. One of the problems that I saw was that -- this colonia initiative or -- colonia problem started back into 1986.

And one of the problems is that the County of El Paso and Hudspeth County, which is the neighboring county, have never followed the modern rules that were approved by the legislature back in 1986 or '87, maybe simply because -- maybe they didn't think that it was a problem. But it is a problem when it comes to colonias that do not have any water and that do not have any streets and do not have any septic tanks or if people have septic tanks and they have no streets.

One of the things is that the [speaking Spanish]. And one of the reasons that these people have formed these nonprofits is because the county has not come forward to help them. So in essence, Alianza Para El Desarrollo Communitario is a nonprofit, and they take on and do applications. I think you'll see one of them being
approved here today, recommended by the initiative that we have with the colonias.

We had a very long conversation and got a lot of knowledge about the problems that they have in the colonias. And later that afternoon, we met with the new state representative in [speaking Spanish], who has heard a lot of good comments about the agency in El Paso. As you can see, the agency has done a very good job within the city limits of El Paso. I mean, you have affordable homes, and one of the best projects this agency has done has been in El Paso with the SWAR [phonetic] program and some of the projects that we've done in El Paso.

For no means are we criticizing anybody in El Paso. We're just criticizing the initiatives that -- nobody has come out to help the rural areas, which is the colonias. You'll find that Huerco [phonetic] is a colonia 30 miles away from any water line in the system. I know that Sen. Shipley is probably introducing some legislation to relocate those people, but my recommendation to Sen. Shipley would be just to -- that probably some will move and probably some will stay and you will still keep the problems.

And one of the things that I would like to recommend is that the colonia initiatives department talk
to the health department and probably do a water system there with a well. It has been done before in other areas, and I think that would be the best thing.

The other meeting that we had that same -- that day with Lucente Quinteria was -- one of his comments was that he was very pleased with the agency and that he was willing to come and work together with Ms. Carrington and, also, with the ORCA board as far as trying to bring some help to the people in the colonias.

The next day, we toured the city of Socorro, which has a lot of prosperity. And I'm sure that the developers there are looking at that small city for some investments.

The next meeting we had, at 11 o'clock or 12 o'clock, was the Ayuda [phonetic], a colonia nonprofit organization in Fort Hancock. And those are the people that met us at the city of EL Paso, and those are the people that took me through the tour. And this is -- the first thing we saw was that the people there does not have any electricity, does not have any water and do not have any kind of services at all.

And later that day -- well, we took the tour. And they had no pavement. And one of the things that we need to enforce is to send the attorney general a
recommendation that he needs to step to the plate, and he needs to start suing some of these developers for doing some illegal subdivisions.

And I understand that they have not started any kind of planning department in the County of Hudspeth and Fort Hancock. I know that the County of El Paso has got a one-year plan already that they have been involved in in trying to help. But one of the recommendations that I would ask the people from ORCA board -- and probably a recommendation from us -- is that we go ahead and send a recommendation that -- the county commissioners in Hudspeth County have filed an application to the ORCA board for assistance on these colonias in Fort Hancock.

One of the things that I would recommend to this board is to send a letter of support for that project. The governor's office has been very supportive and has said -- and I gave him a name of City Commissioner Brewster to be on that regional review committee. I don't know who else is there, but I know Commissioner Sam Brewster knows the area well.

And there was another mayor, out of Vinton, who has also had a lot of problems as far as water systems. And they also need some help from this -- from the ORCA board and, of course, from this agency.
We had a tour of all the El Paso colonias and then, later on, met with the county judge of El Paso. And the same thing -- she told us that they had already started the planning department in El Paso a year ago and that they were in the process.

But I can see that something is probably going to get done there. I think the last meeting that we had there triggered them to start doing something. They have a great economy. They have four bridges. And you can see why their attitude is toward their economic growth, which is very, very well.

And I just think that they -- it's an oversight on their behalf. But I think it's an oversight on the attorney general's office part that -- they need to step to the plate and start filing some kind of lawsuits against developers that are doing illegal subdivisions. I think we needed that some years ago. And I thought everything was going, but I think they're still in that area.

We also met with the El Paso County commissioner to talk about La Colonias Park, which now has sewer and water. And I think County Commissioner Teran in El Paso is more than willing to do a lot of help to these colonia areas. And I think that the meeting that we had
in February triggered him to work with us. And he told us that anything that he can do to support the initiative of trying to bring everybody water and sewer would -- especially lights -- that he is going to be there.

And he has also offered that monies for the home -- first-time home buyers over in Socorro. I think the county is -- has about $11 million that it's going to translate into homes there in Socorro. So he was very, very supportive and said that he's there to help. I think he has been there one term or he's going on his second term, but I think we have a good friend in Commissioner Teran and he will be there for us and help us. Of course, you know, this agency cannot do very much.

We also met with the two county commissioners in Fort Hancock in that county, Hudspeth. And they have already applied. One of the reasons is that they don't want to waive the rules for some people that are already there, that have been there for the longest time. And all they need to do is act on the commissioner's court to waive some of those rules so people can get connected on the water and get connected on the lights.

I told them that if they would do that, this agency would be more than supportive of sending probably a letter of recommendation to the ORCA board and to look at
that project real closely, because I think it's probably one of the worst projects that I've ever seen. And I come from south Texas.

So we also met with Michael Wyatt. I also asked him why he has not enforced some of these rules. He works for Texas Rural Legal Aid. He said that their funding was not there for that. So we come back again to work with the attorney general and see what can be done.

All I think that -- it was a three-day long trip. Anibal had appointments for us -- for me. Those three days, I worked very closely with him, and I just have to say one thing about that young man. He does know what he's doing, and I think he's going to be a good asset for us for a long time. And he knows the people there, and he knows the problems. So I think now that he can get some kind of guidance from Ms. Carrington as far as what he can do with the ORCA board and what he can do with our -- with Homer that works for our agency.

So that's my report. If you all have any questions, I'll be more than glad to answer any other questions.

MR. JONES: Any questions?

(No response.)

MR. JONES: I just have a comment. I -- for
those of you that were there at our El Paso board meeting, I think everyone would agree that it was a very, very productive board meeting. And the reason it was, I believe, so productive is because of the mayor and the insight the mayor could give not only the board but, also, the public. And this kind of follow-up I just think is terribly important for us to make progress in some of the areas we so desperately want to.

And I just thank you, Mayor, for doing this.

MAYOR SALINAS: Sure.

MR. JONES: I think the follow-up is even more important than the input you gave at the board meeting. And I think that was just extraordinary and really helped us move forward in many areas. So thank you, very much, for what you've done.

MAYOR SALINAS: Thank you.

MR. JONES: We really appreciate it.

I will then turn our attention to Item 2 on the agenda.

Mr. Gonzalez?

MR. GONZALEZ: We'll call on Mr. David Gaines.

MR. GAINES: Good morning, Mr. Chairman, members of the committee and Ms. Carrington.

First, I'd like to clarify the capacity in
which I'm speaking. I'm speaking as an interested party and a facilitator of information, not as an auditor or director of internal audit, because the project is not subject to audit at this point, not as chairman of the project's steering committee or on behalf of the project's steering committee, because the committee has not been afforded the opportunity to review and approve the information at this point.

So having said that, I'd like to refer you to the first page in your handout of the board materials. This basically just represents a summary example of the GANT chart that's used by the project team in managing the project. The details extend beyond 2,500 lines, and I don't believe you'd like to go into that discussion. The duration start and finish dates that were established toward the end of 2001 need to be updated from what you're seeing in front of you.

For discussion purposes, I'd like to turn you to the next page, which is the central database project status report that has been developed by the project team. And it identifies the key project deliverables and milestones. Curtis Howe, the department's newly-announced Director of Information Systems, is going to provide you an overview of this information.
Curtis?

MR. HOWE: Chairman Jones, members of the board and Ms. Carrington, I'd like to first say that it's a pleasure to represent the information systems division today. We have a talented staff of 19 developers, systems administrators, programmers, a DBA and a web master. And the staff has a wealth of experience in projects of big IT initiatives like the one that we're discussing here today, and they bring that wealth of experience to the project.

I'd also like to point out that Walt Vega [phonetic] our project manager, is here with us today. And he is the software development manager and central database project manager.

I know you have a very busy agenda today, and so I would like to hit on the very -- I tend to get into very detailed discussions about a project like this. And I --

MR. JONES: I think you're going to find that the board members are going to have some questions for you.

MR. GAINES: Okay.

MR. JONES: So if you would, kind of hit the high points. And then I would like to delve in depth with the questions that the board members have.
MR. GAINES: Absolutely.

MR. JONES: So if you'll just kind of introduce this, I'll let them chase rabbits.

MR. GAINES: Okay.

MR. JONES: Thank you.

MR. GAINES: The first point that I'd like to point out on this project schedule: This is our first stab at putting together the project status report in this format, and we welcome your comments on this format.

We tried to put something together that would tell you what the major components of the system are, when we expect to have those major components delivered or, if they've already been delivered, when they were and the costs and consultant resources associated with those milestones. And I'll use the words milestones or deliverables interchangeably.

The one thing that I would like to point out overall about this plan is that we have made a very conscious effort to focus the structure of the central database project and align that with the agency's reorganization. The agency, of course, as you know, is reorganizing along functional lines. And as you'll see later on, in the functional deliverables for this project, the components are built along functional lines, for
instance, a fund allocation and contract module that encompasses many program areas much like the structure of the new -- the proposed structure of the new -- after our reorganization.

I would also like to point out that on the project plan there are some rooms for improvement. And in addition, we welcome your rooms for -- any suggestions. The key thing here is that when we define a component or module as complete -- I want to be very clear about what that definition means right now and where we need to improve upon that.

The -- if we say that a project has been complete or we project it to be complete by a certain date, we mean that we will have gone through a design process for that component, that users will be involved in testing that component, that we'll go through coding of the application and that we'll have a delivered functional product that includes depopulating data from existing systems. That is the definition of completion.

What we have left out on this and that we need to do a better job on is, from that point forward, focusing on what it takes to get people to actually begin using the system: The training and the whole functional deployment plan. And in future versions of this document,
we will include a separate percentage completion date and a date that we expect users to begin using the system.

Having said that, I would like to say that we anticipate being able to align those dates with the dates that we currently have for the delivery of the application by having the functional user team work in parallel with the design team in developing the deployment strategy.

The major milestone that I would like to focus on before you ask questions comes -- well, first of all, let me go through -- the first three pages of this project report focus on milestones and components that have been delivered. I could go into detail on those, but I would just like to -- I would just state that you can read through those and get a summary of what has been delivered.

The heart of the presentation today is on page 4. If you flip to page 4, we talk about the fund allocation and contract module. This is the -- this is a big component which benefits the agency in a number of ways, and we expect to have a delivered product by January 2003 for the fund allocation and contract module.

To summarize what benefits we gained from that module, the sponsor will be a major milestone. It will allow the agency to track funds from their source to
contract through the draw and budget process, it will provide us the ability to track program income and deobligated funds from source to final use, and it will provide the ability to track expiration dates of funds to ensure that funds are used.

And this module will apply to many different program areas, including HTF, HOME and, to some extent, LIHTC and Section 8, although those areas have additional needs. The idea behind our design is that we will provide a module that can be used by all areas and all programs, but we focused the development work on one central module that encompasses all those areas. After that point, the project plan covers the deliverables for the following year, which include the application module, a program module and several others which you can read through in the report.

Having gone through that overview, I'd like to open it up for any questions.

MR. JONES: Thank you.

MR. HOWE: You're welcome.

MR. JONES: Board members?

MS. ANDERSON: Curt, I have a couple of questions.

MR. HOWE: Sure.
MS. ANDERSON: But first, Curtis, congratulations --

MR. HOWE: Oh, thank you.

MS. ANDERSON: -- on your designation as Director of Information Systems. I'm also glad to see Walt Vega here today -- who I know is your software development lead manager. I know that this is a very major system for the agency that's going to bring us and our staff a lot of capability.

I was interested in your comments on, you know, when a module is complete and when it's sort of not complete, because your definition -- I understand your definition from an information systems perspective. But, of course, what -- I think what the agency staff and the board are interested in is when -- and the legislature and the taxpayers is when -- you know, they think it's complete, I think, closer to the time that people actually start to gain business benefit from it.

So I would ask -- you've made reference to updating the project plan. I would ask that the next iteration of the project plan be expanded or whatever we need to do to it to have that be -- as you said, you're going to have your functional teams kind of working in parallel. Let's get all of that documented on the
project -- on the Microsoft project plan if we can so we can all see that, because that's really what we're -- that's the prize we're focused on. Okay?

MR. HOWE: Yes, Ms. Anderson.

MS. ANDERSON: Writing the code's important, but getting people using it is really the prize there. And I did feel like the plan was kind of -- needed additional detail in that area.

I would also like to request that we see an updated plan in the -- at the September board meeting and that, along with that, we get a real clear sense of these functional areas, which functional areas will be complete by December or January. For example, the fund allocation module that's, as you say, I think is going to be a great capability for the agency, if we need to make -- we need to have that project plan be sure that we're protecting the resources that we need to really deliver that. If you're saying January, let's get the detailed planning to protect the resources to make sure we really have it in January.

And if other things -- you know, as you go through that process, if other things need to, you know, get shifted around, you know, the -- take your focus on something that strategic and important and make sure you
deliver to it. So if we can sort of hear your plan for how you all intend to do that in September, that would be great.

I know those weren't really questions; those were really comments. But I know it is a tremendous undertaking for the agency, and a lot of people -- a lot of Liz Carrington's staff from all over the department were working on it. And I think it's something that all of our communities and constituents -- it's going to make it easier to do business with the agency and, you know, make our record keeping accurate and meaningful. And so I appreciate your work on it.

MR. HOWE: Thank you, very much.

MR. JONES: Any other questions or input?

(No response.)

MR. JONES: Thank you, sir.

MR. HOWE: Thank you.

MR. GAINES: Following that report, you'll see a status of funds report. And this is money in and money out associated with the project. I won't discuss the narrative details that have been provided. We've previously discussed those. But in summary, the first page identifies the sources of funds.

And the sources of funds consider only those

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funds appropriated to the database under the department's capital budget appropriations. The expenditures for the staff's payroll-related costs and the related financing from general appropriations to finance the information services division are not reflected here. And much of the work, of course, is coming from those efforts and those funds.

Page 2 highlights the expenditures and obligations of funds through July 31 and the resulting unexpended and unobligated balances as of that date. And that is reported at the bottom of the page.

Page 3 highlights the current planned usage of those funds, and these are kind of moving targets because reservation of those funds hasn't been formalized by the steering committee or proposals from the IS division on, Yes, this is how we're going to do it. Those are tentative numbers that are kind of moving back and forth. As the committee -- the steering committee reserves those funds, they'll be designated as such, preliminary plans for the use of those funds.

A funds issue not reflected in the status of the report but will be reflected in future status reports is the expected date that funds are expected to run out considering our current burn rate, if you will. And as
mentioned at the last meeting, that date is -- was estimated then at March of 2003, which leaves us a six-month time frame that the department and the steering committee and the project committee need to develop strategies on how to continue to make progress during that interim to the new fiscal year, whereby new appropriations kick in.

That's -- the board asked for strategies for that in the future, and -- at the last meeting. And the discussion was that we'll work on those, it's on our radar screen, and we'll be providing those as they're determined finalized.

There are several other reports that are included with your materials, and I just wanted to bring your attention to them. The first report is on the staffing and projects of the information services division.

This gives you an overview of other ISD projects and demands on those resources. As you can see, there's a lot going on in the division besides this project. Curtis Howe plans on discussing this report or a similar report in greater detail with you in connection with the board training that's going to be conducted later this month.
Following that report is the schedule that has been established by the project team identifying the estimated time frames and dates that the functional areas of the department are going to need to be available to work with the project team in defining the system requirements. These are moving dates, as we haven't received final input from the functional user team as to whether these dates are acceptable or if it's going to work into their schedules.

Also, expect possible further changes as the reorganization settles down and we have new leaderships. Right now, we're getting consensus on this date or that date, but a few weeks from now, we may be dealing with other parties. And that's probably something we need to develop in that strategy on trying to --

MS. ANDERSON: That's why I --

MR. GAINES: Absolutely.

MR. JONES: Surely.

MS. ANDERSON: That's why this updated baseline project plan is -- that makes it even more important. You know, if you don't have a plan, any road will get you there. And we just have to get it in as much detail. And I know that we're talking about taking busy people out of things they're doing on a day-to-day basis to make the
investment in planning, but this is what makes large
technology projects succeed.

And if you -- and it's the only way I know of, also, to know how you're staging the resources, both the human resources and the financial resources, to hire the contractors that we're using that are helping us so important -- playing major roles in helping us build it.

It's the only way to get all those pieces.

MR. GAINES: Absolutely.

MS. ANDERSON: And so I just ask that we -- and I would ask Ms. Carrington to the extent possible to support, you know, Curtis and Walt and David in getting -- in taking the time necessary in the next 30 days or so to get -- let's get a real base-line plan updated so that you all can all say, you know, We're comfortable with this, and we're -- we can make this happen.

MR. GAINES: And that's very challenging for the reasons you spoke to. And many Number One priorities in the department are demanding the same resources we need to move forward on this project.

MR. JONES: Just remember to tell them, though, that if they help now, they won't need to complain about the system later after it's built.
MR. GAINES: The system will correct everything else, yes.

MR. JONES: Yes.

MR. GAINES: Yes.

Now, that's, from 50,000 feet, where we're at. And we welcome input going forward in the future. Are there any questions you have at this time?

MR. JONES: Board members, input, questions, anything else?

(No response.)

MR. JONES: Thank you so much.

MR. GAINES: Thank you.

MR. JONES: We appreciate it.

All right. We will then move to Item 3 on our Agenda, the Audit Committee.

Mr. Gonzalez?

MR. GONZALEZ: Yes. And we'll probably call on David Gaines again just to summarize some of the stuff that he presented today -- just a quick summary. But we did meet earlier.

And, David, we'll let you --

MR. GAINES: Thank you, Chairman.

MR. GONZALEZ: -- discuss the items.

MR. GAINES: And good morning again.
The first item on your agenda is the status of prior audit issues. If I provide too high a level of a summary, please let me know, and we can drill down on any particular issue.

MR. JONES: Great.

MR. GAINES: But there's basically two reports in your handout materials. The first report summarizes all the issues relating to HOME; this was done pursuant to a request by one of the board members at the last meeting. And then the second report are all of the outstanding issues, including the HOME issues.

First, I'd just like to kind to give you an overview of where we're at with this, a bird's eye view on resolving these prior audit issue reports. Since the last status update, nine issues have been resolved or otherwise implemented or -- implemented or otherwise resolved. Another 21 issues the department is currently working on.

Eight of these issues relate to the HOME Program. And of those eight, two have been considered cleared by HUD. One the department is in disagreement with and is presenting additional information to HUD for consideration, which we hope will be acceptable to HUD. And five of those HOME issues are continuing to be worked on by management.
Another four of the issues relate to accounting. And three of those relate to close-out procedures and accounting and reporting information that will be done in connection with the annual financial report, and we believe those issues will be taken care of during this reporting cycle.

The fourth issue relates to the integration of multiple accounting systems' sources of information, and that's an ongoing issue; the central database will deal with a lot of that. But this is also a subjective evaluation by the auditors, and we believe maybe this will not be a recurring comment.

Three of the issues that are outstanding relate to these monitoring-related considerations affecting all departments, and these are the ones -- there was a lot of attention focused on these the last meeting. They've had repetitive extensions on the target dates. They've been around for quite awhile.

Since the last meeting, Ms. Carrington has assigned a focal person, a point person, responsible for seeing these to move forward. I believe us lacking that is exactly the reason these have continued for as long as they have. And with someone assigned that responsibility, I believe we'll be making progress going forward with
those.

In addition to those items, that bird's eye view, on the status of prior audit issues, there is one other HUD issue. They've informed the department that we are not properly accounting and tracking program income on the HOME Program. It's not reflected on this report as it's not so much the result of an audit -- and this is prior audit issues -- however, going forward, I believe I'll include that issue as a means for tracking and reporting.

The department has received reimbursement from the subject sub-recipient on program income on that particular issue and is in the process of assessing the completeness of the amount that has been reimbursed. The department has also developed draft policies and procedures on how to ensure proper posting to IDIS going forward in the future.

At a very high level, that's the current status of the prior audit issues. And I'll be glad to drill down on any particular issue you might have further interest in. We did discuss the HOME issues in greater detail during the Audit Committee this morning, and I believe the committee was generally satisfied with the progress.

MR. JONES: I enjoyed watching the meeting.

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I'll say that.

Ms. Anderson?

MS. ANDERSON: Yes. We -- I really want to commend David and the staff that has worked with him on the management issues around these -- this series of audits where we have open items, as these are very complicated issues. They're -- you know, there are lots of moving parts to them.

And you have made a dramatic amount of progress both since Ms. Carrington has arrived to lead our agency and, even more recently, since the Audit Committee meeting, I think, we had maybe in June. So you and your team are to be commended for the progress that you're making -- along with the rest of the leadership of the agency that is working with you to settle these things.

MR. GAINES: Yes, ma'am.

MR. JONES: And I would like to just commend the Audit Committee because we're making progress.

MR. GONZALEZ: Finally.

MR. JONES: Thank you all. Thank you all, very much. I think the leadership of the Audit Committee has been very helpful for the board, and thank you for that.

MR. GAINES: The committee also discussed the results of the recent payroll audit completed by the
department's internal auditing division. And for this particular item, I just wanted to bring to the attention of the board that the report is distributed pursuant to the Texas Internal Auditing Act of the Governing Board to the Governor's Office of Budget and Planning, the Legislative Budget Board and the Office of the State Auditors. So when they start calling you, you'll be not surprised.

But on this report, I don't expect any phone calls. It was a successful report. The controls are generally in place to ensure proper delivery of payroll, compliance with laws, regulations and reporting requirements.

There were a couple of control conditions noted relating to access to the payroll system and separation of duties within the payroll office; while management did have compensating controls in place to mitigate the potential adverse effect of those weaknesses, those compensating controls were not being documented. I feel confident that they're happening, and management has agreed to document them going forward for audit purposes.

We're generally receptive to other issues and recommendations noted in the report and are in the process of correcting those conditions.
MR. JONES: Are we paying the board members right?

MR. GAINES: About as right as the Director of Internal Audit.

(Laughter.)

MR. JONES: Oh. You don't make -- we don't pay you anything, either? Is that right? Oh. I didn't know that. David, I appreciate you a lot more than I thought I did.

Did you know that David doesn't make anything?

MR. GAINES: No. I do think I have an advantage to the board in that respect.

(Laughter.)

MR. JONES: All right. Anything else?

(No response.)

MR. GONZALEZ: Good job, David.

MR. JONES: Yes. Thank you, sir.

MR. GAINES: Thank you.

MR. JONES: We appreciate it.

Thank you, Mr. Gonzalez.

All right. With the board's permission, I would then like to turn our item -- our attention to Item 5 of the agenda, which is the presentation, discussion and possible approval of financial items. It has been
suggested by staff that that is probably the best way to take that.

What I would like to do, since we have so many speakers on these agenda items, is to go ahead and let staff make the recommendations in toto with regard to Items (a), (b) and (c), if we could, in a summary fashion, and then let us hear from the speakers on Item 5. Okay?

Mr. Onion, if you could, in summary fashion, give us your recommendations. And then I would like to allow the speakers to give us public comment because there may be further questions from Board members after we hear the public comment.

MR. ONION: Sure. Yes, sir.

MR. JONES: Thank you.

MR. ONION: Good morning, Chairman, Board members and Ms. Carrington. The way I'm going to present this is -- I've provided you with a package on the bond transaction, who the bond purchaser is, the amounts, et cetera. So I'm going to go straight into what the issues are.

The issue is that the property is located in the city of Dallas --

MS. CARRINGTON: Robert, would you state the name of the property, please?
MR. ONION: Yes. Clarkridge Villas.

MS. CARRINGTON: Thank you.

MR. ONION: The --

MR. JONES: Well, let me by way of introduction, if I could, because -- I would like to handle this in a certain fashion and an orderly fashion because I want public comment to be able to be as meaningful as possible. The staff is recommending three under Agenda 5 --

MS. CARRINGTON: Two.

MR. JONES: Okay. Two.

MR. CONINE: Two.

MR. JONES: Okay. I understand. Okay. I understand, yes. Let's take (a) and (b). Okay?

The staff's recommending both the Clarkridge Villas apartments and the Wheatland apartments. Correct?

MR. ONION: Yes, sir.

MR. JONES: Okay. Thank you.

MR. ONION: Again, the issue is the property's located in the city of Dallas; however, if the project is built, the students that would be occupying those units would be going to the city of Duncanville. What I wanted to point out to you is the zoning of the property.
(Pause.)

MS. CARRINGTON: Upside-down, Robert.

MR. ONION: It's upside-down?

(Pause.)

MR. ONION: As soon as the screen comes down, it'll be a little clearer. But the property is already zoned Multifamily 1. I want to draw your attention to the distinction. It's the overlay of the SAH; that stands for Standard Affordable Housing. And what that does is -- the City of Dallas has not only said that, What we want to see on that particular site is multifamily; We want to see affordable housing on that site.

You did receive a letter from Mark Housewright, a city council member who is opposed to the project. I can only assume that he was not a council member at the time this property was zoned.

Another thing I wanted to point out is that --

I was looking to see just how many bond or LIHTC properties --

Please help me there because this is upside-down.

-- are located in this particular area. What you see are four properties. All four properties are located in west -- east of Duncanville and do not impact
the Duncanville school district. Now, I'm not going to
tell you that that's the only affordable housing that's
there; once I get into the development portion, I will
also point out some other properties that are deemed
affordable.

There are two properties. And if I could use
this -- let me --

(Pause.)

MR. ONION: I'm sorry. I -- you have Parkridge
Apartments, and you have Austin Bluff Apartments. Austin
Bluff Apartments was developed by a nonprofit
organization. They did not use bonds, they did not use
tax credits. They did a 221(d)(3) with HUD. They do have
set-aside restrictions of 40 percent at 60 percent of area
median income, 75 within that 75 at 80, and the balance at
market.

The other property, which is Parkridge
Apartments, is currently under construction; it's across
the street from the subject property. And with some
difficulty, I found out that the owner of the property is
the Dallas Housing Authority. Now, I have not been able
to confirm exactly what type of affordable housing they
plan on developing there, but it is under construction,
and it will have some affordable component to it.
I think that the real issue here is that the jurisdiction for the zoning is with the City of Dallas. And it is zoned, and it is legally permissible. I also want to point out that there are some escarpment issues on the site which cause a very low density for the number of units; only ten units per acre can actually be placed on this site. So it's a very low impact for that particular site.

The developer applicant will be paying full taxes. This is not a CHDO exemption or a property tax exemption.

