

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

9:00 a.m.
Wednesday,
January 8, 2003

TDHCA
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:

MICHAEL JONES, Chairman
SHADRICK BOGANY
BETH ANDERSON
NORBERTO SALINAS
VIDAL GONZALEZ

STAFF PRESENT:

EDWINA CARRINGTON
DELORES GRONECK
ROBERT ONION
BYRON JOHNSON
GARY MACHAK

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ADJOURN

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P R O C E E D I N G S

1
2 MR. JONES: I would now like to call to order
3 the meeting of the board for the Texas Department of
4 Housing and Community Affairs set for January 8, 2003.

5 And after calling it to order, the first order
6 of business is the roll call.

7 Beth Anderson?

8 MS. ANDERSON: Here.

9 MR. JONES: Mr. Bogany?

10 MR. BOGANY: Here.

11 MR. JONES: Mr. Conine is absent. Mr. Gonzalez
12 is absent.

13 Mayor Salinas?

14 MR. SALINAS: Here.

15 MR. JONES: And Mike Jones is here. So we have
16 four members present, two absent. And I do certify that
17 we have a quorum.

18 The next order of business is public comment.
19 Can you hear me?

20 THE REPORTER: Yes.

21 MR. JONES: Can you hear me?

22 THE REPORTER: We hear now.

23 MR. JONES: Okay. The next order of business
24 is public comment. If you would -- if you'd like to

1 address the board, if you would, fill out a witness
2 affirmation form and supply it to Delores. And she'll let
3 me know about it.

4 I have two right now that have been submitted.
5 You have the option of either speaking at an agenda item
6 or speaking now.

7 And the first person I have a witness
8 affirmation from is Mr. Steve Moore.

9 MR. MOORE: Good morning. Do I just come up
10 here and talk?

11 MR. JONES: That would be great.

12 MS. ANDERSON: Yes, you do.

13 MR. JONES: Feel free.

14 MR. MOORE: Okay. My name is Steve Moore. And
15 my question is about funding for Region 7. I have a rural
16 application for that region. And I don't know if I should
17 even submit the pre-app if there's no money available,
18 which I saw on the latest revision.

19 MR. JONES: I will address that question to our
20 executive director.

21 Ms. Carrington?

22 MS. CARRINGTON: Good morning. What you --
23 the --

24 MR. JONES: How about using this.

1 MS. CARRINGTON: I'm one of the ones that
2 doesn't have a mike.

3 MR. JONES: Okay.

4 VOICE: It's on.

5 MR. JONES: It's one? Okay.

6 MS. CARRINGTON: Is it on? Okay.

7 MR. JONES: Excuse me.

8 MS. CARRINGTON: Thank you.

9 The question that you raised related to Region
10 7. What you see on the website is correct for
11 applications for 2003 for the Low Income Housing Tax
12 Credit Program.

13 We went from 11 service regions to 13 service
14 regions between the '02 and the '03 allocations. And the
15 Austin region was one of those regions that was carved up
16 as a result of adding an additional service region.

17 The Austin area, which is Region 7, did receive
18 two forward commitments out of the '02 application. So
19 out of '03 we will actually have about 1.9 million as is
20 shown on the website that will be for Region 7. It was
21 two tax credit transactions.

22 So for new allocations in '03 for tax credits
23 in the newly configured Region 7, which does include
24 Austin, the amount available per the regional allocation

1 formula is zero.

2 MR. MOORE: Well, does that mean that it's --
3 that it's hopeless for any funding in that region? Or
4 does it mean there might be some forward commitment like
5 there was in the past? If you did it once, is it possible
6 you do it again?

7 MS. CARRINGTON: I would -- it's a question
8 that we are -- that staff is asking. And it really is a
9 gamble or a judgment call that a developer has to make.

10 Right now Region 7 has zero allocated per the
11 regional allocation formula. Because actually, with the
12 two forward commitments that the board did in '02 it was
13 over about \$500,000. And that 500,000 was taken from the
14 other 12 service regions.

15 So if a developer chooses to go ahead and place
16 an application in Region 7, even though you understand
17 it's a zero allocation amount right now, that certainly is
18 at the developer's option. We wouldn't not take it if you
19 went ahead and applied.

20 MR. MOORE: Okay. And if it's rural it's still
21 part of the money for Region 7? If it's a rural
22 application but it's in Region 7, it still has to take
23 from the Region 7 pot, which is zero dollars. Is that --

24 MS. CARRINGTON: That's correct.

1 MR. MOORE: -- right?

2 MS. CARRINGTON: That's correct.

3 MR. MOORE: Okay.

4 MS. CARRINGTON: But I think it's very
5 important to say -- one of the things we've heard folks
6 say is, Well, Region 7 has no money. Well, Region 7 did
7 have 1.4 million. But that 1.4 million was taken up with
8 1.9 million in forward commitments of '02.

9 MR. MOORE: Okay.

10 MS. CARRINGTON: Okay?

11 MR. MOORE: Thank you, ma'am.

12 MS. CARRINGTON: Thank you.

13 MR. JONES: Thank you, Mr. Moore.

14 The next witness affirmation form I have is
15 from Mr. Granger McDonald.

16 Mr. McDonald?

17 MR. McDONALD: Well, let me start by saying
18 I've never met Mr. Moore before in my life, but he's
19 right. And that's the purpose of my discussion.

20 And the answer to his question is it's very
21 risky thing to put in an application for Region 7 right
22 now. And most people are not going to spend the money to
23 do it. And they'd be ill advised to.

