

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Ric Williamson Hearing Room
Dewitt Greer Building
125 East 11th Street
Austin, Texas

Thursday,
May 5, 2011
9:00 a.m.

MEMBERS:

C. KENT CONINE, Chair
TOM GANN, Vice Chair
LESLIE BINGHAM ESCAREÑO
LOWELL KEIG
JUAN MUÑOZ
J. PAUL OXER

STAFF:

MICHAEL GERBER, Executive Director

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c) Presentation of the Department's 2nd Quarter Investment Report Dir. Financial Admin. Compliance and Asset Oversight	
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- j) Presentation, Discussion, and Possible Action to Ratify HOME Program Reservation System Participants approved by the Executive Director
 - k) Presentation, Discussion, and Possible Approval of the HOME Single Family Programs Reservation System Notice of Funding Availability (NOFA)
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- Action regarding approval for publication in the Texas Register a final order adopting the repeal of 10 TAC Chapter 60, Subchapter C, and adopting new 10 TAC Chapter 60, Subchapter C, concerning Administrative Penalties
- u) Presentation, Discussion, and Possible Action regarding approval for publication in the Texas Register of a proposed repeal of 10 TAC §1.20 and a proposed new 10 TAC §1.20, concerning the Asset Review Committee
 - v) Presentation, Discussion, and Possible Action regarding approval for publication in the Texas Register proposed amendments to 10 TAC Chapter 9 §§9.1 – 9.7 concerning the Neighborhood Stabilization Program and 10 TAC §1.19, concerning Deobligated Funds
 - w) Presentation, Discussion, and Possible Action regarding approval for publication in the Texas Register a final order adopting new 10 TAC Chapter 5, Subchapter H §5.802 concerning Local Operators for the Housing Choice Voucher Program
 - x) Presentation, Discussion, and Possible Action regarding approval for publication in the Texas Register a final order adopting amendments to 10 TAC Chapter 53, Subchapter C, §53.31, concerning the HOME Program Rule
 - y) Presentation, Discussion, and Possible Action regarding approval of proposed amendments to 10 TAC Chapter 5, §§5.900 – 5.905, the Weatherization Assistance Program Department of Energy American Recovery and Reinvestment Act (WAP ARRA), for publication in the Texas Register, for public comment

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P R O C E E D I N G S

MR. CONINE: I will immediately turn to Mike Gerber and have him get us started off. Mike.

MR. GERBER: Well, Good morning, Board members and guests. We are delighted that you could be here with us. Today, we have a new Board member being sworn in. J. Paul Oxer was appointed by Governor Perry.

He hails from Sugar Land, Texas, and is managing director of McDaniel, Hunter and Prince, where he specializes in transaction management, and project development for investment and infrastructure. Texas Water and Wastewater Utilities, renewable energy and electric transmission.

Before this, Mr. Oxer held a variety of senior management positions with Enron Energy Services, the Azurix Corporation and several other engineering companies. He earned his engineering degree from Georgia Tech in 1973, and serves on many boards and has been a tremendous asset, I know, to the Greater Houston community.

And we are delighted to have him serving on the Board and by his appointment by the Governor and his confirmation by the Senate. And here today to swear in Mr. Oxer is the Chief Justice of the Texas Supreme Court, Wallace Jefferson who has been a trooper by coming to swear in our Board members -- just a committed public servant.

He hails from San Antonio, and we are just delighted, Mr. Chief Justice, that once again, you could join us. So we invite you to come forward and ask Mr. Oxer to go down to be sworn in.

(Whereupon, J. Paul Oxer was sworn into office and Chief Justice Jefferson addressed the audience.)

MR. CONINE: Thank you, Mr. Chief Justice. Appreciate that.

(Applause.)

MR. CONINE: We certainly appreciate the Chief Justice coming by and sharing those words with us and, again, look forward to making Texas a better place, especially in the housing arena. Okay. I will call the roll, make sure we have got enough folks here today. Leslie Bingham?

MS. BINGHAM ESCAREÑO: Here.

MR. CONINE: Kent Conine is here. Tom Gann?

MR. GANN: Here?

MR. CONINE: Lowell Keig?

MR. KEIG: Here.

MR. CONINE: Dr. Munoz is not here yet, but on the way. And J. Paul Oxer.

MR. OXER: Here.

MR. CONINE: Okay. We have got us a quorum, thankfully. Next item is the public comment period. As most

of you know, in tradition here, we public comment one at the beginning of the meeting and then one on the agenda item.

Those who wish to speak at the agenda item can do so.

You need to fill out a witness affirmation form, if you haven't. If you want to speak to the Board for any reason, make sure you get one filled out, and we are going to start it off this morning. I call on Representatives James White. Where is he?

(No response.)

MR. CONINE: He may not have arrived. Okay.

Barry Kahn?

(No response.)

MR. CONINE: Granger McDonald. Tag team.

MR. MCDONALD: It is kind of a two-for. My name is Granger McDonald of Kerrville, Texas, and it is a pleasure to announce as immediate past President of the Texas Association of Builders and current National Area Chairman for the National Association of Builders, that our own Kent Conine, in two weeks from tomorrow will be inducted into the Nation Association of Homebuilders Hall of Fame.

(Applause.)

MR. CONINE: I think it is the Wall of Shame, I think.

MR. MCDONALD: The Wall of Shame. This is

obviously for the years that Ken has donated to the housing industry, and for the betterment of housing in the State of Texas, and all he has done in the last few days he has been on this Board.

And also, on behalf of the State association, I would like to thank the staff of the TDHCA for all of the work that has been accomplished in the last two years. There has been a yeoman's job done. Most people don't recognize it.

Not only do they have their normal duties, but in the last two years, with the stimulus program, the TCAP funds were administered, the Change program was administered, which marshaled out over \$150 million worth of loans to projects in the State of Texas. Almost 90 new projects were built in the State of Texas, over 10,000 units.

And that created more affordable housing for the State of Texas and more importantly, more jobs for Texans in a time when we needed jobs in the industry. And on behalf of the Association, I would like to thank the staff, Mr. Gerber, and you entire team for what you all have gotten done. Thank you.

MR. GERBER: Thank you.

(Applause.)

MR. KHAN: I would just like to add that there

is a group of us involved as builder developers on the housing credit committee and Board members of the National Association of Home Builders and we would just like to thank everybody for the diligent efforts over the last several years.

Besides what Granger mentioned, there has been three disasters, and a huge amount of extra work. Which has been imposed on the Board, the staff, and on behalf of all of us, we would like to thank everyone for all of their efforts, and encourage the staff to continue to keep their chin high and work through these difficult times, and foster the growth of affordable housing in the State of Texas. Thank you.

MR. CONINE: Thank you, Mr. Khan. I appreciate that.

(Applause.)

MR. CONINE: Dan Allgeier?

MR. ALLGEIER: Dan Allgeier of Irving, Texas. Congratulations. You made the Hall of Fame in the steroid era. Good for you.

MR. CONINE: I have to shoot myself up every day to come down here.

MR. ALLGEIER: No comment. So on to business. In the Housing Tax Credit program, we are starting the season of, I will call it, the appeals of staff decisions season.

I ask that the Board consider that applicants that can't make a deadline, that can't read the rules, and can't complete an application, probably can't successfully negotiate a tax credit syndication or financing, successfully construct or rehab a project on time, and in budget, that delivers what they promised in the application. Property certify residents for occupancy and lease their property, or profitably operate the property within the LURA restrictions.