The other affordable housing that's in the area -- that is a limited amount. I know that several months ago, there was a group of concerned neighbors who said that they had shouldered more of their fair share of low-income housing tax credits and bonds. And the best that I could find out in Duncanville is that these two affordable properties are the only ones that we're aware of.

We also learned from the last meeting that we all know that apartments do not pay from taxes the amount that's necessary to educate one student; that really comes from retail, commercial or manufacturing. The situation here is that there is not retail and manufacturing at this
point. I think a lot of the neighbors would hope that we -- that somebody would develop retail before the apartments. However, we all realize that retail and commercial looks for roof tops before they locate in a particular neighborhood.

Based on these issues, I'm willing to recommend and the staff is willing to recommend Resolution 02-038 in the amount of 14 million-six, which is slightly less than what's in the application. And if you have any questions, feel free to ask me.

I did want to read into a letter we did receive -- read into the record a letter we did receive on August 6 from Royce West, State Senator: "Dear Mr. Jones. Today, I'm writing in regard to the bond allocation for the Clarkridge Villas proposal to build multifamily housing in my district at the corner of Clark Road and Clarkridge Drive.

"Due to the overwhelming opposition exhibited by numerous calls and letters to my office, as well as public testimony at the public hearing held in Dallas, I am asking that you decline to approve this allocation that is vehemently opposed by the surrounding community. In addition, I have also received input from many elected officials opposing this proposal."
"I remain a staunch supporter of the affordable housing and look forward to working with you to promote a system that will be amenable to homeowners, tenants and developers alike. If you have any questions regarding this letter, please contact my office."

Also, there was a letter received by Chairman Jones, and it is from Kenneth Mayfield: "I am writing in support of the citizens of Duncanville who are opposed to the above referenced project. As County Commissioner for District 4 of Dallas County, Duncanville is located within my jurisdiction.

"It appears from reading the newspaper and talking with Mayor Glenn Repp and others that they raise some legitimate issues. I hope you will do all you can to respect the wishes of the citizens of Duncanville. It does not appear that this project should be approved."

And, also, I wanted to make a correction. The resolution -- instead of being 38 and 39, it -- or 32, it is 02-37.

Does the board have any questions?

MR. JONES: Thank you. I'm sure we will as time goes by. So I wouldn't leave if I were you.

MR. ONION: Okay.

MR. JONES: If you can stay with us, we'd
appreciate it.

We've heard of Mayor Repp.

Mayor Repp?

MAYOR REPP: Yes?

MR. JONES: Would you speak to us?

MAYOR REPP: Chairman, members and Mayor Salinas, good morning. My name is Glenn Repp; I am Mayor of the City of Duncanville. Thank you for giving to us another opportunity to appeal to you on behalf of the citizens of southwest Dallas County. Our comments today apply similarly to Agenda Item 4(a), as well.

I begin by stating affirmatively that we are not opposed to affordable housing projects, nor are we opposed to the Southwest Development Corporation; we understand that they are quality builders and model members of the community. We have seen the Primrose Oaks property for senior citizens and would gladly open our doors to such a development.

What we are opposed to, and we believe for valid reasons, is the specific project known as Clarkridge Villas, a 256-unit multifamily residential rental development. The City of Duncanville did not become aware of the hearing of 23 July until I was alerted by a letter from Senator Royce West dated 15 July. The short notice
and hearing venue selected did not provide opportunity for many nearby and interested residents to participate.

I would like to, if you don't mind, please, sir, to ask that you -- I would like to let you see a broad representation of people from southwest Dallas County that have accompanied me today and traveled.

If you all please will, stand.

(Pause.)

MAYOR REPP: We have city council members, school board members, chamber of commerce members and senior citizens. And we're also honored to include among our members Mr. Bill Fahey, former catcher for the Texas Rangers.

Facilities with sufficient capacity were available in the city of Duncanville, but we were never contacted, contrary to statements made in the official transcript. It is our belief that the Clarkridge Villas developers were at best misleading in their presentation and in their orchestrated testimony at the hearing. I believe that you can agree with me after having read the transcript of the testimony and a preponderance of the correspondence you received that emphasis was continually directed toward a Primrose senior citizen project.
I would introduce for the record at this time the letter already mentioned from the Honorable Mark Housewright, Dallas city council member for the district, in which he indicates that his earlier letter presented in evidence in support of the project was misused by the proponents. And he now opposes the use of state bond financing for that project.

Further, Mr. Alan Simms, City Manager of Cedar Hill, Texas, whose letter was introduced in evidence in support, told me personally the following day, July 24, that he was chagrined that his letter was used in a misleading way. He only indicated support for the Primrose project because his mother was a resident of a Primrose, and he was not suggesting that he was in support of the subject project.

I would also enter into the record letters which the board chairman has already received from Senator Royce West, which has been read, and Dallas County Commissioner and President of the National Association of Counties, Kenneth Mayfield, as well as a separate letter which you have not yet received from our senator, Jane Nelson, recommending disapproval of financing for this project.

I will not at this time repeat my testimony of
23 July, but I do introduce into the record my letter of 22 July to Sen. West, copied to Mr. Robert Onion, Director of Multifamily Finance, in opposition.

In conclusion, it is our contention that the citizens of Duncanville and southwest Dallas County have been shabbily treated and, along with this board, misled by Southwest Housing Development. It is our respectful request that the board in all fairness delay any decision on this project for 90 days and allow our citizens time to analyze the financial and factual data submitted by Southwest Housing in rebuttal and to determine the full impact that this development will have on the extremely fragile socio-economic structure of southwest Dallas County.

Thank you, very much, for your time.

MR. JONES: Thank you, Mayor.

MAYOR REPP: And May I present you with these letters?

MR. JONES: Yes, you certainly may. You can give them to Delores; she'll take care of them for you, Mayor. Thank you so much.

Our next speaker is Mr. Gary Fisher.

MR. FISHER: Thank you for giving me this opportunity. My name is Gary Fisher. I've lived in
Duncanville for over 20 years. On a professional basis, they've asked me to speak today because during my time at -- living in Duncanville, I have been also professionally involved in real estate for over 22 years.

I have a master's in business from Southern Methodist University. Although it is a master's in business administration, I worked as a graduate assistant for the chairman, Robert Harvey, and I worked for the Corrigan chair in real estate, Dr. Bill Brugeman [phonetic]. In that time, they gave me the option because I had more hours, because I went to the university with a CPA and worked for Coopers and Lybrand, than anyone graduating with a master's in science and real estate.

Subsequent to that graduation, in those 22 years of development, I've won two national design awards in development predominantly in senior housing, and I've developed over $100 million in multifamily housing. I was a partner with the Trammell Crow residential company for in excess of five years, and included in my responsibilities was to look on a national level for the potential for developments within our national market offices.

Within that, I would like to just tell you that our concerns and my concerns specifically are several. If
you look at that proposed design, not being multifamily -- we have no question about its appropriate use for multifamily. But within that design, we'd like to share with you that it -- as stated earlier, it is developed on both sides of Clark Road.

We'd like to show you both that development and Clark Road because if you haven't been there -- Clark Road is a six-lane divided highway. They're proposing on the west side of their development a swimming pool. They're proposing on the east side of the development additional housing opportunities, and they say that the individuals will be shuttled back and forth to the property.

Their proposed two-, three- and four-bedroom units could have a potential just based on fair housing to the extent of 752 children living in that development. That's impossible, to shuttle 752 children back and forth across a six-lane divided highway. The cars on that road go over 50 miles per hour.

That road also is the only road with north accessibility to Dallas; you have the reality that Interstate 20 is located just to the north, but you have no access for people living in that area to access Interstate 20. But if you do want to go north, you only have that one direction to go. So even the proposed
development will increase the risk of traffic.

Second, we had some concerns -- although we didn't have a chance to see it today, but -- related to the economic study performed by the professors from the University of North Texas. It does say that their market -- in looking at demand or -- for individuals up to $45,000 in income, we understand it's a bond transaction and will be limited by rent ceilings of 50 percent of the median income. And that certainly exceeds that limit.

Likewise, they say that only one out of every two household units will be anticipated to be impacted by their development. That certainly exceeds their economic limits.

We would like to tell you that we do know that they are correct in telling you, although the economic development study you received couched it this way, at present, there are no affordable housing --

MR. JONES: Excuse me. Your time is up. If you could, wind up for us, sir.

MR. FISHER: Okay.

They said at present, there are no affordable housing units located within three miles of the proposed Clarkridge site. There are 248 units that are Dallas
Housing Authority units that are being developed; those units will have a potential based on fair housing, according to what they've told us construction wise, of 616 children that will be attending the Duncanville school district. And that was not intended in any of the financing that we've planned for our school district.

Thank you so much.

MR. JONES: Thank you, sir.

MR. FISHER: Thank you.

MR. JONES: Mr. Kent Cagle, the City Manager of the City of Duncanville?

MR. CAGLE: Yes, sir. Chairman Jones and Board members, thank you. I would like to talk about the inadequate city services that are provided in this area.

Currently, Dallas provides no ambulance service to this area of Dallas; the city of Duncanville is the first responder. The nearest Dallas fire station is about two-and-a-half miles away, and it has no ambulance, only an engine. We are the first responder. When people in this area call 911, it's a Duncanville ambulance that's going to show up. And we're beginning to have a problem.

We've been happy to support these Dallas areas with our services for a long time, but in the last year, almost 25 percent of our total EMS calls were into Dallas.
There's going to come a point in time where we can no longer continue to provide the service, and I don't know if Dallas is going to be, either; I think their financial problems are well known now, and they have no planned new fire stations in this area.

Also, with the issue of parks, Dallas only has one small neighborhood park in this area; it's approximately two-and-a-half miles away. All of the regional parks in this area are provided for Dallas residents by the City of Duncanville and by the City of Cedar Hill. Our residents are now being crowded out of these parks by the growth in Dallas, and, once again, Dallas has no other planned parks in this area.

Our police department provides police service to the ninth-grade school, the Duncanville Independent School District, which is in Dallas, because Dallas does not provide police services to that area.

Also, with respect to the issue that you saw on Clark Road, we believe there is a safety problem there. Just south in the city of Duncanville city limits last year, our department wrote 292 tickets for speeding. And this is without our traffic department because we've had to pull people out of there. When we have our traffic enforcement going in, we'll write many more tickets.
But 174 of those tickets were for 11 to 15 miles over the speed limit, and 58 were for 21 miles per hour over the speed limit. And when you see -- when people heading north out of Duncanville hit Clark Road, this becomes a speedway here, north of Spur 108.

I can assure you that the speed limits in this area are in excess of 60 miles an hour. And when people hit the Duncanville city limits, they know there's not -- it's highly unlikely that there's going to be a Dallas police officer in this area. So the children crossing the road are going to be at great risk.

Also, DART provides minimal service to this area. If these -- if the people that live in these projects need to go to work in north Dallas, they're probably be able to catch DART. If they need other services to shopping, to doctors or to anything else, it's most likely going to be outside the DART service area; they might be able to make a trip, but it's probably going to take them all day on DART.

This is a very under-served area by DART. DART also has financial problems. I doubt they'll be increasing services in this area any time soon.

Lastly, I would like to conclude, in my discussion with Mr. Onion -- and as he said today, his
concern was for the property rights of the property owner. It is zoned for that. And we believe that if that property owner wants to develop it in apartments, that is his right; we just object to the state level of funding.

I believe the mission statement is, To help Texans achieve an improved quality of life through the development of better communities. And we do not believe, even though this has the appropriate zoning, putting this affordable housing unit in this area achieves your mission statement. Thank you.

MR. JONES: Thank you, sir.

Mr. David Bates?

MR. BATES: Good morning, ladies and gentlemen. And thank you for the opportunity to speak.

I now speak as a new tenant in this new outfit; I'm blessed with a brand-new apartment for me and my family. I can afford the rent, and things are finally looking up. And it's in one of the best school districts in the state. Of course, the complex is stuck out on the far end of nowhere; I don't own a car, and DART service will be iffy at best considering its current problems.

Come to think of it, the nearest grocery store is more than two miles away, and no doctors, no dentists and no lawyers -- that might not be bad --
(Laughter.)

MR. BATES: -- are within a reasonable distance.

MR. JONES: Boy, you just persuaded me. I guarantee you I'm on your side.

(Laughter.)

MR. BATES: And the same thing goes for any kind of shopping. The Duncanville library and the library that the City of Dallas has on Mountain Creek Parkway are too far away to be of any real use. The same for the parks and recreational facilities. Churches? Where am I going to worship, and where are my kids going to go to Sunday school? Day care for the little ones? It's miles away.

As I said, the schools are great. And there will be school buses, but what about our after-hour events? And how will I get to the school if and when I want to go there?

There's no job market in Duncanville, so I'll have to go to Dallas or further to find employment. And, again, like it has been mentioned earlier, I'll have to depend on DART, which really doesn't go where I need to go. And if it hits a few of the spots, the schedule leaves much to be desired.
As the previous speaker said, I can get an ambulance to Charlton Methodist Hospital in an emergency. But to get there any other way or for any other purpose, it might as well be on the moon. But I am blessed with a brand-new apartment for me and the kids.

And any time I have left over I'd like to give to Dr. Jerry Cook. Thank you.

MR. JONES: Thank you, sir.

Ms. Kathryn Thompson?

MS. THOMPSON: Good afternoon, ladies and gentlemen. I'm Kathryn Thompson; I'm treasurer of the homeowners association in Duncanville and, also, a member of the library advisory board there in Duncanville. And I'm here to speak on behalf of this situation.

And my concern is: How will this impact Duncanville with the traffic, without education, the library and, of course, with the fire and police departments, as has been stated already? Will there be additional revenues coming in to support the staff of the library? We know we'll have additional students coming in.

How will this affect us? I would like for that to be a consideration when you consider this. Thank you.

MR. JONES: Thank you.
Mr. Peter Thorne?

MR. THORNE: Hello. And thank you, Board and members, for the opportunity to be here. My name is Peter Thorne. I'm the -- I work at the International Linguistics Center, which is about only 1,000 feet away maybe from the nearest point of this Clarkridge Villas development project, and I've worked there for 20 years. I'm educated in civil engineering and have operated in that fashion for about 20 years there in helping to develop our campus.

The issue that I'd like to bring to your attention this morning is the escarpment issue. I've had to develop plans according to the Dallas city escarpment code and meet with their escarpment committee and to provide good engineering solutions for the surface water flow on our property in building three detention ponds and working with the water flow and working with foundation preparation for the buildings that are built.

And I think that from looking at a proposed site plan for this Clarkridge Villas project, I don't see any detention ponds or work to handle the surface water flow on their drawing. Now, I don't know actually myself what plans are in place for those, but I'm concerned that there's nothing that should appear on the site plan.
drawing.

As well, I would be concerned for the type of structures they're going to build. Since some of them might be three-story, they need special provisions to build in that escarpment-similar area.

And I'm just asking you today to take your opportunity to stall that project and to give time -- by not approving the bond issue today, to give time for the cities who are working on this project to provide services, the time that they need. My opinion is that they need more than a year to do the proper study and planning that's needed to do proper escarpment compliance work and, also, to handle the other issues of the school district problems and the transportation problems which -- I would like to see time given to widen Camp Wisdom Road.

There's a plan that's in place that Dallas has had for a long time. It's not in the current bond issues for Dallas, and -- they bring that up every three years, I believe. But I think that that project of widening Camp Wisdom should get in place approximately the same time that permission is given to go ahead with development for these apartments. Thank you, very much.

MR. JONES: Thank you, Mr. Thorne.

With that, we're at 12:15. Board members, I
would suggest that we recess for lunch. I know that we've got a full agenda. Would 45 minutes be enough for everybody? Any objection?

(No response.)

MR. JONES: Hearing no objection, we will then recess for 45 minutes and try to start again at 1:00.

(Whereupon, at 12:15 p.m., this meeting was recessed, to reconvene at 1:00 p.m. this same day, Thursday, August 8, 2002.)
AFTERNOON SESSION

(1:15 p.m.)

MR. JONES: I would like to call the meeting back to order. And we are still on Item 5 of the agenda. Ms. Carla Fahey?

MS. FAHEY: Good afternoon, Chairman Jones and Board members. My name is Carla Fahey, and I live in Dallas, Texas. I'm one of the few here who live in Dallas and, also, have loved -- love the Duncanville ISD school district. As a former school board member, that of six years, I know the impact, the huge impact, that this development will bring upon our school district. However, this afternoon, I would like to speak to you about city service issues, having lived in Dallas for 25 years.

The children who would be living in the development -- if they have a library assignment and go to the Duncanville library and wish to check out a book, they will have to pay a fee. For Duncanville residents, it's free; for Dallas residents, a fee. A similar situation with our recreation center. It's a huge, wonderful community center; however, I'm not even allowed a membership. So that's something to consider with the family and children issue.

Also, the safety issues, that of the fire

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department and police services. Last summer, I received a bite from a snake. Being home alone in Dallas, I called 911, and it was Duncanville who came to my rescue.

However, my husband, a few months later, had an accident in Duncanville and was aided by a Duncanville police officer, who said, Well, yes, I'll take you home. "Okay. I live right around the corner." Well, that was Dallas, so the Duncanville police officer could not even make that journey around the corner.

Another small issue but a big issue in our neighborhood is our streets. Somehow, that sector of Dallas, I think, is overlooked. We have huge sink-holes on the main feeder street into our neighborhood -- not pot-holes, but sink-holes. I think these are safety issues. I think these things should be considered when you're thinking about putting that amount of family and children into that small area.

Thank you for your time.

MR. JONES: Thank you.

Mr. Bill Fisher?

(No response.)

MR. JONES: Mr. Fisher?

MR. FISHER: I'm here.

MR. JONES: Thank you, sir.
MR. FISHER: Thank you. Mr. Chairman, can I approach? I've got some things.

MR. JONES: Certainly.

(Pause.)

MR. JONES: Thank you.

MR. FISHER: I also have for the record, Mr. Chairman, over 200 signed petitions by low-income residents of Dallas in favor of this project, the Wheatland Villas.

MR. JONES: Thank you. When you say, "Over 200 petitions," do you mean over 200 individual petitions with more signatures than that on them, or 200 signatures?

MR. FISHER: 200 individual letters specific to Clarkridge and Wheatland.

MR. JONES: Thank you, sir.

MR. FISHER: Mr. Chairman and Board members, my name is Bill Fisher; I am the Vice-president of Development for Southwest Housing, the applicant. And I appreciate the opportunity to speak to you today.

I want you all to keep in mind one number, just one number: Zero. The number is zero. Zero is the land use issues open on this site. This site is zoned under the jurisdiction of the City of Dallas. It is zoned specifically for affordable housing. It's not just MF;
it's specifically for affordable housing.

Street safety issues? In Mr. Potashnik's desire to make the project better and a lower density for everyone involved, all the stakeholders, he has spread his buildings out over 26 acres on two sides of the street. So to the extent there's a safety issue, I believe, on behalf of the company, I can represent to you we will simply put all of the buildings on one side of the road.

There's plenty of land, almost 19 acres, over there. And the current zoning will accommodate the number of units planned. So to the extent that that's a concern of the board, it should not be.

The jurisdiction of the City of Duncanville on this project is zero. The City of Duncanville is not involved in this project; our services are provided by the City and County of Dallas.

We agree the school district has jurisdiction over our site. The school district has made zero efforts to de-annex this property or resolve the land use issue with the City of Dallas; they simply come forth and attempt to prevent the lawful use of the property. Zero is the attempts they've made to not be involved in this particular site.

The publicly available information regarding
any position that the Duncanville schools are overburdened or doing more than their fair share is zero. It's zero. I put in front of you publicly available information on both the Dallas Independent School District and the Duncanville Independent School District. Their high school has a below-average student/teacher ratio; the entire district has a slightly-below-average student/teacher ratio.

The average city school district state wide has 49 percent of their student populations as disadvantaged; Duncanville, 37 percent. I think the information on the district and our lawful paying of the full tax burdens appropriate to this site answers the issues as to whether we're doing what is necessary as a member of the Duncanville Independent School District community to meet our lawful obligation.

Zero is the number of families being low-income families on low-income housing tax credit projects and tax-exempt bond projects being served by the City of Duncanville. Zero. Your own web site makes it crystal-clear exactly where these projects are located, exactly how many tax credit developments have been put in place, and there are zero in the city of Duncanville.

The saddest thing today would be a declination
of this project. You know, our mission with you is to build high-quality, safe and affordable housing. If this project is turned down, the number of families that will be served will be zero. I think when you take a clear look at it, the opposition has no valid or lawful reasons for this property not to be put in this location under the current zoning.

Our experience with this board has been a board who is courageous, prepared to make difficult decisions and a board who is fair. And I would ask you today to approve this development five/zero. Thank you, very much.

MR. JONES: Thank you, sir.

Mr. Ronald Gebauer?

MR. GEBAUER: Chairman Jones and members of the Board, with your permission, I'd like to submit this letter that I sent to all of you by fax for the record. And it basically is a written form of the topic I want to speak to you about today. Thank you.

(Pause.)

MR. GEBAUER: I'm a citizen of Duncanville. I live in the Duncanville Independent School District. I represent no one other than myself. I'd like to talk to you about our current situation not for the issue of debating the zoning but to tell you why your role is so
important in this process.

Currently as it stands, the City of Dallas does the zoning. It's impossible for us then, as our governmental system is set up in America, for us, the citizens living in the area that pay the taxes, to hold our public officials accountable for any reasonable planning on this land. And as a result, the only issue we have after the fact is that we can go and vote new bond issues, which we already have in the past, to raise our taxes higher for something that we have no oversight or control over.

I'm new to the area, within the last two years. I can't speak about de-annexing or how this came to be; I've tried to find out, and it's not that easy. But I can talk about what I see now and what I notice in the community. The resources of the community are already stretched perhaps to give the benefits that were just spoken about to whatever the ratios are. Perhaps you'll hear more on that later from someone more qualified.

The concentration of developments was not represented to us. We knew Miller was going in, but the developer hadn't done his homework and wasn't apparently aware that this was public housing across the way -- Dallas public housing. Even now, our city manager and our
people -- we aren't informed.

At the meeting before for the -- another development, Mr. Onion came, and we had the whole community out. It was in Duncanville. Well, that didn't happen the next time, because it was set for six o'clock in downtown Dallas. And it may be legal, but is it moral?

So the representatives of the community could not come out in force and speak their true will. We know the area. We know its fragility. We know that it's Duncanville police who staff the Dallas -- the school in the Dallas zone. Even though they were asked six years ago -- I checked with the police chief on that yesterday -- the burden falls on us.

Now, where do you come in to play on that? Because the normal governmental checks and balances don't exist and taxation without representation does exist, that means you're our last line of defense. You have to -- because we can't be involved in the planning process -- our city managers, our people, we don't even know about these meetings before they're coming up -- we then have to rely on you to sift through the material very carefully because we haven't had a real chance to make our case.

Now, it may be legal, but, as I say, it's not moral. And so I'd appreciate just as a citizen of Texas
that you would please use the powers at your disposal to
either -- grant a stay for awhile for us to have an
opportunity to put a case together well -- by that, I mean
the citizens and the elected officials.

And this isn't over yet. This -- there's a
huge area of Dallas, if you check this, that's relatively
unpopulated and unzoned. And I think we'll be back again.

So thank you, very much, for your time. And I
would appreciate then that you register at least my
thought on the basis of the evidence I've heard and from
the community living there and seeing what's going on that
this probably would not be the best place for the people
we're trying to serve by building these units. Thank you,
very much.

MR. JONES: Thank you, sir.

Mr. Onion, there has been a suggestion made.
If you would, come to the podium.

(Pause.)

MR. JONES: There has been a suggestion made
that we had a meeting that was done so as to discourage
attendance; I'm sure that's not the case. Could you
respond to that?

MR. ONION: Yes, sir.

In evaluating the best venue to have the TEFRA
hearing, we look for an area that -- or a site that would accommodate what we anticipate the number of people will be. In the past, we've used libraries, and they have worked well; however, within the last six to eight months, our TEFRA hearings have really grown in the number of attendance.

We first went to Duncanville Independent School District in order to try to find a site for this TEFRA hearing. We went through the proper channels and the contacts, and we were told -- and because it was during the summer time, we had difficulty getting a hold of the principal. And the ultimate answer was that it was not available.

We then went to the City of Dallas Independent School District and tried to find a location there. We did go through, and, again, the principal was off and unavailable, and we were told that there were no rooms available. Then we opted with our third choice, which is to go to the downtown library, since we knew it had a large enough venue to accommodate what we anticipated was going to be a large crowd.

So we did explore those options and -- as a result of just winding up with one that would accommodate us.
MR. JONES: Thank you, sir.

Mr. Martin?

MR. MARTIN: Chairman Jones and Committee and Ms. Carrington, I appreciate you taking your time out of your schedules to allow us to speak and come before you today. I do have a funny routine, but it takes about 45 minutes for my stand-up routine. So I'm going to bypass it and go straight on.

(Laughter.)

MR. MARTIN: I'm here basically to just summarize our public hearing that we had in Dallas. That night, as you heard earlier, public letters were read from Dallas councilman Mark Housewright and, also, City Manager Alan Simms, which have sent letters of retraction because they felt that their letters were used improperly in support of this.

Also there that night, the people that spoke -- of the approximately 25 people that spoke in opposition, every one was a homeowner, both in Duncanville and Dallas. Not one person who was a homeowner spoke in favor of this. Now, of the ones that spoke in favor, there were approximately 16 or so that -- one was a paid consultant by the developer. One was a sub-contractor, who stated in the meeting that he worked with the
developer.

You had a hospital spokesperson from Dallas, who said that they had a great relationship with the developer on one of their Primrose properties, which is a seniors development. And we had actual employees of the developers there that spoke in favor of it and which were on the payroll of one of the projects. And then there were eight -- approximately eight residents of Primrose, which is their seniors adult community that the developer has developed.

My point in case to you and the point I want to make here is that we are not getting the true story. And to borrow a quote -- I was there at that meeting -- in the opening comments by the developer, zero was solicited today and told to you here of what was told to us that night.

We spoke quite frequently about seniors' communities. We spoke about how seniors play a part in this. But, yet, we don't have any availability for seniors in this particular project. They -- sure, they can live there if they want to move in there, but there's no accessibility for seniors, there's no elevators to the second floor, and things such as this.

I guess the thing that bothers me the most?
You have 200 letters that were introduced here. I would
dare say that a residence for affordable housing -- I'll
bet if you checked, a lot of those would be from their
Primrose properties, because that's what we heard from
that night. We're not opposed to affordable housing; we
just feel like that Duncanville has done our fair share
with our numbers.

And I'm going to close real quickly and just
say we would love to have this developer bring us a
Primrose or a seniors' development because that's
something that we could use that wouldn't impact our city
such as that. We would work with them.

And I think at this time, the fact that --
we've had some remarks about the school district. I'm
going to cut it short because Dr. Jerry Cook, our
superintendent of schools, is here, and I think he's going
to be adding more in fact to that statement. Thank you,
very much, for your time.

