

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

9:30 a.m.
Thursday, June 25, 2009

Ric Williamson Hearing Room
D.C. Greer Building
125 East 11th
Austin, Texas

MEMBERS PRESENT:

C. KENT CONINE, Chair
LESLIE BINGHAM-ESCARREÑO
JUAN MUÑOZ

STAFF PRESENT:

MICHAEL GERBER, Executive Director

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PROCEEDINGS

MR. CONINE: Good morning. And welcome to the currently unofficial Board meeting of the Texas Department for Housing and Community Affairs for June 25. We are one person short, but I understand he is en route. And hopefully, he will be here in a minute. So there is a few things we can do in the meantime. Again, we appreciate everyone being here in close quarters.

We will try to speak up. I don't think there is any microphones up here. So if you can't hear me, let me know, and I will try to speak a little louder. We do have with us today a special guest that I would like to recognize. And to do that, I am going to turn it over to Mike Gerber and let him make the introduction.

MR. GERBER: Sure. Well, as many of you know, it is always sad to say good-bye to a Board member. Sonny Flores has been an exceptional Board member. He has truly been just a tremendous advocate of low income people. But he has also been a great help to staff, providing a lot of guidance and a lot of resourcefulness and a lot of creativity. And asking all the questions that every ED hates to be asked.

And so we are really going to miss his presence and appreciate him coming today so we can really honor his tenure on the Board. We have a couple of gifts for him, that we wanted to provide to him. And Sonny, come on up.

Sorry about the -- the first we got is a proclamation from the Governor that is a certificate that is presented in recognition of the excellence

of Dionicio Vidal "Sonny" Flores.

"Thank you for your service to the Texas Department of Housing and Community Affairs from 2006 to 2009."

Is that is all it has been? It seems like it has been a longer time.

"Over the years, your history of service and community involvement demonstrate your commitment to your fellow Texans, your dedication and distinction highlight the best of the Lone Star State. I congratulate you for your many contributions. First Lady Anita Perry joins me in extending best wishes for the future, Rick Perry, Governor of Texas."

(Applause.)

MR. CONINE: You need a flag.

MR. FLORES: They normally give that to dead people. That is why --

MR. GERBER: We are not draping it on anything. We are just giving you a flag.

(Simultaneous discussion.)

MR. CONINE: Sonny, I really appreciate your service on the Board. It has been tremendous working with you. I am going to miss you, miss the times we have had together, playing and working. So thank you for your service, and we hope you appreciate a small token from the Board.

MR. FLORES: Thank you, Kent. Appreciate it.

(Applause.)

MR. GERBER: And we have one more gift because, after

serving on the TDHCA Board, if ever there was something you need, it is a drink. So we have this lovely decanter set that is presented to you by both the staff and the Board. You can haul it with you, or we can send it. We can ship it to you.

MR. FLORES: Tequila. There is something missing.

MR. GERBER: We'll come to your house.

MR. FLORES: Okay.

MR. GERBER: But again, we just can't thank you enough for your service. And on behalf of all the staff who, again, who have really benefited from your expertise as we have worked through some very complex issues, on disaster recovery especially, and on the unique specialness that is development in the City of Houston, we just can't thank you enough for your service.

MR. CONINE: Speech.

(Applause.)

MR. FLORES: This is kind of an awkward way to talk, but I will try to figure how to say something. Now the last person who spoke, came here, it seems like everybody avoids coming here for the last time. It is too much like a funeral. Shad Bogany was the last guy who came here. And he gave a filibuster, I guess it was. You couldn't get rid of him. So I promised myself I wouldn't be too long.

But you know, I sure want to thank all of you. All of you Board members, you know, you have been great. You know, you are going to be working together, disagree, and still be friends. I know by working and being

with you, that you have the best interests of the State of Texas with you. And that is why this system works. It is because of people like you.

I just spent two weeks in Iran. And you know, I told myself I wasn't going to do that. But the events in Iran really bothered me a lot. I travel, and I go see places where they don't have freedom. And being in Iran was kind of a different place. I have never been in a Middle Eastern country.

The people there were just as nice as could be. There was freedom all over the streets. We felt safe. We thought everything was fine. But we knew that there was one guy, called the supreme leader. He allows freedom to happen.

In the U.S., we don't allow freedom to happen. It just happens to be one of the basic rights. Nobody gives you that. It comes when you are born here. And that point was made to me over and over again, by my mother and father. We were always glad, felt we were blessed to be born in this country. And I think you are too. I mean, we didn't do anything to earn this. We were just born here. And in order to keep it, you know, there has to be people like us, you and me and so on, participating in government and making things happen.

We have kind of a screwy way of doing government in the State of Texas. We have a completely splintered government. That is the way they wanted it at the time they set up the system. I don't know how it works, but it works. And it works very well. And nobody can take it over, because there's too many of us participating in the system.

Good people like this, that work on a volunteer basis and the

rest of you, to make the system work. And I am so pleased to be a part of it. I did my little bit here. And I hope someday, somebody says, he was a good citizen. That is all I want from life.

But I want to thank the staff. You have a competent staff. They are always there and available, and competent and loyal. I have worked in three different agencies. And I can tell you, this is the most competent, I think, loyal, dedicated group that I have worked with. I am so pleased to be associated with it.

The people in non-profits, I say to you, thank you very much for doing God's work, and I hope God blesses you for it.

You developers out there, I call them the peanut gallery, because you all sit in the back and you all make comments about me asking too many questions. But you make the system work. You take the risk, and hopefully you benefit some reward. Or else, you wouldn't be coming back over and over. But that is the way the system is set up. And you make it work. Without you, the system could not work.

So I thank you for the privilege of being here. And now I will get out of your hair. And I promise not to ask any more questions. So thank you very much.

MR. CONINE: Thank you, Sonny.

(Applause.)

MR. FLORES: I am going to go home now, if that is all right.

MR. CONINE: Yes. I am going to call you at the next Houston deal that comes up.

MR. GERBER: Thank you. Now we can start the twelve-hour

Board meeting. We have one more acknowledgment to make, for service to the Department. A key member of our staff is leaving. And I want to ask Amy Oehler to come forward.

Amy has served with great distinction; first as our manager of the Energy Assistance Section of the Department and for the last couple of years, as the director of Community Affairs, which is a key part of our Agency.

It sometimes isn't spoken or discussed much in this setting, because a lot of the programs that are there really are ones that -- frankly the Community Affairs Division has just done such an extraordinary job and the partnerships are so robust, and the issues are not as emergent as the ones sometimes that come before the Board.

But it is a huge volume of work. It is a huge number of people who are helped, between our energy assistance programs, the Weatherization program, the LIHEAP program, certainly our Community Services Block Grant programs which are funding just literally, programs for hundreds of thousands of Texans across the state. And so it is just an extraordinary body of work.

And Amy brought tremendous distinction to the job, having actually been a practitioner. She ran a weatherization program, a big Weatherization program in Houston for many years, and then came to the Department. We were lucky enough to get her to come.

And at the Department, she has just shown both tremendous grace, integrity, commitment to really making the process and programs work. And she is going to be a very difficult person to replace, especially at a time when the Department is seeing a tremendous uptick in the number of dollars

going to community affairs programs. I am so proud that Amy has really organized the team to really make sure that the Department and state are well positioned to use those dollars most effectively and to help literally tens of thousands of Texans the way those stimulus dollars were intended to help Texans.

I joked that her fiancé should have brought an armed body guard to the meeting today. Her fiancé Drew is here. And he is the man responsible for stealing her away. But we are excited about the impending nuptials. And we are excited about the great things Amy is going to do in Houston, continue to be active in the field of weatherization which has been a passion of hers.

But on behalf of a very grateful staff, we are just going to miss you, and miss your presence; miss your good humor. And we have needed a lot of good humor in recent months. And you are just a very special and talented and gifted member of our team. And we wish you Godspeed and look forward to continuing working together in a different capacity. But always, even though you're out of the house, you're always part of the TDHCA family. So thank you.

(Applause.)

MR. CONINE: I ran into Amy down in the cafeteria a few minutes ago. And she introduced me to her fiancé, Drew. I said, hi, how are you doing. Glad to hear the good news. Amy is so great. I said, I hope you are not going to take her to Houston, are you? And he said, she quit last Friday.

MR. GERBER: Sorry I didn't tell you.

MR. CONINE: I got the bad news down in the cafeteria. But again, I would like, on behalf of the Board, I would like to say Amy that we appreciate everything that you have done. And I hope to see you again soon. Good luck to you. Thank you.

(Applause.)