The application is the easiest part of the process. Time and time again, we hear that a project is special and so needed that a small mistake shouldn't be held against it. Almost every application you see is worthy.

Every application provides affordable housing. Certainly, all that pass the review of the staff make sense economically. Have a market, and can be a quality affordable housing project, if it is properly executed.

I ask that the Board stick to the rules, no matter where the project is located, who the application team is, or whatever special group is served. You have got the ability to do a forward commitment. You know that. If it is something that doesn't score.

But please, let's just stick to the rules. We had a grand opening on Friday. I bought t-shirts for

everybody. It cost \$25 for a setup fee and 9.95 for t-shirts. Don't let that influence you. Thank you.

MR. CONINE: Mr. Allgeier, we at least understand where you stand. Longoria. Oh, here he comes.

MR. LONGORIA: Honorable members of the Commission, I come here before you today to speak in support. It is on your agenda but we are starting a process.

And I am speaking in support of Project 11-166, referred to as Palms at Leopard. I am President of the school board for Corpus Christi Independent School Board and we have been working with that group to move this particular property.

It is Northside Manor. The new project will be referred to as Palms at Leopard. We have gone to the City Council there, and received a resolution of support that you will receive later on, making this project their number one priority, the housing project.

We also received over \$850,000 in funds, all of their HOME funds for this project. So we are working through the process.

I am asking you to consider support a forward allocation of tax credits when that project comes up and that is what I am here for today. So we appreciate the consideration when the time comes.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you very much.

MR. LONGORIA: Thank you very much.

MR. CONINE: We appreciate your testimony. Bill Newsome.

MR. NEWSOME: Good morning, Mr. Chairman and Board members. I am Bill Newsome. I am the developer of E2 Flats in Dallas. We have a forward application in front of TDHCA.

This is a very exciting project in downtown Dallas.

It is a midrise office building, which has been shuttered for over 15 years. You saw this project in January of 2011, when we were in front of the Board asking for a waiver on unit mix.

After that waiver was turned down, we went back to the drawing board. We looked at the market we would be serving. We looked at programming needs, and to make the project, after doing that, to make the project work economically, we went back to the City of Dallas to request more funding. Getting this building back in service has been a high priority.

It looks like, it has been a high priority for the City of Dallas. It is a high exposure building. It is

a high profile building, and the City supported this request in conjunction with a \$6 million funding mechanism from the City. Because of this, E2 Flats has been able to go forward with an application to the Board for a forward commitment.

My purpose of being here today is simply to communicate that, and that E2 Flats is a viable project, serving working families, and true workforce housing. I will just show you the Board very fast, the project is contiguous to Thanksgiving Tower. Catercorner to the Old Republic Bank and Comerica's headquarters. So it is figuratively at the corner of Main and Main in downtown Dallas.

And the units are very good-sized units, ranging from 700 square feet to the 1,100-square-foot range for a two-bedroom and 1,275 square feet for a three-bedroom. This is a rare project that serves both the targeted need, as well as a broader need, and that is new investment in a critical area of downtown. In the immediate surrounding area, where other new investment has occurred.

We are confident of the demand. A Butler Berger market study says the project is feasible from a market perspective and that a market exists for the development of the subject property.

Beyond the City's endorsement, this project has

broad and strong local support. Downtown Dallas, Inc. recognizes that meeting this housing need is part of the broader economic development picture for downtown. The downtown residents council, which is made up of both residential property owners and tenants, is supportive of the targeted housing need.

And other stakeholders in the area, are excited about this building. The prospect of this building being put back in service, as well as some street level retail, which will serve both the building, and the immediate area.

We appreciate staff and the Board's consideration as we go through the project. And I would be able to -- I would be happy to answer any questions.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you for your testimony.

MR. NEWSOME: Thank you very much.

MR. CONINE: State Representative Dee Margo.

MR. MARGO: Good morning. Thank you. I appreciate the opportunity to testify before you this morning and I want to thank the Texas Department of Housing. Let me state my name again, Dee Margo, State Representative District 78, El Paso.

I want to thank the Department Housing and Community Affairs for its investment in El Paso. Your investments has made a positive difference on numerous levels throughout our community, specifically in the area of affordable housing.

Despite national trends, El Paso's economy has remained strong and one of the key reasons has been the exponential growth of Fort Bliss. The expansion of Fort Bliss has created numerous economic opportunities in our community but it has also created a number of challenges.

Today, El Paso is 5,000 units short of affordable housing, and the current waiting list for military service personnel and their families is approximately two years. At the end of 2013, Fort Bliss will have 34,000 troops, and an estimated 48,000 family members.

I might add, I served as Civilian Aide to the Secretary of the Army for eight years. I was actively involved in our BRAC process. At the end of the BRAC process, post 2013, the estimated population impact on El Paso with active duty, family members and retirees is approximately 173,000 or 17 percent of our population. That is the impact that it is having.

When these figures are coupled with a 98 percent occupancy rate in our existing multifamily units, the need

for additional affordable housing is even more crucial. El Paso will address these challenges and through numerous partnerships with federal, state and local governments, we have received a wide array of support.

However, we believe it is crucial for TDHCA to continue its forward commitment awards in our community, and to continue the progress we have made. Forward commitments awarded by TDHCA put units on the ground quickly, and are open to all of our tax credit developers that have executed on their previous commitments.

I believe that our community is poised to continue its strong performance in the housing market, due to the expansion of Fort Bliss and the overall diversity of our economy. Thank you for your consideration and continued support of El Paso.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Okay. Thank you for your testimony, and we appreciate your service.

MR. MARGO: Thank you. Appreciate it.

MR. CONINE: Go over there, and finish it up and do a good job.

MR. MARGO: Yes. Budget day.

MR. CONINE: Thank you. Representative James

White.

MR. WHITE: Good morning, Mr. Chairman, Vice-Chair Gann, and congratulations on your appointment, sir. The other committee members, State Representative James White, House District 12. And I just wanted to come before you briefly and talk about Timberlands Trails in Lufkin and ask for your consideration and reinstatement.

Sometimes, they use a lot of my time when I come up here to Austin and talk about things in the past but I want to move to the future, and I am not going to spend -- waste a lot of your time talking about what happened in the past, and some organization out of the region wasn't able to get everything done. I want to talk how we move forward.

And we have a very vibrant, entrepreneurial like nonprofit sector in Lufkin that has seen this project, and wants to step in, and move forward. That is the Seasons of Hope Center, and on that board, they have a variety of people that have a vested interest in Lufkin, and want to see that project actually reach its fruition.

To the best of my knowledge, and how I have been briefed on it, one of the purposes of this project will be able to provide affordable housing for our veterans that are coming back to East Texas. Lufkin is in a strategic location for that.

We have a new Veterans Administration clinic, the Charlie Wilson clinic. Also, we have the community college, NSFA, which is 20 miles away, that will facilitate those veterans when they are making their transition back to pursue their education and continue being productive citizens in our country.

And coming before you this week, after a successful mission that many of our men and women in uniform had this past weekend, after having worked on the floor all last night, ensuring that their voting rights are protected, that segment of that project is what really touches my heart. Because in a good disproportionate way, many of these Texas' best and brightest go and serve for this country.