MR. JONES: Thank you, sir.

Dr. Cook?

DR. COOK: Thank you. I believe I have a
handout that is being passed around to you. I'm Jerry
Cook, and I speak on behalf of the Duncanville Independent
School District Board of Trustees.
The first thing that I would like to say is that we're in the school business, and we will educate to the best of our ability any child that comes through our doors. And we're committed to that, and we will do that, but I do want to point out a few concerns and just state a bit of information that I believe that you need to know.

First of all, I'd like to make sure that both you and the staff understand the size of the Duncanville Independent School District. The Duncanville Independent School District is much larger than the Dallas -- pardon me -- than the city of Duncanville. And this is important when you understand the impact of affordable housing and low-income housing that is already currently present in the Duncanville Independent School District.

Duncanville ISD goes north to Kiest, east to Westmoreland and west of Spur 408, all the way to the Potters' House. So we have a huge area that is in Dallas. Now, it is mentioned that there is not affordable housing in the city of Duncanville; that doesn't affect the Duncanville Independent School District, because we're north and west of Duncanville.

Our current statistics at the end of the year are that 41 percent of our students are on the free and reduced lunch program, economically disadvantaged. The
figure of 37 percent was from two years ago because it came from the 2000/2001 AIES indicator system report, which is based upon two-year-old data.

Our current data is 41 percent of our students are on free and reduced lunch. If that is the case, where are they living? They're living in low-income, and they're living in affordable housing, the Barbara Jordan Apartments and the Larimore Apartments. We probably get 150 students out of those, and those are project apartments, Federal Housing Authority.

So I think you've got to really take into context here the size of the Duncanville Independent School District as it relates. We're in four municipalities, Duncanville, all of the city of Duncanville, Dallas, De Soto and Cedar Hill. Yet we have no input into what goes on in the city of Dallas.

For example, the apartments that are going in just south of where these Clarkridge Villas apartments are going in that are being built by the Dallas Housing Authority -- we didn't even know that. We had no input. No one ever told us. They -- the first we know that they were going to be built was when they started coming out off the ground. And then we find out later that it's from the Dallas Housing Authority.
Now there's a couple of other things that I want to mention. There was a report what was given -- and I'm assuming that you have access to it -- that was prepared for Southwest Housing Development, the economic and physical benefits report. And there's several issues that I want to bring out here, because this is the data that was used to make this recommendation, and there are some assumptions that are invalid that need to be pointed out.

Number one, the authors propose that the number of students new to the district that will be coming from these apartments will be 100, and they do that based upon a .5 ratio of students to households. Well, the apartments similar to these apartments in the Duncanville ISD have about .71. If you use those numbers, then you're going to get at least 127 students. I think one thing that you have to look at, though, is: What are the rental patterns for the Dallas Housing Authority, and what are the rental patterns that will come through on these apartments? And the fact remains that I believe that the numbers will even be higher.

Another thing, though: By Southwest Housing Authority's own memo to me, 43 percent of these students will be free and reduced lunch. So the percentage of free
and reduced lunch students that will be in these apartments is higher already than what the total population of the Duncanville ISD currently is, and we're already at 41 percent.

Another thing: The available space. Yes, this report makes a lot of to-do about $166 million bond issue, but that bond issue was not built to accommodate these multifamily dwellings. The students that are going to be coming from these multifamily dwellings are going to have an adverse impact on our ability to house the current students with the new buildings we have, which will cause us to be over-crowded and have to build more buildings.

Finally --

MR. JONES: Dr. Cook, if you could, sum up.
Your time's up.

DR. COOK: Yes.

Finally, the funding issue on the back page I think is important. If you read this report, it makes you think as if the apartments will be a benefit to us financially or, at worst, it will pay for the students when the reality of it is -- and I'll sum up because my time's over -- that it will pay for less than half of the students that are going into this school district from this project.
We're dedicated to meeting the needs of all of the kids that we have in our district; it's just that we're being inundated with more and more students over which we have no control in the process of from whence they come. Thank you.

MR. JONES: Doctor, could I ask you --

MR. CONINE: I have a question.

MR. JONES: Go ahead.

MR. CONINE: Dr. Cook, what do you -- what does an average starting teacher in the Duncanville school district make?

DR. COOK: The average what?

MR. CONINE: Starting school teacher in your district.

DR. COOK: The average teacher? Well, a starting teacher is 36,000.

MR. CONINE: 36,000? All right. And would you know what, say, a policeman or a fireman in Duncanville would -- what they would make --

DR. COOK: No, sir.

MR. CONINE: -- as a starting salary?

DR. COOK: No, I don't.

MR. CONINE: You don't?

DR. COOK: Mr. Cagle would know that. I don't
know.

MR. CONINE: Thank you.

DR. COOK: But a starting teacher is 36,000.

MR. JONES: Dr. Cook, am -- I'm looking at some of the data about the various school districts. With regard to the various tests that are done, your students perform substantially higher than those that are in Dallas, DISD. Correct?

DR. COOK: Yes, sir.

MR. JONES: Okay. And your dropout rate is much better than theirs. Correct?

DR. COOK: Our dropout rate -- that has not been published yet, but our dropout rate for this past year is .01 percent. We had four dropouts out of 5,500 students.

MR. JONES: Well, congratulations. That's wonderful.

DR. COOK: We do a dog-gone good job.

(Applause.)

MR. JONES: Wonderful. Thank you, sir.

DR. COOK: All right. Thank you.

MR. JONES: Ms. Potashnik, please?

MS. POTASHNIK: Thank you, members of the Board and Ms. Carrington, for the opportunity to address you...
today. My name is Cheryl Potashnik; I work with Southwest Housing Development.

Just an aside, Mr. Conine, I printed this off of the Duncanville web site. The school district shows a starting salary for a first-year teacher at thirty-one-five, which would make that starting teacher with one child as a single parent qualify for housing in our development.

I want to thank the people today who have spoken on behalf of our Primrose product. We're very proud to serve the senior citizens that we serve in the state of Texas, and we hope to be able to continue to serve those senior citizens. In fact, we're just completing a project here in Austin with the Austin Housing Finance Corporation for senior citizens, and we're very proud of that. And we'd like to invite you all to our grand opening on August 15.

Our desire to serve the senior citizens of Texas does not change the fact that there's an acute need for affordable housing for families. I have a letter here today that I'd like to read if it's permissible from Mayor Laura Miller from the city of Dallas. I was copied on this letter that was faxed to Ms. Carrington this morning. I don't know if you've seen it.
May I read it?

MR. JONES: You may.

MS. POTASHNIK: Thank you.

"Dear Board members. I am writing today in regards to a multifamily housing proposal for Clark Road in south Dallas. Brian and Cheryl Potashnik are before you as the developers of this proposed project. It is my understanding that their development would consist of 256 units on a plot of land currently zoned for up to 500 units of affordable housing that would be restricted to adults who are employed and children who stay in school.

"While I understand and fully appreciate that there is some neighborhood opposition to their development, I wish you to know that the Potashniks have a solid reputation for building, maintaining and keeping very high-quality affordable housing. Their developments are clean, safe and well-kept. I have been most impressed by the caliber of their company's work and track record.

"Since this land is zoned for affordable multifamily housing, I have to wonder if a lower-quality development with less well-intentioned owners will be built if the Potashniks' project is not approved by you. My concern is the long-term health and vitality of this southwest Dallas neighborhood.

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"Recently, I appointed a special task force to look at the issue of the lack of affordable housing in Dallas. Brian Potashnik is a valuable member of this task force, which has a goal of helping the city build 30,000 new units of affordable housing. As in the rest of the country, Dallas has a serious shortage of housing for working families.

"Thank you for the opportunity to share my thoughts with you. Sincerely, Laura Miller, Mayor, City of Dallas."

And I would just like to point out for those of the people who have spoken on behalf of our Primrose projects and the quality of housing that we provide for seniors that I can assure you that that quality is consistent through all of our properties, not just our senior housing, but throughout our multifamily developments.

And I want to clarify one other thing, which is the SAH zoning designation and where that came from in the City of Dallas. I had a conversation yesterday with Mike Daniel, who is the plaintiff attorney for the Walker project. And I don't know how familiar everybody is with Walker, but what I was told was that SAH was assigned to certain tracts of land throughout the city based on a
certain demographic as the City of Dallas' legislative attempt to meet the Walker consent decree.

And so that is where that zoning came from. This tract of land had its multifamily zoning for a long time. The school district has said, "We didn't take those kids into account when we made our budgets and our plans for the upcoming year," but they have known about this zoning. And I'm not sure why they wouldn't take that into consideration in their planning.

Thank you, very much.

MR. JONES: Thank you.

And I'm having a tough time on this one: Mr. Mark Jeron [phonetic] Jone. Excuse me. Did you say --

MR. M. JONES: Jones.

MR. JONES: Jones? Oh.

(Laughter.)

MR. JONES: Obviously, I can't read. We've got to get together when this is over, Mark.

MR. M. JONES: I need to get in the Duncanville schools.

MR. JONES: Excuse me?

MR. M. JONES: I need to get in the Duncanville schools.

MR. JONES: Obviously, I do, too.
MR. M. JONES: I want to say hello to the Committee. And welcome. I'm excited about being here and being a part of this process today.

MR. JONES: Thank you for being here.

MR. M. JONES: I am a business owner in the southern sector of Dallas and stand before you today for two reasons. One is my own comments, but, two, I have a letter here from the economic piece of the Dallas Black Chamber of Dallas, and it's to Ms. Carrington. It says -- it's from Reginald Gates, who's the president of the Dallas Black Chamber.

He says, "Dear Ms. Carrington. I am writing to express my personal support for the proposed committee to be undertaken by Southwest Housing Development. This project is specifically designated to serve the needs of Dallas County families. There is a well-recognized and growing need for quality and affordable housing in our area. The proposed development will provide spacious living units and a community center to serve the specific needs of the residents.

"As president of the Dallas Black Chamber of Commerce, I represent over 1,700 minority businesses in the Dallas area. Many of our members are located in the area."
southern sector and would take part in the development of this project, providing much-needed employment for our area residents.

"The need for economic development in this area of Dallas is astounding. I believe a project such as this is essential as a catalyst to promote the growth.

"Again, I wish to express my support for the proposed project. If I can be of further assistance, please do not hesitate to contact me. President Reginald Gates."

Second, I appeal to the Board, in that I am from the southern sector and I grew up in a housing project. It was very, very difficult to be able to do anything; we always had problems. For 12 years, we lived in that scenario, and we couldn't get our landlord to do anything. But at the time, our parents couldn't do any better.

As I have had the opportunity to see what Mr. Potashnik develops, I applaud him. I believe and I understand that everybody deserves the same thing: A place to live of the quality of life that the city of Duncanville has on their web site and other places, their "Home of champions." Everybody deserves to live in a home of a champion.
I believe that everybody deserves a school district like the home of champions. I think that everybody deserves to go to the school that will allow a dropout rate of four students. I think that families deserve an opportunity to live in a Dallas that will afford them a place to live that is nice, like what Mr. Potashnik and his wife are developing.

Again, I appeal to you because I think that the stereotype here is that because you are living on affordable assistance -- as if you don't have an automobile because you live in an affordable place. I am excited about what Mr. Potashnik has done in revitalizing the southern sector of the city, in which I was born and live in.

I pray that you all understand the sensitivity and the need of being -- children who look like me will have an opportunity and a place to grow up and be successful. Thank you.

And I want to give you a copy of this letter.

MR. JONES: Thank you, sir. We appreciate you being here.

I would say this, and I don't mean to be disrespectful to any of our speakers. But there was a speaker earlier today talking about this matter, not
talking about another matter, that referred, I believe, to, Trash projects.

And I would like to say this: That I think you did a good job of delineating that things have changed in a lot of years. And the developments that this department is supporting, I believe, are very, very different than some of the connotations that are made.

And I appreciate you making that distinction. And it -- those are words that I think maybe it would be wrong for us to let go, because when we're talking about the developments that are being done here, I strongly believe that they are very much improved and very different than some of the connotations that we have had about them in the past.

The next speaker is Mr. Jeff Spicer.

Mr. Spicer?

MR. SPICER: Thank you, Members of the Board.

Excuse me if I don't use the mic, but --

MR. JONES: Just one second for the court reporter.

MR. SPICER: Oh, sure.

(Pause.)

MR. JONES: This will help us make a record.

MR. SPICER: Thank you, members of the Board.
I'm Jeff Spicer, Director of Project Development with Southwest Housing. And the one thing I want to point out about both this and the Wheatland Villas project and bring to light is something from our market study for both projects.

In the southern sector of Dallas, one of the things that has been pointed out is a strong negative absorption in the area. And the negative absorption, as pointed out in our market study, is really a result of a lack of affordable housing for people who want to stay in the area. They've seen people flowing out from the southern sector of Dallas, and this is something that we need to reverse in order to keep positive economic growth in the area, economic growth that the people of Duncanville want to see to bring taxes in, economic growth that people in the southern sector of Dallas want to see.

This is the type of thing that we're trying to help bring to the area. I certainly wanted to point that out for you today. Thank you, very much.

MR. JONES: Thank you, sir.

And then we have city council member of Duncanville, Mr. Jim Hyatt.

MR. HYATT: Thank you, very much, ladies and gentlemen. And by the way, I appreciate the service that
you're providing for this state. As an elected representative, I'm going to try to keep my remarks short; that might be a challenge.

The word, "Zero," was used by one of the proponents up here as the measure of the impact of this project on the city of Duncanville and the Duncanville school district. And I just don't believe that's the case. There was also a remark made about Duncanville not having any affordable housing projects, but the fact is Duncanville is an affordable housing community.

We're a 12-square-mile community. We're land-locked. We're built out. We have about 40 percent of our housing stock that's in the 1,000-square-foot to 1,200-square-foot or less size, hundreds of 6- and 7- and 800-square-foot houses. And they're very affordable.

We're also very close to being a plurality community, in political or demographic terms, and we're not -- it's really not fair to characterize us as being opposed to affordable or public housing. That's the way we live. We just happen to have a group of older, low-income retired people in town that depend on us and a lot of young, new families that find Duncanville as a place for a starter home because they're not being built any more.
We're taxed out. Our school district is taxed out. Our region of the county is challenged to develop economically; we're not creating jobs.

One of the assets that we have to point to when we attempt to market our area for economic development is the quality of our school system, and we certainly cannot afford to have that degraded. And you've heard today that this project puts that quality at risk, and I'd like for you to remember that, please.

So in terms of the real issue here, which is $14,600,000? When we get to the bottom line, this is a money issue, and it's a risk issue, and it's a stakeholder issue.

I'd like for you to remember that the city of Duncanville, the surrounding communities and the Duncanville school district are all stakeholders and are all at risk in this project while the developer is asking you to remove $14 million of risk from his plate and spread it over our society as a social cost. We just really can't afford to carry that burden. Thank you.

MR. JONES: Thank you, sir.

Mr. John Moore?

MR. MOORE: Mr. Jones and other Committee persons, this discussion has to do with a problem that
took place earlier, prior to coming to Austin, because we were not informed, nor did we get adequate information about the development.

Since that time, we have uncovered some things that are necessary, and we've had some discussions with Mr. Potashnik. And he and I and our treasurer of our organization, Glen Oaks Homeowners Association, have talked about some possibilities that he is willing to put into writing to your Board and with us. And he's going to make those statements to you. And in turn, we would make those same statements to our organization.

It's quite obvious I'm not going to commit anything to you as the president of the homeowners association without the cooperation of the neighborhood, because we live in a democratic process or in this republic, we use the democratic process, as you know about.

So during that particular meeting, we had some participants who came in and made some great discussions. I looked around, and I said, "Who the heck are they," because there were about 40 or 50 people we had never seen before, and there were seven of us. And I just made a note of that that you may have, if I may.

MR. JONES: Sure.
(Pause.)

MR. JONES: Thank you, sir.

MR. MOORE: Also, we talked at length of the need to be cooperative. So I'm of the understanding that this builder is going to be cooperative with us, he's going to come out based upon our decision, our city council person, our state representative, our Sen. West and work out the detail to a great degree so that this project can be something that is well-pleasing and desirable.

So that's a desire based upon concrete efforts that you're going to put forth, sir, with our people. And at that particular juncture, we would very much say that it has great potential.

So without that, we can't accept or say anything except that I'm reminded of the wisest man, Solomon, and the sixth -- Chapter 16 of the 17 verses, and the two major things out of those seven things that God hates. And that is what? Someone who spreads dissension among the brethren. That's what He hates worst. And, of course, the next one is a lying witness.

So I say that to say that everything is contingent upon honesty and the truth. Thank you.

MR. JONES: Thank you, sir.
MR. ONION: And, sir, you're speaking on which project?

MR. MOORE: This has to do with Wheatland Villas, yes. Our treasure's here.

MR. JONES: Thank you, sir.

Mr. Bill Fisher?

MR. FISHER: You've heard from me.

MR. JONES: Oh. I'm sorry. I got two for you somehow.

Mr. Gonzales?

(No response.)

MR. GONZALES: Are you talking about Martin Gonzales?

MR. JONES: Yes, sir.

MR. GONZALES: That's the next project. That's --

MR. JONES: Okay.

MR. GONZALES: I'd like to speak when we address that project.

MR. CONINE: Yes, at the end of the next project.

MR. JONES: Okay. All right. Let me see if I have any more.

(Pause.)
MR. JONES: All right. That seems to be all I have then for -- are there some others?

MR. BETTERSON: Mr. Betterson.

MR. JONES: Excuse me?

MR. BETTERSON: Mr. Betterson.

MR. JONES: Mr. Pettison?

VOICE: No. That's Wheatland.

MR. JONES: Okay. Do we have any more -- excuse me. Would you like to speak on the Wheatland project?

MR. BETTERSON: It's the --

MR. JONES: Wheatland Villas?

MR. BETTERSON: Right. It is the Wheatland Villas.

MR. JONES: Just a second.

Is there anybody else here that would like to speak with regard to the Clarkston?

MR. CONINE: Clarkridge.

MR. JONES: Clarkridge.

DR. WAGGONER: Yes.

MR. JONES: Thank you. And your name, ma'am?

DR. WAGGONER: Jill Waggoner.

(Pause.)

DR. WAGGONER: My name is Jill Waggoner; I'm a
physician. I have a family practice in the southern
sector of Dallas County. I grew up there, went to school
there. I grew up in a family that would have qualified for
one of these apartments; I grew up in affordable housing.
I want to say to you, first of all, thank you for this
opportunity.

When I first graduated from medical school and
was a resident in training, I made $32,000 a year. Had I
had one child at the time, I could have qualified for
these.

I think some basic assumptions are being made
from a lot of the opponents of the project. One is that
all of the residents of the property will be new to the
area and so they will bring this tremendous economic
burden to the area. I'm sure there are people that live
in the area now that could use a nice place to live. So
that may not be necessarily so.

The second assumption is that they'll have no
cars, they won't be able to get to the store or they can't
figure out how to get to the doctor, and so forth, and so
what a disaster; they'd be sitting out in the middle of
nowhere. I don't think that that's necessarily so.

People who need affordable housing are people who work;
they are the working poor. They need a safe place for
their children to grow up in.

   As a physician, I'd like to say that I always see and I have seen for years the effect on our young people when they grow up in places that are not safe, when they grow up in places that are not clean and that are not environmentally safe. So we've got to change that.

   For too long, we have separated ourselves based on economic advantage and disadvantage. Everybody, be you poor or rich, deserves the opportunity to have a safe place to grow up. We've got to make a difference in that, and we have to do it now.

   I've seen these properties. As a business owner, I need development in that section of the city; we all do. We've watched it decline over the years. If we are going to have people to come into this neighborhood and bring businesses and bring economic development, we have to have places for people to stay. I strongly suggest and recommend and encourage you to vote in favor of this project.

      MR. JONES:  Doctor?

      DR. WAGGONER:  Yes?

      MR. JONES:  I don't believe you filled out a witness affirmation form.

      DR. WAGGONER:  Yes, I did.
MR. JONES: You did?

DR. WAGGONER: Yes.

MR. JONES: Well, I can't find it.

DR. WAGGONER: You may not be able to read my writing.

MR. JONES: No?

(Laughter and applause.)

MR. JONES: I don't find anything even illegible that I could find on that.

DR. WAGGONER: Oh. Okay.

MR. JONES: Would you mind doing it again for us?

DR. WAGGONER: I don't mind a bit.

MR. JONES: If you would be so kind to do that.

MS. ANDERSON: I don't think she meant -- she did not mean that you couldn't read her writing because her writing's bad. It's because you can't read.

MR. JONES: That's -- I understood.

(Laughter.)

MR. JONES: I understood that. I -- it goes without saying. Okay. There you go.

Anybody else with regard to Clarkridge Villas?

MR. POTASHNIK: Yes.

MR. JONES: Yes, sir?
MR. POTASHNIK: Brian Potashnik, the developer.

MR. JONES: Brian Potashnik.

MR. POTASHNIK: I'd like to just bat clean-up here if you don't mind. I'll fill out a form if it's necessary.

MR. JONES: Okay.

MR. POTASHNIK: Okay.

MR. JONES: Yes, it is necessary. Please, sir.

MR. POTASHNIK: Not a problem.

Chairman, Board members, my name is Brian Potashnik; I am the President of Southwest Housing. I appreciate the opportunity of standing before you today and would like to for the record address some issues and things that were said here today and, also, at the public hearing.

Southwest Housing has been a good citizen to the State of Texas and the city of Dallas. We're proud of our track record. We're proud of housing over 10,000 residents of this state in good, quality, affordable housing. Our housing policy includes more than just senior citizens; we're proud of our senior properties, but we also recognize the demand for housing. As my better half pointed out, there are a number of families in the city of Dallas that need good places to live.
I'm proud of the fact that our mayor, Ms. Laura Miller, who has made housing a priority in the city of Dallas, appointed myself and other influential business members in the community to a housing task force specifically to address the needs of affordable housing. I have great respect for the Board here today and the work that you've done to create these opportunities throughout the state.

I resent the fact that a Southwest Housing development or an affordable housing development, for that matter, will degrade a school system. In fact, we have factual proven data in our properties that actually shows our kids in the affordable housing developments exceed the test scores of kids in the districts that we build in. And we do that because of the hard work of this board and the legislative process that requires us to have a very high level of supportive services.

We have computer labs. We have after-school programs for kids. We encourage the process of educating and creating good citizens and creating families that utilize this as a stepping stone for home ownership. This is about growing socially and growing economically, and it all starts with a good place to live.

How are people going to get to work? Well,
they're going to get to work the same way that all of you
get to work: They get in their cars, and they drive.
This is the school teacher in your school, this is your
policeman that patrols your streets, this is the nurse
that takes care of your ailing parents or relatives; these
are people in the community that work hard and need a
place to live.

Where do they shop? Well, they get in their
cars, and they drive to the store. And there is
transportation if people do not have the ability to drive
or cannot get to those places. They also do not have to
cross a six-lane highway.

The issue with density is an interesting one
because it was an issue that was brought to us by the
neighborhood as a big concern. We don't want everybody
packed into a small area. Spread it out.

So we took 26 acres of this site -- 26 acres --
which, under the allowable zoning, would give a
conventional apartment builder, some of whom had this
property under contract before us, ability to build over
500 units of housing. That is the allowable zoning under
which we could build on this site. We're building half
that, and we are going to exceed the quality and standards
of the prior developer who had this property under
contract in addition to, obviously, cutting the density
issue in half by recognizing some of the concerns of
traffic, of safety and of density.

The zoning issue is an important issue not only
in this development but in others that come before you.
The land use for this property was determined long ago.
Not only was this land use determined to be multifamily,
but this property has a special designation, as my better
half pointed out, of SAH, which is also recognized in the
mayor's letter.

The SAH designation stands for Standard
Affordable Housing, a designation that was put in place on
this property because the City of Dallas suffered as a
plaintiff or a defendant in a lawsuit that is called the
Walker Consent Decree. And the Walker Consent Decree was
one of the largest lawsuits in the country that related to
the segregation of housing and the fact that people were
not being given the opportunities that we stand before you
here today and are asking for your support and the funding
for.

And the City of Dallas recognizes that. If
something is specifically zoned for affordable housing and
a reputable developer --

MR. JONES: Excuse me, sir. Your time is up.
MR. POTASHNIK: Let me just wrap up.

MR. JONES: Sure. Please wrap up.

MR. POTASHNIK: -- has the opportunity to do that and this Board has the opportunity to support it and we can't do it, then who else can? Thank you, very much.

MR. JONES: Thank you, sir.

With regard to the Clarkridge Villas apartments, I believe that's all the speakers. Is that correct? Have I missed anybody?

(No response.)

MR. JONES: Going once, going twice, gone. All right.

I then believe we've heard from Mr. Onion. We have staff's recommendation on 5(a); we've also taken public comment on 5(a). I turn to the Board.

MAYOR SALINAS: What's that resolution number?

MR. ONION: 02- --

MR. CONINE: 037.

MAYOR SALINAS: 037?

MR. JONES: Yes.

MAYOR SALINAS: I move for the recommendation of the staff. After hearing all of the speakers, that is my motion. And --

MR. CONINE: Was that to approve?
MR. JONES: Yes. It's a motion to approve the staff's recommendation.

MR. CONINE: Second.

MR. JONES: The motion has been made and seconded. Discussion by the Board?

MS. ANDERSON: I have a question I'd like to ask Mr. Potashnik.

MR. JONES: Certainly.

MS. ANDERSON: In both, you know, the -- in all these hundreds of pages of documents --

MR. POTASHNIK: Okay.

MS. ANDERSON: -- that I -- from everybody that I've read on this and then in the discussion today with the maps and then your commentary about putting everything on one side, I mean, what -- I mean, I am concerned about having part of it on one side and part on the other. And I -- you know, I heard reference to this shuttle, but I don't know that that's the deal.

MR. POTASHNIK: Okay.

MS. ANDERSON: I mean, what do you commit to do to address the safety issue at this location?

MR. POTASHNIK: Well, first, let me say that I would like to clarify to the folks from Duncanville that this property is not separated by a six-lane road. It is
separated by a very low-traffic two-lane road.

VOICE: Please explain that.

MR. POTASHNIK: It -- I'll be happy to explain it. And I'll also --

MR. JONES: Please, just a second.

MS. ANDERSON: The time.

MR. JONES: Yes.

Let me tell you how I would like to proceed on this. Obviously, Board members are going to have questions they would like to ask. I realize there may be disagreement about an answer that might be given. I would ask the members of the audience to remain in order and not to express any disagreements with those answers.

I would also like to suggest -- and I think this would be fair to everyone -- Mr. Mayor, if you think there's a problem with some answer and that, you know, needs to be corrected from the City of Duncanville side, the city councilmen and perhaps even the school superintendent and you think there needs to be further answers on that subject, we'd be delighted to hear from you all, too. Okay?

MAYOR REPP: Thank you.