MR. GERBER: Amy, is there anything you want to say. I put you on the spot. You are welcome to --

MS. OEHLER: Oh, sure. I will say something for you. I just really want to extend my thanks to all of the non-profits that I have had the pleasure of working with, all the subrecipients, the entire community action network and all of the Community Affairs staff who are very devoted to the mission of TDHCA. And I want to thank all of the staff, as well as the Board. It has been absolutely a privilege. So thank you.

MR. CONINE: Thank you.

(Applause.)

MR. GERBER: Kevin Hamby --

MR. CONINE: Where did Kevin go?

SPEAKER: Is Kevin leaving too?

MR. GERBER: Well, we need to --

(Simultaneous discussion.)

MR. GERBER: We need to confirm whether --

MR. CONINE: Can we do public comment?

MR. IRWIN: We can do public comment. We cannot take

Board actions.

MR. CONINE: Okay. Yes. So we'll go ahead and let's go ahead then and do the public comment. Move on to that. As you know, any of you that want to speak need to fill out a witness affirmation form. You have your choice of either doing it now or doing it at the particular agenda item. I have in front of me several witness affirmation forms of those who would like to speak now.

And for the Board's knowledge, since there is only three of us here, we can't take any action on any of this stuff, but we're free to ask questions and take the input. And hopefully by the time we get finished, we will have a quorum here, so that we can continue forward. First up, Ginger McGuire.

MR. GERBER: Mr. Chairman.

MR. CONINE: Yes.

MR. GERBER: As Ginger is walking up, just to underscore, we have got a tremendous Board book. We really would like to work hard to stick to within the three minute time limit as best -- if people can be sensitive to that.

MS. MCGUIRE: Good morning.

MR. CONINE: Good morning.

MS. MCGUIRE: My name is Ginger McGuire. I am with Lancaster Pollard Mortgage Company. And Lancaster Pollard provides permanent debt for tax credit syndicated deals. And we provide quite a bit of the rural debt here in Texas. I would like to speak on behalf of the rural

properties.

The syndicators are showing a strong preference for urban properties; the few syndicators that are left in the business these days, and who are buying credits. And the rural deals are really having a very difficult time finding someone to get interested in their credits. I would like to encourage the Board to look at a priority for rural areas in the exchange program.

Any deals that get done in rural areas this year, both new construction and rehab are going to be because TDHCA deals with them and the exchange program, or gets them the credits in some way. There are just very few syndicators out there interested. And that is what I wanted to say today, and I hope that you will consider the rural areas.

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

MS. BINGHAM-ESCARREÑO: No.

MR. CONINE: Thank you, Ginger. I appreciate it. Is Representative Menendez still with us, or did he step out? He stepped out. Give him a chance to speak here in just a minute. Emmanuel Glockzin.

MR. MENENDEZ: I was just congratulating Sonny.

MR. CONINE: Next. Right after him.

MR. MENENDEZ: No problem.

MR. CONINE: Good morning.

MR. GLOCKZIN: Good morning. Mr. Conine, Chairman, members of the Board, TDHCA, Mike Gerber. I am Emmanuel Glockzin with Lexington Court, Phase II. Before you is a letter from syndicator WNC. The

good news is, I have a syndicator to close this property in late July or early August.

The not so good news is, I am deferring too much development. They require less than 50 percent development fee deferred. And I talked to David Schaefer. He and I talked about maybe TCAP funds. I talked to Cameron Dorsey about TCAP funds. I went to the workshop yesterday and come to find out, they are not really going to be available until September or October at the earliest. And that is just too late for this type of development to close, in early July.

Also I talked to Cameron about another possibility. This property has a commitment of HOME funds. It is a non-profit CHDO. Also, Constitution Court has a commitment for HOME funds and it is also a CHDO. The general partners are the same. We have talked about maybe transferring some HOME funds from Constitution Court on over to Lexington Court, so that the development fee is less than 50 percent. I am here to make a request from the Board to instruct staff to take a look at this, and bring recommendations to the next Board meeting. Any questions?

MS. BINGHAM-ESCARÉÑO: Can you just -- excuse me, Mr. Chair.

MR. CONINE: Go ahead.

MS. BINGHAM-ESCARÉÑO: What is the name of the other property?

MR. GLOCKZIN: Constitution Court. And these are all '08 allocations.

MR. CONINE: Any other questions of the witness?

(No response.)

MR. CONINE: Thank you very much. Appreciate it. State Representative Jose Menendez, who I would like to publicly thank for all of his hard work during the legislative session that just got finished, especially on the exchange program that we so desperately needed to get passed.

Representative Menendez was a very valuable contributor to that effort. And it looks like you may have to go to work again here shortly, go into another little short session. I am sure your work is not finished. Thanks for being with us.

MR. MENENDEZ: Chairman Conine, I appreciate you and the rest of the Board. I thank you as always for you all's commitment. But I tell you, we could not have had the successful session that we did without the commitment of your staff. Michael -- Director Gerber and Michael Lytle, Kevin Hamby. Your whole team was phenomenal in their support and in every direction that we asked.

It is great when you can see -- you know, I can remember being in this room, was it six months or so ago, talking about the stimulus dollars, and what we could do, and what we would need to do. And we just walked outside, and had a few conversations and we were able to get some stuff done at the Lege counsel.

And had it not been for the importance of the program, I don't think we would have gotten that bill done with all of the stress and tension that was going on at the end of the session, but Senator West was able to help get that bill through the Senate when the Senators were having trouble with some

of our House Bills. So I think there is plenty of credit to go around.

My reason for coming before you all today, and I guess, for the record, my name is Jose Menendez, State Representative, is because I have a little bit of a concern. And I am apologizing for being a little bit late. The session, the last three weeks of the session, we were in from 10:00 a.m. to 12:00 midnight every day, if not later.

And so when I looked up yesterday at the exchange round table, which I want to thank you and your staff for hosting, and I started listening to the issues with the TCAP application, I am a little concerned that through good intentions -- and I believe that the staff and the Board's intentions on the policy on TCAP were creating a loan program so that we can have some returns so that we can revolve it and maybe stretch it out further. I believe those intentions are valid and they're good.

I think though, it is going to have the unintended consequence of really not attracting more equity investment into the State. And I think what I would like to see if it is possible, even though the rule has been adopted and promulgated, if maybe through your legal department and your underwriting, you can look at a way to tweak the rule in such a way that the lending community can see that it really won't be -- it won't have maybe the same position in line as their loan or superior.

I believe that maybe some of the credit analysts out there might see a state loan as foreclosable to have superior position to theirs, and it would really have the net effect of increasing the requirement for TCAP dollars. And so otherwise, reducing the amount of newness we could possibly

put out. And so I am concerned.

I would love to work with you all in any way possible. I don't think you need me. There is nothing I can really do. But I think that through your underwriting team and Mr. Gouris and Mr. Hamby and the Board's direction, hopefully there can be some tweaking of the policy in working with the lending community that we can help possibly increase the price of the tax credits by them seeing less of a risk. I think the risk is seen as increased when you say that the TCAP dollar is going to be a hard foreclosable loan.

And that is just a concern that this is maybe not the best time to do that. Because of the fact that even in a great city like San Antonio, where it made the top ten list of cities to do well during this recession, Mutual of Omaha recently told someone when they were asking them to look at investments in the city -- they said look, if it is not downtown or in the Stone Oak, we don't want to have anything to do with it. And if you are familiar with San Antonio at all, Stone Oak is booming, fast growing, expensive part of our city where we could help redistribute growth throughout the rest of the city.

But they are not even willing to look at a city that is doing well. It has Toyota on the south side. That is still boom -- jobs are still there. And we have jobs all over the west side, and all over the city. So I believe that dynamic would be similar in Houston and Dallas and Austin. So I am just concerned that through a good intention we may actually be causing something that might hurt us.

The other thing that we might consider -- I would love for you all to consider -- is that the bond deals don't score real well under this current

system. And maybe you could allow for some of the TCAP funding to be used in some of the bond deals, so that you know, they carry -- traditionally, they will carry less of a debt load. And maybe it makes a little more sense to work things out there.

I want to appreciate -- yesterday during the meeting, it came out that one of the reasons why you wanted to have both the exchange available and the TCAP bill was to provide the most flexibility possible. I appreciate that. I think that is smart. I think that is entrepreneurial and it is a business oriented approach.

I think though that, I would hate for us to create a scenario where someone who is in a position of having to risk hundreds of thousands of dollars or not -- or just say, I am not in. I am not playing. I am not going to go out there. The risk is too great to get involved. They won't even apply, because they don't know what which direction they are going to go in, because the uncertainty is just too great.

And so I just want to come up, and I had had a few folks in the room last night express a desire. And it was people I normally don't hear from; lawyers and people who normally don't step up. But they said, you know, the comments you made at the round table are necessary, they thought, for the Board to hear, because it is a policy decision. And you are the policy makers for this Agency. So I think we need to look at from a policy perspective, what is it we want to get?