I understand some things probably have not been done to the best ability in the past and I am asking you to use your waiver mechanism on this opportunity. I am not asking for anything over and beyond or outside of the scope of the law that the Legislature has put you in.

But I also want to make it a point that a few years ago, maybe outside of some normal circumstances, when our State was faced with two horrible natural disasters, the citizens of Lufkin went out of their way, and they were good citizens. And they accepted many Texans and people from other states into their community.

So I just come before you asking you for that consideration and favorable outlook, humbly. Thank you very much.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you for taking time out to come over here and we appreciate your service.

MR. WHITE: Yes, sir.

MR. CONINE: Good luck in finishing it up, over there.

MR. WHITE: Thank you so much. Yes, sir.

MR. CONINE: Larry Hamilton.

MR. HAMILTON: Mr. Chairman, there is actually three of us that are on the same topic.

MR. CONINE: Okay.

MR. HAMILTON: If you would indulge us to kind of team up here? I want to introduce --

MR. CONINE: Name first, so everybody will --

MR. HAMILTON: Larry Hamilton.

MR. CONINE: Great.

MR. HAMILTON: I am speaking in support of the St. Paul Apartments project, number 11-056, and this is a \$14 million project that is in downtown Dallas, and we have got some boards to show you.

It is co-sponsored by our firm, Hamilton Properties Corporation and the Central Dallas Community Development Corporation, a nonprofit that has successfully completed 511 North Akard, the City Walks Project. This is a vital project for downtown Dallas, to help the revitalization efforts that have been ongoing.

The Main Street district now is this vibrant location. We need to connect the Main Street district to the Farmers Market district. We also need to address the problem of homelessness, which this does.

We have a 146-unit project, which will be debt free and all of the income from the project will be used for services. The services will be provided by the Bridge, the Metro Dallas Homeless Alliance which operates the Bridge and will provide the placement of formerly homeless persons in this.

Of the 146 units, 141 of them are dedicated for permanent supportive housing purposes. This is a rare point in time when we have an opportunity to do a permanent supportive housing project to address homelessness that has support of the neighborhood. We actually have not only an approval letter from the downtown Dallas resident's organization but we have their vigorous support of this.

Okay. So this is -- the location of the St. Paul

Apartments project, which is next to the project that we appreciate. Thank you very much, Board, for providing the Atmos Lofts project in this past year. And this is just to the south of it. This is the urban, the Neiman-Marcus store, the Urban Market grocery store.

You can see that this project would be right in the middle of transportation opportunities. Dallas City Hall is shown right here and here is the Bridge, and this is a companion project that is proximate to the Bridge. So let me introduce Mike Fienza next, who is the CEO of the Bridge.

MR. FIENZA: Thank you, Larry. Thank you, Mr. Chairman and Board members, for your volunteerism and all you do for the Department. And thank you to you, Michael, and your staff for great work under tough circumstances. We appreciate you in Dallas a great deal.

Yes. Mike Fienza, President and CEO of the Dallas Homeless Alliance. We operate the Bridge campus that Mr. Hamilton spoke of. We serve 1,200 chronically or long term homeless people each day and since opening in 2008, we have placed almost 1,000 people in permanent supportive housing with a 90 percent stability rate.

And the Bridge is funded by partnerships. One with the Department, which has appreciated a great deal, that over the last couple of years, has helped us really enhance

services and build that program. The City of Dallas, Dallas County, and every major foundation in Dallas.

The St. Paul project with its 141 units of permanent supportive housing would be very special in our solution building for chronic homelessness, because of the proximity, our ability to integrate services at St. Paul Apartments, and the Bridge. And the Alliance and the Bridge are determined to capitalize on this opportunity, if we gain your support to make a big difference in our effort to end chronic homelessness. And thanks for your consideration.

MR. CONINE: Thank you. Mr. Greenan.

MR. GREENAN: Thank you, Chairman Conine, members of the Board, Mr. Gerber. I am John Greenan, Executive Director of Central Dallas Community Development Corporation.

First, I want to thank the Board once again for their help and their work in completing the City Walk at Akard project. The final amendment, thankfully, is on the agenda later, and we have worked with staff, who was most gracious and tireless in getting it completed. I will be here, in case there are questions but I will not speak, because I think we have resolved everything.

This project at St. Paul Apartments, I think, is a continuation really, of what we have done at City Walk.

We have now been in operation a little over a year and the fact that we have got the downtown neighborhood association to support this St. Paul Apartments project, I think shows that we can successfully operate a permanent supportive housing project in downtown Dallas, and that the community has come to realize that it can make the community better.

Crime is down. Homelessness is down. More downtown residents are living in Dallas than ever before. Certainly, we can't claim credit for all of that but the work at the Bridge and the work at City Walk and other people to reduce homelessness is really having a positive impact.

We would really like to continue that momentum.

And just a few more words about this particular project. Because it is a really unique possibility. The land in downtown Dallas is being made available at a nominal cost by Mr. Hamilton and his partners. All of the NOI, all of the deferred developers fees are agreed to be devoted to services at the project.

So it is really a wonderful charitable effort and very unusual in that regard, and I hope the Board will be able to support it. Thank you.

MR. CONINE: Thank you. Any questions of this or the other two witnesses?

MR. HAMILTON: We have a pass out for you.

MR. CONINE: That would be great. Give it to -- here you go. Sure.

MR. GERBER: Mike. We have seen the work at the Bridge, and it has been extraordinary there, and this Department has partnered with the Bridge over many years.

What would be the process for moving folks into this new property, through -- after going through the Bridge process, and all of its related services? What -- can you describe a little more of the linkages and talk a little bit more about how --

MR. FIENZA: Well, there is really two major criteria for using those units. In one, people will have been chronically or long term homeless with a disability, which is often a mental illness, a long term challenge with an addiction, or a physical disability.

And at the same time have, are participating in health care, are housed consistently in shelter or transitional housing. So have that disability, need the services, are participating in services, and are stable, and are ready for that next step, into permanent housing. Thank you.

MR. CONINE: Thank you. Appreciate your testimony. Kenneth Hambro.

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

MR. CONINE: Good morning.

MR. HAMBRO: I just briefly wanted to speak regarding a development I am in support of. Sandberry Senior Development, 11-239. We have had some issues with this development, through public comment and the public hearings that were held in Houston.

And I just wanted to go on record and say we did extensive outreach to the community to try to get homeowners association and community support with the Board. Offered to take them to some of our properties that we have already built, both market rate and affordable developments. Some Board members took that into consideration, some didn't.

Mainly, we are just really kind of going with the process, and speaking on the process, we have had two developments in this round where the neighborhood associations, I can't say, the neighborhood association, I will say the neighborhood residents have taken down our signs, cut them off, the public notification signs. I have never dealt with anything like this before.

It is in Fort Bend County. We just haven't had to deal with neighborhood opposition like this before and I just wanted to go on record.

I mean, obviously we are going to do what we need to do from developers and put signage back on the properties.

But from a development standpoint, that gets pretty costly, if people keep taking down signs and we have to keep putting them up as we are mandated to the final Board meeting,. And it happens. So there has been some language out there.

And I just wanted to come on record, that we haven't -- reached out to neighborhood associations and people in the community to garner support for this development and we have, and we have the documentation to prove it. And I just wanted to go on record and say that.