MR. JONES: So we want to hear fairly from both sides, but we do want to remain in order. And if
everybody would remain in order, I sure would appreciate it.

MR. JONES: Mr. Potashnik, I'm sorry to interrupt, sir.

MR. POTASHNIK: Okay. That's okay.

Ms. Anderson, I think that one of the things that as a developer of this site and somebody that is in control of the full 26 acres, as we have offered to the neighborhood before -- and we continue to make that offer here today -- we will build on one side. We will put all of the units on one side of the street.

MS. ANDERSON: It's still then only at 50 percent of the allowable density?

MR. POTASHNIK: That's correct. So, you know, the lower density was obviously an issue that we took on head-on to relieve what was a problem or a concern of the neighborhood. And by cutting the allowable density in half, we did have to use both sides of the street.

MR. CONINE: Let me --

Do you mind if I follow up?

MR. JONES: No, not at all, Mr. Conine.

MR. CONINE: Let me see if I can clarify one more point. We're going to have security interests in 26 acres, or whatever it is, for the whole tract --
MR. POTASHNIK: That's correct.

MR. CONINE: -- on -- as collateral, if you will, against the bonds. Because I don't -- it would be easy to split it off later on down the road. And you'd -- you know, I mean, as long as we'd have a collateral interest in the whole, in both sides. And I don't know what you'd do with the other side, but --

MR. POTASHNIK: Well, I think, you know, it's something that we're certainly able to do. It's something that we would have as a condition of the bond funding.

And I think, though, if you look at the enhanced quality and open space that's created by spreading the development around the 26 acres as opposed to putting it on one side of the street, the safety issue is of really very little concern and will be mitigated to a great extent by the fact that there will be amenities on both sides of the street that the residents can enjoy. And we have experience of building in areas where we utilize both sides of the street.

So it's not a concern, and it has not been a concern of the City of Dallas. And we have in fact gone through the whole process of plan approval and have even submitted payment for permits on this site. We have also addressed all of the engineering, escarpment and other
drainage issues that people have brought up here today.

So -- but, again, if it's a concern that people
or the Board feels is strong enough to have all of the
units on one side of the street, that's certainly
something that we could explore.

MAYOR SALINAS: What we want and what the City
of Dallas wants is two different things, and those people
have control of the zoning. They might not let you do one
side. If they gave you two sides, that's exactly where
the people are in control of the zoning on that property.

I don't think we have anything to do with that.

Our position here is to say yes or no to the
sale of the bonds. We have no control. And I think we've
had this discussion many, many times about Austin planning
and zoning and about the -- Dallas. Our job here is to do
exactly what those people that are in authority say we are
supposed to do. We can't say, You change this and change
that. It's just not -- it's not our authority.

MR. JONES: Mayor --

MS. ANDERSON: May I just clarify something?

MR. JONES: Oh. Okay. Go right ahead.

MS. ANDERSON: So you say that the street that
separates the two tracts that together make up the 26
acres is a two-lane road, not a four-lane road?
MR. POTASHNIK: That's correct.

MS. ANDERSON: I -- okay.

MR. JONES: Mayor --

MS. ANDERSON: Yes.

MR. JONES: -- would you like to address this subject matter?

MS. ANDERSON: I mean it is or -- it either is or it isn't. So --

MAYOR REPP: I would just enter into evidence a photograph, the aerial photograph, of the area. And it is not a two-lane road. It's six, three in each direction.

MS. ANDERSON: I have one last question. I have --

MR. JONES: Certainly, Ms. Anderson.

MS. ANDERSON: -- one more question.

I --

MR. POTASHNIK: What they're showing you is on Clarkridge. This is on Clarkridge Road.

MAYOR REPP: May I --

MS. ANDERSON: That --

MR. JONES: Again, Mayor?

MAYOR REPP: What we're showing here, sir, is Clark Road. This is Clarkridge. The development is on both sides of Clark Road. It is on one side of Clarkridge.
as I remember. Correct me. It's on the north side of this street, which is a two-lane road, I think. But this is a six-lane, divided thoroughfare.

MS. ANDERSON: He's right.

MR. POTASHNIK: What side of the street would you prefer it to be on, Mayor?

MAYOR REPP: It doesn't -- it is not for me to decide which side --

MAYOR SALINAS: Exactly. It's up --

MAYOR REPP: -- you're going to put it.

MAYOR SALINAS: It's up to the Duncanville -- I mean to the city council and Dallas --

MS. ANDERSON: Yes. I --

MAYOR SALINAS: -- to decide where it goes.

MR. POTASHNIK: Well, one of the things that's important to point out about this plan is that, as Mr. Salinas has pointed out, it's consistent with what the City of Dallas -- this is not Duncanville. This is Dallas. And one of the issues that was important to the city in not only their affordable but their general housing program was the density issue, the same thing that this board deals with every day.

And in lowering the density, you are improving upon the quality of life by increasing the areas of open
space and the ability to include additional amenities.

MS. POTASHNIK: Well, why would people cross the street? What would be the reason for people to --

MR. JONES: If -- excuse me. I think the question has been answered.

Thank you, Mr. Potashnik.

MR. POTASHNIK: Okay. Sure.

MR. JONES: Thank you, sir.

MS. ANDERSON: Thank you.

MR. JONES: Further questions, discussion?

MR. CONINE: I --

MR. JONES: Yes, Mr. Conine?

MR. CONINE: May I ask one?

MR. JONES: You certainly may.

MR. CONINE: Brian?

MR. POTASHNIK: Yes?

MR. CONINE: What year was the SAH designation zoning put on this? How long has it been on there? Do you know?

MR. POTASHNIK: 1996.


MR. JONES: For the record, the answer to the question was 1996.

Excuse me. I just wanted the microphone -- I
just wanted to make sure everybody heard.

Any other questions or comments, Board members?

(No response.)

MR. JONES: We have a motion on the floor that has been made and seconded. Any other questions or comments from anybody?

MS. ANDERSON: I have no --

MR. JONES: Yes, Ms. Anderson?

MS. ANDERSON: I have one --

MR. JONES: Certainly.

MS. ANDERSON: -- comment before we vote.

MR. JONES: Certainly.

MS. ANDERSON: We've heard a lot of discussion about participants of the community, and even though it's not in the city of Duncanville, they have an interest in it because it's in the school district. And this comment's really to our staff, who I know works very hard to set up these public hearings.

I think having the public hearing in the Dallas library was not the best place to have this hearing any more than having a discussion about something in Round Rock at the Austin public library would make any sense. And so I just have an expectation that staff will hold further future public hearings on multifamily in the
communities that are affected and that consideration be
given to more than just the jurisdiction.

Now, I know this is in the city of Dallas. So it looked -- may look like at face value that made sense, but those of us who live in Dallas know that it's not exactly two blocks down the street. So let's really try to make sure that we have a public hearing process where everybody knows that we are -- as I know it's your interest, Mr. Onion, to make sure that we get community input on these developments. Okay? Thank you.

Thank you, Mr. Chair.

MR. JONES: Further questions or comments?

(No response.)

MR. JONES: I would like to say this. I would like to thank everyone that came -- the mayor and school superintendent and city councilmen, all of you citizens that came. We certainly appreciate your comments and your input. They have been very well done.

And I would also like to say this, that, you know, obviously, there are good arguments, valid arguments, to be made on both sides of this issue. One thing that has struck me in my experience on this board is that when the community can kind of join arm in arm with the department and with the developer and we can all work
together -- and we all feel real strongly about these developments -- they do so much better than when we are divided.

Having said that, too, I know that, you know, this is something we run into. And unfortunately, it seems like we run into this in the Dallas area more than we run into it elsewhere. That -- the metroplex is just exploding in growth. And we know there's this dire need for affordable housing, but we seem to see this a lot in this particular area -- our department does. And that's certainly unfortunate.

MAYOR REPP: Mr. Chairman?

MR. JONES: Mayor?

MAYOR REPP: Can I just make a closing statement?

MR. JONES: Certainly, yes, Mayor. I think --

MAYOR REPP: I'm not going to be pro or con --

MR. JONES: Sir, since the developer has, I think you should be able to, too, out of fairness.

MAYOR REPP: Let me just say that I wish that you would put yourselves in the position of the taxpayers of Duncanville, Texas. We are surrounded by a metroplex that could care less about what happens in our city. We are faced daily with the things that they do with their
zoning. And if you come from a small town that's surrounded by a major city, you'll see the same thing is happening.

We have no voice in the affairs that affect our people and our children. There are dozens of cities in the metroplex area that are faced with this same problem. We are concerned because, for example, the Texas Department of Housing can make decisions at a board meeting like this --

And, Mayor, you'll be interested in something like this.

MAYOR SALINAS: Uh-huh.

MAYOR REPP: -- when the Texas Department of Transportation has no knowledge of decisions that you are making that are going to affect decisions that they're making with regard to non-attainment, to pollution, which -- Dallas is a non-attainment area.

And I know that, you know, nobody wants to hear about adding more automobiles, but it does do that. We're just suggesting that one board of the state makes decisions without any knowledge by another board that has the same considerations.

It is our expectation, Mayor, that we'll be introducing a legislation this next session to try to
bring some coordination between departments in the state on decisions like this. We are at -- it was really a foregone conclusion that we had no necessity to come down here. We know that the decisions were made in Dallas, we tried our best shot at it, and we've lost. We understand that, and we'll be facing more, I'm sure.

But thank you, very much, for hearing us out.

We appreciate it a bunch.

MR. JONES: Thank you, Mayor.

Further questions or comments?

(No response.)

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

(A chorus of ayes.)

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

(No response.)

MR. JONES: The motion carries.

We will then turn our attention to Item 5(b).

We have heard staff's recommendation. We have also heard public comment on Item 5(b). What's the Board's pleasure?

(Pause.)

MR. JONES: We have staff's recommendation on this that Mr. Onion has already made, which is their
recommendation of approval of 5(b). So we have staff's recommendation, and we've also heard public comment; all those who wanted to comment on Item 5 have commented on Item 5. So it's now ready to turn to the Board's attention.

MR. CONINE: Move approval of Item 5(b), Resolution 02-038, for the Wheatland Villas in Dallas, Texas.

MAYOR SALINAS: Second.

MR. JONES: A motion has been made and seconded. Is there any discussion?

(No response.)

MR. JONES: Hearing no discussion, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries.

We then turn our attention to Item 5(c). Byron Johnson?

MR. JOHNSON: Good afternoon.

MR. JONES: Good afternoon.

MR. JOHNSON: In June of 2002, the Board
approved issuing a request for proposals for trustee
services for the single family bond issues and refundings.
The RFP was issued on June 28, and responses were
received in July, and we received six responses.
Unfortunately, all six responses contained deficiencies.
And staff is recommending that we refrain from pursuing
any selection process at this time and defer the process
until November or December.

The types of deficiencies included, shall we
say, non-responsive answers to RFP questions, omissions of
requested information without any explanations of why no
responses were given, omissions of a question in its
entirety and insignificant single family bond experience.

MR. CONINE: Can I ask a question?
MR. JONES: Yes, you sure may, Mr. Conine.

MR. CONINE: Mr. Johnson, you said we had six
responses?

MR. JOHNSON: Yes.

MR. CONINE: Weren't -- are these from major
financial institutions --

MR. JOHNSON: Yes.

MR. CONINE: -- in this country?

MR. JOHNSON: Yes.

MR. CONINE: And we -- out of six responses to
the RFP, we couldn't get one that was either filled out correctly or was without the deficiencies that were listed there?

MR. JOHNSON: No.

MS. CARRINGTON: I asked the same question, Mr. Conine.

MR. CONINE: Could you read into the record who the six respondees were, please?


MR. CONINE: And our current trustee is?

MR. JOHNSON: Bank One.

MR. CONINE: Bank One? Okay. I would just, obviously, encourage you to -- I saw, I guess, a letter in our package that dealt with the, you know, rejection, if you will, of the response and putting it off until a future date.

I would encourage the department staff to again contact those six institutions and, I guess, others and -- because this is an important process and one we haven't done in several years. And if -- I guess I can't believe the lack of interest in the financial community to
a department that has the size bond issuances that we have. And I'm very disappointed with that. And let's try to get some feedback so that you can enlighten us next time as to why that happened and how to go about correcting the problem in the future.

MR. JOHNSON: Yes, sir.

MS. CARRINGTON: Mr. Conine, one of the things that Byron and I have discussed is taking a look at the RFP and making sure that our questions are real clear so that we, therefore, get really clear responses. So --

MR. CONINE: Maybe we need to simplify it a little bit. I don't know.

MAYOR SALINAS: Eighth-grade level.

MR. CONINE: Well, now, you said that. I didn't. I said, Simplify.

MR. JOHNSON: Okay. And staff is requesting that the Board not proceed with any action on this RFP and start the RFP process over later this year.

MR. CONINE: I don't -- nothing -- we can't do anything about it.

MR. JONES: I don't think there's anything we can do.

MR. JOHNSON: Okay.

MR. CONINE: We'll take your recommendation.
MR. JOHNSON: Okay. We'll be back in November or December.

MR. CONINE: Okay. Thank you.

MR. JONES: Thank you.

MR. ONION: May I approach the Board?

MR. JONES: Sure, Mr. Onion.

MR. ONION: A point of clarification on Resolution 02-38. I just want to be clear that when it was approved, the amount that the staff was recommending for the bond amount was 14-million-seven-fifty, although the resolution itself has 14 million-nine. So I just want to be clear that --

MR. JONES: Is this on the Wheatland Villas apartments.

MR. ONION: Yes. It's --

MR. JONES: Well, we're about to do that over again, anyway.

MR. ONION: Okay.

MR. JONES: There's an individual, Mr. Bettison -- Betterson --

MR. BETTERSON: Yes, sir.

MR. JONES: On your agenda item, I don't know why it is, but somebody has written, "Item 4," here. But I understand you wish to speak to Item 5. Is that correct?
MR. BETTERSON: Correct.

MR. JONES: Okay. Please come speak to us.

MR. POTASHNIK: And I do, as well.

MR. JONES: Okay. Have you -- okay.

Mr. Betterson, it appears we're going to have to do this resolution over, anyway. So why don't you speak to us now if you would, sir?

MR. BETTERSON: Thank you, very much, Mr. Chairman and members of the Board. My name is James Betterson; I'm with the Glen Oaks Homeowners Association. I'm a member and I'm also the treasurer of that organization. I wanted to speak to you today about the -- what's called the Wheatland Villas development, which is adjacent to our property there, which is the Glen Oaks Homeowners Association.

I do have a letter that we sent to city hall, and I want to present that when I finish.

MR. JONES: Yes, sir.

MR. BETTERSON: This letter is to the City of Dallas Planning and Development Department. And the issues that existed then -- and this letter is dated 1988. They still exist today for this same property.

And basically, the residents of our community strongly object to any multifamily zoning or construction
on this particular site. This site is located on the southwest side of I-35 and Ledbetter. The impact of additional traffic in our residential area will be increasing. It will also increase the student bodies in our two neighborhood schools.

And I'm a substitute school teacher, and I can tell you, right now, we've already got six portable classrooms in each one of these schools. And when I teach there, the classrooms are in excess of 30 per classroom. So if we bring in a multifamily structure, we're going to only overflow these schools more.

We know also that there's -- access to this development is very limited. So it's going to increase the traffic flow through our quiet neighborhood.

These are some of the things that we've been concerned about, and we're asking no more than that the developer sit down and discuss with us some of the options and some of the other functions and some of the other possibilities that he might have and we can all agree upon for this development and this site. Thank you, very much.

MR. JONES: Thank you, sir.

MAYOR SALINAS: This is on --

MR. JONES: This is on Item 5. For some reason, we had him down as Item 4 on the agenda, but he is
speaking as to Item 5(b) on the agenda.

Okay. With regard to Item 5, I thought we were totally done with public comment on that area, but, apparently, there is one more person who would like to speak.

MR. POTASHNIK: Brian Potashnik, Southwest Housing. We're the developer of the Wheatland Villas. And I would like to go on the record publicly to acknowledge the fact that we will not accept nor close the funding of the bonds without the support of the Glen Oaks Neighborhood Association, as well as the zoning, which is in the process of taking place on this site as part of the PD at the City of Dallas.

So the conditions under which, if you do approve this resolution, that I agree to as the developer and as I have committed to the homeowners is their satisfaction with the approved PD at city council on the zoning. So unlike Clarkridge, this is a zoning issue. So --

MR. JONES: Thank you, Mr. Potashnik.

Mr. POTASHNIK: Thank you.

MR. JONES: All right. So that's all the public comment on Item 5?

(No response.)
MR. JONES: Going once, going twice, gone. Okay. That's all the public comment on Item 5 then. I think we need to undo the motion we previously did on Item 5(b).

MR. CONINE: Move for reconsideration of Item 5(b).

MR. JONES: Is there a second?

MAYOR SALINAS: Second.

MR. JONES: A motion has been made and seconded. Any discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Motion carries.

Is there a motion with regard to 5(b)?

MR. CONINE: Move that we approve Item 5(b) for the staff recommendation of $14,750,000 on the -- what is Resolution 02-38 -- is that correct -- with the developer's comments relative to the homeowners association.

MAYOR SALINAS: Second.
MR. JONES: A motion has been made and seconded. Any questions, comments or discussion? (No response.)

MR. JONES: Hearing none, I assume we're ready to vote. All if favor of the motion, please say aye. (A chorus of ayes.)

MR. JONES: All opposed, nay. (No response.)

MR. JONES: Motion carries.

We will then turn to Item 4(a) on our agenda. Ms. Carrington?

MS. CARRINGTON: That would be David.

David Burrell?

MR. BURRELL: Good afternoon, Mr. Chairman, members of the Board and Ms. Carrington. You all just approved the tax-exempt bonds for Wheatland and Clarkridge, and now we're going to move into the tax credits side.

And the first one that we have will be Clarkridge Villas apartments. For that one, we are recommending that the Board allocate credits in the amount of $704,470 for the development at a total cost of 22 million-one-eighty-seven. The staff does recommend approval of the Clarkridge tax credits.
MAYOR SALINAS: So moved.

MS. ANDERSON: Second.

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

On 4(a), I have no one signed up to speak.

Anyone here that would like to speak on 4(a)?

MAYOR SALINAS: I think everybody did.

MR. JONES: I think they did already.

(Laughter.)

MR. JONES: All right. Unless we have further discussion, questions or comments, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay

(No response.)

MR. JONES: Motion carries.

We turn to 4(b).

MR. BURRELL: 4(b), Wheatland Villas. On this one, the applicant had requested credits in the amount of 737,794, and the staff is recommending credits be allocated in the amount of 698,285 based upon the eligible basis tax.

MS. ANDERSON: So move.

MAYOR SALINAS: Second.

MR. CONINE: Second.
MR. JONES: I have a motion made and seconded. Further questions, comments or discussion?
(No response.)
MR. JONES: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.
(A chorus of ayes.)
MR. JONES: All opposed?
(No response.)
MR. JONES: Motion carries.
I would like to, if we could, take them by agenda item. So let's take the next three together and then the next three together. Is that okay?
MR. BURRELL: That's fine.
MR. JONES: Great. If you would, make your recommendation accordingly.
MR. BURRELL: The staff recommends that the Shady Oaks Manor be allocated credits in the amount of $223,055 and Pleasant Valley Villas be allocated credits in the amount of 874,826. I would like to make one statement on that, and that is that we just found out on yesterday that this tract is located in a QCT, which makes them possibly eligible for additional credits. So we might be bringing this back to you at the end of the month after underwriting gets a chance to look at it.
MR. CONINE: Which project was that, now?

MR. BURRELL: Pleasant Valley Villas. They just got confirmation that this tract is located in the QCT, but we didn't have time enough to get it to underwriting for their review before today's meeting and get it posted properly.

MR. CONINE: Okay.

MR. BURRELL: So at this time, we're recommending that you allocate 874,826.

MR. JONES: Okay. And then Eagles Landing?

MR. BURRELL: Eagles Landing, we are recommending that they be allocated credits in the amount of $798,619.

MR. JONES: All right.

And the speakers we have for Item 4(b) -- Mr. Voelker?

MR. VOELKER: I only signed up in case there are any questions.

MR. JONES: Okay.

MR. VOELKER: I won't speak unless there are any questions.

MR. JONES: Thank you.

Mr. Ellison?

MR. ELLISON: I'm sorry.
MR. JONES: She'll hand them out for you.

MR. ELLISON: Oh. Okay.

MR. JONES: If you just give them to her, she'll take care of it for you.

MR. ELLISON: Thank you.

MR. JONES: Thank you

MR. ELLISON: I'm not familiar with the procedures. My name is Sam Ellison, and I live at 2605 Ware Road in Austin, Texas. I would like to speak to you today about the proposed Pleasant Valley development, Number 02-413.

There are questions concerning the inaccuracies in the TDHCA application. If you would, please take a look at the paper work involving these applications.

October 4, 2001, the Austin Housing Finance Corporation approved an inducement resolution for the Pleasant Valley Villas. On October 3, 2001, the Texas Bond Review Board awarded the opportunity for the Pleasant Valley Villas to participate.

March 12, 2002, Southwest Housing, the developer of the Pleasant Valley Villas, initiates minimum contact with our neighborhood association to inform us of a proposed development of 114 duplexes. March 20, 2002, Southwest Housing submits an application to the City of
Austin Board of Adjustments concerning a variance request. In this application, it will clearly show that the developer is aware of the zoning designation for SF-3.

Referred to in this application is a hardship due to requirements of TDHCA. This would establish that the developer is aware of the zoning and building type conflicts.

May 1, 2002, Southwest Housing submits the Volume 1 application to TDHCA; information in this application conflicts with what is submitted to the city. The building unit configuration states, Fourplex. Under the site part of the application, it states that this site is zoned for the proposed use, that the current zoning designation is MF, that the site is not in the process of being rezoned.

All of this information is inaccurate. The application began with ineligible building type and misinformation about zoning. This information is affected by 49.249, ineligible building types; 49.22, administrative deficiencies, and; Number 7 in the application, statement of certification.

May 13, the public hearing for the variance request is heard by the board of adjustments; the variance request is denied. The request was denied due to creating
fourplex structures, which is not permissible in SF-3 zoning.

May 15, Southwest Housing files an application with the board of adjustments for reconsideration. In this application, the developer states duplexes as structures, acknowledges that this is an SF-3 family residence zoning district; a letter from Southwest Housing is also included. Why at this time did the developer not use this opportunity to make the proper corrections in the TDHCA application?

June 10, the board of adjustments again denies this variance request; Southwest Housing says they will build duplexes. June 13, I fax a request to TDHCA for questions to be answered concerning the conflicting information in reference to this building configuration and zoning. June 14, 2002, Ben Shepard responded to my request and informed me that the applicant could be allowed to correct these inaccuracies.

June 17, TDHCA informs the applicant of the discrepancies. August 1, Austin Housing Finance Corporation does approve the bond funding for the Pleasant Valley Villas for 15 million, tax exempt, and then increased their original amount of taxable from 1,445,000 to 2,945,000. AHFC is also informed that the city has the
same site plan as TDHCA.

August 8, at this board agenda today, it describes the number of buildings as 55. Based on the site plan, there are to be 40 fourplex apartment buildings and 15 eight-unit buildings. This information is not the same plan as the city has. The plan that the city has is it's to be 80 duplexes. So the building number would be at least 95.

The applicant has played a game and has made too many errors that should have been corrected by now. This applicant has had plenty of time to develop a well-prepared plan that would meet the proper requirements.

MR. JONES: Excuse me, sir. You need to wind up. It's -- your time's up.

MR. ELLISON: Yes, sir. I'm wrapping up.

MR. JONES: Thank you.

MR. ELLISON: There should not be any exceptions made to the QAP in this particular situation, due to the errors of the applicant in following these rules and guidelines. Some of these inaccuracies and conflicting information about possible administrative or material deficiencies in this application should not be approved. Thank you.

MR. JONES: Thank you, sir.
Mr. Craig Alter?

MR. ALTER: Chairman and Board and Ms. Carrington, I'm Craig Alter, Vice-president of Southwest Housing in Austin.

On August 1, the Austin city council voted, as the Austin Housing Financing Corporation, 7-0 in favor of the issuance of the bonds for this project. And the reason that they voted that way was because of the way we have worked with the City staff and each of the council members in presenting the issues that are involved in the development of this property and addressing all of the issues that have been raised by the neighborhood residents and by showing that we can comply with all of the City of Austin regulations.

In Austin, the housing priority for the city is to serve those at or below 50 percent of the median income. And this development will serve 100 percent of the units to those individuals earning 50 percent or less of the area median income.

This plan is consistent with the zoning that is in place on the property. Currently, we have in process for review by the city staff the final plat, site plan and all the architectural plans. The architectural plans and site development plan are also on file with the Texas
Department of Housing. Both of those applications before the state staff as well as the city staff are identical. In a period of two to three weeks, we expect to have all the approvals from the City of Austin that are required for the development of the property.

There have been a number of issues raised which have been raised in regard to the development process, basically, and those are issues that we continue to work with the City of Austin on. Those are issues that are addressable. They are issues that typically do come up in any given development process.

We are committed to working with the neighborhood; as was stated, we started in March of this year talking to the neighborhood. We will continue to talk to area residents. As recently as two days ago, the president called me and is anxious to meet again in a couple of weeks to go ahead and continue the dialogue. What you're seeing before you in terms of opposition is a couple of individuals that is not a representation by, that is sanctioned by or represented by the president of the association itself.

Regarding the pipeline that you were presented with earlier, the information is incorrect. That pipeline does not exist there. It exists six feet off of an
existing electric transmission line which is fully within
the right-of-way of the property. Roadways will not be
built across or on top of the pipeline; we will simply
have driveways going across the pipeline, and there will
be four driveways. That is permitted.

There is no problem. This is a Southern Union
Gas line that is running service to the City of Austin
power station.

We are looking forward to creating another
great asset for the city of Austin, and we look forward to
your concurrence and approval. Thank you.

MR. JONES: Thank you, sir.

MR. CONINE: I have a question.

MR. JONES: Yes, sir.

MR. CONINE: Is it Mr. Alter?

MR. ALTER: Yes, sir.

MR. CONINE: Are we building fourplexes, or
duplexes.

MR. ALTER: We are building duplexes.

MR. CONINE: Building duplexes?

MR. ALTER: As well as standard apartment
units.

MR. CONINE: And the change in the -- I guess
from what was in the original contemplation of the project
has been forwarded on to our staff?

MR. ALTER: It has. They are fully aware of it.

MR. CONINE: Okay.

MR. JONES: Thank you, sir.

MR. ALTER: You're welcome.

MR. JONES: Ms. Shelly Ann Lemowitz?

MS. LEMKOWITZ: It's not Jones.

(Laughter.)

MR. JONES: How close was it?

MS. LEMKOWITZ: It was pretty close, but it's Lemkowitz.

MR. JONES: I'm sorry.