And I think what we need at this time, in my anecdotal conversations with folks that have affordable units in my district, I ask them

how is your vacancy? And they go, we are full. We have 100 people coming through; 30 percent of them have been foreclosed on. They have lost their home. And so we normally don't have any units available at any time. They have a waiting list. And that is in a fast growing middle class part of San Antonio over by Seaworld. And so that is an affordable place.

And so that need is greater. I believe it is only going to get greater for some time. And so I think that maybe this is the time to just loosen it up a little bit, because the credit crunch is so tight. And you can always come back and tighten it.

And then the last thing I want to say is that I am here to help in any way possible. Michael, Director Gerber and I talked last night about, I have a friend who works for Vice President Biden. And if we can talk in any way to the administration to help us with the IRS. That deadline, is really not a common sense deadline on how the money -- they should actually be a little more clear. I know that Congressman Frank has issued a letter on when the funds need to be expended on the tax exchange program. And any way that I can help, please feel free to call on me in any capacity.

Because I just think that it would be a shame for us to not collect units that are necessary on the ground, not to put people to work who need jobs. As we all know, the housing boom is over, and the construction boom is over. And there are a lot of people who would like to get to work. And so I think it is a perfect use of the stimulus dollars, and I think that with your guidance that you can do it, you can find that balance between.

Another thing is, yesterday I heard something that concerned

me. Someone on staff had mentioned the word, we don't want to create a windfall for the development community. I agree. Nobody wants to create a windfall for anybody. All I say is, let's just fill enough of that TCAP money in there, just to make the deal feasible. Just close the gap, so that they can close the deal, because the tax credits have fallen through the floor.

It is not about a windfall. And I think you probably know very well that there are many people in this room who are just barely holding on. And so I don't think -- this is definitely not about enriching any one person or group or company or any of that. It is just about making deals possible.

And with that, I appreciate your indulgence. I know I went over my time limit. And if you have any questions, I would be happy.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: We thank you for again, all of your hard work. We hear you. And we want to be flexible enough to make sure the program works for everybody.

MR. MENENDEZ: Exactly. Thank you.

MR. CONINE: Thank you. We appreciate it. Dianna Lewis.

MR. GERBER: Mr. Chairman, while the next, while Dianna is coming up, I would just like to acknowledge while Representative Menendez is incredibly helpful, so is Representative Yvonne Davis and Tatiana Florin and Michael Gibson are here from her staff. And also Senator Royce West. His staff is just incredibly helpful. And I know Julie Franks will be here a little later today.

But I just wanted to add that, they were really just invaluable in this effort. And it would be a very different discussion if it had not been for a lot of heavy lifting on their part. Sorry.

MS. LEWIS: Good morning. I am Dianna Lewis with Corporation for Supportive Housing here in Texas. And I wanted to speak briefly about three items this morning.

First of all, I just wanted to be here to say how incredibly excited we are about the new funding for services for the homeless that we expect to be coming out of this legislative session. So we are looking at \$20 million over the biennium. And really acknowledge the leadership of the Agency and the mayors of the eight largest cities in Texas who really took some leadership on this, and articulated the need for some supplemental services funding at the local level.

We are very hopeful that this is really going to be an essential element in creating good PSH deals across the state. I think that you know, as we look at designing that program, one of the things that we are really interested in doing is balancing, incentivizing the local investment in these services.

Earlier this week I had the opportunity to tour the bridge in Dallas with Michael and with Brooke, and really look at the substantial work that is being done there in terms of a wrap around homeless assistance center in combination with a real concerted effort at the local level to create permanent units for people who have been homeless. And so I think that we have an opportunity here to incentivize that local investment and policy

change.

And we also have an opportunity and really, a responsibility, to look to some real rigor in terms of program design. What we really know as we look across our experience nationally, is that for permanent supportive housing for folks who have been homeless, the housing is really the base and the absolute essential element. But without those services, the housing stability isn't achieved.

So you know, I think we just -- it is an important time for us to really be looking at getting the whole picture in place. So at the end of these couple of years, we have some real demonstrable outcomes that we can show that this model really does work, as we know it does. The second thing I wanted to address quickly was Housing Trust Fund. And again, we are equally excited about the increases in the Housing Trust Fund. There are a couple of things that from our perspective would be very useful in terms of improving production of a PSH to the state.

First of all, really a focus on very low income folks, under 30 percent that are very difficult to serve under a straight LIHTC deal. And secondarily, the TBRA monies have been so useful and such an important resource here in the state, but in terms of PSH, one of the things we would like to work with the Agency on, is looking at the possibility of doing site specific opportune funds.

Finally, I just wanted to briefly make note of the couple of deals that we have in the application round currently. We may have a request for a forward allocation, from Dallas, from the Life Net deal in particular. And just

ask the Board to look upon those requests favorably, in light of the really incredible local investment, and the difficulty of putting these things together.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you. Louis Williams.

MR. WILLIAMS: Mr. Chairman, members of the Board, my name is Louis Williams, and I am from Nacogdoches. And I would like to convey a thought that I have got.

It has to do in general with the exchange program, and specifically with the allocation formula to be developed. Smaller urban areas like Abilene and Midland, if you want to consider them smaller, are just as dead as your rural areas, as far as investor appetite for purchasing tax credits.

I talked to two syndicators that I have done business with in the past. And basically, they are just saying that they are only interested in the large TMSAs here in Texas. So whenever you guys are developing your formula for your allocation, please remember the smaller urban areas. Thank you.

MR. CONINE: Okay. Any questions?

(No response.)

MR. CONINE: We have got them remembered. Deborah Sherrill.

MS. SHERRILL: Good morning, everyone. My name is Deborah Sherrill, representing the Corpus Christi Housing Authority. I am

going to make this real simple and sweet. Basically, we would just like to take this opportunity to thank you all for giving us an opportunity to bring affordable housing to our beautiful city.

MR. CONINE: Thank you.

MS. SHERRILL: Sometimes, you just really need to say thank you.

MR. CONINE: Thank you very much. Any questions? Best of luck with the project.

MS. SHERRILL: Thank you.

MR. CONINE: Tim Lang.

MR. LANG: Good morning, Chairman Conine, members of the Board. My name is Tim Lang and I am here to speak with you today as a developer for TDHCA 09-101, Hampton Villages, which is located up in Pampa, Texas, which is the wind corridor for alternative energy where a lot of development is being funneled into at this time.

This is a return to 2007 allocation that returns us here under the amnesty provision provided by this Board. And we reapplied this year, and are one of two applications in Rural Region One.

And the reason I am here is, I want to emphasize that this is a shovel ready project. It is ready to go. Much of the site work has been completed. All the construction teams are in place, ready to go. Easement permits have been applied for and received and we also have all of our financing in place, including permanent loan commitment.

Being a rural development, you are well aware of the

challenges of everything happening there. And I just wanted to again reemphasize that this development was ready to go. Everything is in place. And we want to make sure that they receive a good deal of consideration for the Board with this year's allocation process. That is all I have. I can answer any questions.

MR. CONINE: Any questions?

(No response.)

MR. CONINE: Thank you very much. Let's see, Don Dobesh. Wait a minute. Let me see here. You may have some more time. I have got a paperclip here I have got to deal with. There is a person yielding some time, so you have got five minutes.

MR. DOBESH: Thank you, sir. My name is Don Dobesh. I am the Vice President of the Village of Oak Lake Homeowners Association. I am also a representative of United 77498. I am here today to oppose the application by Goldshire development 09-166 in the building of townhomes on Old Richmond Road.

First let me introduce to you who United 77498 are. We are a group of 14 subdivisions encompassing over 5,000 homes, and approximately 20,000 people who live in the area of the proposed development. We have united under one voice in order to assist the decision making process and bring to light all pertinent information that will help the TDHCA make a final and well informed decision on this development. We are united in our belief that the citizens of Texas deserve quality affordable homes.

We also realize that the funding for these projects is small in

comparison to the need, and the current number of applications before the TDHCA. The application process for these types of developments doesn't always point to the clear winners and losers for funding. It is our belief that by appearing before you today, we will lend clarity by giving you first hand knowledge of the area this project is proposed for, from the current residents long term point of view.

Today I will be brief concerning the issues that we have discovered in the application put forth by Goldshire development. First, the Goldshire development is supported by a fraudulent HOA, by the name of Old Richmond Road Neighborhood Association. It does not exist. Second, the fraudulent HOA has two members who signed the letter of support for the development; the owner of the property, and the real estate agent selling the property. They stand to make a tremendous amount of money for their support.

Third, the real estate agent does not live in the area where the development will be located. She lives in Harris County, not Fort Bend County. She should have no voice in this discussion. Fourth, the seller of the property has represented himself in the application as SHR Investments Incorporated. This corporation forfeited its charter in 2007. It does not exist.