MR. CONINE: Okay. Any questions? Ms. Bingham?

MS. BINGHAM ESCAREÑO: Did you say it is a senior development?

MR. HAMBRO: It is a senior development. A 90-unit senior development.

MR. CONINE: Okay. Any other questions?

MR. HAMBRO: Thank you.

MR. OXER: What is the location on this?

MR. HAMBRO: The location is Fort Bend County. It is right in the Greatwood area. Right outside of Sugar Land.

MR. OXER: Okay.

MR. HAMBRO: Off Crab River Road.

MR. OXER: Okay.

MR. CONINE: Any other questions?

MR. HAMBRO: Thank you very much.

MR. CONINE: Thank you for your testimony.

Appreciate it. That concludes the public comments that we have at the beginning of the meeting. We will close the public comment period and move forward into the consent agenda.

Item 1, if the Board members can see -- where are those other witness affirmation forms? Item 1 on the consent agenda are a series of items. We do have some public comment on a few of these items.

MR. GERBER: Mr. Chairman, could we clarify two items on the consent agenda?

MR. CONINE: Sure.

MR. GERBER: On Item 1-N dealing with the Housing Trust Fund, we would like to make two clarifications to that item. First, the write up references use of the funds for open NOFAs.

However, the Amy Young Architectural Barrier Removal Program is a closed NOFA already. At the disability advisory workgroup last week, it was requested that the action item also provide staff the authority to reopen that Amy Young NOFA if there is demand to do so, for persons with disabilities.

Second, also relating to the Amy Young program, the disability advisory workgroup also asked that staff have the authority to amend current contracts for Amy Young awards by amounts greater than 25 percent of their original contract.

We are obviously at the end of the period to expend Housing Trust Fund dollars.

And in some instances, some entities were able to use a little bit more than 25 percent but that has been the limit of my authority. What we are asking to see the full expenditure of these funds, if staff could be entrusted to go a little bit beyond that, where necessary to help these folks.

The second clarification is one that I would like Kevin Hamby to come forward and make, dealing with Item 1-R on disaster recovery.

MR. CONINE: I will tell you what. Why don't you hang on for just a minute? Because I have witness affirmation forms for P, Q, and R, and we will just pull those off the consent agenda and deal with those individually, so that we can hear the testimony.

MR. GERBER: Okay.

MR. CONINE: So we are going to move P, Q, and R off the consent agenda and, at this point, move forward with the balance of Item 1 on the consent agenda. Are there

any other items that any Board member wishes to pull at this point in time?

(No response.)

MR. CONINE: If not, I will entertain a motion.

MR. GANN: I so move.

MR. CONINE: Motion to approve Item 1 as amended by Mr. Gann. Is there a second?

MS. BINGHAM ESCAREÑO: Second.

MR. CONINE: Second by Ms. Bingham. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Let the record reflect that Dr. Munoz is here. Good to see you. Glad you are here. Okay, we will go to Item 1-P. Mike, do you have anything to comment on 1-P, before we call the witness affirmation?

MR. GERBER: Kevin, do you want to just explain what 1-P, Q and R are? We will start with P, but they are all interrelated.

MR. HAMBY: Kevin Hamby, Senior Counsel. Item 1-P as you know, we had a visit from Assistant Secretary Marquez sometime last year, at HUD, about our disaster recovery funding.

And we were encouraged in that way, that HUD likes to encourage us talking about removing of funding and other things, to step up, and start having a bit more of a presence in the community, and get some homes built, since it was two years after the storm. We have had tremendous success in November, when she made that request, we had about 40 homes underway.

The last list that I saw, we had over 709 started, as of the end of April. So we have made a big jump, and that is about 20 percent of all the homes we anticipate needing to build under the Ike recovery, Ike Dolly recovery period.

But with that, we have had several different things that we have been encouraging people to do. Some of these, and these are all interrelated to P, Q, and R, just to give you the background, so when you hear other comments.

One of the things that we are trying to do is to seek everybody to have at least 20 percent of their homes built by the end of March. Those people that -- those communities --

MR. CONINE: March of what year?

MR. HAMBY: March of 2011.

MR. CONINE: Oh.

MR. HAMBY: 20 percent of their homes by March of 2011.

MR. CONINE: Isn't that pretty much gone?

MR. HAMBY: I said, we were seeking.

MR. CONINE: Oh, were. Past tense. Okay.

Thank you.

MR. HAMBY: We were seeking.

MR. CONINE: Now I am with you.

MR. HAMBY: I am working in four different years, and my mind goes. But March of this year, we were trying to get people to do it.

MR. CONINE: All right.

MR. HAMBY: But, and so, some of the people met that goal. They were between 15 and 20 percent of the homes and if you will look at, I believe in your Board book under Q, you will see that there is a table that shows what those targets were, and where we were. It looks like this, with little green stripes.

MR. CONINE: We don't have green. I understand we can't afford it.

MR. HAMBY: Okay. We can't splurge for Board

members. Only staff gets special treatment.

MR. CONINE: I understand. It has been that way for a long time.

MR. HAMBY: Yes. I understand. Anyway, so that kind of goes through the list. Some people made it. Some people didn't. Some people had some special circumstances and that is what all of these are related to.

The first agenda item as you can see with P, goes to some special changes that are requested in order to make the system work better, and I will go through those if you want me to, or if you want to look at them later.

They are basically changes to Exhibit A of their contracts, reducing some people's required services, increasing the costs of some of the services that are provided. Just kind of balancing them out.

And then Q is the one year extension for all of those people who met the 15 to 20 percent completion. We have an exception with Galveston County because they are a little different. Galveston County, in their original proposal had suggested that they were going to do 1,196 households.

As they got into the program, they realized they overstated that by a little bit, and so they have backed down to where they have requested 500 households, to do 500

households. The staff looked at it, and said, no that is not right. We think you can do 625.

And that is one of the extensions in P. If you grant that. Not extension, it is one of the modifications in P. If you grant that, then they will have met their percentage, and they will get the year extension. If you don't grant that, and you keep them at 1,196, then they won't get the extension. So that is why Galveston County is separated out.

I am sorry. There is one other thing on that. The City of Houston did not meet their goals but, because of their process, they have to have an extension for each house they place in service by June 30, or each set up they have by June 30, so that they can complete it for their contract purposes. So their legal team will sign off on each RFP that goes out to build those houses and so that is their extension on Q.

And then finally, Item R is for those people who didn't make it. We are asking the Board to authorize us, the staff the disaster recovery staff to go out and work with the five people, the five groups, or four groups that didn't make it, and set up a plan as to how they will make it, and come back, if they can meet that plan, by the June Board meeting or the latest, the July Board meeting so that we can say that

they can have an extension.

At this point, we are not granting them any kind of an extension until they prove they can actually build houses. A little confusing, because they are all interrelated. Any questions?

MR. CONINE: Well, let's get to the public. If there is no questions, we will get to the public testimony. John Hennenberger.

MR. HENNENBERGER: Good morning. My name is John Hennenberger. I am the co-director of the Texas Low Income Housing Information Service.

I have also been involved for quite some time on disaster recovery programs, as an advocate, looking at these programs. There are serious problems with the status of the programs that you have before you. These modifications to these agreements are almost an example of *deja vu*.