MS. LEMKOWITZ: That's okay. I'm going to go ahead and give you this petition.

MR. JONES: Thank you.

MR. CONINE: He went to Baylor, by the way.

MS. LEMKOWITZ: Good afternoon. My name is Shelly Lemkowitz, and I live at 2802 Ware Road in the Burleson Heights neighborhood, directly west of the proposed development, Pleasant Valley Villas. I want to thank the board today for allowing me to speak. And I also want to thank TDHCA, Ruth Cedillo and staff for speaking with me yesterday and clarifying...
some facts and rules that pertain to this particular tax
credit development, but I most of all want to thank them
for putting me back on the right track and what's really
important about all of this, and that's safety.

Before -- I want to address a few issues.
You're going to hear most likely from the developer how he
has decreased the number of units that he can place on
this property. It can be developed under private use
MORSA [phonetic], and we understand this. He originally
put in a site plan that presented the city with 114 lots
that did not meet the minimum size requirements of the
city or impervious cover rules set forth by the city, so
it was back to the drawing board.

On the new submitted plan, the developer
decreased the amount of units and said that they were
doing this in order to dramatically save the trees on the
lots -- it would, however, not do this -- and that --
the configuration now met the requirements of the size of
Southwest Housing and they'd be able to achieve the
maximum amount of units allowed by TDHCA.

The board was denied twice -- excuse me. The
developer was denied twice by lack of better presentation
of the first time, when they showed a picture of trees to
the board, saying that they wanted to save them. So the
board made them go back and create a tree survey, at which
time they did a 10 percent survey on these trees that they
were concerned about saving.

The reason I bring this issue to you is because
it would have allowed them to create a fourplex building,
which would -- is what's in confusion today. Also, the
QAP stated that this is an ineligible building type and
that if it was proposed of anything less than a fourplex,
this type of structure would need the government to kick
in 7 percent of the cost of hard construction.

The reason I bring this to your attention is
because this was an issue of the project in mid-June, as
opposed to inter-departmental e-mail between TDHCA and the
developer. When I asked about the 7 percent at the TEFRA
meeting, no one could clearly give me any information on
why it didn't affect this project. I was not able to get
a clear answer until yesterday.

Because this project is both privately and
publicly funded, the QAP states that the department
determines that if it's in the best interest of the
development and the market area and the tax program, the
development will allow for the particular building type to
be included in the development.

But what makes this such a desirable
development? Why should we disregard the rule? The City of Austin's budget is so tight that we could not afford even 1 percent, much less 7. So since that no longer applies, I want to talk to you about what matters here.

The census states that within our Zip code region, we are the most highly sought after because our land is so cheap that people will try to build low-income housing -- excuse me -- affordable housing development. So what is proposed here is not that we have the lack of it here. There is also a project that is coming in in September that has 240 units that will be for affordable housing.

What I really want to get back to, though, is the safety issues, as that's what I had at hand. I want to present a map to you that is of the site development. Excuse my artwork.

(Pause.)

MS. LEMKOWITZ: Now, what you're seeing here in the red is the 100-year flood plain. Now, that's the only entrance road that's connecting this land-locked project; it's, I believe, a four-lane road that falls within the 100-year flood plain so that the developer must construct a bridge. Also, the dotted lines show you gas pipelines, and the blue line that runs down the right-of-way is a
KB-69 power line. The reason that I bring this --

MR. JONES: Ma'am?

MS. LEMKOWITZ: Yes?

MR. JONES: Your time is up. You'll need to wind up, please.

MS. LEMKOWITZ: Okay. Well, all I want to say is that what I'm trying to get at here is that the concerns here are with the safety of the citizens. And on each affordable housing project seems to be -- that seems to be a focus. But on this piece of land, since it's free to be built at the taxpayers' expense, no one seems to be concerned with the chance of this being a problem.

This is labeled as a SMART housing program, and the S stands for Safety. You be the judge. Certainly, we've found out that the QAP rules don't apply here, but safety should prevail. Thank you.

MR. JONES: Thank you.

Mr. Martin Gonzales?

MR. GONZALES: Mr. Chairman and members of the Board, my name is Martin Gonzales, and I manage the bond programs for the Austin Housing Finance Corporation. I'm -- I'd like to ask a question, if you all received in your backup the letter of support from the City of Austin as written by our neighborhood community development

ON THE RECORD REPORTING
(512) 450-0342
officer. And if you have not, I'd like to offer it as part of the record.

MR. JONES: Please do.

MS. CARRINGTON: The staff did receive it yesterday.

MR. GONZALES: Good.

MR. JONES: Thank you.

MR. GONZALES: Okay.

In that letter, the -- it starts out by stating, "On behalf of the City of Austin and the Austin Housing Finance Corporation, I'm writing to you in support of the Pleasant Valley affordable housing development. As an initial show of support this week, the Austin city council, acting as the Board of Directors of the Austin Housing Finance Corporation, approved the issuance of $50 million worth of bonds and 2.945 million worth of taxable bonds for financing this project. We're looking to you to provide the 4 percent credits so that we can move forward with this project."

There has been a lot of misinformation and issues raised, both by the citizens and the neighborhood. And it mainly stems from a very complex process that exists with regard to the tax credits, with regard to the qualified action plan, with regard to what's acceptable...
and not acceptable and with regard to the 7 percent contribution they were concerned with.

And there's -- as you all know, in Austin, we have a very complex development process. And it must have a lot of public input; it must have all kinds of hearings.

And it's very detailed as to -- by the time this gentleman gets through taking that building permit, you had better believe that the City of Austin is going to make sure that it's safe, that traffic issues have been addressed, that flood plain issues have been addressed and that all of the issues that have been expressed here have been addressed. There are other issues that are not addressed through the development process, such as schools and what have you, but those are infrastructures that are built as the city grows.

And we just want to show our support. And I'll let you know that the City of Austin is very meticulous about approving site plans and construction, and nothing's going to get built if it's unsafe or if it doesn't meet their building codes. Thank you.

MR. JONES: Thank you, sir.

Mr. Robert Kelly?

MR. KELLY: Thank you, Chairman and Board and Ms. Carrington. I'm Robert Kelly with the Hunt Building
Corporation, representing the developer for Shady Oaks housing. I'm here basically because there was a reduction recommended by staff in the amount of credits that we requested, and that's driven by an identity of interest in the project.

From the underwriter's policy, when there is an identity of interest transaction or a related party transaction, it is -- in order to determine a fair acquisition cost or an acquisition value for the property, they use the lowest value either -- that's shown either on the appraisal or as evidenced by holding costs that is provided by the applicant.

When we first started looking at developing this property, we had our appraisal done by Zacura [phonetic] and Associates out of El Paso, and that appraisal was to TDHCA standards. And we submitted that as a part of our application. When the board book came out or was published on the web site last week, we took a look at that, our underwriting analysis of the project or -- the underwriting analysis of the project and saw that staff was recommending a pretty good cut in our credits.

So we offered two other items, two other pieces of information, to the staff for them to look at. One was
a second appraisal that was ordered by the lender in the transaction. This transaction is a direct purchase bond or direct bond purchase under the Fannie Mae program. So the appraisal met the Fannie Mae standards.

And on the Exhibit A that I provided you, that shows a comparison between the two appraisals. And I think the appraisal values are pretty close over all three categories with one exception, that being the replacement cost approach to the appraisal.

Both appraisers used the Marshall Swift residential handbook guide to come up with their numbers, and I guess one was a little more detailed than the other. So that value differs a little bit, but the appraisals, I think, match pretty closely.

The second piece of information that we provided staff yesterday was -- as allowed by the QAP was a detail of our exit taxes on the transaction -- and that is shown on Exhibit B that I gave you -- of $829,000. And we provided staff with the detail of that.

A couple of other items. We didn't provide the -- an amount of exit taxes when we submitted earlier holding costs because we felt like we didn't need it. We had substantiated our acquisition price. The staff didn't or they disallowed the use of property taxes and
insurance as a holding cost. So when they did that, we fell short as far as holding costs. So that's why we provided the exit taxes.

I think, in light of those two pieces of information, we provided the staff to substantiate the acquisition price of the property, I request that you grant our original request for an allocation as was in the application instead of the reduced amount recommended by staff.

MR. JONES: Thank you, sir.

All right. I believe that's all the public comment we have for Item 4(b). Anyone else desiring to speak to Item 4(b) of the agenda?

(No response.)

MR. JONES: Hearing none, we'll close public comment on Item 4(b).

What's the Board's pleasure? We have the recommendation of staff, and we've had public comment.

MR. CONINE: I guess I've got a question of Mr. Burrell on this last one that just came up.

MR. JONES: Sure.

Mr. Burrell?

MR. CONINE: The acquisition cost of the land is not eligible basis in the calculation, anyway, is it,
relative to the credit?

   MR. BURRELL: It's -- we deduct it out.

   MR. CONINE: Good. So whether it goes in at $2 or $4 is immaterial to the credits that the staff recommended. Am I right on that assumption? I think I am.

   MR. BURRELL: As far as the land. What we have is -- the developer brought in some documentation showing what it initially cost him in the land and to construct the facility, along with the holding costs. And then we backed out the taxes and insurance because those had been involved in the operating costs, and that's how we came up with a net number.

   Now, he did not give us any of his exit taxes in that calculation. So we could possibly make an adjustment because of the exit taxes. He gave us the information too late for underwriting to be able to go back and to do an evaluation based upon those exit taxes.

   MR. CONINE: And did you have an -- you had an appraisal done on that, or some --

   MR. BURRELL: There are --

   MR. CONINE: -- he had an appraisal done?

   MR. BURRELL: There are two appraisals. He had one appraisal done at the time that he applied. The
problem that we're having with the appraisals, though, is that they're based upon subsidized values. And that -- being that the property has Section 8 HAC contracts on them so they're actually able to charge more on rents; it has a stronger cash flow than the market value that we got looking at it.

We can't say that the HAC contracts are going to be in place for a long number of years in the future. And therefore, we couldn't use that value because it is considered a subsidized value.

MR. CONINE: Okay. Thank you.

MR. JONES: Ms. Vecchietti, did you want to help answer this question?

MS. VECCHIETTI: What was the question? I'm sorry.

MR. JONES: I thought you had some comments, but maybe not.

MS. VECCHIETTI: I just wanted to be here to clarify since Mr. Burrell obviously didn't work on the underwriting report.

MR. JONES: Okay.

MS. VECCHIETTI: As far as the first appraisal that we received, he's correct in that they did use subsidized rents in coming up with the value. And per our
QAP, we asked for an unsubsidized, as it is market value. So we couldn't use that appraisal.

The second appraisal that he's referring to we received yesterday. And I'm sorry. I'm not that quick. I can't do an analysis in one day. Plus, I was out of town at a conference.

The exit taxes? Yes, we do consider those when we consider holding costs. Unfortunately, he did try to fax it to us yesterday but to the wrong number. I received it an hour before I got to this meeting. So I'm afraid I was not able to take that into consideration, either.

This -- I just wanted to bring to your attention that this deal is similar to another one that was brought before the Board a few months ago, the same issues: Sierra Vista. I believe Ms. Anderson had similar questions as the ones that you're posing now.

So I feel like the developer was well aware of the processes that we use and had ample time to supply the information.

MR. JONES: Thank you, ma'am.

MR. BURRELL: If I might suggest -- because of the fact that we got the information late yesterday as far as the exit taxes, we could actually ask you all to
approve the applicant's request subject to him giving us
documentation that we can go back and evaluate and then
come up with a net number. I think that would be fairer
to him and it would be fairer to us.

MR. CONINE: Would you state the applicant's
request right quick so I can --

MR. BURRELL: The applicant's request was
278,571.

MR. CONINE: And you're recommending?

MR. BURRELL: And we're recommending $223,055.

MR. CONINE: Okay.

MR. BURRELL: And so we can just have him
document his costs for that.

MS. ANDERSON: I move to amend the motion on
the floor to approve the applicant's request subject to
this verification that staff has --

MR. CONINE: Staff recommends?

MS. ANDERSON: Yes.

MR. JONES: Did we have a motion for approval?

MAYOR SALINAS: I don't think we had a motion.

MS. ANDERSON: Oh. I thought we did.

MR. JONES: I don't think we did.

MAYOR SALINAS: No.

MR. JONES: I don't think we did.
MS. ANDERSON: Oh. I thought we did.

MAYOR SALINAS: No.

MS. ANDERSON: For those three, we --

MR. CONINE: Not yet.

MS. ANDERSON: Oh. Okay.

MAYOR SALINAS: We had the recommendation for approval, but no motion was made.

MS. ANDERSON: Well, I withdraw my motion. And I move adoption of these three: 4(b) Resolutions 02-412, -413 and -414 with the clarification that the Shady Oaks Manor be funded at the applicant's request level subject to working -- the staff working to verify the exit costs or the additional information that was provided that would make that an appropriate level of credits.

MR. CONINE: Second.

MR. JONES: Anything further, Mr. Burrell?

MR. BURRELL: There's one thing I wanted to say on the Pleasant Valley Villas. I did want to make it clear that we do have all of the updated and accurate information that the City of Austin has on that development. We don't as a normal rule have a lot of duplex developments, but our QAP does allow us to provide credits for duplex developments if it's in the best interest of the community and the best interest of the
department.

MR. JONES: Thank you, sir.

All right. Any further questions or comments?

We have a motion that has been made and seconded on the floor. Questions? Comments?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Motion carries.

We will now turn our attention to 4(c). I have one person that would like to speak on 4(c), and that's Mr. Warren, but he says he only wants to answer questions.

Mr. Warren?

MR. WARREN: Yes.

MR. JONES: Is that right?

MR. WARREN: Yes.

MR. JONES: If we have any questions, we'll ask them. You may not have to do that.

Mr. Burrell, do you have a recommendation?

MR. BURRELL: We actually have recommendations on three developments. On the Village at Meadowbend, we

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are recommending that the Board grant an extension through September 14, 2002 because the developer has not been able to get a gas line relocated just yet.

Then on Laredo Vista, we're recommending that the Board grant an extension through July 1. Actually, the developer has closed on his construction loan, but because of the fact that our underwriting department was not able to finish their underwriting of the resizing of the development until July 11 -- I'm sorry -- June 11, the developer was a few days late closing his construction loan. We're also asking that the extension fee be waived on that one.

And then we have the Corinth Autumn Oaks development for which we're requesting that the deadline be extended through December 11, 2002. This is an assisted living development where the developer was working with Fannie Mae.

And because it's assisted living, Fannie Mae decided they didn't want to do the development because there is a commercial kitchen being put in. However, they have started working with HUD under a 232 loan, and they should be able to get that, but it takes several months to get a HUD loan processed. So we're recommending that all three extensions be granted.
MS. ANDERSON: Good.

MR. JONES: All right. We have staff's recommendation.

MAYOR SALINAS: I move that we go ahead and take the staff recommendation.

MR. JONES: Okay. We have a motion.

MR. GONZALEZ: Second.

MR. JONES: We have a motion made and seconded that we accept staff's recommendation on Item 4(c).

Further discussion, question or comments?

MR. CONINE: A couple.

MR. JONES: Yes, sir.

MR. CONINE: On the Laredo Vista project, is -- this is saying that the new deadline requested is July 1.

MR. BURRELL: Yes. Actually, that date has passed.

MR. CONINE: Right.

MR. BURRELL: They actually --

MR. CONINE: I thought I --

MR. BURRELL: They closed, but because there was a department --

MR. CONINE: I thought it --

MR. BURRELL: Because we had a department...
problem -- and this is one of those where we had the credits come in at the end of 2001. And when the credits came in, we could only issue them 295,000 out of the credits that they had asked for, considerably more. So it -- the deal was restructured to be a much smaller project. And our underwriting department had to re-underwrite it to make sure that it was still financially feasible.

MR. CONINE: So he has already closed and underway; we're just going backwards and making sure --

MS. CARRINGTON: Just cleaning up our acts.

MR. BURRELL: Yes, just cleaning up.

MR. CONINE: Now I understand that.

On the Corinth project, I was under the assumption that when we -- when these applicants apply for the particular project, they have to have -- show evidence of financing along with that. And I would assume that this applicant was dealing with a Fannie Mae DUS lender at the time.

And I would assume that the permanent loan was in the package when it came in and now Fannie Mae has changed their mind, and I'm wondering what happened. Why didn't Fannie Mae decide that earlier in the game instead of now?
MR. BURRELL: Well, when they realized that it was an assisted living with that commercial kitchen, the developer, because this is an assisted living, will be making it as an optional item to provide meals -- they're going to have a large commercial kitchen. And when Fannie Mae realized there was a large commercial kitchen being included in one of the common buildings, they decided that it's something that they're not used to doing and didn't really want to go into it.

However, HUD, on the other hand, is used to doing these types of facilities. And so they're willing to take a good, close look at it.

MR. CONINE: Is this a 9 percent credit, or a 4 percent credit?

MR. BURRELL: This would be 9 percent.

MR. CONINE: This was last year's 9 percent credit round?

MR. BURRELL: Yes.

MR. CONINE: Okay. Well, maybe the applicant could address the issue.

MR. JONES: Mr. Warren?

MR. CONINE: I can't believe that he didn't know he was going to put a commercial kitchen in there last -- a year ago when he had to apply for the 9 percent
credits. I'm just curious as to what happened in the process.

MR. WARREN: Yes, sir. The original application, you get a letter, Mr. Conine, from the permanent lender, but you don't submit all your full set of plans and drawings at that time.

MR. CONINE: Right.

MR. WARREN: Okay. After we had worked with the staff here -- and I believe this is the first assisted living that we've done with low-income housing in the state of Texas. So it's kind of a unique property from that standpoint but something that we think will be very satisfactory for -- and service a population, you know, that we didn't think -- that we haven't before.

When we put the package in and then, when we went and put the plans in -- and we did this with Berkshire Mortgage, and I have their rejection letter if you'd like me to bring it up here -- we put it in with Berkshire Mortgage, which is a Fannie Mae/Freddie Mac lender. And they -- we put in -- submitted the full application.

And then when the request went in months later and we already had the commitment from Regents Bank, the construction lender -- we still have that commitment, but
the permanent lender at that point in time gave us a rejection on that loan in late June. I don't know if that helps you or not.

MR. CONINE: Well, I guess, somewhere along the line in your list of amenities, you decided to add a commercial kitchen.

MR. WARREN: No.

MR. CONINE: That wasn't --

MR. WARREN: That was there in there right from the beginning, yes.

MR. CONINE: Well, then why -- how come Fannie Mae and Berkshire didn't pick it up in your -- in the original deal? Is it --

MR. WARREN: Because they -- you know, Fannie Mae is a large organization, as you realize. And --

MR. CONINE: Well, Berkshire's not, and they're the ones that are on the front line. So --

MR. WARREN: Yes. That's right. But --

MR. CONINE: -- they should have known.

MR. WARREN: Well, unfortunately, you know, we submitted it that way. And I have all of the verifications with me.

MR. CONINE: All right. Well, I -- that answers my question.
MR. WARREN: Okay.

MR. CONINE: Thank you.

MR. JONES: Thank you, sir.

MR. WARREN: Uh-huh.

MR. JONES: Further questions or comments?

(No response.)

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

(A chorus of ayes.)

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

(No response.)

MR. JONES: Motion carries.

Turn to Item 4(d) on the agenda.

Ms. Carrington?

MS. CARRINGTON: Brooke Boston will be
presenting (d) and (e).

MR. JONES: We have -- Brooke, if you will --
we have a lot of public comment on (d) and (e). And my
thought is: If you would, go ahead and make your
recommendation to the Board, and then let's hear public
comment. And then I'm sure the Board will have further
questions for you later.
MS. BOSTON: Okay.

MR. JONES: Thank you.

MS. BOSTON: We are presenting our recommendations for the 2003 forward commitments. The Board is permitted to allocate up to 15 percent of the 2003 credit allocation, which is currently estimated to be $5.7 million.

We are proposing that forward commitments be issued for two reasons. The first reason was for successful appeals, based on the appeals that you voted on at the July 29 board meeting, as well as one partial development which you had approved at that meeting but which also comes out of forward commitments. The second reason was to -- trying to provide credits to regions that had a shortfall in terms of the amount of credits that we were able to give them out of the July 29 meeting to try and compensate for their losses.

Since the memorandum went on the web site and was provided to you all, one recommendation, Gateway Pavilion, which is Number 02-089 -- we have learned that they do not have the subsidy that they were required to have to get their low-income targeting points. They had indicated that they were going to be getting local HOME funds, and they have not been able to attain that;
therefore, their loss of 12 points makes them no longer a recommendation.

If you'd like, I can read in the recommendations that we're no making to compensate for that.

MR. JONES: Please do.

MS. BOSTON: We are recommending -- and some of these are ones that you've already seen -- Arbor Woods, Project Number 02-074 -- do you want the credit amounts, also?

MS. ANDERSON: Well, are you -- we're talking about replacements for Gateway Pavilion?

MS. BOSTON: Correct. I was going to read in all of them together.

MAYOR SALINAS: Yes.

MS. BOSTON: But I can read just read in the replacements if you'd prefer.

MAYOR SALINAS: Just go ahead and do them all together and then the replacements involved included in them.

MS. CARRINGTON: Excuse me just a minute. Brooke, do you want to point the Board to page 2 of your memo --

MS. ANDERSON: Yes. That's what I --
MS. CARRINGTON: -- where it outlines exactly what she's going -- what she's talking about?

MS. BOSTON: Thank you.

We are continuing to recommend Arbor Woods, Grove Place Apartments and the partial allocation for Woodview. In lieu of Gateway Pavilion, we are recommending the Villas at Park Grove, Number 02-123, for a recommended credit amount of 626,148. Because that credit amount was substantially lower than the amount coming off of the list, we are also recommending that Project Number 02-032, Padre de Vita [phonetic], in the amount of $1,025,408 also be added. And then we also are continuing --

MR. CONINE: Whoa. What --

MS. BOSTON: I'm sorry.

MR. CONINE: What region is that one in? Hang on.

MS. BOSTON: That's in 8b.

MAYOR SALINAS: 8b.

MR. CONINE: Oh. Okay. Thank you, very much.

MS. CARRINGTON: That's the first one on the waiting list.

MS. BOSTON: Right.

MR. CONINE: All right.
MS. BOSTON: And then we're continuing to recommend Eagles Point and Bear Creek, which are in the memo that we had provided you all.

MS. CARRINGTON: Brooke, with those adjustments, would you give a new total, please?

MS. BOSTON: Yes. The new recommended forward commitment total would be $5,554,487.

MR. JONES: Thank you.

Yes, Ms. Anderson?

MS. ANDERSON: I have a question for Brooke. Let's see. I'm sorry. This will take me a second.

MAYOR SALINAS: Padre de Vita is the first one on your waiting list. Right?

MS. BOSTON: It was -- yes. In the second paragraph of page 1, we had indicated that there were two regions who were -- also experienced a shortfall but which -- unfortunately, we didn't have enough funds to go all the way to every region. And Region 8b would have been the next region with a shortfall to get forward commitment funds.

MAYOR SALINAS: Yes.

MS. BOSTON: And so by freeing up this extra money, that was the next choice.
MAYOR SALINAS: That's good. So --

MS. CARRINGTON: So, Mayor, it's off the waiting list and being -- and on the recommended --

MAYOR SALINAS: Forward commitment?

MS. CARRINGTON: -- forward commitment list.

MS. BOSTON: Right.

MAYOR SALINAS: Because it was already on the forward commitment list, but it was done away with.

MS. BOSTON: Right. And it -- when we drafted the memo, we put -- anything that was on the forward commitment list we also integrated into the waiting list so if you all changed your minds about something, it was still already showing up on the waiting list as the next --

MAYOR SALINAS: That's good.

MS. BOSTON: -- deal. So --

MAYOR SALINAS: I agree with you.

MS. ANDERSON: Brooke, I have a question. I understand the reduction of points for Gateway Pavilion. Now, I think Eagles Point -- in the underwriting report for Eagles Point, it speaks to the fact that because of deferred developer fees or something more than 50 percent deferred or something that -- therefore, they would -- there were several underwriting reports where they talk
about loss of points.

MS. BOSTON: Any underwriting reports that discussed that were already deducted.

MS. ANDERSON: Were already deducted in the -- MS. BOSTON: Yes.

MS. ANDERSON: On this sheet that we voted from on the 29th?

MS. BOSTON: Correct.

MS. ANDERSON: Okay.

MS. BOSTON: That's -- MS. ANDERSON: Thank you.

MAYOR SALINAS: This is your recommendation?

MS. BOSTON: Yes, it is.

MAYOR SALINAS: I move that we go ahead and accept your recommendation on the forward commitments.

MR. CONINE: Let's see.

MS. ANDERSON: Oh. Just on forward -- MR. CONINE: Are we just doing forward -- MAYOR SALINAS: Forward commitments, yes.

MR. JONES: That's -- all we're doing is forward commitments right now.

MAYOR SALINAS: That's my motion.

MR. GONZALEZ: Second.

MR. CONINE: Okay.
MR. JONES: We have a motion made and seconded. And we do have speakers then on this item. The first one would be Mr. David Longoria.

MR. LONGORIA: Mr. Chair, Board members, I'm David Longoria. I'm a partner in Cricket Hollow Townhomes in Willis, Texas. I do have a letter from the mayor, who couldn't be here today, if I could read that.

"Mr. Chairman Jones and Board members. I am unable to attend today's board meeting. However, on behalf of the City of Willis, I am writing this letter to convey our solid support for Cricket Hollow Townhomes, Application 02-028.

"We have several community leaders who attended and spoke at the April 12 TDHCA public hearing in Conroe. We unanimously communicated our broad public support and need to have this development. The need for affordable housing in north Montgomery County is critical, especially as it relates to the Willis area. Willis is a distinct region experiencing rapid population growth and economic development.

"Our area is separate and distinct from Conroe, Houston and Harris County. In our opinion, our housing needs are more acute than these other areas'. Please be aware that over half of our existing housing is classified
as inferior in quality to be occupied.

"Furthermore, our current housing supply is inadequate in quantity to serve our existing residents. The result is the City of Willis has an extreme housing crisis that we are trying to address through the LIHTC program. The addition of 160 affordable housing units is considered necessary and will be a major benefit to our community.

"In addition to owner-occupied housing, there is a severe lack of available affordable rental housing in our area. Willis does not have any housing comparable to the proposed Cricket Hollow Townhomes. This is our second year in a row that we have participated in the TDHCA application process, and we have worked hard to bring the Cricket Hollow Townhomes development to Willis.

"Therefore, for the reasons outlined above, I respectfully request that the Board make the Cricket Hollow Townhomes a high priority when it considers its forward commitments and weighting these tax credit allocations. Sincerely, Ruth Castleschouldt, Mayor, and Mike Arthur, City Coordinator, the City of Willis."