24 And I'd like to point out that I think what

1 we've done here is I can appreciate the fact that there
2 was a tremendous amount of bonds, 4 percent credits that
3 were done in the Austin area. But that's been at the
4 expense of the rural applications.

5 I don't know where Mr. Moore's turning his
6 application in. But we were going to do a rural
7 application in Region 7 and now are facing the same
8 dilemma.

9 And it's not fair to the rural parts where bond
10 deals won't work. You don't do any 9 percent credits in
11 Austin. It's not a problem. Rents are high enough here.

12 They can do 4 percent credits through the lottery.
13 Actually, do bigger deals and may be simpler to do.

14 But the folks like us in the rural areas are
15 between a rock and a hard place. These 9 percent credits
16 are the only way to deliver housing in the rural areas.
17 And you've literally shut them off. You've shut off a lot
18 of rural communities from having seniors housing and for
19 having family housing in this term.

20 I would hope that the board -- if legislation's
21 necessary, I'd hope that the board would think about what
22 they could do to better allocate the resources so that we
23 don't have years where people get zero. It's not fair to
24 the rural communities. It's not fair to the towns that

1 have no other alternative.

2 One of the ways you could do is put minimums
3 out. You could redefine your region where you had -- for
4 example, in this area you'd have Hayes, Travis and
5 Williamson County as a region so the rest of Region 7A and
6 7B type of thing so that you wouldn't shut off the rural
7 areas. You could do the same thing with Harris and Fort
8 Bend County, for example, and then not shut off the rest
9 of the region.

10 But I think this needs to -- there has to be a
11 good look at this. I know we're torpedoed this year.
12 Region 7 is not going to get any money. It's -- and for
13 those of us -- we'll probably not turn in applications.
14 And the folks that have been looking forward to having
15 better affordable housing in the rural areas of Region 7
16 will just have to live in what they've been living in in
17 the last year.

18 Thank you.

19 MR. JONES: Thank you, sir.

20 MS. ANDERSON: May I ask a question?

21 MR. JONES: Certainly.

22 MS. ANDERSON: Ms. Carrington, the -- when we
23 got to the, you know, end of the summer, when we began to
24 review the applications, we retained -- if I remember

1 correctly, we retained the ability to do an '04 forward
2 commitment. Right? So we still would have that option if
3 we had applications that the board chose to make forward
4 commitments against?

5 MS. CARRINGTON: That's correct.

6 MS. ANDERSON: Okay.

7 MR. JONES: Any further questions from board
8 members?

9 (No response)

10 MR. JONES: Those are the only witness
11 affirmation forms I have.

12 Is that right, Delores?

13 Would anybody else like to speak to the board?

14 (No response)

15 MR. JONES: Having no other witness affirmation
16 forms, I will then declare closed the public comment
17 portion of our meeting.

18 I would also say this. We have no witness
19 affirmation forms that have been filled out. Accordingly,
20 I assume there is nobody that wants to speak to specific
21 items. We do have some board members with some time
22 constraints. So the public comment portion of our meeting
23 is now closed for the remainder of the meeting.

24 We will then move to Item 1 of the -- we don't

1 have any minutes to approve.

2 Right?

3 MS. GRONECK: No, sir. I didn't get the
4 transcript until this week.

5 MR. JONES: Okay. We will then move to Item
6 Number 1 of the agenda, which is the discussion and
7 presentation and possible approval of financial items.

8 Ms. Carrington?

9 MS. CARRINGTON: Thank you, Mr. Chairman. The
10 first item for your consideration this morning is the
11 proposed issuance of Multifamily Mortgage Revenue Bonds
12 for the Reading Road Apartments in Rosenberg, Texas in an
13 amount not to exceed \$14,000,000.

14 And the proposed development in front of you --
15 the proposed bond issuance in front of you is for 252
16 units. It's new construction. It's a priority 2
17 transaction. And actually, the proposed bond amount is
18 \$12,200,000, 6.75 percent interest rate, 35-year
19 amortization.

20 I would like Robert Onion to come up to address
21 a potential occurrence or activity with this transaction,
22 in that there is a possibility within 90 days that the
23 bonds that are approved today may be reissued in 90
24 days -- or refunded in 90 days.

1 Robert, would you like to address that, please?

2 MR. ONION: Good morning. My name is Robert
3 Onion, Director of Multifamily Finance. The reason why
4 it's being considered as a possible refunding is just
5 strictly based upon the schedule.

6 When they received the reservation October 18
7 that means that they have to close by February 15. As you
8 know, the next board meeting is on the 13th, which only
9 would give them two days in which to close the
10 transaction.

11 And this board meeting -- we appreciate you
12 having the board meeting today -- is early in January.
13 And there was just not enough time to put together a
14 publicly offered transaction.

15 So Underwriting did underwrite it at 6.75. It
16 does work at 12 million two. It has the proper debt
17 coverage ratio.

18 And if they do the refunding, then they would
19 go to a credit-enhanced -- private credit-enhanced
20 variable rate, which would only make the transaction
21 stronger.

22 The amount of bonds would still be 12 million
23 two, but the interest rate would be less. So you'd have a
24 higher debt coverage ratio.

1 I just want to make mention of that. And if
2 you have any other questions -- thank you.

3 MR. JONES: Thank you.

4 MS. CARRINGTON: And staff is recommending the
5 approval of the issuance by the resolution that is in your
6 book, Resolution 0302, the issuance of 12.2 million in
7 Single-Family Mortgage Revenue Bonds for this transaction.