This is exactly the same process that this Board went through with the Hurricane Rita program. Where, because of the Governor's decision to prioritize local administration of these programs, there are local jurisdictions which simply lack the capacities to successfully deliver housing assistance to their citizens in a reasonable amount of time.

It is our opinion that this is not the fault or

the responsibility of this Department but it is the responsibility of the failure to adequately understand the lack of local capacity to administer these programs. That said, we have what we have before us.

And I would like to make some comments, Mr. Chairman, with regard to how I believe we should proceed. We are deeply concerned with the performance of the City of Galveston, Galveston County and the City of Houston with regard to their Disaster Recovery Programs.

The City of Houston's program is basically almost hardly started, and the City has failed to put into place adequate measures to ensure that the problems that have hampered the production of single-family homes are going to be corrected.

The City has in place an arcane process of requiring different departments to sign off on each individual application that comes before them and for the City Council itself to consider each individual application that comes before it. That cripples production in these programs.

They produced eight housing units since Hurricane Ike. And we visited with Secretary Marquez on Friday. The homes of a number of people who have been waiting for three years for assistance under the City's program, and basically, they just keep getting told, wait a little longer. Wait a

little longer.

But systemically, the problem is not being addressed, and the problem is with the City of Houston's policies. We urge the Department to embed state staff within the City's program to attempt to assist in a technical way, any way it can, the City to move forward with this and to set a firm six-month deadline on the City making the 20 percent goal.

And if they don't make that goal, the State of Texas should transfer the responsibility for administering this program to a responsible entity. The State of Texas under the Hurricane Rita program recently completed its final homes under that program.

I say this is deja vu, because we went through this exact same process with Rita. Local jurisdictions were charged with trying to administer these programs. The programs drug out. People didn't get their homes fixed.

The Department stepped in, took control of the programs and, finally, after a lengthy period of time, were able to put the units on the ground. People deserve homes, and were able to put the units on the ground. People deserve homes and we have got to deal with this.

I have a number of other concerns that I don't have time to get to, among which is the proposal to increase

the per-unit cost of homes in Galveston to a maximum of \$197,000. Hurricane Rita homes that were built under the Department's contracts cost \$75,000 for an equivalent-sized unit.

The City of Galveston has before you a request to increase the cost to \$195,000 per unit, with a concurrent reduction of the number of the families that can be helped on this program. If you can build houses for \$75,000, why are we administering these programs through entities that require \$195,000 to -- administer these programs, it makes no sense to us.

The program is seriously broken. It is seriously off track. Largely, because of lack of local capacity. I understand that is not this Department's creation but it needs to be fixed. Thank you very much. MR.

CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you. Stephen Tinnerman.

MR. TINNERMAN: I'm deferring my time to Veronica Chapa-Jones.

MS. CHAPA-JONES: Some of it. Good morning. I am Veronica Chapa-Jones, Deputy Director with the City of Houston. My colleague Steve Tinnerman is also here and available to answer questions, specifically about the single

family home repair program.

We just wanted to say thank you to Mike and his staff for working with us this week, and over the past year.

We had several challenges in putting the pieces of the program together.

You are talking about the fourth largest city in the country, with one of the largest states in the country, and the governmental functions -- it takes a lot of work, with legal, program staff, compliance staff. So we do want to say thank you. We appreciate the support the staff has given in the recommendation.

Today, we do request that we move forward with the recommendation. One clarification that I do want to make is, while it seems that we have only assisted eight households with the disaster recovery, there are other households that we have assisted in the City of Houston with City of Houston dollars.

When we are working with disaster recovery, there are additional processes in place that admittedly, our staff is not used to working with. We have a state contract system.

We have an approval process, and we have to coordinate because we are a large city, with the central finance, central legal and other city departments.

While many people wish we could, and to some

extent, even myself, wish them away, there are city ordinances and state laws that we have to abide by as a municipality.

So that being said, we have worked hard on those relationships. We have worked hard on minimizing those processes.

We are gearing up, have geared up. Have houses in the pipeline, and our main concern today in our appeal to you is that if we do not get the extension, there are households for which we have visited personally, received information, committed to provide assistance.

We will have to go back again and say, the contract is over, and there is no longer assistance available. We have visited these households several times, on our staff, because we provide direct delivery of services.

There are multiple organizations that have provided disaster recovery assistance in that region. It is a hard conversation to have with a homeowner. We are three years after the storm.

We have got the pieces in place. We have got the capacity, the will, and the drive to get this done. All that we are asking is for your continued partnership to make sure that we meet this by next year.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Veronica, do I understand that your testimony is, especially in light of hearing Mr. Hennenberger's comments, that Houston is a big city with a lot of departments, and we can't streamline this any more than it currently is? Is that the City of Houston's position?

MS. CHAPA-JONES: We are definitely trying to do that. One of the challenges that we have had, is for example, taking contracts in front of Council. The state law asks us to take anything over \$50,000. So when you are talking major rehab or reconstruction, every contract that we award a contractor for that amount, is having to go to Council.

MR. CONINE: How often does the Council meet?

MS. CHAPA-JONES: Every week. And we are there and --

MR. CONINE: And it is probably a consent agenda item, I would imagine?

MS. CHAPA-JONES: Yes. A lot of times with little discussion. But the reason that I brought -- that I have an additional three colleagues here, and I will ask them maybe to just stand, so that you can see where they are at.

All of us have taken a relationship in the Department in the City to help cultivate that. So we are talking to Mark Eichenbaum, the Council. Steve Tinnerman works with public works.

I work with the legal department. Chris Butler also helps us work with city finance. So we make sure that there is somebody on the management team that is dedicated to pushing and making sure that we get what we need to get done.

MR. CONINE: What would be your thoughts on TDHCA embedding someone in the City of Houston for awhile to see if we recognize, just another set of eyes and ears on the outside. We can see ways, or suggest ways to improve the process.

MS. CHAPA-JONES: If they roll up their sleeves with us, we welcome the help.

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

MR. OXER: Mr. Chairman?

MR. CONINE: Yes, sir.

MR. OXER: Veronica, at what point did you meet with these homeowners and essentially promise them assistance?

MS. CHAPA-JONES: There is a group of homeowners that we started meeting with again, in January. I have been with the Department about one year.

We had a major homeowner education when we brought everybody in about a year ago. When we were working on the

loan documents, to talk to all of the homeowners about bringing in those pieces. We started again with January, because we received fair criticism that we were too slow publicly.

And there was the concern that we raise those expectations unnecessarily. We knew what our pipeline was.

So between January and now, we have gone to, and we knock on doors. And we take the paperwork and we ask for whatever the missing pieces are.

MR. OXER: And what is the principal obstruction or obstacle to expeditiously concluding this?

MS. CHAPA-JONES: The biggest challenge on that application piece is getting all of the pieces together. Some of the challenges are because we are three years after the storm, and some of the documentation is not available.

We are working with a population that may not have all of the information that they need. So it is typically never one visit to a homeowners with a checklist, this is what we are going to get done. It is multiple visits. It is multiple phone calls.

MR. OXER: For the integration, you say your colleagues are meeting with public works and the City Council's office, City Council and your outside counsel. What is the restriction. What is the impediments for their

involvement?

MS. CHAPA-JONES: The challenges usually are that it is time and getting somebody else's attention who is in another department offsite, to understand the importance and get them to dedicate time to it. So the impediment is, that we are a large city, and it takes us going over and making that communication and saying, this is our time line. This is our process.