I do have part of the City of Willis inventory and classification of housing stock, which I believe you all have. And one thing to point out is that over half of
the housing stock in Willis, Texas, is considered deteriorated or dilapidated. And there is a lot of development going on on the north shore of Lake Conroe, and people go into Willis for goods and services. And that's the reason for all the development.

New employees going into Willis really don't have a place to live. If they work in Willis, they need to commute in from somewhere else. And I appreciate your time.

MR. JONES: Thank you, sir.

Mr. James Kirkpatrick?

(No response.)

MR. JONES: Mr. Kirkpatrick?

(No response.)

MR. JONES: Mr. Brian Cogburn?

MR. COGBURN: I have a letter of support from Sen. Staples. May I pass it out to the Board?

MR. JONES: Certainly.

(Pause.)

MR. COGBURN: Good afternoon --

MR. JONES: Good afternoon.

MR. COGBURN: -- Chairman Jones, members of the Board and Ms. Carrington. If there was ever a community that could justify and warrant the absolute need for tax
credits to finance affordable housing, it's the City of
Willis, in northern Montgomery County.

The City of Willis has actively and
affirmatively participated in the tax credit application
process. The community leaders have demonstrated their
tremendous public support, as evidenced by today's letters
to the Board from Sen. Staples and Mayor Castleschouldt,
as well as their attendance at the department's public
hearing in Conroe on April 12.

This is the second year that Cricket Hollow,
Application Number 02-028, has not received a tax credit
allocation as a result of its inability to score the
higher points reserved for the urban areas. To score the
score to achieve a successful staff recommendation is just
an incremental eight to ten points.

Furthermore, this is the first year the QAP has
had the affordable housing need scoring component as a
part of its scoring. The City of Willis has an affordable
housing needs scoring component of ten as compared to
Houston and Harris County, both of which scored 17.

In fact, the high demographic areas of Harris
County, such as West University and Piney Point Village
scored 16 points. If Cricket Hollow had had the same
seven-point advantage as Houston and Harris County, it

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could have scored 143 points not including the eight deep-targeting points which were lost on appeal due to a technical interpretation of the QAP. In a perfect world, Cricket Hollow could have scored 151 points, making it the third-highest-scoring application in Region 6.

We would appreciate the Board considering the issue of geographical diversity and need. The regional allocation formula was established to avoid concentrating tax credit allocations in the large counties, such as Harris, Dallas, Travis and Bexar.

In the four largest regions and with one exception, all general set-aside applications awarded this year are located in Houston, Dallas, Austin and San Antonio. In Region 6, other than the rural set-aside, 100 percent of the recommended general nonprofit set-asides are located in Harris County.

The Cricket Hollow Townhomes is underwritten and scores competitively, compensating for being a non-Harris County development. Thus, in the spirit of regional geographical diversity, we respectfully request the Board look past the pure score evaluation and exercise its discretion to award tax credits in the City of Willis, where there is broad community support, a scarcity of existing housing, an enormous need for new and affordable
housing and a community that has never received
significant tax credits in prior years. Thank you.

MR. JONES: Thank you, sir.

Just a comment that I would make. I -- and
it's really not a question to you, but it is a comment.
You know, you've gotten my attention on this issue. And
this board well knows that once we make these QAPs, we've
got to live by them. And I'm very reluctant to -- and,
you know, we've not had good experience with changing
things mid-stream.

But I do think that a valid point is being
made: That we've got to do something with regard to being
fair to the rural areas. And you all are doing a really
good job of making that point.

I know that some board members have talked
about the fact that we need to do a workshop with regard
to the QAP rules coming up, and I think that this is
something that we, as a board, and staff are going to have
to help us take a long, hard look at, because a valid
point has been made here. And I don't know under the law
that there's a whole lot of options that we have.

I understand what section you're directing our
attention to, but the courts have played a role in saying
we can't do that as much as we'd like to do it, because
we've lost a lot -- a couple of lawsuits on that very issue. But I do think a point's being raised here. Thank you, sir.

MR. COGBURN: Thank you.

MS. ANDERSON: Mr. Chairman?

MR. JONES: Yes?

MS. ANDERSON: May I ask Brooke while we're on this topic?

MR. JONES: Surely, yes.

MS. ANDERSON: Thank you. I want to ask Brooke a question.

What was the nature -- do you remember the nature of the appeal for this particular -- thank you.

MS. BOSTON: He had -- this was the one that had the HAC contract which actually was tenant based.

MR. COGBURN: Yes. What the nature of the appeal was a HAC contract, and it was tenant-based, versus project based. And I don't know if we had articulated quite as clearly last week as maybe in hindsight I would liked to have, but we very much went through the QAP, you know, line by line, trying to adhere to the QAP with that subsidy.

And I think staff's intention was tenant-based -- I mean project-based. And although the
Montgomery County Housing Authority did write a letter stating that their intention was that it be project based, the ruling, you know, went against us. But, you know, I think if -- we literally tried to follow the QAP line by line by line. And I guess that we were relatively confident that last week, we would have had a successful appeal based on how we approached that QAP.

MR. CONINE: Well, does Willis qualify under the QAP as a rural set-aside or not?

MR. COGBURN: It probably could qualify as a rural set-aside. I don't know the exact answer to that question.

MR. CONINE: Do you --

MR. COGBURN: But the area is such that it really justifies a general set-aside. The traffic and the volume of people coming in from even as far as Huntsville, which is north of Willis, into Houston is tremendous. At the intersection of 105 and I-45, just a little bit south of Willis, to my understanding, that traffic count's about 125,000 cars a day. Willis --

MR. CONINE: That's not very rural.

MR. COGBURN: Well, no. No, it's not. And as you can see, the scoring component here, you know, works a little bit against us, but the need is so great. Willis
is sort of right at the intersection of 1097 and I-45 and to the west. And we're -- our site is just about a quarter-mile west of that intersection.

To the west is the northern part of Lake Conroe, where those high-end homes and subdivisions have been going in. Well, their services come from Willis. Their school -- their children go to the Willis school district. And so they're looking to Willis to support their services, and Willis doesn't have a place for the people to provide the support services to live.

MR. CONINE: Thank you.

MR. JONES: Thank you, sir.

MR. COGBURN: Thank you.

MR. JONES: Mayor Jouett?

MAYOR JOUETT: Good afternoon. I'd like to thank you all, Chairman Jones and members of the Board, for allowing us to speak. And thank you for allowing me to speak on behalf of the citizens of Killeen, whom I represent as mayor; we also have representative from all of our partner agencies and our project. And we're interested in having a reconsideration on the Killeen Stone Ranch Apartments.

Now, Senate Bill 322, as you're very well aware, allows the review of staff recommendations and for
you all to hear the testimony from people like me that are up here interested in our projects, and then you could make decisions based on facts that maybe the staff wasn't knowledgeable of or that maybe the staff cannot consider. And then you have the authority to consider what is in the best interest of a community.

Killeen Stone Ranch Apartments received a high score of 143. The project is consistent with our local needs. Now, we were blessed by you on this board two years ago; we had our Veranda, 88 units that were developed. In the two years that that apartment complex has been available for seniors, we've only had five residents leave. One person left the state and relocated, and the other four have either passed away or been located in nursing homes.

We have 214 households on our list. This doesn't include individuals. It's households. We have 115 low-income units that are proposed in our new project, and this will only take care of about half of what's on our list. We really hope that you reconsider the Killeen Stone Ranch Apartments, and if you're unable to recommend it for this allocation, we want you to please consider it for the 2003 forward commitment.

We're in a time crunch in Killeen, and let me
tell you why. We have right now a 60-day extension on the land. This land in -- comparable lots or comparable acreages of land right now in our community are selling at two times-plus the land -- the price that we have locked in.

The City of Killeen has committed its federal funding through CDBG and HOME Program money to the tune of $450,000, but you know the federal government requires that you spend that money on a timely basis. And this is from our 2001 allocation. We've applied for other grants. And even based on your Item Number 6, where you have the HTF development and the SECO funds, you still have additional funds that could be available to do our project and still have extra money there.

We need the 9 percent tax credit because it's the only way that it's feasible for us to be able to do this. The 4 percent bonding would require our rents to be higher than the market that our area would support. We have efficiently used the tax credits in this proposal, with only $4,225 per unit.

Now, I think we've been penalized because the staff -- and, you know, as a city mayor, I know that the staff makes recommendations, but they don't have the authority to look at things other than the guidelines that
are established by you all. But you all have the
authority to look at projects that actually come in under
cost. And in our case, the actual cost for
construction --

MR. JONES: Mayor, your time is up.

MAYOR JOUETT: Oh.

MR. JONES: You can wind up.

MAYOR JOUETT: I'll wind up real quick.

MR. JONES: Sure.

MAYOR JOUETT: I have about two things.

MR. JONES: Just wind up.

MAYOR JOUETT: I've given you the actual costs
for our last project: $51 per square foot. And that
project's only two years old. We estimate it at 51.49 on
the new project, and the reason for that is the economies
of scale. We're going to -- it's across the street from
the existing project. There's no duplication of services.
They'll share a manager and the van.

And to just sum it up, I ask that you amend the
staff recommendation to include this Killeen Stone Ranch
Apartments for the forward 2003 commitment and, if not,
for any sources that you can do earlier, because sooner is
better.

I also gave you the card -- and this is not
part of my discussion; I'm sorry -- of our
representative -- from our senator and from our state
representative because you didn't have them on your
official read-out at the beginning of the meeting. And I
wanted to make sure that you knew that we did have them
here and you have their names. Thank you, so much.

    MR. JONES: Thank you, Mayor.

    MAYOR JOUETT: And anything you could do for
us, we'd appreciate it. We need your help.

    MR. JONES: I'm glad to have your
interpretation of Senate Bill 322 and our discretion.

    (Laughter.)

    MR. JONES: We've had a judge kind of interpret
it a little bit differently than you just did, but I'm
glad to have your interpretation; I like yours better.

    MAYOR JOUETT: They told us at the council when
I was on the council, Next to God, the council's all
powerful. So next to God, the Board's all powerful.

    Thank you, so much.

    MR. JONES: We've going to have to tell some
judges that.

    We're going to take about a five-minute break
and be right back.

    (Whereupon, a short recess was taken.)
MR. JONES: We'll go ahead and call the meeting to order. And we have one speaker that needs to speak next, I think, due to pressing obligations.

Judge Morgan?

JUDGE MORGAN: Thank you, Mr. Chairman.

MR. JONES: Thank you, Judge.

JUDGE MORGAN: I'm here on Item 6(b). And I know staff is going to do their recommendation of approval.

MR. JONES: That's right.

JUDGE MORGAN: I just wanted you all to know that staff has worked intensively with us and the council of governments staff. And I appreciate that working relationship that we had because we had to come up with a workable solution. And we did do that. So I appreciate and I ask for your kind approval of that item. Okay?

MR. JONES: I know that you have to go to a meeting, a pressing meeting --

JUDGE MORGAN: I want to go to wastewater/sludge. Do you want to go with me on that one --

(Laughter.)

MR. JONES: Not really. Have fun.

JUDGE MORGAN: -- as a judge? Okay. Thank
you.

MR. JONES: Thank you, so much.

MS. CARRINGTON: Thank you.

JUDGE MORGAN: Thank you.

MR. JONES: Our next speaker then would be Mr. Marc Caldwell.

MR. CALDWELL: If I could, Mr. Chairman, I'll wait until the end of our small group here.

MR. JONES: Sure.

MR. CALDWELL: Thank you.

MR. JONES: Who's your small group?

MR. CALDWELL: It should be some Killeen independents here.

MR. JONES: In fact, why don't we take them in the order you want to go in? Why don't you just take your group?

MR. CALDWELL: Okay.

VOICE: Sarah Flores.

MS. FLORES: Good afternoon. I am Sara Flores, city council member from Killeen, Texas, and I'm here to speak on the Stone Ranch, Project 02-116, that we had proposed for your consideration.

And just as the mayor has told you about the different -- some of the things that we --
MR. JONES: Excuse me, Ms. Flores.

MS. FLORES: Yes.

MR. JONES: Have you filled out a witness affirmation form?

MS. FLORES: Yes.

MR. JONES: Okay. I'll --

MS. FLORES: Sara D. Flores.

MR. JONES: Okay. I'll find it.

MS. FLORES: And it's on --

MR. JONES: We're having trouble with those today.

MS. FLORES: -- 4(d), I think.

MR. JONES: Okay. Thank you. Excuse me.

MS. FLORES: If not, I'll fill another one out.

MR. JONES: Thank you.

MS. FLORES: Okay.

We wanted you to know that when we had our last project, we based our costs on actual figures because we came in under cost when we did do our last project. As a city council member, you know, we must listen to staff recommendations, but, ultimately, I have to decide what I believe is in the best way that we are going to allocate our funds.

Staff has guidelines to abide by, which have
been set by either you or the state or the law, and to make recommendations. But we as a council and you as a board must act in the best interests of our city and the citizens of our state.

We build our projects. We have site control of them. We have come in with the highest number of points for our region, 143, and we can build it for less than what we tell us in those books that we can do it, but we were not considered for whatever reasons.

In Killeen, we went from 63,000 citizens in 1990 to 86,911. That's 23,900 new people. That's in ten years. We expect it to continue that way because as forts close all over the United States and around the world, the soldiers end up at Fort Hood and in Killeen. And we have right now about 40,000 that live in Fort Hood -- soldiers. So we are in a very flux state of affairs in our city.

We do have a growing population of seniors and only one -- 88 units of affordable complexes in our city. As you were told, we have 210 or some -- about that number of people that have signed up to be getting some of those units. Many of those residents of our complex are veterans and are -- or they're dependents of veterans. Many seniors move to Killeen to live over there near their families that have chosen to retire in Killeen.
We should not be penalized in Killeen because we have proof that we can and have built a complex cheaper than recommendations that are used in your guidelines. The Veranda complex houses 88 households. In the two years, as the mayor told you, only five people have left.

I'm 66 years old. I'm a retired school teacher. My husband is a retired veteran. And if we were to sign up tomorrow to get this housing, it would be 40 years before we could move in. I don't think we'll be around. I'll be 104, and -- I know I won't be around.

So we have a very -- need for all those other people that live in this town and come into our town to be able to afford -- to be able to give them housing that they can afford.

MR. JONES: Excuse me.

MS. FLORES: Yes.

MR. JONES: I'm afraid your time's up.

MS. FLORES: Okay. Thank you. I would like to thank you for your consideration of our application.

MR. JONES: Mr. Caldwell, who's next?

MR. CALDWELL: J. Brown from State Senator Fraser's office.

MR. BROWN: Chairman Jones, members of the Board, I'm Dr. J. Brown; I'm District Coordinator for
Senator Troy Fraser in Bell County. I'll also be speaking on behalf of Representative Suzanna Hupp.

First of all, I'd like to express my appreciation to you for that short respite awhile ago. It seems that it reminds me of one of the most important lessons I learned at A&M: That the mind can absorb no more than the seat can endure nor the bladder may hold.

(Laughter.)

MR. BROWN: And now that we can focus on the issue at hand, we can deal with this issue. Unlike some of the presentations today, Killeen is not a community that's in discord over this issue; we have the city, we have private enterprise and we have a nonprofit organization working together to come up with a solution for our senior citizens.

Right now, the cost of one-bedroom housing in Killeen runs about $450 a month. Our senior citizens that are on fixed incomes are being squeezed out of it by a lot of the lower-grade enlisted that are pulling in and living out-post and living in the economy. That drives up the cost of rental housing.

One of the other issues that we think that this -- ought to be reconsidered? Let's talk about loss of money. We're talking about $450,000 that's use or
lose. We're talking about 11 acres that could easily
double in price if we were able to get it all for another
150,000.

We're talking about that we have another 60,000
that could be saved in financing due to that Keys Global
Capital and its ability to provide Fannie Mae forward
execution while eliminating the usual requirements for a
construction period letter of credit. It would minimize
the negative entourage. Savings could be located in other
things. When you get the calculator going, we're running
up into 600-, 700- or $750,000.

We stand to lose the option of being co-
located, which will drive up the operating costs of a
future development. Why? Because then maybe it will be
necessary to have two maintenance people and two managers.
And right now, it's within an electric golf cart driving
distance of each other.

So with these things in mind -- the cost of the
land, the whole shooting match and the need that we have
for our seniors -- it isn't a projected need. It's a need
that's here. It's a need that's now. Thank you for your
time.

MR. JONES: Thank you, sir.

Mr. Caldwell, who's next?
MR. CALDWELL: I guess I'll go.

MR. JONES: Yes, sir.

MR. CALDWELL: Thank you, Mr. Chairman and Board. Obviously, with the folks being here from Killeen, they have exemplified a lot of support for the development. There are no issues there with anybody fighting for the second level of Killeen development to go into place.

Also, not only in person and by speaking, they've stepped up to the plate with funds. And we're talking about $450,000 in funds -- CDBG funds and HOME funds -- that they're willing to put toward this program -- that could be lost -- going forward. And that saves a lot of tax dollars for us -- tax credit dollars for us that could be allocated to go into other projects.

I would like to clarify one thing that Sarah said. She said that we were the highest scoring development in that region. It was the highest scoring nonprofit development in that region and the third-highest scoring nonprofit in the state.

And with all of those things, with the support and the 210- or 214-person waiting list to get into this new development, as soon as those buildings are certified for occupancy, people will be moving in, and it will be at
100-percent occupancy. With all that in mind, we believe that had -- except for two piece of information that underwriting found to be a little bit out of character with what we put in, we would have been recommended.

And what those two things were were, one, our construction costs and, two, our operating expenses. Had we seen eye to eye with underwriting on those two things, we believe firmly that, based on our scoring, we would have been recommended.

And I would like to say, too, that we're not saying that underwriting is wrong in what they found, but the methodology that they have to use to come up with that number or those numbers are based on averages. They're based on averages state wide that come from your database, and they're based on averages that come from the IREM, the Institute of Real Estate Management, databases, and they're derived from averages from the Marshall and Swift book on construction costs. And so by that very figure, they have to come up with a range of possibilities and come up with one number or an average.

But in this case, I don't believe that the underwriting is able to evaluate this development in a way that's to the best light and in the best interest of the program, and what that is is by looking at our current
development that's in Killeen now.

With -- just for instance, on the construction costs, what we turned in on our application of $51.49 a square foot coincides with what our initial development that's on the ground and at 100-percent occupancy in Killeen came in at. It was $51 a square foot. Underwriting found because of their averages that the dollar amount was more like 57 to $58.

And, you know, I think if somebody was building a new high school in a community and didn't have one there to go by, averages certainly would be a great way to go. But if you're building a new high school in a community because there's a waiting list of students to get in and you're needing to build a new school, certainly, you wouldn't rely on those averages; you would look at what it cost you to build your high school that you built two years ago. I don't think anybody would argue that that is a better way to evaluate what your costs are going to be as far as construction and as far as expenses.

Last time, it was brought up that -- kind of trying to justify how those averages could have gotten that high, why building a development in this year at $57 a square foot --

MR. JONES: Excuse me. Your time's up.
MR. CALDWELL: Okay. I'll finish up --

MR. JONES: Sure.

MR. CALDWELL: -- with this point.

MR. JONES: Thank you.

MR. CALDWELL: That -- it was asked how underwriting came up with $57. With their averages is, of course, how they did it. But it's basically economies of scale on how we can build this development here for $51 a square foot. It's just like going into a Sam's Wholesale.

If you buy paper towels at Kroger's, it's going to cost you $1.50; if you go into Sam's and buy 20, it's going to cost you maybe a buck. We're talking about the same thing, only we're talking about sheetrock and nails and stone.

So with that, we've got numbers to verify from numbers turned in to the IRS that that number of $51 a square foot can be validated that that's what it was for the first Killeen. And we believe we can show you that those will be validated on this new one, too. And we would ask for the forward commitment.

MR. JONES: Thank you, sir.

Mr. Eugene Mendora.

MR. MENDOZA: Mr. Chairman, it's Eugene Mendoza, sir.
MR. JONES: Oh. I'm sorry.

MR. MENDOZA: That's fine.

I thank you for letting me address the issue of Gateway Pavilion. One of the things that I do want to bring out in respect to how we got bumped several times as being recommended by staff: As staff does diligent work, so do the developers. And I think one of the things we're going to have to look at in the future in the QAP process is not only the quality but what really each individual project brings to the table.

As you see rural versus urban versus big developers versus blah-blah and you keep on going on, the obvious is that quality projects that have participation of HUD representatives, that have good and several provided programs -- Houston is in desperate need, obviously, of affordable housing. And we need to have a process as to -- if I have a soft letter, that commitment's only as good as written on that paper. Until I get tax credits, I'm not going to be able to commit to that soft money.

The city pulled out for various and sundry reasons a week before. And now we have to scramble, and we don't -- we can't meet that gap. We have two prominent national foundations that would like to get into the deal.
and fill that gap, but I can't because the rules won't allow it.

I think we need to look at these projects on the face of what it's bringing to the table. And in this case, it brought a hub participant, it brought a prominent nonprofit to be a service provider, it brought a development team that is trying to do business in the state of Texas and that brought a project that scored 144 points, but, yet, here, the last day for recommendation, it gets bumped.

I don't like the fact that the pre-qualification application process goes through between turkey and opening presents and trying to bring in the new year. It's very hard to find, you know, city council, staff and others to appropriate funds that are soft funds. You can't do it. I did a project in '95, and it took me a year-and-a-half to get CDBG monies all for a gap for a nonprofit. A year-and-a-half to get monies appropriated. I had to do two carryovers.

And so I think I've just been caught up with a QAP plan that needs to be re-tuned, refined. I think staff does a diligent job and -- but at the same time, a Pavilion -- Gateway project goes by the wayside. And as the need is strong in rural areas and nonprofit set-sides,
so is that of urban areas. I appreciate the time. Thank you.

MR. JONES: Thank you, sir.

MR. CONINE: Mr. Chairman?

MR. JONES: Yes.

MR. CONINE: Brooke, would you make a note of his particular situation? And when we do our little board retreat on the QAP, I'd like to see how we could fix that.

MS. BOSTON: Okay.

MR. JONES: And, also, the Willis situation.

MS. BOSTON: Yes, sir.

MR. JONES: Cynthia Bast?

MS. BAST: Thank you, all, for your endurance. I am Cynthia Bast of Locke, Liddell and Sapp.

We represent the applicant for the Mission del Valle project, TDHCA Number 02-064, in Socorro. I understand that there are a lot of projects here with compelling reasons to take another bite at the tax credit apple with the forward commitments, and I would like to just focus your attention on two important points with regard to the city of Socorro.

As you know, projects in the nonprofit set-aside compete on a state-wide basis. The nonprofit set-aside is allocated to the highest scoring projects. What
this does is create a system that can put projects in lower-income regions like Region 10 at a disadvantage.

The QAP has placed great emphasis on deep skewing for tenant rents and incomes. Significant points are awarded for that, but in an area that is low income, it can make it very difficult to have a financially feasible project with a large number of deeply skewed units.

Consequently, it makes it difficult for projects like projects in Region 10 to compete in the state-wide nonprofit set-aside. This is borne out by what has happened with the nonprofit set-aside this year.

Virtually all of the projects receiving an allocation are in Regions 3, 6 and 7, including the metropolitan areas of Dallas, Houston and Austin.

Now, we understand that your governing law and that your QAP encourage objective and point-driven systems and projects that serve the lowest-income people available, but it has produced a little bit of an odd result with regard to the overall distribution in the nonprofit set-aside. The other unusual result this year is with the allocation in Region 10 itself. 95 percent of the low-income units to be developed will be in the city of El Paso; no other region has such a concentration of

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its tax credits in one city.

Without a doubt, El Paso has significant need for affordable housing, but Region 10 is a large area with many other needy communities; some of them, like Socorro, cannot compete in the rural set-aside where their lower scores might have made them more competitive. I understand that nothing in the QAP requires this board to distribute funds geographically within a region, but in every other region, there is geographic distribution.

Based on the revised staff recommendations, the amount of forward commitment available has not been fully allocated. Assuming staff's recommendations are accepted, there is a little bit of forward commitment that remains available, and the board could choose to award a forward commitment to the Mission del Valle project, Number 02-064. And by doing so, the board could help alleviate some of these unusual results in the nonprofit set-aside in Region 10 and, more importantly, help bring decent, safe affordable housing to the areas nearest the colonias.

Thank you, so much.

MR. JONES: Thank you, ma'am.

Mr. Tom McMullen?

MR. McMULLEN: Good afternoon.

MR. JONES: You can give that to Delores, and
she'll take care of it for you right there. Thank you.

MR. McMULLEN: Tom McMullen, Bear Creek, 02-146. Good afternoon, Mr. Chairman and ladies and gentlemen of the Board.

We would like to implore you to accept the staff recommendations as they relate to Bear Creek. This is due to the fact that the Region 8a had a shortfall that was not utilized. We had the next highest score, and we had one of the greatest proportional shortfalls.

We had tied with Refugio and San Antonio. They bumped us due to some -- to serving the greatest number of low-income tenants per credit allocated. But we lost our allocation last week under that criteria. It appears to be fair and pursuant to the QAP, so we have no complaints regarding that.

The direction the department is going, i.e., strict adherence to points and more objective criteria, is good. Even though it adversely affected our project in that case, we appreciate this direction and the leadership exhibited by the Board for taking us in that direction.

I don't know if the Board has to award any forward allocations or not; it has historically been done, and I think the development community is expecting that that would continue to happen at least this year. And if
you'd like to make a change, it would seem to be appropriate to do that for next year. I don't even know if that's -- if you all are considering not awarding forward allocations, but I just wanted to make that point.

We want to stress that we feel we should receive a forward allocation, as recommended by staff, for the following reasons. One: Region 8a had a shortfall, and one of the greatest proportional shortfalls. Two: Bear Creek has the next highest score in line.

Three: Bear Creek is supported by a large list of local dignitaries -- I'm just going to read their names real quick. I know it's getting late. The Honorable Ed Garza, Mayor, the City of San Antonio; the Honorable Magdalena Solas, President of the Edgewood Independent School District; the Honorable Paul Elizondo, Bexar County Commission; the Honorable Arthur Rena, Texas House of Representatives; the Honorable Leticia Van de Putte, Senate of Texas; the Honorable Charles Gonzales, Congress of the United States; the Housing Authority of the City of San Antonio; the director of the city's housing and community development department, and the city manager's office. So that's quite a list.

We first submitted in 1999 and have basically submitted every year, trying to build our local support.
and the project characteristics, so that we would be competitive. And we think that we've done that. We've also given the Edgewood ISD use of our community space and computer labs for the two adjoining schools to the site.

We also think it's -- and it's the last point I'm making. We also would like to say that we think it's an issue of fairness --

MR. JONES: Your time is up.

MR. McMULLEN: Okay.

MR. JONES: Thank you, sir.

MR. McMULLEN: Thank you.

MR. JONES: We appreciate it.

MS. ANDERSON: May I ask a couple of questions?

MR. JONES: Sure. You sure may.