Fifth, the seller of the property did not disclose environmental concerns in the area, related to coliform bacteria. This should have been investigated. Our binder that we provided to you supplies letters to document these discoveries.

You have a letter from Fort Bend County attorney Roy L.

Cordes, Jr. stating the neighborhood association does not exist. Goldshire cannot approach any legitimate HOA to inform them of the project's response to TDHCA in the time frame allowed under your rules. We have supplied letters from Fort Bend County Precinct 4 County Commissioner James Patterson, who asked that TDHCA as well as all our local representatives to turn any positive points for the project to negative points, due to the fraudulent HOA letter.

We have supplied confirmation from the Texas Secretary of State that SHR Investments, Incorporated forfeited its rights to do business in Texas as a corporation. And we have supplied you with a letter from Mr. Ramsey himself, the owner of the property, who restates the need for clean water on the property, because the well water is contaminated with coliform bacteria, according to his own testimony. He even fears that it may have been linked to his own brother's death.

This project is trying to take money from Texans who deserve affordable housing. We have referred this matter to John Healy, Jr., the Fort Bend County D.A.'s office, requesting that he involve the state Attorney General's office for further investigation. These items are all within the presentation we have provided to you. We hope you will take the time to review them.

Once again we support the work of the TDHCA and are happy to be part of the process. We hope that you find the information presented to you today an important part of your decision making process, and that the most deserving projects receive funding to help Texans in need. Project 09-

166 is not that project. Thank you for your time.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Next we have Dr. Jeffrey Ricken, who has time allotted to him by another individual. You have five minutes.

MR. RICKEN: Good morning.

MR. CONINE: Good morning.

MR. RICKEN: My name is Dr. Jeffrey Ricken. I am a resident of Orchard Lake Estates, within the United 77498 area. I am a practicing podiatrist and Vice President and financial officer of MUD 25. I am also a local high school instructor in the area. I am opposed to the application number 09-166, for Goldshire Townhomes in Sugar Land, and this ill-conceived project.

Goldshire has no access to water or sewer services. The property is outside the boundaries of any municipal utility district. Therefore, the surrounding MUDs do not have any obligation to provide water and sewer service to the Goldshire project. Goldshire has not even requested such utility services.

I have letters from all of the surrounding MUDs, including MUD 41, MUD 25, Kingsbridge MUD and Freshwater Number Two, stating that if asked, for various reasons, they will not or cannot provide water or sewer services to Goldshire. These supporting letters are in your binders, and Goldshire does not have these services to offer their proposed 150 units.

Furthermore, Goldshire's plans have no provisions for drilling their own well, nor space for a water tank. Goldshire has not planned for

water and sewers to do this.

Furthermore, Goldshire will not be able to satisfy federal regulations requiring mandatory sprinkler systems in the case of fire without water. The safety of the residents, not to mention the safety of the nearby properties, is at issue.

Should Goldshire somehow decide to build their own well, Mr. Ramsey, the seller of the property has stated in a letter to MUD 41 dated October 1, 1999, that the existing well on the property is contaminated with coliform bacteria. He suspects that his brother's death was the result of this contaminated water.

Finally, Goldshire has no access to sewer services on this property. This letter also is included in your binder. Finally, all water, whether it is from the MUD or well, is subject to the mandate created by the Texas Legislature to reduce groundwater consumption and increase water usage by the surface.

Goldshire would be under the Fort Bend regional water authority, which only provides water to MUDs. And it is under no obligation to provide Goldshire. Therefore, Goldshire would not be able to access the mandatory surface water at all under Texas law.

Now speaking as a teacher at the local high school, Goldshire has been zoned to Oyster Creek Elementary, Garcia Middle School, and to Austin High School. We estimate that approximately 300 students would be enrolled in these schools from the Goldshire projects, and currently all three schools are on an average 13 percent over capacity.

The National Center for Educational Statistics defines schools above 6 percent capacity as overcrowded. More importantly, this definition does not include the many portable classrooms we already have at these three schools. At Austin High School, some class periods are split in order to accommodate all the lunch periods necessary. Students go to half of their class, then they go to lunch, then they have to return to their lesson in the same class period.

Also, several teachers at Austin High School do not have classrooms at all. They travel around the school using other teachers' classrooms and have to carry all of their materials with them. This is a disruption to the educational process, and it is difficult for students to focus and learn.

The second concern I have is with the temporary buildings, in severe weather. The students are evacuated from the main building. This places the children and teachers in danger as they try to get inside. In April, we had a sudden severe thunderstorm with tornado warnings. It was very frightening trying to get the children inside.

Also, the portables do not offer the same degree of security as the main buildings. During the last week of school this year, one of the temporary classrooms of Oyster Creek Elementary was broken into and vandalized. My third concern is for the safety of the children who would live at Goldshire projects. The location on Old Richmond Road is dangerous. There are no sidewalks, or even shoulders for the children waiting for a bus to stand on. There isn't even any room for a school bus to enter the Goldshire

development to pick the children up or even to turn around.

Look at their plat, in your binder, Section 3. When I go to school in the morning, it is still dark. There are no lights on this two lane blacktop. The road is treacherous. Where are the children supposed to wait for a bus in the dark, with no sidewalks and no lights.

According to the safety report in your binders, there have been 37 reported auto accidents on this street alone from January 1 to May 19 of this year. The children's safety is of paramount importance. I urge you, please deny this application. Thank you very much.

MR. CONINE: Any questions of the witness?

MS. BINGHAM-ESCARREÑO: No.

MR. CONINE: Thank you. Robert Ruzicka. Again, having time allotted to him. He has five minutes.

MR. RUZICKA: Chairman, members of the Board, Good morning.

MR. CONINE: Good morning.

MR. RUZICKA: My name is Bob Ruzicka. I am a resident of the Summerfield subdivision in Sugar Land. I am also a local insurance agency owner in the area. I am here representing the United 77498 superneighborhood group that is in opposition to Goldshire Townhomes, application 09-166 for Housing Tax Credits.

As I stated in my remarks in April, let me please reaffirm that I do not wish my remarks to be taken against providing quality affordable, respectable housing for low income or qualified people. I certainly believe that

it is the responsibility of the community to provide resources where it will benefit all members of the community.

However, I do not believe the applicant has done a good job of placing, planning or presenting his development. I am strongly opposed to the Goldshire application. Let me tell you why.

My focus on this issue is transportation, roads and public safety. Fort Bend County does not have a public transit system. The areas along and around Old Richmond Road, West Airport and Voss Roads do not have sidewalks.

Specifically, as you can see from the pictures in our binder, Old Richmond Road is a narrow two-lane road with deep ditches immediately on either side and a sharp unnatural curve. Even if the developer were to lay sidewalks along the frontage road of the property, Steve Evans, an engineer with the Fort Bend County Road and Bridge says that the county mobility plan does not call for sidewalks in the area beyond the property.

As documented in the accompanying letter from Precinct 4 Commissioner James Patterson, there are no plans to increase the capacity of Old Richmond Road. This road is not a primary route in the county. And adding 150 households with autos, school buses, et cetera will render this area congested, backed up, and a traffic hazard.

Add in the likely component of pedestrians trying to negotiate the busy narrow path, and this is asking for a serious or fatal accident. This is not the place for youth, disabled or elderly people to be out in the open, much less able-bodied people.

Additionally, as you can see in the pictures, the street lighting that exists on this route is very dark at night. Also in our binder are articles detailing several serious accidents on Highway 6 which is approximately one mile east of the development. One of these involved a fatality. Shopping centers at the corner of Highway 6 and Airport Boulevard, grocery store and other retailers are there.

Walking to this shopping center from the property requires crossing nine lanes of traffic across Highway 6. There is already enough trouble with accidents involving vehicles. Adding a substantial pedestrian component is only asking for more trouble.

Regarding public safety, our Fort Bend ESD Number 5 board of directors has stated in their letter, which is in your binder, that they will be severely disadvantaged at fighting fires, since they don't have a hook and ladder truck, and the pumper truck only carries 1,000 gallons of water, which will last less than four minutes. 150 units of high density housing surrounded by woods would certainly burn more than four minutes.

On another issue, according to our Sheriff Milton Wright, his manpower and resources are already stretched beyond the taxpayers' limits. The impact of a high density development in this rural area will result in his office operating below the staffing levels recommended by the National Sheriffs Association and International Association of Chiefs of Police. His letter is in your binders.

In closing, let me summarize my colleagues' remarks. We have made the following points. Overcrowded schools, temporary classrooms

that jeopardize safety, no provision for sewer, water and electricity, several fraudulent or misleading statements regarding their application, questionable well water quality, limited public and emergency services, unsafe pedestrian and traffic issues, and a general assessment that the property does not fit in the area selected.