We need your help, in holding them to that. And we have been successful, and the other city departments have been very willing to give us over and above time to make sure that we meet our deadlines.

MR. OXER: But you haven't. What you are saying, they are willing to give you the time to do it, but you haven't met them yet.

MS. CHAPA-JONES: No, they can. They have now. For example, we had to go through a procurement exercise January through -- actually, it is ongoing.

But the heavy part was January through March. So we a dedicated procurement officer out of finance, just to make sure that there was absolutely everything that needed to be done with those RFPs so we would not have one hangup.

MR. OXER: This is a passing inquiry here. Do you think that the potential for losing the funding on this

would be sufficient influence to get them to put attention to the problem?

MS. CHAPA-JONES: It is, and it is something we do discuss with them.

MR. GERBER: Mr. Chairman, I would just interject, we have had a good working relationship with Mayor Parker.

I have met with her several times on not only some on this program, a lot on the weatherization program.

I would maybe suggest to Kevin, if it is okay with you, Veronica, maybe we will try to set up a meeting in the next couple of weeks with the Mayor directly, and see if we can just try to impress. I know of her commitment but maybe she can, between she and Jim and you, just to underscore the importance of it.

The last thing the State wants to do is obviously, taking money. But we do need to move the program aggressively, as we have had conversations in the last couple of weeks. And you have been a big part of helping that. We appreciate it.

But if perhaps helping to facilitate that kind of meeting in the next couple of weeks. Just so that we are all hearing the same thing, and we know what the expectations are. It might be helpful.

MS. CHAPA-JONES: Sure. I will make that

request.

MR. CONINE: Any other questions of the witness?

(No response.)

MR. CONINE: Thank you very much.

MS. CHAPA-JONES: Thank you.

MR. CONINE: Sterling Patrick?

MR. PATRICK: Good morning, Chairman Conine,
Board members, Mr. Gerber.

MR. CONINE: Good morning.

MR. PATRICK: My name is Sterling Patrick. I am
Director of Grants and Housing for the City of Galveston.
My Department is responsible for the administration of the
CDBG Disaster Recovery Housing Program.

I am here, obviously speaking in support of Item
1-P. Increasing the maximum amount of assistance to historic
properties, only. Not all of our properties, but only the
historic properties, for \$160,000 without elevation, and
\$195,000 with elevation. These increases may seem a bit high.

But we would urge you to consider the following.
Galveston has approximately 35,000 housing units. Over
19,000 of these housing units are considered to be historic.
That is 56 percent of our housing stock.

Galveston is known for having one of the largest collection of 19th century and early 20th century historic homes and buildings. This national recognition brings a number of -- millions of dollars actually, into our economy through tourism and historic renovations. Our historic homes are as important to our economy as they are to the residents who occupy them.

Prior to Hurricane Ike, 59.8 percent or 60 percent of our residents were considered low to moderate income. Since Hurricane Ike, the City has lost over 10,000 residents in our population.

At this point, any boost to our economy and the restoration and preservation of our housing stock is important and essential to Galveston's recovery. The information in your Board packet identifies that the Texas Historical Commission has determined that 332 of the 813 historical properties that they have reviewed are eligible for historic designation.

Work writeups have been completed in over 319 of the properties and these work writeup scopes have identified that 136 of these properties will exceed the current rehab caps of \$100,000 without elevation, and \$135,000 with elevation. What is not included in the packet is the fact that we have 541 applications still to be made eligible.

Of these 541 applications, based on our initial review, approximately 39 percent or 211 of these properties will be determined historically eligible. An additional 43 percent or 91 of these properties are estimated to be over the current cap limits.

With 136 properties that have already been determined to be over our cap limits, the additional 91 properties would bring the total number of properties that we estimate will exceed the cap to over 227. The approval of this amendment request will permit the restoration of historic properties without and I repeat, without decreasing the number of units that we are contracted to serve to TDHCA, as well as ensuring the preservation of historic treasures that house our residents and contribute to Galveston's economy.

Without the approval of this amendment, these historic homes will remain unrehabbed. They will continue to decay, and potentially leaving over 200 residents living in substandard and sometimes unsanitary conditions. The City of Galveston's local historic preservation office supports this amendment to increase the rehab caps of historic homes.

The Galveston Historical Foundation, a nationally recognized historic preservation agency with extensive

experience in stabilizing and rehabilitating historic homes fully supports this request to raise the level of assistance for historic properties. And I do have a letter from GHF for your consideration.

And finally, the City of Galveston would encourage you as a Board to concur with your staff's recommendation, and approve this amendment request.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Mr. Patrick, I think you said, and correct me if I am wrong, that even though we are increasing the amount, or proposing to increase the amount per home, that the number of --

MR. PATRICK: The numbers contracted to serve.

MR. CONINE: The numbers are going to be the same. And that defies logic in my mind, from a mathematic standpoint. Can you help me with this?

MR. PATRICK: Certainly. Your staff has approved our non-historic caps. For reconstruction, our cap is \$160,000 without elevation and it is \$195,000 with elevation. Our rehab caps are \$100,000 without elevation, and \$135,000 with elevation.

These historic properties, and that is all we are talking about, many of them will exceed that \$135,000, or

exceed that \$100,000 without the elevation, and it would automatically flip them to a reconstruction, which would already fall within the 165 without elevation and the \$195,000 with elevation. So that is why there will not be a reduction in number.

Because if we could automatically flip those, they would already be under the caps that you have already approved.

So we would not be losing units.

MR. CONINE: And is Galveston using, are you using a bid process for these, with the homebuilders in the area?

And I guess, verifying these numbers?

MR. PATRICK: Yes, sir. We have a subcontractor that is with our program administrator, that performs work write up and inspection services. They use Exactimate software, which is a standard in the insurance industry.

When we have a selection of preapproved contractors that have been preapproved, based on their financial ability, and their ability to complete projects.

They are bid out competitively through sealed bids. The bids are then reviewed by staff, and by our finance department to ensure that they are within 10 percent or 15 percent of our average.

We have had six bids so far. They have all come in within that, with the exception of one, and that was the

first one, and we negotiated with the contractor, and brought that bid down. And we believe that that set a precedent to the rest of the bidders to understand that we are serious about maintaining the integrity of our bid process.

MR. CONINE: How many homes are in the -- pipeline, for a better a word, or to describe it, under the old caps, to be built?

MR. PATRICK: Certainly. We have 282 units that are currently bid out. We have 631 work write ups that have done. We have a little over 150 units under construction at this point.

MR. CONINE: Well, there is plenty of inventory if you will, under the old caps, current.

MR. PATRICK: Certainly. Right.

MR. CONINE: It is just --

MR. PATRICK: It is just historic properties that are causing us some issues.

MR. CONINE: Okay. Any other questions of the witness? Dr. Munoz?

MR. MUNOZ: But that is still approximately 60 percent of your stock.

MR. PATRICK: Correct.

MR. MUNOZ: So you say, start properties, you are talking about the majority of the properties.

MR. PATRICK: The majority. But those that are only going to be in excess of our current caps, and those -- we have identified a universe of approximately 227, all told.

MR. MUNOZ: 227 out of --

MR. PATRICK: Out of, we are contracted to serve 1,033.

MR. CONINE: Any other questions of the witness?

(No response.)

MR. CONINE: Okay. Thank you, sir.