MS. ANDERSON: I understand that you've been bringing this -- I was wondering about these letters that were dated in this -- most of these letters are three years old in this. Are you -- do all of these people who wrote these letters three years ago still support this project?

MR. McMULLEN: I have not received any -- the answer to your question is I don't have any revocation of the support. And periodically I do, you know, maintain -- do the rounds. So I don't -- I've not received a
revocation of the support.

    MS. ANDERSON: Okay. And so you've just come
in the 9 percent round each of those years and didn't
score --

    MR. McMULLEN: Just didn't get the score.

    MS. ANDERSON: Okay.

    MR. McMULLEN: And, you know -- but we try to
make it a little better every year. And that's what we've
done.

    MS. ANDERSON: And then I'm -- it's interesting
that you can keep control of this land, tie up this land,
this long --

    MR. McMULLEN: Yes, ma'am.

    MS. ANDERSON: -- because I tell -- I have
developers tell me all the time it's really hard to keep
all their land tied up. So help me. Explain how you've
been able to do it for so long.

    MR. McMULLEN: It's a matter of getting it
under contract every year. It's -- it has not been tied
up continually the whole time. Just re-approaching the
land owner.

    MS. ANDERSON: Okay. And although -- the
application says that the seller of the property is not
related to a development team member, but it says the
seller of the property is McMullen Investments. So just
tell me about that story, that coincidence.

MR. McMULLEN: It's pretty -- it's interesting.
The project's on General McMullen Street, the principal
of the developer is Tom McMullen, and the owner's McMullen
Investments. And none of us are related.

MS. ANDERSON: Okay. All right.
MR. McMULLEN: So it's a heck of a thing.
MS. ANDERSON: Who'd have thunk it?
(Laughter.)
MS. ANDERSON: Thank you.
MR. McMULLEN: Thank you.
MR. CONINE: Tom, I notice you're from Tampa.
Is that right? And you --
MR. McMULLEN: Yes, sir.
MR. CONINE: And you're Vice President of the
Ebor Group?
MR. McMULLEN: Yes, sir.
MR. CONINE: Next time you come this way, if
you would just swing by Ebor City and pick up some cigars,
that would be great.
MR. McMULLEN: Yes, sir.
(Laughter.)
MR. McMULLEN: I smoke a lot of them.
MR. JONES: I object to that comment. I rule Mr. Conine out of order.

(Laughter.)

MR. CONINE: It's one of my favorite places.

MR. JONES: Yes.

Mr. Brewster?

MR. BREWSTER: Yes. I've got letters here.

(Pause.)

MR. BREWSTER: Good afternoon, Chairman Jones, members of the Board. I want to thank you for giving me the opportunity to address you. My name is Sam Brewster, and I am the Mayor Pro Tem for the City of Socorro. First off, I want to thank Mayor Salinas for taking the time and having the interest to visit my community and the surrounding areas and to see first hand what our needs are.

I have come to this board before in the past year and several times this year to request your assistance in helping to provide clean, safe and affordable housing in the border region and the city of Socorro. As I have stated to you in the past, the town of Socorro is a small community located outside the city limits of the city of El Paso in the Mexico/west Texas border region.
Our town has made great progress from the days it was itself considered a colonia development to becoming a municipality with growing industry. Through tax incentives, we have brought jobs by locating large distribution facilities, including Thompson Electronics and Jones of New York. In addition, we have brought water and sewer facilities to existing developments when the town of Socorro was once a colonia development lacking water and sewer resources into a thriving community.

The town of Socorro has made great strides in raising the living standards of our citizens. However, as you have already been told and undoubtedly will hear again, there remains a great deal of work to be done to bring clean and affordable housing to the border region.

In the town of Socorro, we have taken the responsibility for helping ourselves. Now we're asking the board to take our current needs and circumstances into account and help bring us clean and affordable housing closer to existing colonia areas by allocating forward commitments for the Rancho del Valle and Mission del Valle projects.

As a representative for the people of Socorro, I hope you will consider our requests for affordable housing in the city of Socorro. Thank you.
MR. JONES: Thank you, sir.

Mr. Johnson?

MR. JOHNSON: I’ll keep it brief, give you a couple of handouts and get out of your way. I just -- I came in here thinking there was going to be a little more money left or left over to ask for forward commitments on. So I’ll keep it brief.

I’d just like to reiterate what Ms. Bast said in her earlier presentation and request a forward commitment for the Mission del Valle project, which is a 16-unit project in Socorro, Texas, that is now requesting about $160,000 if there’s even close to that left over. I think it’s a fairly high scoring project in the nonprofit set-aside. It has got the colonias development issue that we’ve discussed in several prior board meetings.

And I would just request the board’s consideration to add this project to the forward commitment list. I think it fits. It’s probably the only project left that does come close to fitting the remaining -- the needs for the -- the remaining funds in the slot. So I would appreciate your consideration of that.

I think Brooke can tell you probably exactly how much is left, and we can go through the process of
trying to reduce the project or re-allocate the project if it's not quite 160-. But, anyway, thank you, very much. And let me -- I'd like to just hand you a couple of letters of support from Sen. Duncan.

Mr. Jones: Thank you.

Mr. Johnson: And then here's some pictures of the projects that we've developed for -- to show you just exactly what we're trying to do. Thank you.

Mr. Jones: Thank you, Mr. Johnson. I appreciate it.

Mr. Oji?

Mr. Oji: Good afternoon, Chairman Jones, esteemed Board members. My name is Jay Oji; I'm the developer and applicant for Project Number 20-078, the Sphinx Apartments in Dallas, Texas.

This project, as you all are aware, has been recommended, taken off the list, recommended and taken off the list. I just want to make sure that we all understand that this project scored 153 points. Aside from a project that got reinstated last week that received a forward commitment with 161 points, this is the only project in the state of Texas that scored more than 150 that has not been recommended.

This is a project that the community supports.
very, very overwhelmingly. A list of elected officials have written several letters. The community support is overwhelming. But like the last speaker said, you know, you have $5.7 million worth of 15 percent discretion to give. I think, based on my count, there's a shortfall of about $200,000.

One of the board members considers my project one of the big sluggers, I guess. So I can't be in the running for $200,000 worth of tax credits.

But all I just want to point out to the esteemed board -- this project -- please, I would encourage you to find a slot for this project in the event that any project drops off from the general set-aside. Again, this is the highest scoring project in the state of Texas in the general set-aside. All other projects in the general set-aside have scored 144 points and 140 points. The next project to us we out-scored by nine points.

So I'm really appealing to this board to please consider this project in the event some credit amounts become available. And I appreciate it. I thank staff very much for the opportunity to have worked with us. It's not an easy job. The board -- you guys have done a wonderful job. Thank you, very much.

MR. JONES: Thank you, sir.
Mr. Stone?

MR. STONE: Pardon my optimistic, "Good morning," at the top of the page.

MR. JONES: Yes.

MR. STONE: Good afternoon.

(Laughter.)

MR. STONE: My name is Elliot Stone.

MR. JONES: You know, we give everybody the opportunity to speak at first. And I've always been amazed that people don't make the most of that.

MR. STONE: I pondered that.

My name is Elliot Stone; I'm with the Royal Castle Companies. My partner, Dan Markson [phonetic], and I are the general partners of Costa Verde Ltd., Application Number 02-041.

This application round is the transition from the agency's layered subjective allocation process to an objective, rule-based point system. This board should take a proactive role assisting the staff where unanticipated issues arise and no policy is in place. My comments, while on behalf of Costa Verde, are intended to assist this agency in its delivery of affordable housing.

I have three issues. First, we support the geographic distribution being applied to the wait list so
that it, too, conforms with the regional distribution rule adopted in the QAP.

Second, zoning: Since developments are not required to have proper zoning and, therefore, be buildable through this process, the board must now manage those developments closely since there is a high probability of not making carryover if you cannot get zoning. If carryover is not met and there is not sufficient time for another development to make carryover, then those credits would be lost to Texas and go to the national pool.

Currently, no policy protects TDHCA regarding this issue. I request zoning be made a requirement of a carryover extension beyond the second Friday in October, as stated in 49.4(n) of the QAP.

Finally, Arbor Woods, by its successful appeal, became the top scoring deal in Region 3 prior to the board approving the recommended list last meeting. That development is to be awarded a forward commitment at this meeting.

The applicant is also the applicant for Heatherwild Estates, Application Number 02-075, as applicant is defined in the QAP and as this applicant is described in the identities of interest and financing

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structure analysis sections of the Heatherwild Estates agency underwriting report, which I have attached. These two awards would be in excess of the application round limit of 1.6 million of credit allocation.

Since there is no policy in place for determining which region should be denied its top-scoring deal and if the applicant takes no action, then the board should act to remove the development at the higher risk of not being built. This would be in keeping with the program statement of the QAP to, quote, "Prevent loss for any reason to the State's supply of suitable affordable residential rental units," end quote.

From all prior reports and testimony, that would mean the removal of Heatherwild Estates. If the board chooses to take that action, I request Costa Verde be moved into the forward allocation list to meet the needs of Region 8a.

MR. JONES: Your time's up, sir.

MR. STONE: Thank you.

MR. JONES: Thank you, sir.

Ms. Rose Garcia?

MS. GARCIA: I'm Rose Garcia. And thank you for letting me speak. And I know you're very tired, and I won't be a bother some of the things that other people have
I represent Tierra del Sol Housing Corporation, and we are a nonprofit community and housing developer. We've been around for many, many years, and we've been in the Socorro colonia for at least eight years, working with them on their water and sewer and preparing the community toward housing development, as you know. And I appreciate that Mayor Salinas and some of you have taken the time and interest on your board to have meetings in the area.

But our organization has been devoted for about 15 years working in the El Paso area. And in Socorro particularly, we've developed 122 units of housing since the water and sewer has come in.

I'm asking you to reconsider your decisions on your forward commitments and to consider the areas that are the rural, the ones that are falling through the cracks because of procedure or definitions, or whatever. It's very difficult for nonprofits like us to extend like land options.

Ms. Anderson asked the question, Well, how can you hold the land options so long. In our case, it's the same thing. The poor land owner, you know, just kind of wore out on us, and I had to go into debt.

And we brought in two national foundations to
learn about Socorro and the colonias and to invest
$200,000-and-some to purchase the land site on one of the
two projects that we have. And it's -- if they have a
good experience, they'll stick around and maybe do some
more. And that's -- what we're trying to do is encourage
other sources of money.

The reason those land sites sit there is
because there's no other source but you. And believe me,
you know, I know you're having a difficult time spreading
around the money, but I think that your procedures, you
know -- and I can appreciate that you have a new
administration. And I've been there with having to take
over organizations.

But when you set procedures, be careful that
projects and people's populations don't get lost in the
procedures and that especially rural and the areas that
are many times forgotten should be at the top of the list,
because some of these big numbers, the big-ticket
projects, could perhaps be pared down to where you can
spread it around more.

But our focus is really home ownership, and
many of the families cannot buy homes. And we use the
rental housing to incubate the owners and get them into
home buyer counseling. And these homeowners are the
people that are working in the new industries that Mayor Pro Tem Brewster just talked about.

And that's -- what we ask you is to help us to make these families and these communities more self-sufficient through promoting the type of development with the low-income tax credit program, which is a very effective way for us -- we and the nonprofit -- to be able to incubate families in to the home ownership.

And I thank you very much. And I'm, of course, not shy. And I'm going to ask you for support for forward commitment for the Rancho del Valle, which is a 32-unit project -- we're doing small projects -- 02-063, and 02-064, Mission del Valle, that was mentioned earlier. Thank you, a lot.

MR. JONES: Thank you.

Mr. Littlejohn?

MR. LITTLEJOHN: I'll be available for questions.

MR. JONES: Thank you, sir.

Mr. Gulla?

(No response.)

MR. JONES: Mr. Ignacio --

MR. GULLA: Oh, yes. Mr. Chairman, I will refrain from speaking at this time. Thank you.

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MR. JONES: Okay.

All right. I think those are all the speakers on Item 4(d). Did I miss anybody?

(No response.)

MR. JONES: Okay. We'll close public comment then. We're on Item 4(d). What's the Board's pleasure?

MAYOR SALINAS: You have a motion and a second on the floor.

MR. JONES: I do not believe we do.

MR. CONINE: No, I don't think so.

MAYOR SALINAS: By Vidal?

MR. GONZALEZ: I did.

MR. JONES: Do we? I don't think we do.

MR. CONINE: No.

MAYOR SALINAS: On the recommendation of the forward commitments? Yes, we did. But I'll do it again. I'll move that we approve.

MR. JONES: I'm sorry. I apologize, Mayor. We have a motion then to approve the forward commitments as recommended by the staff.

Is that right?

MAYOR SALINAS: Yes. I think we did the motion and Vidal was the second one.

MR. GONZALEZ: Second.
MR. JONES: The motion has been made and seconded.

MR. CONINE: I've got a question for Brooke if I might.

MR. JONES: Sure.

MR. CONINE: Did you -- the issue that was raised about the million-six limit -- have you thoroughly researched that to make sure we're okay?

MS. BOSTON: As I mentioned before, staff's interpretation of, "Year," in the QAP is that -- we've gone with the term, Allocation year.

MR. CONINE: Right.

MS. BOSTON: And so the 2003 forward commitments aren't considered part of the 1.6.

MR. CONINE: Okay.

MS. BOSTON: And so in this case, it would be a non-issue.

MR. CONINE: We also had some forwards from the previous year that need to be counted in your total, though. And I didn't --

MS. BOSTON: But they would be counted in the 2002.

MR. CONINE: The '02 total? These still are not --
MS. BOSTON: These, the ones that you all would
be approving today, would be counted as part of next
year's.

MAYOR SALINAS: 2003?

MS. BOSTON: Right.

MR. CONINE: Okay.

MS. BOSTON: So the other --

MR. CONINE: All right.

MS. BOSTON: They wouldn't count.

MR. CONINE: So the other -- so the '02 are
still okay?

MAYOR SALINAS: Yes.

MS. ANDERSON: Between the Heatherwild and this
forward --

MR. CONINE: Because it didn't change. It
didn't change. That's right.

MS. BOSTON: Correct.

MS. ANDERSON: Okay.

MR. CONINE: Okay. Never mind.

MAYOR SALINAS: Okay.

MR. JONES: Okay. We have a motion on the
floor --

VOICE: Sir, may I --

MR. JONES: I'm sorry. The time for public
comment is closed. I'm sorry.

Brooke, do you want to talk to that gentleman for a minute and see if we're missing something?

MS. BOSTON: Sure.

MR. JONES: Thank you.

(Pause.)

MR. JONES: Brooke, is your recommendation going to remain the same?

MAYOR SALINAS: I would think that -- she already made the recommendation, Mr. Chairman. I would ask the question now. Go.

MR. JONES: Okay. I'm sorry.

Brooke, is -- if you would, we need to move on -- can you provide me with a total?

MAYOR SALINAS: The total?

MS. BOSTON: Yes.

MR. JONES: Ms. Carrington just wanted the total before we voted.

MS. BOSTON: Yes. The total was --

MR. JONES: I'm sorry.

MS. BOSTON: The recommendation is for $5,554,487.

MR. JONES: Okay.

We have --
MR. CONINE: $5 million -- one more time.

MS. BOSTON: 5,554,487.

MR. CONINE: And under the 15 percent -- what's my 15 percent number, just out of curiosity?

MS. BOSTON: Well, it's 5.7, but it's an estimate. So --

MR. CONINE: An estimate based on '02 numbers, or --

MS. BOSTON: On '03.

MR. CONINE: -- '03 numbers?

MS. BOSTON: We anticipate what the '03's credit ceiling will be and calculate 15 percent. So if you were trying to anticipate adding in Mission del Valle, if that's what you all were trying to figure out --

MR. CONINE: We're --

MS. BOSTON: If you add that in, which -- that project is 160,782 -- you would get to 5,715,269, which is only over by $15,000.

MR. CONINE: Yes. Close enough for government work.

MS. BOSTON: So I think as just an estimate, it would be acceptable.

MAYOR SALINAS: I think that that would work.

MS. ANDERSON: Mr. Chairman, I move to amend
the motion on the floor to add Mission del Valle to the forward commitment list.

MR. JONES: We have a motion made. Is there a second to the motion?

MAYOR SALINAS: Second.

MR. JONES: Motion made and seconded. All in favor of the motion to amend, say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Motion carries.

We then to back to the original motion as amended. Are we ready to vote?

MAYOR SALINAS: Uh-huh.

MR. JONES: Hearing nothing further, I assume we are. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Motion carries.

We will then move to Item 4(e) on our agenda.

Brooke?

MS. BOSTON: Staff is also making recommendations for the waiting list for the 2002
allocation. We are suggesting that the actual waiting list will be composed of all applications that have not been recommended by the board as an '02 allocation or a 2003 forward commitment and have not been withdrawn or terminated. We also are asking, though, that that waiting list be prioritized to make sure that we are meeting all of our set-asides.

We do not want to just give a pure priority list because, in that event, there might be a chance that we would miss a set-aside. So the list is organized so that if the credits that come back are from a nonprofit '02 deal, it'll go back to a nonprofit waiting list.

We -- there were some conditions that we have associated with these, which are that it needs to -- when it's underwritten, it will need to be found either acceptable or acceptable with conditions by underwriting. The credit amounts and conditions would still be, obviously, subject to change since they haven't been underwritten yet; they'll still be subjected to the concentration policy, the 1.6 million rule and review by Compliance for material and non-compliance issues.

That being the case, I -- if it's okay, I won't read through the memo again.

MR. JONES: Okay. Great.
MS. BOSTON: The only adjustment would be in Region 6. Gateway Pavilion is at the top of the waiting list. And, of course, that would no longer be the case. I don't know that we need to add a replacement, because the -- even with the Villas at Park Grove just having been approved for forward commitment, the next deal is 1.2, and, you know, it's kind of unlikely that we would get that big of a return of credits in that region beyond that amount. So I don't think we need to come up with a replacement.

MR. JONES: Okay. Great.

Okay. I don't think there are any public speakers or public comment with regard to Item 4(e). I don't have anybody that submitted a witness affirmation form.

(Pause.)

MR. JONES: Seeing no one that wants to speak, then we're ready to entertain a motion on Item 4(e).

MR. CONINE: Mr. Chairman?

MR. JONES: Yes?

MR. CONINE: I would like to make a motion that we take the staff recommendation on the waiting list and the waiting list procedure with the following changes. In the first paragraph, it says -- where staff is
recommending that the board approve the prioritization of
the waiting list so that the credits become available and
the staff will be able to allocate from the prioritized
list without return to the board for approval --

MR. JONES: Right?

MR. CONINE: -- I would like for staff to amend
that for saying that the staff needs to come back to this
board for approval as we come off the waiting list, again,
for our own knowledge of what staff is contemplating
doing.

And, also, there's certain situations where
some additional underwriting that needs to take place, and
we would want to make sure that the board is aware of how
that underwriting came out before the waiting list is
prioritized. So I'd amend that particular paragraph to
make sure staff comes back to the board for approval.

Secondly, I'd like to change and add the
Killeen project that has been mentioned. It's Killeen
Stone Ranch, I believe. I'd like to put it in several
places: one, in Paragraph B, the rural set-aside, for it
to be injected, because it's the highest scoring one, into
the top replacement on the rural set-aside; under
Paragraph C, the elderly set-aside -- since this is an
elderly project, I'd like to see it installed at the

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elderly set-aside, and it's also a nonprofit -- where did Brooke go? It's also a nonprofit deal, is it not?

VOICE: Yes, sir.

MR. CONINE: And it needs to be in the nonprofit set-aside as its appropriate spot. I haven't looked up the score there.

So we'd add Killeen back in under the nonprofit, rural and elderly set-asides and, also, in Region 7. We'd add it to the top of the list there because Eagles Point has already been gone.

MS. CARRINGTON: Mr. Conine?

MR. CONINE: Yes?

MS. CARRINGTON: May I ask staff for one clarification?

In the rural set-aside, we have a limit on number of units, do we not? And --

MS. BOSTON: 76 units.

MS. CARRINGTON: And I believe that Killeen Stone Ranch would exceed that number --

MR. CONINE: Okay.

MS. CARRINGTON: -- of allowed units under the rural set-aside.

MR. CONINE: Well, again, I was looking at our...
list from last month. And it had rural -- I thought it
had rural on here, but I will accept that as a change.
And just leave it on the nonprofit and the elderly then --
nonprofit, elderly and Region 7.

MR. JONES: All right.

MR. CONINE: And that is the motion.

MR. JONES: Okay.

We have a motion on the floor. Is there a
second?

MS. ANDERSON: Second.

MR. JONES: Questions, comments, discussion?

(No response.)

MR. JONES: Hearing none, I assume we're ready
to vote. All in favor of Mr. Conine's motion, please say
aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Motion carries.

At this point in time, due to some
conversations with Ms. Carrington, I think we need to turn
our next attention to Item 6(d).

Is that right, Ms. Carrington?

MS. CARRINGTON: 6(a) -- actually, 6(a), (b)
and (d).

MR. JONES: Okay. Well, let's go to 6(a) --
(d) then next.

We will then turn our attention to 6(a).

MS. CARRINGTON: And that's Homer Cabello. And he will be very brief --

MR. JONES: Yes.

If you'll make --

MS. CARRINGTON: -- as will all of the staff.

MR. JONES: If you will, make the recommendation, please, on 6(a).

And I have nobody that wants to speak to that --

MAYOR SALINAS: No.

MR. JONES: -- according to the witness affirmation forms. Am I wrong?

(No response.)

MR. JONES: Okay. We'll have no public comment.

MR. CONINE: Bootstrap.

MR. JONES: Yes.

MR. CABELLO: I'll make a quick recommendation. I just quickly want to point out that when Mayor Salinas was in El Paso, a task force was created of the county
judge, County Commissioner Teran, our former Board member Judge Daross from the AG's office, Texas Rural Legal Aid and the El Paso County Attorney's office. And we met as a task force to address the critical lending issues that we face in the colonias in our contract for deed program.

So I just wanted to mention that, Mayor, since you didn't touch on that.

Quick, briefly. We put out the NOFA back in March for the Texas Bootstrap Program, which was created in 1999. It's a self-help construction program where families must contribute 60 percent of the labor that is required to build a house. We received 12 applications totaling over $4.5 million. And we are recommending seven applications for a total of $3 million.

Each applicant is also receiving 4 percent administration dollars, with the exception of Lower Valley Housing Corporation. They waived their administration dollars since they have incorporated an admin. in the sales price of the home to cover their expenses administratively, which allowed us to take it one step down further to a colonia nonprofit, which is Alianza Para El Desarrollo Comunitario, who the Mayor also met in the colonias.

And one last thing: LaGloria Development
Corporation. I think Chairman Jones and Mr. Conine are probably the only board members left who remember the El Cenizo situation. And it's great to see this nonprofit finally build to capacity and serve that community.

So as recommended, we would like to recommend these seven nonprofits for the Bootstrap Program.

MR. CONINE: Move for approval.

MAYOR SALINAS: Second.

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

Questions, comments, discussion on Item 6(a)?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed?

(No response.)

MR. JONES: Motion carries.

We'll then turn to Item 6(b). And --

Excuse me.

MS. CEDILLO: Quickly?

MR. JONES: Yes. Go for it.

MS. CEDILLO: My name is Ruth Cedillo --

MR. JONES: Lead the way.

MS. CEDILLO: -- Deputy Executive Director. I
am presenting the item on the Washington County/Brazos Valley Consortium. They have requested $216,000 of 2002 HOME Program funds from the department.

The Department of Housing and Urban Development requires that in order for a consortium to become a participating jurisdiction under the HOME Program, they must have $750,000. HUD will provide $534,000. And they're short 216,000, and we have been working with them to try to identify other funds because they could make up the $216,000 with other funds.

And I was aware of a project that had been funded under the CDBG housing infrastructure fund in 2001. And I reviewed their contract to see if there were any additional funds committed to that project, and the Brazos Valley affordable housing had committed a line of credit for the development of the housing. And that has been submitted to HUD for consideration for those $216,000, but as of today -- and I received an e-mail from HUD indicating that no decision had yet been made.

So we had a -- we looked at deobligated funds, which, of course, is not an option because we've had 36 counties that have been declared disaster areas. So that was not an option. So then we had to define whether technically these communities, which I've identified on
the second page of the write-up, are considered non-
participating jurisdictions at this point, because without
the additional $216,000, HUD cannot consider them or the
consortium a participating jurisdiction.

We had a concern with Section 2306.11(c) of the
Texas Government Code, which basically is Senate Bill 322
and House Bill 1811, which I've attached. And it
indicates that in administering federal housing funds
provided to the state under the Cranston-Gonzales National
Affordable Housing Act, 42 U.S.C., Section 12701 et seq,
the department shall expend at least 95 percent of these
funds for the benefit of non-participating areas that do
not qualify to receive funds under the Cranston-Gonzales
National Affordable Housing Act directly from the U.S.
Department of Housing and Urban Development.

And if interpreted very, very broadly, these
communities are not eligible to receive funds directly
from the U.S. Department of Housing and Urban Development.
And we recommend your consideration. It's a very
difficult situation because of Senate Bill 322 and House
Bill 1811, of course, which is in the Texas Government
Code now.

MR. JONES: Okay. We do have some people that
would like to speak to this issue.
Ms. Nancy Hanson?

VOICE: She's gone.

MS. CARRINGTON: Nancy's gone.

MR. JONES: She's gone? We lost her.

Mr. Tom Wilkinson?

(Pause.)

MR. JONES: He wins the persistence award here.

MR. WILKINSON: Yes, sir. I thought that I should get the money just for waiting this out, but I'll leave that to your decision.

As Ms. Cedillo has said, this is a very complicated issue. And it's fairly unique. The HOME consortia is generally cities of 50,000 or more. This is a compilation of rural areas because, as you've heard today, rural areas don't score very well.

So we will be receiving $534,000, and we will never come back and ask you for this $216,000 ever again. But it's important to note -- and Ms. Cedillo outlined this very truthfully -- that this is a broad interpretation. I don't think we're asking you to violate the law, but the truth is $534,000 will not be sent to the state of Texas if we don't get the 216,000. So you're going to leave that in Washington.

It's a two-to-one, and it's really not that
hard to see the benefit for our state in this region of Texas. We have colonias, too, by every definition except within 150 miles of the Rio Grande River. So there are plenty of issues for us to spend this little bit of money on.

One of the things that you did discuss in your low-income housing tax credit process and the rural areas, which Killeen brought out: Killeen is spending their CDBG money and their HOME Fund money. The City of Houston and the City of Dallas and the City of Austin get millions of dollars in the CDBG and HOME, yet they're here asking you for money, too. How many of them are putting up the same percentage of their HOME or CDBG funds for their housing projects instead of coming and asking you?

So in your QAP in the future, you may want to ask that question. We don't come and ask you for money because we don't score well, and it's too expensive for our little nonprofit to put together an application. This $750,000, though, will be the first year we will be a participating jurisdiction. The money will come to the Brazos valley through the Washington County Consortia.