Ladies and gentlemen, I appreciate the fact that your mission is to help Texans achieve a higher quality of life through allocation of federal funding. I applaud your efforts. I believe these interests would be best served in other areas, not with the Goldshire project. Please deny the application. I would also like to take this time to thank the staff for their very good help in helping us with this.

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

(No response.)

MR. CONINE: Thank you. Appreciate your testimony.

MR. GERBER: Mr. Chairman, I would like to just note for the record and for the benefit of those folks who are part of this United group. There is a series of pending challenges. We take it very seriously.

On behalf of the staff, we are very concerned whenever there is an allegation made that there is a homeowner association that has been set up along the lines of what you have represented. There is lots here that you suggested that the Department has an active investigation going on to investigate.

I appreciate you bringing these issues to the Board's attention as well. And I just want to make sure the Board knows that staff is taking

these concerns that they have expressed very seriously, and we will disqualify any developer who is found to actually be doing the kinds of activities that is being suggested of this particular one.

MR. MUNOZ: So Michael, what you are saying is that currently, this particular project is being examined?

MR. GERBER: Yes. It is my -- we are doing -- it is on the challenge list. We are working through those issues, and there is a process within the Department to investigate those items. And when the County Attorney says we can't find the homeowners association, and we have got issues, that says something to us as well. So among the other things that are being suggested here. So it is under investigation. And while it appears on a list today --

MR. MUNOZ: We may not be making any sort of determination on it, based on something that happens that would disqualify them.

MR. GERBER: At the staff level. That is correct. But there is due process. We are going to work through it. Just to let you know that staff is actually working through it. I appreciate you acknowledging staff's efforts in multifamily, because I know they working through these challenges.

MR. CONINE: Okay. As those of you who are regulars at this meeting have probably noticed by now, we do not have a quorum of Board members present for today's meeting. I am not sure that we are going to have a quorum.

But what we are going to do now is take about a ten-minute recess and huddle up and try to figure out what we need to do. I think unless

otherwise directed, my intention would be to go through the rest of the public comment affirmation sheets that have been signed on specific agenda items. See if you want to go ahead and speak during the public comment period. And we will try to endeavor to get through all these.

If we do not have a quorum, then after all of the public comments, we will adjourn, because we can't do any official business today. But if we figure something else out in the meantime, we will let you know.

Those of you that know some of the folks that have signed witness affirmation forms that think they are going to be here at 2:00 or 3:00 to speak on a particular agenda item like number twelve, if you could give them a call and let them know that in about 15 minutes, we are going to start through most of those items and get through them by 12:30 or 1:00. And that is what we are going to do. So let's take a ten minute break, and we will reconvene.

(Whereupon, a short recess was taken.)

MR. CONINE: Okay. Let me call this unofficial meeting back into session. I will go ahead and call roll, just to verify the fact that it will be an unofficial meeting. Leslie Bingham.

MS. BINGHAM-ESCARREÑO: Here.

MR. CONINE: Kent Conine is here. Tom Gann is not here, Juan Munoz is here. Gloria Ray is not here. Number present, three, so we do not have an official meeting.

MR. HAMBY: Actually, technically, I need to add something.

MR. CONINE: All right.

MR. HAMBY: Even though he is not officially on the Board, the

reason he still counts towards quorum is, until you are replaced, you serve even with resignation.

MR. CONINE: Tom Cardenas?

MR. HAMBY: Tom Cardenas is still here.

MR. CONINE: I will add him to the list.

MR. HAMBY: Still here for quorum. Not here for purposes of meeting quorum.

MR. CONINE: Okay. Again, as I stated earlier, we are going to go ahead and take the public comment, if the person so desires to move from the agenda item to the public comment period. The fact that we don't have a quorum today will probably necessitate an emergency meeting of the Board Monday, probably at Love Field in Dallas, in order to ratify the list of projects that qualify for the tax credit program this year.

That is really -- that, and maybe one or two other little minuscule items may be what is on the agenda. But I think we have got a commitment from enough Board members to make that happen, so that we don't jeopardize this cycle of tax credits which most people are interested in.

We will have the public comment today, and then adjourn shortly thereafter. Some of these Board members have flights now to catch a little earlier than others. So let's again, try to stick to the three minute limit, or the five-minute limit, whichever is appropriate. Any questions from any of the Board members at this point, or staff?

(No response.)

MR. CONINE: General Counsel okay?

MR. HAMBY: Yes.

MR. CONINE: Okay. So, Matt Hull, would you like to speak?

MR. HULL: Only if you think that the Bootstrap rules will be addressed on Monday.

MR. CONINE: I don't believe they will be. That will be pushed to July 16.

MR. HULL: I will pass. Thank you.

MR. CONINE: John Henneberger.

MR. HENNEBERGER: The same.

MR. CONINE: Don Atwell.

MR. GERBER: Don does want to talk. He has one thing, and one thing only to say.

MR. ATWELL: I guess that answers the question about having to speak. Don Atwell with ACS.

Mr. Conine, Gerber, members of the quorum. The one thing I have to say is, this morning, we started a four-bedroom two-bath house in Port Arthur, which is the 502nd home starting construction in the program.

MR. CONINE: Wow.

(Applause.)

MR. GERBER: We will hit a hundred homes before the end of June that will be completed, and the keys turned over to those families. And by the next Board meeting, you project how many houses?

MR. ATWELL: There will be at least another 160 under construction, so 40 a week.

(Simultaneous discussion.)

MR. ATWELL: Right now, we are shooting for 40 a week in starts. We are exceeding that in some weeks.

MR. GERBER: And how are those expanding home builder capacity?

MR. ATWELL: They will actually be able -- we are sending the Board, or not the Board but TDHCA the notice of the contractors that have been selected. If you don't have it today, you will have it tomorrow. And they will start training, I would expect, by the middle of July, they will actually be assigned homes and be doing inspections.

MR. GERBER: And we have a couple of large builders who have been added to the ranks, which is very encouraging. And I know you and Shaw have been very aggressive in getting them up to game in the program.

MR. ATWELL: Yes, sir.

MR. CONINE: Any other questions of the witness?

(No response.)

MR. CONINE: Very good.

MR. ATWELL: Thank you, sir.

MR. CONINE: Keep trudging on. Thanks for your help. Blake Brazeal. Said only if needed.

Barry Palmer. I thought I saw Barry just a second ago. Did he walk out? Barry, do you want to speak?

MR. PALMER: Yes.

MR. CONINE: The podium is yours.

MR. PALMER: We have got two speakers on the same item.

MR. CONINE: Okay. Is somebody else going first?

MR. PALMER: Yes. Dale Dodson.

MR. CONINE: Dale Dodson is going first. Okay. Again, I apologize for this, but I want to respect the fact you came on down.

MR. DODSON: Thank you for having me. I am Dale Dodson. I am the owner of a company in Dallas, the DAL-FOR companies. I am 50 percent owner of affordable housing tax credit developer company we set up recently. I am here to speak on appealing the termination of our application.

I will give you a quick brief overview of my background and my partners' background. I spent 16 years as partner in charge of a real estate practice for Pete Warwick or KPMG. The last 26 years, I have owned properties in Dallas, Austin and Houston and have owned over 6,000 units in Houston for about eleven years, until I sold 90 percent of those about a year and a half ago.

This project that we have got an application on another place, has strong -- we have owned this property for years. It is in an area that has gone downhill the last several years. We have great schools in the city. One of the things I gave you was a letter from Councilman Connor.

We have a great score from the Houston Police Department which now does inspections of that area. And this is a property that we feel like greatly needs to be rehabbed, and is in an area that will -- is needed to provide better housing for the people of that area. It also had substantial

damage from Hurricane Ike, primarily roof and siding -- that type of damage. We have obviously been committed to this project.

We have owned it for eleven years, by the way. I have owned 100 percent of it. This is not a syndicated deal. I have got substantial investment in this property. As a matter of fact, doing the tax credit application that we did, does not get my money out. We just don't like to -- we have owned this property for years and this rehab is needed. It is a 30 year old property.

There is two significant things we are doing in our rehab, at the request of the people we have talked to at the City. One is, the property is being done very energy efficient. All energy efficiency systems that you can do in a rehab are being put into this property. And you know, including the solar screens, all new air conditioners inside and out, et cetera.

And then we are doing an entire new security lighting -- substantial new lighting -- security cameras, new security gates, both drive through and walk through. And so we would like for you all to take a look at our appeal and hopefully, give us a ruling when we get back.

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

(No response.)

MR. CONINE: Barry.

MR. PALMER: My name is Barry Palmer with the Coates Rose law firm. And I am here on behalf of the appeal of Willow Meadow Place Apartments for the termination. This application is a rehab in Houston. It was terminated by staff.