8 MS. ANDERSON: I move for approval of
9 Resolution number 0302.

10 MR. BOGANY: Second.

11 MR. JONES: Motions's been made and seconded.
12 Further discussion, questions, comments?

13 (No response)

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

16 (A chorus of ayes.)

17 MR. JONES: All opposed, nay.

18 (No response)

19 MR. JONES: Motion carries.

20 Ms. Carrington?

21 MS. CARRINGTON: Thank you. Item 1b is the
22 approval of a Single-Family Mortgage Revenue Bond Lender
23 List.

24 You will remember at the last board meeting we

1 approved the issuance of bonds for our newest two single-
2 family programs. And those are programs 59 and 59-A. And
3 we have a list of the lenders for you. There are 40
4 lenders on -- that will be participating in this program.

5 Note -- and we're always pleased about this --
6 that three of them are new lenders in the program. Allied
7 Home Mortgage Corporation, Independent Mortgage Company,
8 State National Bank and then Piney Woods Home Team is
9 actually a fourth entity that will be working in
10 conjunction with Bank One to make loans in Nacogdoches,
11 Longview and Jasper. So we have 40 lenders who are
12 participating in the program.

13
14 One of the things we are always interested in
15 is what kind of coverage are we getting in the state with
16 our lenders.

17 And I asked staff to prepare -- and you have in
18 your book behind the lender list -- a chart of the lenders
19 with all of the various offices they have. We actually
20 have a total of 388 branch offices around the state.

21 And then we have a map, which is the last item
22 that's behind b, that shows the board where our lenders
23 are actually located around the state.

24 What this shows us is that there are some areas

1 of the state that we have very good coverage in, as far as
2 origination of Single-Family Mortgage Revenue Bonds for
3 the Department.

4 There are some other areas of the state that we
5 absolutely need to work on in either generating interest
6 with new lenders or trying to work correspondent
7 relationships with entities who would like to lend in
8 those areas.

9 Staff is recommending that the board does
10 approve this list of 40 lenders for participation in our
11 programs 59 and 59-A.

12 MR. BOGANY: I have one question.

13 MR. JONES: Yes, sir?

14 MR. BOGANY: Is this the -- can you add to this
15 list? Or this is the list for this issuance?

16 MS. CARRINGTON: We can -- you can add to --
17 you can add lenders to this list throughout the
18 origination of the program.

19 MR. BOGANY: Okay. Thank you.

20 MS. CARRINGTON: Yes.

21 MR. JONES: So let me make sure I understand
22 your answer to Shad's question. That means that this list
23 can be added to as we go through the year.

24 MS. CARRINGTON: Correct.

1 MR. JONES: Thank you.

2 MS. ANDERSON: I move --

3 What's the board's pleasure.

4 MS. ANDERSON: I move approval of the lender's
5 list for 59 and 59-A.

6 MR. BOGANY: Second.

7 MR. JONES: Motion's been made and seconded.

8 Any further questions, comments, discussion?

9 (No response)

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

12 (A chorus of ayes.)

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

14 (No response)

15 MR. JONES: The motion carries.

16 Ms. Carrington?

17 MS. CARRINGTON: Item 1c is requesting the
18 board to approve the issuance of a request for
19 qualifications for trustee services for our Single-Family
20 Mortgage Revenue Bond issues.

21 You all may remember that last summer we did
22 issue an RFQ for trustee services and did not -- we
23 received, I think, five or six responses but did not take
24 any action on any of those responses.

1 So what we have done is gone back and looked at
2 our requests for qualifications and done some revamping
3 and revising on our RFQ and are requesting that the board
4 approve issuance of this RFQ. And we will look for
5 responses to come back in -- February 21 of '03.

6 And I believe in March is when we had this --
7 we will have reviewed the proposals and we will come back
8 to the board asking your acceptance of a trustee to
9 provide services for the Department.

10 MR. BOGANY: So move.

11 MR. JONES: We have a motion to approve the
12 proposed request for qualifications.

13 MS. ANDERSON: Second.

14 MR. JONES: Motion's been made and seconded.
15 Questions, comments?

16 MS. ANDERSON: I have a question.

17 MR. JONES: Ms. Anderson?

18 MS. ANDERSON: Could you refresh my memory on
19 the -- last summer's RFQ? You didn't get responses to it?
20 Was that it?

21 MS. CARRINGTON: We did receive responses.
22 I think we received either five or six
23 responses, Byron? Is that correct?

24 MR. JOHNSON: About six.

1 MS. CARRINGTON: About six responses?

2 All of those responses had some degree of
3 incompleteness in them. And we didn't feel comfortable in
4 making a recommendation to the board at that time. We
5 said maybe it's the way we're asking the questions, maybe
6 we need to take a look at our RFQ and polish it up some.
7 And so we've done that and are now going out with this --
8 with the request for the new one.

9 MS. ANDERSON: And how many trustees do we have
10 in the Single-Family Program at present?

11 MS. CARRINGTON: Byron, would you like to come
12 up and answer that question? Question was how many
13 trustees do we have in the Single-Family Program.

14 MR. JOHNSON: Well, presently one. And they
15 cover all of our indentures. We have five, six -- five or
16 six indentures. And when I start -- well, back in 1999 or
17 1998 there were two or three trustees. But as a result of
18 refundings and, I guess, transfer of responsibilities from
19 a particular trustee it just resulted in us having one
20 trustee presently.