You heard from Judge Morgan. Getting all these elected officials to agree to anything is -- especially where money's concerned, is no small feat. We're just
asking you to help us through this this one time, and I promise you I won't be back. Thank you.

MR. JONES: Thank you, sir.

MS. ANDERSON: And so, Ruth, where would the money -- where does the 216- come from? Does it reduce the amounts that we're then going to grant out to other rural areas?

MS. CEDILLO: It would reduce the 2002 allocation by the $216,000.

MS. ANDERSON: So that when we go through our HOME awards --

MS. CARRINGTON: Right. We'd have --

MS. ANDERSON: -- this fall --

MS. CEDILLO: Well, I have a recommendation on that, also.

MS. ANDERSON: Okay.

MS. CARRINGTON: We're combining, but yes, it would reduce the amount --

MS. CEDILLO: It would reduce the total.

MR. JONES: Why don't you go ahead and give us your bottom line recommendation, Ruth?

MS. CARRINGTON: That we -- that the board approve --

MS. CEDILLO: Approve.
MS. CARRINGTON: -- allowing the use of $216,000 of HOME funds so that this entity can create -- can become a --

MS. CEDILLO: A participating jurisdiction.

MS. CARRINGTON: -- participating jurisdiction, which they will be on a going-forward basis. And what -- the way we would accomplish that is by reducing the amount that HUD would allocate when indeed we do get around to asking for '02 and '03 funds.

I will say that Ruth went to Brenham maybe three weeks ago now and met with Rep. Kolkhorst and others. Kolkhorst was the one who had been -- well, it was her bill that said TDHCA will spend 95 percent of its HOME funds outside of participating jurisdictions, out in the rural areas. And Rep. Kolkhorst was in that meeting and is supportive of this action that we are recommending to the board today.

MS. ANDERSON: Can I --

MR. WILKINSON: And if I might add, also, we have until August 16 to confirm this to HUD. We don't have much time.

MS. ANDERSON: Mr. Chairman, may I ask Ruth one question?

MR. JONES: Sure. Go ahead.
MS. ANDERSON: How many other sort of regional consortia are there like this in Texas that might get a bright idea from what we're -- we have a motion on or what we have a recommendation on the floor? And how many other people might come and --

MS. CEDILLO: Historically, the department has provided the funding to non-participating jurisdictions that became participating jurisdictions. You have College Station, Fort Bend County and, I believe, Bryan, also. But this has been done in the past by the board.

MS. ANDERSON: Okay. And if we didn't do this -- I mean, 216 -- I -- what's the total HOME Fund allocation we'll have in 2002, ball-park?

MS. CEDILLO: 41 million.

MS. ANDERSON: Oh. Okay.

MS. CARRINGTON: 41 million.

MS. ANDERSON: All right. That's all my questions. Thank you.

MR. JONES: Thank you, Ms. Anderson.

MR. CONINE: Aren't -- I've got one. Aren't there some other things that come along with being a PJ, like Section 8 and other issues that aren't addressed in your memo here, that the consortium would ultimately have to deal with?
MS. CEDILLO: Well, they already have Section 8 vouchers. The Brazos Valley Development Council of Brazos Valley Affordable Housing has Section 8 vouchers.

MR. CONINE: And how about CDBG money? Does that qualify -- do they qualify for CDBG?

MS. CEDILLO: This would only be for the HOME Program. These communities would still be eligible for the CDBG program because the breaking point in CDBG is a population of 50,000. So if they had a greater population, then they would be eligible to become participating jurisdictions under CDBG.

MS. CARRINGTON: I think staff sees this as an opportunity for the group to become self-sufficient and eligible for funds directly from HUD and, therefore, wouldn't be coming to the state if this consortium fell apart and they were the individual entities and wouldn't be applying to the state for HOME funds. They'd be doing it under the formula for participating jurisdictions.

MS. CEDILLO: And their commitment to be a consortium is for three years. And then that would be a re-application to either stay as a consortium or come back to the state program.

MR. JONES: We have staff's recommendation, and we have public comment which is now closed. What's the
board's pleasure?

MAYOR SALINAS: I move for the approval of the recommendation from staff.

MR. JONES: We have a motion to approve. Is there a second?

MR. GONZALEZ: Second.

MR. JONES: The motion has been made to approve and seconded. Further questions, comments?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay

(No response.)

MR. JONES: Motion carries.

We move then to Item 6 (c). Mr. -- excuse me. Who's the staff member?

Ruth, are you going to make this recommendation?

MS. CEDILLO: Yes, sir.

MR. JONES: What's the recommendation of staff with regard to 6 (c)?

MS. CEDILLO: Under the Housing Trust Fund --

MS. CARRINGTON: No. This is under the
environmental for HOME --

MS. CEDILLO: Oh. I'm sorry. I skipped --

MS. CARRINGTON: Environmental for HOME, 6 (c).

MS. CEDILLO: Okay. Yes.

Under the HOME Program, the certifying officer has been the executive director, and we have a process that we go through for signatures. First of all, we have a staff person in the HOME Program who signs. It goes to legal. Then it goes to deputy. Then it goes to the executive director. We're just trying to cut down the time that it takes to process that, because our administrators cannot expend funds until they've been environmentally cleared. And this would help reduce the time.

MR. CONINE: Move for approval.

MAYOR SALINAS: Second.

MR. JONES: We have a motion that has been made and seconded.

Mr. Westbrook, I have you down -- Mr. Westbrook?

MR. WESTBROOK: Yes?

MR. JONES: I have you down as wanting to speak to this. Is that right? I can't imagine that.

MR. WESTBROOK: Yes, I want to speak to it.

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MR. JONES: Okay. Oh, I'm sorry.

MR. WESTBROOK: If that's okay.

MR. JONES: No problem, Mr. Westbrook.

MR. WESTBROOK: Basically, I try to address all issues that affect St. John Colony Neighborhood Association. And we've been very affected by the environmental review process in trying to get the sign-off before we can proceed with our drawing of funds. And anything that would help speed up the process which -- staff has informed me that by eliminating some signatures, that would help speed up the process and give us someone to talk to within the department. So I'm in favor of anything that would speed up the process and getting the money into the communities.

MR. JONES: Okay. Thank you, sir.

MR. WESTBROOK: Thank you.

MR. CONINE: Let me clarify my motion, Mr. Chairman, because we have Resolution Number 02-040 that that's attached to.

MR. JONES: Okay.

We have a motion that has been made and seconded. Further questions, comments, discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Motion carries.

We then turn to Item 6(d).

And, Ruth, do you have the recommendation of staff?

MS. CEDILLO: Yes, sir.

Under the Housing Trust Fund, we're only making the recommendations for the development/SECO funds and, also, the pre-development funds today. On the capacity building, we are going to delay that until the next meeting, which would be August 29.

On December 7, 2001, we published a notice of funding availability, and that was for $4,951,977 in development funding and $1,667,922 in the SECO funds. Applications were held in 14 communities across the state. We received 31 applications. We did not receive applications from three regions: Regions 1, 2 and 9. But, ironically, there were application workshops held in those specific regions.

Out of the 31 applications submitted, 25 applications passed threshold, and they were advanced to
underwriting. And then out of the 25, we're recommending 16 applications for funding.

Now, you have your list of applicants, but Killeen Stone Ranch is not on that list because they were not going to get the tax credits. So we could go ahead and add Killeen Stone Ranch for development funding and for SECO funding. They had requested 175,000 in development funds. And I believe it was 92,000 --

MR. HOFFPAUL: 192-

MS. CEDILLO: 192- in SECO funds. And we have enough in both categories.

We have a balance remaining in SECO of 764,384, and we also have a balance in the development fund.

MS. ANDERSON: So are you proposing that you would reserve that for them subject to them clearing --

MR. CONINE: The wait list.

MS. ANDERSON: -- the wait list?

MS. CEDILLO: Yes.

MS. ANDERSON: Okay. Thank you.

MR. JONES: Okay. Thank you for staff's recommendation. We have speakers.

Mr. Westbrook, did you want to speak on this item?

MR. WESTBROOK: I was going to speak on the
capacity building, but staff has informed me that that will be taken up at the August meeting. But since I've been here all day, I said I might as well just go on and state what I needed to state.

(Laughter.)

MR. WESTBROOK: Basically, St. John Colony Neighborhood Association has worked with the staff of the department in trying to set up capacity building funds for rural communities. St. John is definitely a rural community. You've heard all the day about the need for rural communities and you-all's initiatives to set up programs to address our rural communities.

We have not been -- if you all had considered today's staff recommendations, we would not have been considered for capacity building funds. We're -- in Region 7, you're funding a CAP agency which is a very good CAP agency, Williamson and Burnet County, that's doing a project over in Leander, and East Austin Economic Development Corporation, which is located in Austin.

And like you all just stated earlier, it's that projects that's located in participating jurisdictions, which Austin is, have the opportunity to seek HOME funds from their localities, such as Austin. Well, over in Caldwell County, we don't have a strong United Way nor the
ability to go for HOME funds.

And so I was hoping that the board would correct that and look -- give priority to rural communities, as you all have stated and the urban affairs committee have stated and everyone keeps telling us this, but we compete against a metro project. And basically, our project not only is a rural project; in you-all's mandate, too, you indicated that you're looking for projects that serve populations that is less than 30 percent of the median income.

This particular project that will result with -- 30 percent of the units that are proposed are for families with incomes below 30 percent of the median. And so not only do we address that -- you-all's mandate for rural communities but, also, the target population of 30 percent.

What it puts upon as a burden on St. John Colony is that it's continuously having to borrow from the developer. And we have this conflict with our auditor; it's because it's separating our control. And this was the first attempt in which we could have freed up from borrowing from the developer to develop our project.

MR. JONES: Mr. Westbrook, if you would, wind up. Your time's up.
MR. WESTBROOK: And I will wind up real quick.

And that's why I kind of relate it back to the problems that we're having with the environmental and the clearances there, because we're totally depending upon volunteer help. And this would provide the staff person -- the CHDO coordinator to work with the department staff and give a full-time person to the association.

Thank you.

MR. JONES: Thank you.

We have one more speaker.

Mr. Palmer?

MR. PALMER: Thank you for your patience and your fortitude in listening to all the speakers today. I just wanted to raise one issue on the award of housing trust funds and the list that has been recommended. The Houston Copperwood Apartments I represent, and they are recommended for an award of $350,000. But the recommendation calls for a five-year term at a zero percent interest, and then with the payments to be re-set at that time.

The problem that that creates for us is that by having a five-year bullet loan like that, our lender and our tax credit investor have to underwrite it as if the whole amount of the loan is going to be called in five
years. And that creates a problem in using the funds in
that there's no defined source of repayment at the end of
five years.

So what we have talked to the underwriting
staff about -- the reason for this five-year re-look was
for underwriting to be able to look at that time to see
what interest rate and what amortization schedule the
project could afford based on its actual performance and
for us to prove up the garage and car-port income.

And what we have requested and talked to the
underwriting staff about is converting -- changing this to
have a 30-year term with five years of payments, as
suggested by underwriting, and then, at the five-year
point, for the department to re-set the interest rate
based on their underwriting at that time.

But at least with a 30-year term and a 30-year
amortization, our first lien holder and our tax credit
investor would underwrite it on the basis of a 30-year
pay-back instead of the possibility that it would all be
due at the end of five years. I spoke to the underwriting
staff here today, and they said that they had no
opposition to this change.

MR. JONES: Thank you, sir.

MR. CONINE: Can we confirm --
MR. JONES: Yes?

MR. CONINE: Can we confirm that with the underwriting staff?

MS. CARRINGTON: Yes.

MR. JONES: Underwriting staff?

MS. CARRINGTON: Jim Anderson is shaking his head yes.

MR. JONES: He's saying yes. He said yes. He's either a bobble-head doll or he's saying yes.

(Laughter.)

MR. JONES: Okay. Oh, we have one more speaker.

Ms. Reed?

MS. REED: Yes. I'm here to answer questions on the pre-development --

MR. JONES: Excuse me, ma'am. I didn't hear you. I'm sorry. I apologize.

MAYOR SALINAS: She wants to wait.

VOICE: You'll have to come up to the microphone so we can hear you.

MR. JONES: I'm sorry.

MS. REED: I'm here to answer questions on the pre-development loan fund allocations the board said it would be -- I'm acting as an associate.
MR. JONES: Okay. Well, if we have any questions, we'll remember that. Okay?

All right. Then we are on Item 6(d).

MS. CEDILLO: We've got pre-development funds that have to be presented under the Housing Trust Fund.

MR. JONES: Okay.

MS. CARRINGTON: Which is the third part of 6(d).

MR. JONES: Okay. Well, why don't we -- can we have the recommendations one at a time on what motions you need from the board in regard to 6(d)? And we'll take those things up.

What's the first thing you need, Ms. Carrington?

MS. CARRINGTON: It would be the first part, which are the Housing Trust Fund Development/SECO recommendations --

MR. JONES: Okay. Well --

MS. CARRINGTON: -- which are the ones that Ruth just presented.

MR. JONES: Great. We will take those up at this point then.

Which -- and it -- we've heard public comment, and we've heard the staff's recommendation. What's the

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board's pleasure?

MS. ANDERSON: I move adoption of staff recommendation on the Housing Trust Fund and SECO awards. It looks like $44,625,620 in the Housing Trust Fund and $903,538 in SECO.

MR. CONINE: Which has an amendment.

MAYOR SALINAS: Second.

VOICE: Plus Killeen.

MS. ANDERSON: Oh. I'm sorry. Plus Killeen.

MR. CONINE: Plus Killeen.

MS. CARRINGTON: Plus Killeen, yes.

MS. ANDERSON: Yes. I'm sorry.

MR. JONES: Plus Killeen, subject to the condition that they get off the waiting list.

MS. ANDERSON: Right.

MR. JONES: Okay.

 Anything else to that motion?

(No response.)

MR. JONES: All right. We have a motion that has been made. Is it seconded?

MAYOR SALINAS: Second.

MR. JONES: Okay.

We have a --

MR. CONINE: What about Mr. Palmer's request on
the note difference? Is he in this group, or another group?

MS. CARRINGTON: He is in this group.

MR. CONINE: Would you attach an amendment to amend the structure of his note recommendation per staff shaking his head over there?

MS. ANDERSON: Yes. I second that or -- I put it as an amendment.

MR. JONES: Okay. The motion has been amended by agreement.

We have a motion that has been made and seconded. Do we know what we're voting on?

(Pause.)

MR. JONES: All right. Any questions, comments, discussion?

(No response.)

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

(A chorus of ayes.)

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

(No response.)

MR. JONES: Motion carries.

And the second part of it, Ms. Carrington?

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MS. CARRINGTON: Mr. Chairman, the Housing Trust Fund Capacity Building recommendations are being deferred to the August 29 board meeting.

MR. JONES: Okay.

MS. CARRINGTON: On page 3 of your agenda, the third part of the Housing Trust Fund awards are the recommendations for pre-development.

MR. JONES: Okay. And those are the staff's recommendations for pre-development?

MS. ANDERSON: Can we do these at the end of the month? We'd do these better justice --

MR. CONINE: Are we sure we want to wait until the end of the month?

MS. CARRINGTON: We -- they are performance measures. We've got to report them by the 31st of August and have got to have contracts executed.

MR. JONES: Okay.

MS. ANDERSON: Well, we're not -- we're really not doing this justice. And this concerns me.

MR. CONINE: Okay.

MR. JONES: Okay. What's the recommendation, Ruth, with regard to the pre-development recommendations?

MS. CEDILLO: What we're recommending is that we fund ARK-TEX Council of Governments, which was the 2001
grantee for the 2002 funds, which are 558,642, and that we fund Texas Community Capital, which is an affiliate of the Texas Association of Community Development Corporation, for the 530,068 for Fiscal Year 2003.

MR. CONINE: Just those two? Move for approval

MR. JONES: Okay.

We have a motion that they be approved. Is there a second?

MAYOR SALINAS: Second.

MR. JONES: We have a speaker, Ms. Reed, who says she'll be happy to answer any questions on this if we have any. Do we have any questions?

MS. ANDERSON: I have some questions for Ruth.

MR. JONES: Okay.

MS. ANDERSON: How many applicants were there?

MS. CEDILLO: Those two were the only ones.

MS. ANDERSON: Okay. Thank you.

MS. CEDILLO: Okay.

MR. JONES: And are there any questions for Ms. Reed?

MS. CEDILLO: Now, the only point is that ARK-TEX did receive the greater number of points, but ARK-TEX still has approximately $500,000 that they're working with. And they've agreed to --
MS. CARRINGTON: Yes. We did talk to ARK-TEX about that.

MS. CEDILLO: -- take the 558,000.

MS. ANDERSON: Well, why are there not more applicants --

MS. CEDILLO: Marketing --

MS. ANDERSON: -- for this particular designated --

MS. CEDILLO: I think that probably we need to do more marketing. That's the only thing I would attribute it to. But this -- with Texas Community Capital, which is applying for CDFI status, they will be able to leverage additional dollars from the U.S. Treasury Department. So that is something creative that helps leverage funds across the state.

And they will have to make an effort to fund a project in each one of the 11 service regions the first year. So I think that this is a really creative way to go with this project.

MS. CARRINGTON: Ms. Anderson, I think that's something we're certainly going to be looking at in the future as --

MS. ANDERSON: Maybe when we have our little report programs training -- I think part of my problem is
I just don't know enough about what these and what we do in the Housing Trust Fund. And I'd like to.

MS. CARRINGTON: Okay.

MR. JONES: All right. We have a motion that has been made and seconded. I believe nobody has any questions for Ms. Reed.

We thank you for being here and for being available to us.

Are we ready to vote?

(Pause.)

MR. JONES: I assume we are. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Motion carries.

Now, Ms. Carrington --

MS. CARRINGTON: One more, and that's all.

MR. JONES: Okay.

MS. CARRINGTON: And it's an action item, and it's (e). We can skip the Executive Director's report, Mr. Chairman.

MR. JONES: Really?

MS. CARRINGTON: Yes. We really can.
MR. JONES: I can't believe it.

6 (e). What's the recommendation?

MS. CEDILLO: The recommendation is that the board authorize staff to proceed in holding a public hearing and proposing to combine 2002 and 2003 HOME allocations and have an application cycle in the spring of 2003. This would allow the staff to do the clean-up on IDIS, which has been written up by HUD and the state auditors, and that would also help the staff concentrate on implementing new procedures that have been established to run a more effective program.

And what would happen is we would take the 2002/2003 and accept all of the applications and go ahead and fund applicants that were eligible, underwritten and everything, when necessary, and use up the funding in 2003. Now, what you have to keep in mind, also, is that we do have the funds for contract for deed for conversion that would have to move.

Now, we're basically talking about home buyer assistance, owner-occupied housing assistance and tenant-based rental assistance that would be delayed because we have the CHDO set-aside and we also have the preservation funds that have --

MR. CONINE: How much money are we talking
about, Ruth, total?

MS. CEDILLO: I'd say approximately -- and I'm sorry, I don't have that exact figure. But we've got --

MR. CONINE: An approximate will work.

MS. CEDILLO: 30 million, I'd say, that would be delayed to 2003.

MS. ANDERSON: I thought I just asked how much HOME funding --

MR. CONINE: 41, but we're --

MS. CEDILLO: It's 41. But, see, these other set-asides would --

MS. ANDERSON: Oh. I'm with you.

MS. CEDILLO: -- be processed.

MS. ANDERSON: I'm sorry. I'm just tired.

Okay.

MS. CARRINGTON: So the bulk of the money would roll into next year --


MS. CARRINGTON: -- and we'd have one round combining '02 and '03. But there are some reasons that a portion of it would have to go ahead and be allocated this year out of the '02 allocation.

MAYOR SALINAS: On the contract for deed, how much money are you all allocating for that?

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MS. CARRINGTON: It's $2 million.

MAYOR SALINAS: But don't you think that people would have to stop doing that?

MS. CEDILLO: No. That's what we're saying, that we would move on the contract for deed now, being --

MAYOR SALINAS: But are they doing any new ones? I understand they're still doing them.

MS. CEDILLO: Yes, they are.

MAYOR SALINAS: I -- and that has got to stop. I don't see how we could fund something that has no end. We still have developers doing contract for deed --

MS. CEDILLO: Oh. You're saying they're still doing contract --

MAYOR SALINAS: Yes.

MS. CEDILLO: -- for deed? I -- our staff --

MAYOR SALINAS: And one of the things --

MS. CEDILLO: -- is still --

MAYOR SALINAS: -- that we saw in El Paso is that if they don't stop, I mean, why should we continue funding a no-ending problem?

MS. CEDILLO: I apologize, Mayor. I didn't understand your question when you said they're still doing them. Our --

MAYOR SALINAS: They're still doing contract

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for deeds.

    MS. CEDILLO: Our staff is working with

people --

    MAYOR SALINAS: Yes.

    MS. CEDILLO: -- that have contracts for deeds. Okay? But as of --

    MAYOR SALINAS: Who's in charge of all of this?

    MS. CEDILLO: Homer.

    MAYOR SALINAS: Homer?

    MS. CEDILLO: It has a limit, and I believe it's 1990. Any that have occurred afterwards, they're not supposed to be selling property --

    MAYOR SALINAS: Well, there's --

    MS. CEDILLO: -- on contracts for deed.

    MAYOR SALINAS: Well, this task force that just came about in El Paso is going to look into that because I think they're still doing it. And I know there's nonprofits that have monies to convert these contracts for deeds into warranty deeds. But my understanding of that was that they're still doing it. They're still selling contracts for deeds in El Paso. But, you know --

    MS. CEDILLO: Well --

    MAYOR SALINAS: -- we can look into that through that task force.
MS. CEDILLO: Absolutely. We can -- and, also, we can have our staff look into that.

MAYOR SALINAS: Yes. I think Anibal can probably advise you about what's happening there.

MS. CEDILLO: Yes, sir.

MR. JONES: All right. Questions? Comments? Discussion? Motions?

MR. CONINE: Reluctantly move for approval of staff recommendation.

MR. JONES: Reluctantly?

MR. CONINE: Reluctantly.

MR. GONZALEZ: Reluctantly seconded.

MR. JONES: Reluctantly seconded?

You have a reluctant board, Ms. Carrington.

MS. CARRINGTON: I -- yes.

MR. CONINE: I'd like to get some -- yes. I'd like to get some money out the door, and I'd like to get it out as fast as we can, but I understand, you know, that I guess this staff recommendation is being made based on some conversations with HUD and some audit findings that we need to get cleaned up. And it's not like me to not get money out the door when it's sitting there ready to go, but in light of the special circumstance here, I think we ought to support the staff.
MS. ANDERSON: Well, what are your thoughts or plans around notification to either the communities that are affected by this --

MS. CEDILLO: Oh, absolutely.

MS. ANDERSON: -- and the legislative leaders --

MS. CEDILLO: This is --

MS. ANDERSON: -- and kind of --

MS. CEDILLO: This is --

MS. CARRINGTON: By you all taking this action today, it authorizes us to go out and schedule some public hearings to amend our one-year action plan. So we will absolutely schedule public hearings, you know, almost immediately.

MS. CEDILLO: Notices will go out to all of the communities --

MS. CARRINGTON: Tomorrow.

MS. CEDILLO: -- the nonprofits. And we'll hold the public hearing and make sure that it gets publicized well.

MS. ANDERSON: So --

MS. CEDILLO: So this is not --

MS. ANDERSON: -- it's not a public hearing to consider the decision; it's a public hearing to announce
the decision?

MS. CARRINGTON: Well --

MR. CONINE: That's --

MS. CARRINGTON: And to amend the one-year action plan.

MS. CEDILLO: To invite public comment as to what the public --

MS. CARRINGTON: Yes. Thank you.

MS. CEDILLO: -- how the public feels about amending the action plan. But we felt that you needed to --

MR. CONINE: And then the actual amendment will come back to us.

MS. ANDERSON: Oh. Okay.

MR. CONINE: The actual amendment will come back.

MS. ANDERSON: Okay. I'm with you.

MR. JONES: But let's make sure that Mr. Conine's question is answered on the record, Ms. Carrington. He was telling us that the actual amendment would then come back to us. And she said yes to that.

MS. CARRINGTON: Yes. That's correct.

MR. JONES: All right. I'm punch-drunk a little bit. We have a motion that has been made
reluctantly and seconded reluctantly.

MR. CONINE: Wait a minute. There's a mobile phone that's ringing. It's going to be $100 for the Housing Trust Fund right there.

(Pause.)

MR. JONES: Okay. We have a motion that has been made and seconded. Further questions, comments, discussion?

(No response.)

MR. JONES: I don't think there are any speakers on this. I don't think there any more speakers. If you want to speak, you had better raise your hand quickly.

(No response.)

MR. JONES: Okay. We're ready to vote then. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Motion carries. We're done. Right?

MS. CARRINGTON: Yes, sir. That's it.

MR. JONES: The Chair will entertain a motion to --
MR. CONINE: I've got two comments.

MR. JONES: Yes. Please do, Mr. Conine.

MR. CONINE: On the HOME programs, one of the benefits of us being involved in the National Council for State Housing Finance Agencies is that we get to hear what other people do with their HOME funds in other states.

And I may have said this before, but I'd like to see us to wherever appropriate take a portion of our HOME funds and do a pilot program at first that would be very similar to what Tennessee does. And that's where they take, I believe, some of the mortgage revenue bond loans in their single family program.

And those that are having trouble because they -- making their mortgage payments because they lost their job, or whatever -- they have individual assistance to get them through the rough times and keep the loan current, as opposed to being in default, put it in a second -- in the form of a second lien with no interest or anything, and we get repaid when they ultimately sell the house. I'd like to see us do that or try that.

MS. CEDILLO: We get calls about that a lot.

MR. CONINE: And the other comment I want to make publicly is, I guess, with regards to the staff. I know there has been a lot of public comment here on tax
credit deals.

And there's a lot of moving parts in site plans and numbers of units and so forth. And I want to make sure that staff understands that this Board member is especially sensitive to making any substantive changes in any of these projects without coming back to this Board for approval. And I want to, hopefully, make sure that we understand that.

MAYOR SALINAS: Uh-huh.

MR. CONINE: That's all.

MS. CARRINGTON: We do.

MR. JONES: Any other Board members that would like to say something?

(No response.)

MR. JONES: No? If not, I'd entertain a motion to adjourn.

MR. GONZALEZ: So move.

MR. CONINE: Second.

MR. JONES: A motion has been made and seconded. All in favor, say aye.

(A chorus of ayes.)

MR. JONES: Okay.

(Whereupon, at 5:30 p.m., this meeting was concluded.)
CERTIFICATE

MEETING OF:     TDHCA Board
LOCATION:      Austin, Texas
DATE:      August 8, 2002

I do hereby certify that the foregoing pages, numbers 1 through 289, 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.

08/17/02
(Transcriber) (Date)

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