And we appeal the termination, the relevant section of the QAP, it provides for terminations. It reads that the Department can terminate an application that has an entire volume missing, has excessive omissions of documentation from the threshold criteria, or it is so unclear, disjointed or incomplete, a thorough review cannot reasonably be performed.

And in the termination letter, that was the grounds that this application was terminated on, is that a thorough review could not be performed. And in the letter from the Executive Director denying the appeal, there were five items listed as grounds for the termination.

Number one, that the unit floor plans, while they were provided, did not meet the requirements of the QAP, because they didn't have legible dimensions. That has since been corrected. As we said, this is a rehab. We are not changing the configuration of the units. But those substitute floor plans were provided that meet this. The second thing was, we didn't have a letter stating the zoning from the political subdivision. This is in Houston, so there is no zoning. And the applicant didn't realize he needed to get a letter saying there is no zoning, but that has since been obtained. The third thing was, the certificate of name reservation for the newly formed general partner, which has since been obtained, and provided to the Department.

The fourth thing was that we didn't have financial statements or a statement of no assets for the general partner. This is a newly formed entity that has no assets and they have since provided a letter saying that the entity has no assets.

The final thing was, the settlement statement from when they

had provided the -- from when they had acquired the property. And that has since been provided. So I would like to submit that this does not rise to the level of requiring termination.

That while there were some deficiencies, that these are solved at the administrative level. And the termination of an application should be considered only in the most difficult cases where a full volume is missing or something of that matter. And this is more of an administrative deficiency that can be solved.

Termination is a drastic remedy when you have got people who have spent six months on an application, have spent 50 to \$75,000 on third party reports. It is pretty drastic to terminate the application. And if you terminate the application, they can't qualify for TCAP or exchange funds.

So we would ask the Board to grant this appeal, to allow the application to stay alive. I know that you can't vote on it today. But just to consider that for your next Board meeting. Thank you.

MR. CONINE: Okay. Any other questions? I found two other witness affirmation forms that yielded time to both of you gentlemen. And I apologize for not catching that. So if there is anything else that either one you would like to say, you are welcome to do so. Or any other questions.

MR. GERBER: Barry, have you all submitted any of the corrected material that has been requested by staff.

MR. PALMER: All five of those things on the list have been submitted.

MR. GERBER: So the staff has everything that you always

submit. There is nothing that would further support you all's case or address the clarity that the staff is seeking?

MR. PALMER: Yes.

MR. GERBER: Okay. We have everything. Okay.

MR. CONINE: Okay. Thank you. And again, I apologize. We will try to remember that you came down. Let's see. Cynthia Bast. Casa Messina is the one I have got.

MS. BAST: We are going to wait until the July 16th meeting, on Casa Messina.

MR. CONINE: Okay. Thank you very much. I will make sure I get Jean the same way?

MS. BAST: Yes, sir.

MR. CONINE: Okay. Richard Brown. Mexia Gardens.

MR. BROWN: Mr. Chairman, members of the Board, staff. Thank you for the opportunity to speak. I will be brief. I did want to just introduce you to the reasons we are here, requesting an appeal to our termination. There are three items listed.

Items one and three, I think have been resolved. I haven't heard back from staff. But for one page items, one was a signature on a document, that the document body instructions say we don't have to sign. But we were informed later by staff that the QAP says we do have to sign it. And when there is a conflict, you don't read the document. So we signed it and sent it.

This particular project, the last gentleman mentioned six

months. We started two and a half years ago. And this was at a TAP [phonetic] conference where this little town Mexia, a rural community has never been served. Very difficult, low income.

We tried two years ago, looking at it. And it doesn't even have income high enough with tax credits, we couldn't make it work. Then last year when the law changed with the tax, with the format of '08, there were some rule changes that impacted this community and allowed it suddenly to work. So we went to work.

The community was excited. Everybody is elated. If you look in your Board book, you will see a letter of support from the City Council, every member of the City Council signed it, and the Mayor, saying please approve this appeal. The City is very excited. The school district is excited. We are all excited.

I made a mistake on the sign. And that is really the issue. We didn't get the fully 30 days notice. We got 20 days notice on the sign. It was a mistake. I read the little thing that said to put on here about a meeting, a public hearing. We had already had that in the city. I thought that was what they were talking about.

Later I was informed no, that is the state public hearing. I called the sign company, put the other sign out quick. But we didn't get the full 30 days. That is why we are here. The community -- I have got a waiting -- we are here, and I have already got people calling and saying, can I get on the waiting list.

I have had plumbers, electricians calling, saying can we bid for

the job? The community has not had any new apartments in 30 years. They need it. And I would hate that they wouldn't get it because I messed up on a sign by ten days. And we are also on the front page of their local newspaper.

Everybody in town effectively knew it was happening. But you know, I know the sign is a rule. I will give you this little newspaper article as an exhibit. Thank you.

MR. CONINE: Any questions of the witness? Cynthia? No.
(No response.)

MR. CONINE: Okay.

MR. BROWN: Thank you very much.

MR. CONINE: Thank you. Okay. And I had Frank Palacia signed up.

MR. PALACIA: Yes, sir. I believe I will yield my time until the July meeting in regards to Mexia Gardens.

MR. CONINE: Okay. Thank you.

MR. PALACIA: Thank you very much.

MR. CONINE: It looks like I slipped up and missed one on the Goldshire Townhomes. Phyllis Worsham, is she here?

(No response.)

MR. CONINE: She probably left. Sorry about that. And Owen Metz, Village at Kaufman.

MR. METZ: Chairman and Board, I know this isn't an official meeting, but I don't know if I will be back here for the July one. I came down from Minnesota last night. My name is Owen Metz. I am with Dominion

Development and Acquisition. We are a Minneapolis based affordable developer of multifamily apartments.

We have an application in for Village at Kaufman. And Kaufman is outside of Dallas. Our application was denied for similar reasons as the people before me, and also I think from you guys's meeting in April. The appeal was denied for some deficiencies. It was terminated.

It appeared -- the majority of those, there was a few that were left, and another deny. And I think we satisfied all those. The application has been submitted to staff. I don't know if they have had a chance to review it. I understand they are really busy with TCAP and exchange and everything.

But I guess not only did I miss some things in the application, but I think our application is unique in that it is an existing project based Section 8. It is a scattered site. It is rural.

It doesn't really fit in the box of any application under the QAP. It is -- one site is fully family. One site is fully elderly. It is not really intergenerational in that the residents don't interact together. The only interaction is there is a single leasing office that was built 30 years ago.

So it just really didn't fit in a box. And I think that may be a little bit of the difficulty in understanding the application. It did have some missing parts that have been cured. So I guess just I want to point out some of the unique structures.

And again, it is governed by 100 percent project-based Section 8, have contract that does cover both sites. So it is already serving extremely low income individuals.

And it is just a chance to help improve the safety and cleanliness of their existing homes, and hopefully provide some needed renovations to the apartment community. No alterations, we're just upgrading the amenities, the units, the cabinets, all the difficult rehab things that are done to apartment communities.

So I just want to, I guess, be able to answer any questions about the application, if there are any still, and just ask the Board to grant the appeal, I guess. And maybe try to do this one through a deficiency here, most of those have all been cured. I guess so that it is it.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thanks for coming down.

MR. METZ: Thank you.

MR. CONINE: We'll try to remember, and save you a trip. Jeff Crozier. Where is the round man of rural? There he is.

MR. CROZIER: I will just -- since we are running out of time here, I will just put it on a bumper sticker for today. As we are going through the exchange program, first of all, I would like to say that I appreciate the efforts of staff, working on getting that exchange program out.

And it looks like we have a very viable option of how to solve the '07 and '08 issue. I think that is what the stimulus package money was for, was to help those guys out, and I think we have come up with a nice plan to make that happen.

Moving on to the '09s, we know we are all chasing the 40

percent of the money out there. Nothing has changed since I talked to you all in the last couple of months. Syndication deals, it is really kind of set up a way of you start looking at rural at-risk deals are the hardest to do. Then you have got your at-risk deals.

Then you have the rural deals. Then cities of 100,000 kind of population; what we used to call exurban. And then you have got your urban deals. And I would just like to hope that when you all go through the policy of how to handle what is going to happen on that 40 percent of the credits, or the exchange credits for the '09 deals that maybe we can give some kind of priority based on those criteria.

And I think that if you look at the dollar amount, I think we ran the numbers, and this would be certainly too much to ask to try to ask for the whole thing. But I think there is going to be something like the 40 percent comes out to be like 22 million in annual credits, according to the write up. And the entire at-risk set-aside can be done for 6 million.