21 MS. ANDERSON: In your judgment -- if I can ask
22 you this -- in your judgment is it better for the Agency
23 to have more than one trustee?

24 MR. JOHNSON: The current trustee also has

1 undergone a lot of internal managerial changes. And
2 whereas before, within that entity you had separate
3 divisions covering single-family, multifamily, they
4 combined those divisions and just have one division for
5 multifamily issuance and single-family issuance. And we
6 think it would be better to bring in one or two more
7 trustees for future issuances.

8 MS. ANDERSON: I have one more question. Is
9 the process -- and then on the multifamily side we have a
10 similar -- we have trustees on the multifamily side, also?

11 MR. JOHNSON: Yes.

12 MS. CARRINGTON: Yes.

13 MR. JOHNSON: I believe we have three trustees
14 on the multifamily side.

15 MS. ANDERSON: Okay. And do you recall when
16 the last time was that we reviewed those trustees or went
17 out with an RQ on the multifamily side?

18 MR. JOHNSON: I believe it was in '98 or '99.

19 MS. ANDERSON: Okay.

20 MR. JOHNSON: Is Robert --

21 MS. CARRINGTON: Is Robert here?

22 MS. ANDERSON: I have one more question. Is it
23 specified in our -- in the Government Code or in
24 regulation or is this mainly -- has it just been sort of

1 past practice that when we consider either adding to or
2 replacing trustees, that we do it in a competitive
3 process? I mean, is that specified in regulation or is
4 that just -- has that been board policy? Or is it just
5 sort of --

6 MR. JOHNSON: I believe we are required to go
7 out with an RFP on professional services or consulting
8 services.

9 MR. JONES: We have a motion that's been made
10 and seconded. Any further questions, comments,
11 discussion?

12 (No response)

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

15 (A chorus of ayes.)

16 MR. JONES: All opposed, nay.

17 (No response)

18 MR. JONES: The motion carries.

19 Ms. Carrington?

20 MS. CARRINGTON: Item 1d --

21 And, Byron, let me ask you to go ahead and stay
22 up here.

23 Item 1d is to approve an additional request for
24 proposals for co-managers for the investment-banking teams

1 for the sale of the Department's Single-Family Mortgage
2 Revenue Bonds and Refunding Bonds.

3 And as you have in your material, in '01 -- in
4 2001 the Department selected 12 investment banking firms
5 to provide single-family mortgage underwriting services
6 for TDHCA.

7 We had six firms that were selected as the
8 senior managers. And then we had six firms that were
9 selected as co-managers. And we rotate those firms on --
10 as transactions come up.

11 And what we are asking for today -- and so
12 basically, all of those six managers have served -- those
13 senior managers have senior-managed a transaction.

14 MR. JOHNSON: Of the six, four have.

15 MS. CARRINGTON: Four have managed the
16 transaction. And what we're looking at doing with this is
17 adding additional co-managers to the team. And I'll let
18 Byron explain how this all works.

19 MR. JOHNSON: Starting with going back to 1999,
20 we started rotating senior managers. And then in 2001 we
21 updated the list. We had a lot of firms on the list that
22 were no longer -- that no longer existed or just were not
23 around to provide services.

24 We decided at that time to have six senior

1 manager firms to provide -- you know, or to underwrite a
2 transaction. And we wanted to, you know, get a feeling
3 for the services they provided and everything. We wanted
4 to, you know, get a feel for the firm. So we've gone
5 through four of those six.

6 What we're looking to do is move to eventual --
7 what we're looking to do eventually is move to a system
8 where we will have three teams comprised of five firms.
9 We'll do all this on an annual basis of three
10 transactions. And each team will do one transaction per
11 year.

12 Historically, the Department has done only one
13 single-family transaction per year. And given the
14 volatility in interest rates and everything, we suggest or
15 recommend that we break, you know, the \$150 million
16 transaction down to maybe three transactions, 50 million,
17 75 million to help mitigate our exposure to interest rate
18 risk.

19 So what we're trying to do -- this is kind of
20 like a -- this is a preliminary move to get on board
21 additional co-managers so that we'll have a senior
22 manager, a co-senior manager and three co-managers for
23 each of the three teams.

24 MS. ANDERSON: So --

1 May I ask a question.

2 MR. JONES: You sure can.

3 MS. ANDERSON: Theoretically then we have six
4 lead senior managers right now.

5 MR. JOHNSON: Right now.

6 MS. ANDERSON: And so theoretically, three of
7 those could become co-senior managers?

8 MR. JOHNSON: Yes, ma'am.

9 MS. ANDERSON: And do they -- will they apply
10 as part of this process to do that? Or you can --

11 MR. JOHNSON: What --

12 MS. ANDERSON: When you assign those three
13 teams you can --

14 MR. JOHNSON: What we envision doing is coming
15 back to you later this year and saying -- and stating that
16 we have worked with all six senior management firms and
17 this has been our experience with those firms. And these
18 are the three firms that we recommend going forward to
19 serve the Department.

20 The remaining three firms in the senior manager
21 pool would then be the co-senior firms. And then we will
22 have the three teams of three co-managers. I'm sorry.

23 MS. ANDERSON: No. It's good clarification.
24 Makes sense.

1 MR. JONES: I know I'm always doing this. But
2 is this something our financial advisor we consult with --

3 MR. JOHNSON: Has the financial advisor?

4 MR. JONES: Is that true? I mean, I --

5 MR. MACHAK: Yes. Byron and I got together --

6 MR. JONES: Did --

7 MR. MACHAK: -- and checked first.

8 MR. JONES: Yes. Gary, you generally give us
9 your advice on this after looking at how these individual
10 firms have performed.