MR. PATRICK: Thank you.

MR. CONINE: We appreciate it. That is all of the witness affirmation forms that I have on Item P.

MR. GERBER: So Mr. Chairman, we would ask for a Board motion to approve the amendments requested to amend performance statements and budgets for CDBG Disaster Recovery Round One contracts.

MR. CONINE: I too, have concerns. I really have some concerns on the Galveston issue and the cost per unit. And the homebuilder in me comes out and I want to take a look at some of the issues regarding that.

You know, empathy for rebuilding historic homes. But I don't think that is the number one goal of this program and it has to be properly balanced in my mind. So I would

like to personally take a hard look at what Galveston is doing, and so forth, and try to get to the next meeting before we approve anything in relative increases.

That is why I asked him about the inventory pipeline under the old caps. He has got plenty of inventory to keep building homes between now and the next Board meeting but I would certainly like to take a hard look at that.

And any other Board member would be welcome to do so as well. The City of Houston, I think what I am hearing, is there a proposed time limit on the extension, Mike, or is it --

MR. GERBER: Actually, that is not an extension, Mr. Chairman. For the City of Houston on Item P, what we are looking at is letting them raise -- in Item P only, they are raising the amount of rehab costs. The extension is actually on a different --

MR. CONINE: It is on Q or R?

MR. GERBER: Q or R. Yes.

MR. CONINE: Okay. All right. All right.

MR. GERBER: And it is also a number that has changed -- I don't believe they actually did change the number of people that were going to serve.

MR. CONINE: Well, let me just, since we are talking about the subject matter in general, I am concerned

about the City of Houston and their processes, and can we get it done quicker and better. And so when we get to those items, I want to make sure and put some sort of time limit.

Rather than just giving the Executive Director carte blanche to make changes. I think we need to take a hard look at that one, as well. So for P, really my only concern -- my concern is with the Galveston piece of this particular resolve.

MR. HAMBY: And just so you know, let me bring this forward, the staff did spend a lot of time, Mr. Chairman, looking at all of this.

MR. CONINE: I am sure you did.

MR. HAMBY: Because we obviously, were very concerned about 195,000 and they have asked us questions, you know, about relocations, et cetera. And we have said, you are not getting any more than 195,000.

And 195,000 of course, is the outlier. It is with elevation. It is with historic -- and one of the big issues that, of course, is going to impact this is, in Round Two, they will not be able to do that. Because we have placed caps on --

MR. CONINE: Well, one of the issues I want to look at is, during the Rita funding, we rebuilt some homes

in Galveston, based on my recollection. Close.

MR. HAMBY: We did not.

MR. CONINE: We did not?

MR. HAMBY: We did not rebuild any in Galveston. We built one on Bolivar Peninsula and we built some in Galveston County.

MR. CONINE: Sabine Pass.

MR. HAMBY: Sabine Pass, and the 75,000 that John used was the base cost. Whatever we added in the other issues --

MR. CONINE: I know. That got over 100. I understand the elevation issue but that is why I would like to take a look at it, between now and the next Board meeting.

MR. HAMBY: Okay.

MR. CONINE: Is to re-understand that, along with you know, taking a look at some of the bids that they are getting down there, and seeing what reality is. I open it up for comment, or a motion at this point, by one of the Board members. Mr. Oxeer?

MR. OXER: I have a question. Kevin, do we have a distribution, since 195 is the maximum, is the cap you are looking for, how many of these are going to approximate that cap?

MR. HAMBY: I will have to get back to you on that,

Mr. Oxer. I don't know exactly. I think he said 232 would be the most that would come into that but they would not all come into that.

MR. OXER: They won't come into 195. They were going to be over 160, right?

MR. HAMBY: Yes.

MR. OXER: How many are at 161 versus 194?

MR. HAMBY: Unless, Sterling do you have that number? I don't know the number off the top of our head, we don't.

MR. PATRICK: I will arrange for those units at 160. Range from the actual cost of 97,000 to 170,000. It varies. And so we got an average from that but, again, every house will not go to the maximum.

Our elevation costs are running us now about \$50 per square foot. When we began this program initially, right after the storm, the elevation costs were approximately \$35 per square foot. It has increased.

One of the things that I think we should consider too, when you are looking at historic renovations, you are usually -- it is very simple to go in and replace a window unit, a wooden window unit with an aluminum window unit. We are not able to do that under historic preservation.

You have to usually take, rework, recondition,

repurpose what is there. So the labor costs are significantly higher for that, than it is on a normal reconstruction.

MR. CONINE: Mr. Patrick, is it your testimony that the residents of the City of Galveston that had these historic homes before the storm didn't have them insured?

MR. PATRICK: There are a number of our residents that were not insured.

MR. CONINE: That just blows me away that someone has an old house that is worth 150, 200 grand, and they don't have it insured. I mean, that just --

MR. HAMBY: Well, as you know, that is one of the things they have to check. They have to -- we can only --

MR. CONINE: I know.

MR. HAMBY: We can only do things that --

MR. CONINE: That is why it is blowing me away.

MR. OXER: Particularly when they are eight feet under sea level.

MR. HAMBY: And so we do have to look at that. I mean, we have -- it is quite surprising at times. But a lot of the times, when they have these old historic homes, they have been passed down from generation to generation.

And the current generation is a low to moderate income individual and can't afford the wind insurance and the other insurance, the flood insurance, and the other

insurance that goes with it, and that is actually one of the concerns that we have about the program in general. Is how they are going to afford the taxes, and how are they going to afford the insurance on these.

And that is certainly in Round Two, we have built in counseling on how to actually afford that material. But, sir, is there going to be any harm to anybody if this is delayed until the June 30, Board meeting. Are your contracts, I mean, is there a problem, other than obviously the delay.

MR. PATRICK: We have several historic big packages that we are ready to put out, if we had these caps approved. This is what is holding up this particular portion of the program.

But we welcome you to look at our costs. That is not a problem. We would like to proceed, if we could, obviously.

MR. CONINE: I understand. I just want a chance to look at them.

MR. PATRICK: Certainly.

MR. HAMBY: Did that answer your question, Mr. Oxer?

MR. OXER: Yes.

MR. CONINE: Any other discussion?

MS. BINGHAM ESCAREÑO: Mr. Chair, I will make a

motion to approve Item P, with the exception of City of Galveston, asking that we hold that out for the amendments.

MR. CONINE: Motion by Ms. Bingham to approve with the exception of the City of Galveston. Is there a second?

MR. KEIG: Second.

MR. CONINE: Second by --

MR. HAMBY: Can I make a clarification on that?

MR. CONINE: Sure.

MR. HAMBY: Just to make sure that you are talking about the staff recommendation so that Galveston County would be at 636 persons served, not the 500 that they requested because staff believes they can serve 636. That is what we have in here but I just want to make it clear for the record.

MS. BINGHAM ESCAREÑO: Galveston County, I thought it was the City --

MR. HAMBY: It is. It is just that Galveston County had actually requested 500. The staff said that it was 636 and I want to make it clear on the record for Galveston County that the motion is the 636.

MS. BINGHAM ESCAREÑO: My motion would include support for that.

MR. CONINE: Supporting the staff on that. Okay. There is a motion by Ms. Bingham. Is there a second.

MR. KEIG: Second.

MR. CONINE: Second by Mr. Keig. Thank you. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Item Q, I guess? Is the next one.