So I mean, you know, if you really wanted to, you could start working down the harder deals and let the ones that could use the gap financing and things like that, work those out. But that, in lieu of that, one thing we would like to ask, maybe you might consider is that if there is any --

You know, a lot of this stuff now, once the dominoes start falling, things are going to start happening quickly and you might find pots of money out there that you didn't think were going to be there. And maybe if we can't get the money up front, maybe if there is some kind of priority system that maybe after we have done all the '07s and '08s and the '09s and money

comes back or whatever, maybe we will give a priority system something like this.

So that is all I would like to say today, is just to really appreciate what the staff did. I think that is a really good deal to help the '07s and '08s because that is really what we are really out there for. So thanks.

MR. CONINE: Thanks, Jeff. Any questions?

(No response.)

MR. CONINE: Terri Anderson.

MS. ANDERSON: Good morning, Chairman Conine, and other members of the Board, Mr. Gerber. Thank you for giving me the opportunity to speak with you this morning. I want to discuss the exchange program with you. And I do compliment staff on their policy that they created. And I just have a couple of comments, that I hope you all will consider and we did discuss at the round table yesterday.

On the placed in service deadlines for the '07 and the '08 transactions, to the extent that we have a commitment coming out in October and having to close 60 days later in December, we are going to really be in a position to -- I guess, have a lot of transactions fall out, because typically the construction commitments that we have and the permanent commitments all in the third party reports et cetera are aged.

The lenders are going to require new third party reports, if they are older than six months old. And that underwriting process is really going to get in a crunch. We are not going to be achieve a 60-day window. It is coming at the end of the year, with holidays, et cetera.

Things are already under pressure to close a new deal by the end of the year. And some comments that we actually heard from the lenders yesterday was, it is highly unlikely that you would get a transaction closed by the end of the year just based on their current staffing. So that is one key consideration on a closing timeline.

Also, current interest rates are at about 8.6 percent or so for Fannie Mae transactions, with, Nicole Flores mentioned yesterday, a potential 1.25 minimum debt service coverage ratio. And although TDHCA is not requiring a commitment, staff is aware of the fact that your construction lender probably will. If your construction lender requires it, you are still going to have to get it before you can close.

So it is -- you know, there is a standardized methodology that we all have to go through. And while all '07 and all '08 transactions I am sure have building permits and completed plan specs ready to move dirt, et cetera, the actual logistics of closing are under the best circumstances, yes. There are lenders who can close within 60 days, but typically it is longer than that.

And what I would request is that that component be taken into consideration. In addition to that, requiring a placed in service deadline of 12/31/2010 is going to create some additional logistic issues for the construction lender, who is going to be in a position to take risks on completing construction.

Let's say you were able to close by December 1. You begin construction January 1st in order to get all of your receipts et cetera into TDHCA for reimbursement for TDHCA to get it to Treasury to get the money

from Treasury and then give it back to the developer by the end of the year.

Then your actual construction time window may not be twelve months. It may only be eleven months. And a construction lender will potentially take an issue with that. And depending on the size of the property, it will raise some concerns. So thank you so much for your time.

MR. CONINE: We appreciate that. And talk to your friends at the IRS about that 12/31.

MS. ANDERSON: Thank you.

MR. CONINE: Granger McDonald. Did he step outside for a minute. Dennis Hoover?

MR. HOOVER: My name is Dennis Hoover. Chairman, members of the Board, Mr. Gerber. I am here to talk about USDA rehab deals and the exchange program.

You have already heard the story I know, that the hardest deals to do are rural and rehab, and small. And the USDA portfolio, there is a lot of them out there, that are really hard to do. It is one, not many of them -- not many people are trying to do them, because there is not much reward in doing them.

But we have got a boatload full of them that I will spend the rest of my life trying to rehab, because we -- they are ours, and we are living with them. And they serve typically the most difficult people in the state to serve. They are the most rural, they are the lowest income, and the smallest towns.

And the exchange money as it stands right now, I think would only serve about a third of the applications that you had. From what we know

of current allocations and what '08 has been returned, they serve about -- there is about 1.2 million. There is about 3.3 needed in this 2009 application. So I would encourage you to prioritize them.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: We will try to do the Sermon on the Mount the best we can. Granger McDonald.

MR. MCDONALD: Good morning, Mr. Chairman.

MR. CONINE: Good morning.

MR. MCDONALD: Thank you for letting us speak today. First I would also like to echo the comments of many others about what a tremendous job staff has done in getting this done. It is a big undertaking. My analogy yesterday was we jumped on a treadmill that was going Mach three and kept trying to hold on.

One issue that I think has fallen through the cracks is, several of us have played by the rules and utilized the amnesty period, and turned back some '08 credits in December, not knowing that there was a chance that we could see any of the ARRA stimulus bill come through that could help us. And I would like to propose that somehow, some accommodation is made to those people who played by the rules, turned their credits back and now are being penalized.

MR. CONINE: Okay.

MR. MCDONALD: Thank you.

MR. CONINE: Thank you. Any questions?

(No response.)

MR. CONINE: Michael Hartman?

MR. HARTMAN: Good morning, Chairman Conine, members of the Board, Mr. Gerber. I would like to add to everybody else's comments about staff. I think they put together a wonderful program, and I think that we have a great opportunity to stimulate the building of affordable housing here in Texas.

We have got a pot of money that is estimated at \$520 million, and that could grow exponentially if the other '08 deals turn back their credits, and you get to exchange those dollars. So we could easily have 750 million, you know, \$800 million worth of money.

One thing I just wanted to bring up in general about the equity markets, when you are thinking of how you are going to prioritize things is that what we are finding is that no matter what the rate of return is, there are some markets that syndicators are just not going to touch. Three weeks ago, a syndication broker that I know took three deals to a large private investor, an insurance company. Had a 20 percent rate of return and the insurance company turned them down, and said, we will not go to that market.

So there are a lot of markets, a lot of areas in Texas that no matter what we do to incentivize the equity markets, they are just not going to go there. So echoing what others have said, echoing the comments that I did yesterday, I think it is imperative that, especially for '09, we prioritize and go first on the exchange dollars with the rural deals, because those markets, exchange is the only way that we are going to get any affordable housing in

those markets.

Right now, there is just not enough equity out there at any price. Whether it is 30 cents, 40 cents on the dollar to do it. So, thank you.

MR. CONINE: Thank you. Any questions?

(No response.)

MR. CONINE: Mike Sugrue.

MR. SUGRUE: It is after noon. So I will say, good afternoon, Mr. Chair Conine.

MR. CONINE: Good afternoon.

MR. SUGRUE: Board members, Mr. Gerber. Thank you for letting us come up here, and like everyone else, I attended the round table yesterday. And I believe staff is really taking a major stab at getting this thing put together. And I heard you use an oxymoron a little while ago when you said your friends at the Internal Revenue Service. I am not sure that works anymore.

However, the point that I want to make, two points actually. One is, I will echo Granger's thing about people return credits back and not knowing what was coming. But hey, that is life as well. There could be something done in that respect.

The other thing is, sooner versus later, I think we are going to find a little issue with the lending community dealing with us, when you have X number of units. If we don't get a commitment until October the lenders aren't going to move forward until there is a commitment. And if it is TCAP funds especially, and you have environmental clearance, that could be a slight delay.

If we can't get these things closed until December or January, we have got less than twelve months to build the projects out. Anything under a hundred units, that may have a chance. A hundred units or more, we are probably in big trouble.

So unless we can get the service to change that somehow, and I guess we need to do a grassroots deal and start working with our legislators here. Since I heard Representative Menendez say he had a friend in Joe Biden's office, I think we are going to go that way too. But we need to see what we can do as a group.

But once again, thank you for listening to us. And we appreciate everything that has been done so far. I think we can get there.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Brad Forslund?

MR. FORSLUND: Good morning. I also attended a round table yesterday. And I think generally the consensus there was, how do we take advantage of this window of opportunity to put as much of this money to work as possible. It is a short window. And so in light of that, I want to just share some concepts with the Board. I think that somehow if we can come up with a program to define shovel ready, and whether that is an application that turned in credits from last fall, or if that is an application that has been terminated, or it is an application not even in the money yet.

But if it is an application that has got zoning, it has got its

financing arranged, it has got strong community support. It has got a developer with a proven track record, that can get a deal closed. I think somehow we have got to be able to identify those deals and get them into the mix, and get them into the program as quickly as possible.

The second item is, there was an effort in the last Legislature to increase the amount of the \$2 million to \$4 million. And I think that if there is a way to do that, maybe we can use the \$4 million cap.

But I think you are going to find developers that have multiple deals that can get multiple deals done in this time frame. And if we allow then to do that with say, a \$4 million cap, that would be again a way to get units under construction and on the ground. So any questions?

MR. CONINE: Questions?