11 MR. MACHAK: Yes, I do. In fact -- and I
12 discuss it with Byron after each bond issue, in the middle
13 of the bond issue on their performance. And we're in the
14 process of reviewing the RFPs and giving our opinion, as
15 we've worked with these firms in other areas, too, to let
16 them know some things that may not come up in the written
17 proposal process.

18 MR. JONES: And I assume that you think that
19 this is a good move for us to make, number one; and number
20 two, you will continue to help us and advise us as we work
21 through the process that's been described so ably.

22 MR. MACHAK: I agree with both of those
23 statements, yes.

24 MR. JONES: Thank you, sir.

1 Thank you.

2 MR. JOHNSON: Yes.

3 MR. JONES: Sorry to bother you.

4 MR. MACHAK: No, no.

5 MS. CARRINGTON: Gave him a reason to be here.

6 MR. JONES: I always feel like I'm dragging him
7 up to the podium.

8 Anything else?

9 (No response)

10 MR. JONES: I don't think we have a motion.

11 MR. BOGANY: I move that we accept the proposal
12 from staff.

13 MR. JONES: Thank you.

14 We have a motion that the proposed request be
15 approved.

16 MS. ANDERSON: Second.

17 MR. JONES: Motion's been made and seconded.

18 Further questions, comments, discussion?

19 (No response)

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

22 (A chorus of ayes.)

23 MR. JONES: All opposed, nay.

24 (No response)

1 MR. JONES: The motion carries.

2 MR. JOHNSON: Thank you.

3 MS. CARRINGTON: Thank you, Byron.

4 MR. JONES: Ms. Carrington, we'll move to Item
5 2 of the agenda.

6 MS. CARRINGTON: Item 2a is the request for the
7 issuance of determination notice to a tax-exempt bond
8 issue with TDHCA as the issuer. This is the allocation of
9 bonds that you previously approved in the amount of
10 \$12,200,000. It's the Reading Road Apartments in
11 Rosenberg.

12 And the tax credit recommended allocation
13 amount for this transaction is \$624,757. And staff is
14 recommending that the board approve this amount of tax
15 credit allocation for this particular transaction.

16 MS. ANDERSON: I move for board approval of
17 staff recommendation of this Reading Road Apartments.

18 MR. BOGANY: Second.

19 MR. JONES: Motion's been made and seconded.
20 Further questions, comments, discussion?

21 (No response)

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

24 (A chorus of ayes.)

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

3 (No response)

4 MR. JONES: The motion carries.

5 MS. CARRINGTON: The second item for your
6 consideration is the issuance of determination notice to a
7 tax-exempt bond transaction with an issuer other than the
8 Texas Department of Housing and Community Affairs.

9 Tarrant County HFC is the allocation -- is the
10 issuer for the bonds on this particular transaction. And
11 the requested and the recommended credit amount from TDHCA
12 for the 4 percent tax credits is \$590,923. It's 216
13 units. It's located in Fort Worth and it is a family
14 transaction, new construction.

15 MR. BOGANY: So move.

16 MR. JONES: We have a motion for approval
17 that's been made. Is there a second?

18 MS. ANDERSON: Second.

19 MR. JONES: Motion's been made and seconded.

20 Further questions, comments, discussion?

21 (No response)

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

24 (A chorus of ayes.)

1 MR. JONES: All opposed, nay.

2 (No response)

3 MR. JONES: The motion carries. We will then
4 turn to the first report item on the agenda.

5 Ms. Carrington?

6 MS. CARRINGTON: Thank you, Mr. Chairman. This
7 might be one of the first board meetings where we've had
8 more executive director report items almost than action
9 items on behalf of the board.

10 The first --

11 MR. JONES: I would congratulate you for that,
12 but I'm not sure.

13 MS. CARRINGTON: Wait --

14 MR. JONES: I --

15 MS. CARRINGTON: -- till --

16 MR. JONES: I guess I'll wait.

17 MS. CARRINGTON: -- February.

18 MR. JONES: Okay.

19 MS. CARRINGTON: Wait till February. The first
20 item is the organizational chart of the Department, which
21 is the way we are beginning to operate. And it will be
22 fully implemented on March 3 of this year.

23 In December in -- surveys went out to employees
24 who were impacted by the reorganization giving them an

1 opportunity to identify what part of the Department they
2 wanted to move to and with -- and in what area.

3 There were 51 employees who completed that
4 survey. And what we did was match those employees with
5 the processes in the divisions.

6 So we looked at trying to satisfy, to the best
7 we could, employees' desires to move to particular
8 divisions, but then also looking at the skills and
9 abilities those employees had and doing some matching.

10 So we had 51 employees that are in the process
11 of being reassigned to different divisions of the Agency.

12 They were all notified on Friday, December 20 where they
13 would be going.

14 That was actually about three days early for us
15 because our schedule had shown us doing that on the 23rd
16 of December, which we knew didn't work very well, but was
17 kind of the best we could do.

18 We are now in what's called Phase 3 of our
19 reorganization. And that is being done by staff. We have
20 a P3 team. The leader of that team is Homer Cabello. We
21 have basically finished our on-site work with our
22 consultant from the State Auditor's Office. And he is
23 with us as we call him on an hour -- if we need him for
24 hourly services.