(No response.)

MR. CONINE: Thank you, sir. Tamea Dula. She has got dedicated time, so she has got five minutes.

MS. DULA: Thank you. Tamea Dula with Coates Rose law firm in the Houston office. I thought I was going to be here today to argue an appeal of a termination of a tax credit application for Evergreen at Wiley.

Instead, I am here to ask the TDHCA Board to use its discretion when it sets up the policy for the exchange program, to permit a project such as this one, which is a highly supported, very enthusiastic local officials situation, that for a technical reason, a very technical reason is going to be terminated. This is a 9 percent application that has the support of two State Senators, and therein lies the problem.

We submitted an application that had notice given to the State Senator, and it went through all of the procedures and threshold review, et cetera. And nobody noticed until the State Senator's support letter was being reviewed, that this State Senator was actually the wrong one.

And this came about because the project is being developed in a completely undeveloped area with no nearby roads, no building numbers which won't be issued until the building permits are issued. And the Senatorial district was determined by going to the nearest intersection, taking the numbers off of the buildings at that intersection, and using the who represents me software that the Texas Legislative Council has available to determine who your elected officials are.

Unfortunately, the nearest intersection was FM 544 which, in a one mile stretch, goes by four different names and has two numbering systems. One proceeding from the City of Murphy on the west, going east. And one from the City of Wiley on the east, going west.

And the developer picked the wrong one, and came up with a wrong designation, of the property being in District 30. We went to District 30's offices with maps. District 30 said, great project. And Senator Estes issued a support letter. However, the TDHCA was doing its job. And they found out that it was in the wrong district.

We went to District Eight. District Eight sent us an email. We don't think it is in District Eight. We think it is in District 30. After further investigation, we ended up with the research specialist at the Texas Legislative Council who, using redistricting software, determined yes, indeed,

TDHCA staff was right. It is in District Eight.

As soon as we found that out, the developer gave a notice to the State Senator. The Mayor of the City of Wiley called the State Senator and got the State Senator, who normally doesn't do so, to issue a letter of support.

All of which was back to the TDHCA within five business days, which is ordinarily the amount of time that is given to you, in order to correct an administrative deficiency. And all of this was on the developer's own motion. Because all that they had received was a notice that there were no points being awarded for the Senatorial support letter.

And they investigated, and found out all this out. So we were going to appeal. But Mr. Hamby says we can't appeal. Basically, the TDHCA Board does not have the discretion to waive that deadline for the notice. And even though we have both Senators supporting the deal, we cannot have a viable application.

So what I am here to do is request that the Board exercise your discretion by answering question number four in the Board supplement which says, does the Board want to open up the exchange program to projects other than those projects that have tax credits, to answer yes.

This will allow the Evergreen at Wiley project to be a part of the exchange program, to apply for it, even though they have no tax credits to surrender. It is a project underway by Churchill Residential, a proven developer. They close their deals routinely, in the year in which the tax credits are granted. They have a syndicator for this project.

They can close it and get it developed within your December 31, 2010 time frame, although it will be very difficult to do so. But they can do it. And you can get 155 units of senior housing on the ground, using exchange funds, if you will allow a project of this sort to participate in the program. Do you have any questions?

MR. CONINE: Any questions of the witness?

(No response.)

MS. DULA: Thank you.

MR. CONINE: Thank you. R.J. Collins.

MR. COLLINS: I will waive my time.

MR. CONINE: Thank you, sir. David Marquez.

MR. MARQUEZ: No, sir. I'll waive --

MR. CONINE: Thank you, sir. Diana McIver.

MS. MCIVER: Chair, members of the Board, staff. My name is Diana McIver, and I am President of DMA Development. And I am here to speak on the exchange program. And I, like everyone else, compliment staff for working with us and the round table and really being open to suggestions.

What I want to comment on briefly is breaking the two programs apart as it relates to exchange. One, on the 2007, 2008. We think there are about 50 applications that fall within that category. And speed is important to that group.

Timing is a huge issue. Flexibility is important and I believe that those within TCAP and within the exchange program that you have in the Board book today, both of those emphasize flexibility. But that is important.

Our projects again, the '07s and the '08s, they are at different stages. They have different needs.

Basically our moving parts are whether they are shovel ready, whether we have a perm loan, whether we have a construction loan and, lo and behold, whether we have an investor. Whereas all the time, you all are transparent, you are fair, you treat us equally, that is all good. We are at a point now where you can't treat us equally anymore.

(Simultaneous discussion.)

MS. MCIVER: We are at a point where everyone has different ways they need to use this program. And I think if you look out on the '07 and '08s, you are going to find a bell curve. And there is about 50 of them out there, and they are probably about twelve that are going to be easy and have easy solutions.

There is going to be 25 falling in the middle and there are going to be that other twelve that are really hard. So to get them out the door and not delay all of those until November, December Board meetings, I think it would be prudent to focus on easy, and then middle and then hard.

And I will tell you, you are probably not going to get every deal done. But that is life, and life isn't fair, but let's get as many done as we can. On the '09s, I am sort of looking at it a little differently. And what we have got is we have got 60 percent of the '09s that we need to get incentivized to get investors in what is about to become the old fashioned way.

So what I would like to have folks do as part of the exchange program is to really incentivize those developers there, and I implore -- if you

can get an investor, please get an investor. Use the exchange program for the very hard difficult deals. But there are markets with CRA credits. And they are Dallas-Fort Worth, and they are Houston, and they are Austin, and a little bit in San Antonio and a little bit in El Paso. That is it.

So if you can incentivize that group to get investors, and one of the ways to do that -- that group is going to have a little longer to place in service, because they won't be using your money that we think has to be spent by the end of December 10. And they are going to be able to go and get creative financing like HUD loans and things like that. So if you can take that group, and make them -- allow them to apply for small amounts of TCAP as grants, similar to what Representative Menendez was saying today, then I think with just a little incentive, there is a group that can get investors.

And I think we need to push those folks to get investors. And then the exchange program can work for all of those that are the smaller cities, the rural areas, the hard to place projects. But I really would encourage that.

And the one other thing that I brought up in the meeting yesterday, and I believe it takes a change of the QAP. I believe Kevin agreed that it takes a change of the QAP. But another item for that small group would be if you could use your discretion to give a 130 percent boost to any of those projects that can find investors and don't already qualify for the boost. But it may take a change of the QAP, unless there is a loophole in the QAP.

So those are my comments. And I really do appreciate your working with us. And I will look forward to working with you all to get us all where we need to be and have affordable housing on the ground. Thanks.

MR. CONINE: Thanks, Diana. Any other questions?

(No response.)

MR. CONINE: Dan Algeier?

MR. ALGEIER: I will pass at this time.

MR. CONINE: Thank you, sir. Patrick Barbolla.

MR. BARBOLLA: I will pass at this time.

MR. CONINE: Okay. Judy Telge.

MS. TELGE: Thank you, Mr. Chairman, Board and staff. I am Judy Telge, Executive Director of the Coastal Bend Center for Independent Living in Corpus Christi. And we have been recommended by staff for HOME program for the vouchers, once again, and want to urge your favorable consideration.

We feel like we will get it, and wanted to thank staff, so that you will know that staff also in the HOME program does a very admirable job of helping folks put these applications together to serve people with disabilities at the lowest level. Thanks very much.

MR. CONINE: Thank you very much. Any questions?

(No response.)

MR. CONINE: Board, that was the last witness affirmation form, unless there is anyone else that hasn't filled one out that would like to speak?

(No response.)

MR. CONINE: Mike, anything else from you?

MR. GERBER: No, Mr. Chairman. We hope -- again, we

apologize to the entire community for not being able to transact business today. We will provide information to the community as soon as it is available about time and location of the meeting to be held next Monday afternoon, likely in -- presumably at Dallas Love Field. More information will be forthcoming.

And we will also work to advise anyone who is affected by the issues that are to be brought up at that meeting. It will largely, of course, be centered around as the Chairman noted, the statutory requirement to approve the list of eligible projects for the 9 percent round. But there may be one or two other small items.

I know there is an issue involving bond finance that will come up, that we need in order to move that before the Bond Review Board. But we will consult with each of you to make sure that should any issue come up that affects you, that you have the option to make sure that you are either there or that it be delayed until July 16. But I think, overwhelmingly, these issues will be dealt with.

But again, we apologize for making you folks travel a long distance. And we will be in touch in the next couple of hours about locations and times.

MR. CONINE: The meeting stands adjourned.

(Whereupon, the meeting was concluded at 12:30 p.m.)

CERTIFICATE

IN RE: TDHCA Board Meeting

LOCATION: Austin, Texas

DATE: June 25, 2009

I do hereby certify that the foregoing pages, numbers 1 through 64, 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.

7/01/2009
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731