1 Basically, what the 3 -- what the P3 team is
2 doing right now is working on the change agent elements of
3 the migration plan. So what we're doing is beginning --
4 we've worked -- our facilities folks have put together
5 space plans for us. So we are working out where divisions
6 are going to go on the various floors.

7 The deputy executive directors are with their
8 divisions. They -- most of the divisions are on two
9 floors. And so the deputy executive director is on one of
10 those two floors.

11 We believe that we are doing -- that as we do
12 this physical move, which is actually going to happen over
13 the weekend of February 21 to the -- through the 23rd,
14 that we are putting the divisions on the floors that are
15 in the program area together and that are in the
16 operations area together and, we believe, creating some
17 better opportunities for communication among those
18 divisions.

19 We are having a meeting with the directors and
20 the managers tomorrow to go through what we're calling
21 this migration process. And on March 3 we look to be
22 fully implemented in our new organizational structure.

23 The P3 team right now that's chaired by
24 Homer -- all -- their responsibilities are really going to

1 be ongoing in that they will be doing some training in
2 conflict management, in working in teams, stress --
3 dealing with stress of staff as they move to different
4 divisions.

5 And I don't get the calls too much. But Homer
6 and Delores and a variety of people get calls from staff
7 that says, I hear I'm moving to such-and-such a floor,
8 What can you tell me about that.

9 And, you know, what we tell folks is that right
10 now it's all very fluid, that Ruth and I and the
11 facilities folks are making assignments based on what we
12 believe is the best for the divisions and the best for how
13 we operate in this agency.

14 We certainly aren't going to make everybody
15 happy on where their floor assignments are and where their
16 office assignments are.

17 And to the extent that we're not having to move
18 staff, then we're not moving staff. We certainly don't
19 want to create upheavals if we don't need to do that.

20 MR. JONES: Now, if the board members have
21 stress who do we call?

22 MS. CARRINGTON: Homer --

23 MR. JONES: Homer. Okay. Great.

24 MS. CARRINGTON: -- chairs our P3 committee.

1 So --

2 MR. JONES: He's our stress --

3 MS. CARRINGTON: Stress management --

4 MR. JONES: -- reduction --

5 MS. CARRINGTON: -- is what he's --

6 MR. JONES: Right.

7 MS. CARRINGTON: -- being trained in. And he's
8 an -- that team is an internal change agent team now.

9 MR. JONES: He's going to be busy.

10 MS. CARRINGTON: So --

11 MR. JONES: Thank you.

12 MS. CARRINGTON: -- we're very pleased. It's
13 been almost a 12-month process. And obviously, as I've
14 told the board before, the proof is going to be in how
15 we're operating 12 months from now -- has this really
16 improved our efficiency, our effectiveness, our
17 productivity, our communication with staff, both staff
18 internally and then our customers outside.

19 So that's it. And I probably will not report
20 on that again unless the board asks for it. Okay. And
21 you do have the chart that has the number of FTEs in each
22 of the divisions and the names of the key staff in each of
23 those divisions.

24 MR. JONES: Thank you.

1 MS. CARRINGTON: The second item on the agenda
2 is the vote that will be taken a week from today, January
3 15, the Sunset Advisory Commission vote on the Texas
4 Department of Housing and Community Affairs. That meeting
5 will start at two o'clock and will be in the Capitol.

6 And I do have an agenda for that meeting. You
7 all did not get a copy of that agenda, but I have an
8 agenda -- I have a copy.

9 And we are the third agency that will be voted
10 on next Wednesday. They have us in the same order that we
11 were on for our hearings. So we're behind the Economic
12 Development Commission and the Funeral Commission.

13 MR. JONES: And we learned so much.

14 MS. CARRINGTON: And we learned so much when we
15 were listening. So TDHCA is third and then TSAHC is
16 fourth. And so that's Wednesday afternoon. So any of the
17 board members are in town --

18 And, Mr. Jones, we might like to ask you to be
19 with us as we hear the fate of the Texas Department of
20 Housing and Community Affairs, if you can put that in your
21 schedule.

22 And any of the other board members, also.

23 The next item on the agenda is the letter that
24 we sent on December 31 to the Office of State-Fed

1 Relations in Washington presenting to Ed Perez our
2 legislative priorities for this upcoming session of the
3 Congress.

4 And Michael Lyttle did send this out to all the
5 board members and asked for your all's comments. And
6 basically, what we're doing here is pretty much tracking
7 what NCSHA's preferences are going to be for this upcoming
8 legislative session.

9 The one item is the last bullet, which is
10 really a TDHCA issue and initiative. And it's one that
11 you all have heard about as we've been considering the 4
12 percent transactions and the 9 percent transactions, in
13 that some of the qualified census tracts around the state
14 are really becoming very concentrated with affordable
15 housing.

16 And so one of the things that we put on our
17 list was to remove that preference in the Internal Revenue
18 Code for qualified census tracts.

19 I talked to Barbara Thompson at NCSHA
20 yesterday. She said really this hasn't been brought up by
21 other states, that what other states have been bringing up
22 is can we get more QCTs designated.

23 Well, if you would designate more QCTs then
24 that would provide an opportunity for the boost in more

1 areas and would perhaps address this. So she's perhaps
2 looking at it at a different way than what we were. But I
3 think the -- you know, if we were able to get some change
4 in that, that the end result would be pretty much the
5 same.

6 We have several staff that are going to
7 Washington next week. NCSHA holds agency-only roundtables
8 and workshops on homeownerships and on tax credits. And
9 so this is one of the things that they'll be talking about
10 next year -- I mean, next week.

11 Any questions on the legislative agenda?

12 (No response)

13 MS. CARRINGTON: Okay. There is also, which
14 was not on our letter, but is something that we have
15 passed to the Office of State-Fed, and is high on NCSHA's
16 list. And this is a single-family homeownership tax
17 credit, which would mirror very much the low-income
18 housing tax credit, but would be for single-family
19 homeownership.

20 It was -- it's very much the President's
21 initiative. It was proposed last summer. Did not pass,
22 although the legislation was proposed and then debated and
23 discussed.

24 And my staff tells me that at least on the

1 House side that we're looking for that lead to be Henry
2 Bonilla from Texas, who would be the lead on the House
3 part of this legislation. So I think we'll all be working
4 with and watching this very closely in this next
5 legislative session.

6 I have been invited and have accepted an
7 appointment to be a member of the Advisory Committee for
8 the Federal Home Loan Bank of Dallas. Meets three times a
9 year.

10 You all may remember that several years ago
11 TDHCA was approved as a non-member borrower of the Federal
12 Home Loan Bank. We really haven't utilized that ability
13 very much.

14 And in talking to a couple of board members
15 about accepting this appointment, I think the idea is we'd
16 like to find out what the Federal Home Loan Bank can offer
17 the Department and look to see if maybe we can participate
18 in some of the programs that they have.

19 So three meetings a year. That starts in
20 February. And they pay my travel, which is always a good
21 thing in these kinds of budget times.

22 MS. ANDERSON: Can I ask you a question about
23 that?

24 MS. CARRINGTON: Yes, ma'am.

1 MS. ANDERSON: This letter is signed by Shelia
2 McAfee.

3 MS. CARRINGTON: McAfee. Uh-huh.

4 MS. ANDERSON: Am I confusing her with someone,
5 or is she now going over to run the Dallas Affordable
6 Housing Coalition?

7 MS. CARRINGTON: I don't know.

8 MS. ANDERSON: They're -- they have an
9 executive director for the first time in the Dallas
10 Affordable, you know, which is a wonderful --

11 MS. CARRINGTON: Uh-huh.

12 MS. ANDERSON: -- coalition of people.

13 MS. CARRINGTON: Uh-huh.

14 MS. ANDERSON: And the person came from the
15 Home Loan Bank. And I just --

16 MS. CARRINGTON: Would that be --

17 MS. ANDERSON: -- and it's a woman.

18 MS. CARRINGTON: Was it Sonia Brown?

19 MS. ANDERSON: Maybe that's it.

20 MS. CARRINGTON: Yes. Sonia was the --

21 MS. ANDERSON: Is that it?

22 MS. CARRINGTON: Sonia previously -- Sonia left
23 the Federal Home Loan Bank maybe about three years ago.

24 MS. ANDERSON: Okay. That's probably it.

1 MS. CARRINGTON: So -- and I think that's
2 probably --

3 MS. ANDERSON: Okay.

4 MS. CARRINGTON: -- who it is.

5 MS. ANDERSON: You don't know her?

6 MS. CARRINGTON: I do know Sonia.

7 MS. ANDERSON: Okay.

8 MS. CARRINGTON: Yes. Very well.

9 MS. ANDERSON: Good.

10 MS. CARRINGTON: Yes.

11 Upcoming speaking events. On Monday I was not
12 feeling very well. So in my stead I sent Robert Onion and
13 Tom Gouris. And I'd like to thank them again publicly for
14 going to Dallas at the invitation of Jerry Killingsworth,
15 who heads the City of Dallas' Housing Department now.

16 And we had thought that the idea was to do some
17 education on private activity bonds, how the lottery
18 process works, how TDHCA looks at those bond issues when
19 we allocate the 4 percent credits. And it was with five
20 members of the city council who serve as their
21 neighborhood and development committee.

22 It ended up being seven members of the council
23 with an audience. And it was a little perhaps, more -- I
24 don't want to say acrimonious. But it was --

1 What would the word be, Robert?

2 MR. ONION: Intense?

3 MS. CARRINGTON: Intense. Thank you. Thank
4 you.

5 And when Jerry called yesterday and told me two
6 things, that he absolutely got what he wanted out of our
7 presentation and that the staff did a wonderful job, you
8 know, I appreciated him calling. And I think their --

9 The City of Dallas is beginning to be an issuer
10 to reactivate their Housing Finance Corporation for
11 multifamily. All they've done for years is single-family.

12 Couple of years ago they got approval from the
13 council to do rehabilitation with private activity bonds.

14 And then I think last year they got approval from the
15 council to do elderly private activity bonds.

16 But what the director wants to do is the
17 ability to do multifamily family with private activity
18 bonds. And so as they are getting into that, they were
19 very interested in the philosophy, the approach and some
20 of the timing issues, the underwriting issues with TDHCA.

21 And what I think it ended up getting into a
22 discussion about was the some of the older tax credit
23 transactions that are located in Dallas and how much
24 monitoring is done on those transactions, how much is put

1 back in the way of reserves.

2 And, you know, quite frankly I think Robert and
3 Tom probably fielded those questions maybe a whole lot
4 better than I would have been able to do.

5 So again, thanks to both of you all for doing
6 that for the Department.

7 MS. ANDERSON: May I ask a question?

8 MS. CARRINGTON: Yes.

9 MS. ANDERSON: Oh -- of Mr. Onion?

10 MS. CARRINGTON: Yes.

11 MS. ANDERSON: Mr. Onion, did the NHP refunding
12 come up -- I mean, it is a set of older tax-credit
13 properties in Dallas County.

14 MR. ONION: Did not.

15 MS. CARRINGTON: There was, I understand, a
16 good -- several developers who were in the audience. And
17 a couple more council members than those than were on the
18 committee who were interested in what was going on. So I
19 look at it as a real opportunity for the Department to be
20 in front of groups like this and assist them if we can, as
21 they begin to grapple with the issues of issuing for
22 multifamily.

23 Dallas Housing Summit on the 30th of January.
24 I will be there speaking on whatever they tell me to speak

1 on. But that is the large summit that draws 2- or 300
2 people in the Dallas area.

3 And what they are actually interested in us
4 talking about is initiatives and challenges and in doing
5 our financing in the kind of economy and climate that we
6 have right now.

7 The last item on the executive director's
8 report is my participation, along with board member
9 Anderson's participation in the Rural Task Force for the
10 follow up to our colloquium -- to the Housing Colloquium
11 in Santa Fe.

12 Eight task forces were put together and one of
13 them was a rural task force to address housing and housing
14 finance issues in rural areas.

15 And so I volunteered to serve on that task
16 force and did offer Ms. Anderson, also, who did attend
17 that colloquium. And I'm hoping that Ms. Anderson is
18 going to say yes to participation in that. And --

19 MS. ANDERSON: Absolutely.

20 MS. CARRINGTON: -- we've had one meeting and
21 we'll be working and doing a report out in June on how
22 we're doing on this particular task force.

23 MR. JONES: Thank you very much.

24 With that, the only thing left I see on our

1 agenda is the executive session.

2 Is that correct?

3 MS. CARRINGTON: That's correct.

4 MR. JONES: So at this point in time we'll go
5 into executive session.

6 (Whereupon, a recess was taken.)

7 MR. JONES: If we could remain in order. This
8 day, January 8, 2003, at a regular board meeting of the
9 Texas Department of Housing and Community Affairs held in
10 Austin, the board of directors adjourned into a closed
11 executive session, as evidenced by the following:

12 The board of directors began its executive
13 session today, January 8, 2003, at 9:51 a.m. The subject
14 matter of this executive session deliberation is as
15 follows:

16 Litigation, anticipated litigation, potential
17 or threatened under Section 551.071 and 551.103, Texas
18 Government Code Litigation Exception.

19 Regarding Cause Number GN-202219, Century
20 Pacific Equity Corporation versus Texas Department of
21 Housing and Community Affairs, et al., from the 53rd
22 Judicial District Court of Travis County, Texas.

23 Number two, consultation with attorney,
24 pursuant to Texas Government Code regarding Multifamily

1 Housing Mortgage Revenue Bonds, Williams Run Apartments
2 Series 2000A and Heatherwilde Estate Apartments
3 Development Number 02075 and discussion of any item listed
4 on the board meeting agenda of the even date.

5 With that, I will call us into executive
6 session.

7 (Off the record.)

8 MR. JONES: Call our executive session back
9 to -- no -- I'm now calling our open session back to
10 order.

11 And I hereby certify that this agenda of an
12 executive session, Texas Department of Housing and
13 Community Affairs was properly authorized, pursuant to
14 Section 551.103 of the Texas Government Code, posted in
15 the Secretary of State's Office seven days prior to the
16 meeting, pursuant to 551.044 of the Texas Government Code;

17 That all members of the board of directors were
18 present with the exception of Mr. Conine and Mr. Gonzalez
19 and that the matters discussed were litigation,
20 anticipated litigation, potential or threatened under
21 Section 551.071 and 551.103 of the Texas Government Code
22 Litigation Exception regarding Cause Number GN-202219,
23 Century Pacific Equity Corporation versus Texas Department
24 of Housing and Community Affairs et al., in the 53rd

1 Judicial District Court of Travis County, Texas. Action
2 taken, none.

3 Consultation with attorney, pursuant to Section
4 551.071(2) of the Texas Government Code regarding
5 501(c)(3) Multifamily Housing Mortgage Revenue Bonds,
6 Williams Run Apartments, Series 2000A. Action taken,
7 none.

8 Heatherwilde Estate Apartments, Low-Income
9 Housing Tax Credit Development Number 02075. Action
10 taken, none.

11 And discussion of any item listed on the board
12 meeting agenda of any -- even date. Action taken, none.

13 I certify that this is a true and correct copy
14 of the record of the proceedings, pursuant to the Texas
15 Open Meetings Act, Chapter 551 Texas Government Code as
16 amended. And it's signed by myself, Michael E. Jones,
17 Chair.

18 And I believe that concludes our agenda for
19 today. The board will entertain -- the Chair will
20 entertain a motion to adjourn.

21 MR. BOGANY: So moved.

22 MS. ANDERSON: Second.

23 MR. JONES: Motion's been made and seconded.

24 Discussion?

1 (No response)

2 MR. JONES: Hearing none, I assume we're ready
3 to vote. All in favor, say aye.

4 (A chorus of ayes.)

5 MR. JONES: We're done.

6 (Whereupon, the meeting was concluded.)

C E R T I F I C A T E

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MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: January 8, 2003

I do hereby certify that the foregoing pages, numbers 1 through 47, 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.

01/15/03

(Transcriber) (Date)

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