MR. GERBER: Do you want to touch on 1-Q and R?

MR. HAMBY: Item Q is our success stories, that reached the 15 to 20 percent. We call that success because we were way behind before. We obviously are trying to get people to do this as quickly as possible. This would add on a year.

So most of these contracts would then go to August of 2012 to complete the process. The next benchmark that would come up on this is a 50 percent mark, where they would have to have 50 percent of the homes they are scheduled to work at in the process. Which means, set up at our end. They have to have them cleared.

They have to have all of the applications done, bid out. Bid out and ready to go. Set up in our system.

They would have to have 50 percent of those done by September of this year. So that would be the next big benchmark.

And we have had a lull since we reached that 20 percent mark. We received some of our successes. We are going to be out this month. Once these amendments are passed, if they are passed, going and explaining to people that 20 percent is the first mark. 50 percent is only a few months away and that is more than you did for the 20 percent.

So we are going to be working with them closely to understand that process but this would give this group of applicants until August of 2012.

MR. CONINE: August of 2012.

MR. HAMBY: Yes.

MR. CONINE: We have witness affirmation forms on this item. John Hennenberger.

MR. HENNENBERGER: My name is John Hennenberger. I am the co-director of the Texas Low Income Housing Information Service. We concur with staff's recommendation that the City of Houston be granted a six-month extension, instead of a one-year extension regarding this and be encouraged to put in place the necessary reforms, in order to be able to get their program to go faster.

We have a concern regarding the proposed extension for the City of Galveston. Particularly with relation to

the performance on the rebuilding of 569 units of public housing, which have been demolished by the Galveston Housing Authority some time ago, which were flooded by Hurricane Ike.

The city has -- the Housing Authority has missed the deadlines that have been imposed upon it to produce site plans for the reconstruction of those units. They committed in a formal city council resolution to produce site plans for those units by April 1st. That was not accomplished.

There is a new approach the City is taking with regard to reconstructing those units which house the poorest victims of Hurricane Ike. That process envisions a very extensive development which is a mixed income development, which is highly contingent upon obtaining tax credits in addition to the hard dollars which you have allocated, the State has allocated to them to rebuild the 569 units.

They have the cash available in the allocation the State of Texas has made available to them, to rebuild the 569 units of public housing. The City is choosing to go beyond that, and create two units of market rate or non-mixed income housing if you will, for every one unit of public housing, to accomplish the laudatory goal of creating mixed income housing.

Our concern is that the availability of those funds

is holding up the reconstruction of the 569 units of public housing. And you are being asked to commit to a two year additional extension to rebuild those units.

These are the poorest victims of Hurricane Ike. They want to come home. The money is available to the Galveston Housing Authority today and through the Round Two money, to rebuild those units without going to get tax credits. Without going to accomplish other financing vehicles and the like.

We believe that the City should be sent a clear message, you must produce the site plans that you committed by City Council resolution to produce for the reconstruction of those units very quickly. You have missed the deadline.

And then secondly, we should not delay the commencement of construction of the 569 public housing units while we attempt to identify tax credit and other funding which may never become available. Thank you very much.

MR. CONINE: Thank you. Any questions of the witness?

(No response.)

MR. CONINE: Uh-huh.

MR. HAMBY: I apologize, Mr. Chairman. I forgot

to talk about the other two. I was focused on the one year.

The City of Galveston question that John just raised --

MR. CONINE: Yes.

MR. HAMBY: Because the bulk of the funding -- sorry. Kevin Hamby Senior Counsel. The bulk of the funding for the 569 units, which is covered in predominantly Round Two with the conciliation agreement, the State of Texas has committed that it will not fund the -- it will not fund any additional Round Two funds, unless the 569 units of public housing that were damaged or destroyed by Hurricane Ike are rebuilt on the island.

Part of the reason for this extension is, this was \$25 million from Round One that was put -- that was given to the Galveston Housing Authority by the City of Galveston out of their Round One allocation. Because the bulk of the funds, over \$125 million to rebuild those 569 units are coming in Round Two.

This extension would take it out, to where it would match up with the building time of Round Two. I can tell you from personal experience of having visited with the Mayor and several of the Council members, that the Mayor is dedicate to those 569 units. He has replaced several members of the Galveston Housing Authority board of directors.

He has taken a personal interest in it and while

I would agree with John that it is a horrible delay, the bulk of the funding doesn't come until we can get Round Two funds out there.

And that can't happen until the AI is approved by HUD, and we submit new methods of distribution. Where Galveston Housing Authority will be a direct subrecipient at that time, and not have it be through the City. So that is the reason for that extension.

The conditional contract extensions or what we discussed earlier, the six months for any house that is put in process by the City of Houston so that they have time to build it, that will go until February 2012. So anything that they have in the queue by June 30, in order to get their lawyers to sign off on it. I don't know if we can say something bad about lawyers, Mr. Conine.

MR. CONINE: They are terrible.

MR. HAMBY: Okay. Get their lawyers to sign off on it. We had to have that six month extension included in these contracts, so they can actually build the houses that they get into the queue.

MR. CONINE: And the reduction, staff's opinion of the reduction of Galveston County units from 1,196 down to --

MR. HAMBY: Well that was the amendment that you

just approved, and so since we did that, they met their target goal and so they will get that year extension.

They just overestimated in the original. They had rehabs for \$15,000. And it would never have happened.

MR. CONINE: What does this get them out to?

MR. HAMBY: This gets them out to -- they would go to the August of 2012.

MR. CONINE: August. Okay. All right. And back on the multifamily piece. How much of that 25.5 million is coming out of Round Two?

MR. HAMBY: None of that 25.5 million. That is all Round One funds. And one of the reasons for the delay is that the City of Galveston has required, and Sterling can correct me if I am wrong, if he is still here. The City of Galveston has required that that 25.5 million go for sticks and bricks.

It is not used for planning. It is not used for overhead, staff, administrative expenses. And so, obviously, until they actually get plans going and get started building, they can't use those funds, until that happens, if it is reserved for sticks and bricks.

MR. CONINE: I guess I am going to be a little bit like the Mayor of Galveston. I am going to take a personal interest in that particular phase of this as well.

And I don't -- I think a blanket two year extension at this point sounds like something that is a little bit unreasonable to me, without some performance from the City relative to producing the site plan, and getting it teed up.

You know, I think we -- at least, I need to be demonstrated to that getting it teed up, and getting it ready to go is a little further along than what I am seeing in this little short one paragraph write up in my Board book.

MR. HAMBY: Okay.

MR. CONINE: So I would recommend once again, that we table that particular portion of this until the June 30 meeting so that I can take a look at some performance standards on the tee up of those particular units. The rest of it, I am okay with.

So any other staff comment? Any other Board comments to staff, or questions? Dr. Munoz.

MR. MUNOZ: So that 25 point whatever million would then be applied to the reduced number of homes?

MR. HAMBY: No. The 25.5 is solely for the Galveston public housing authority, the Galveston Housing Authority to rebuild the 569 units of public housing. It was funds that were available in Round One and insurance proceeds, et cetera that the City of Galveston has dedicated to that program. That was before Round Two.

One of the reasons, in my opinion that we have had a delay is that the Round Two were anticipated to be done, be out there on the street in January, by January 1st. At least, starting the process.

Because of issues that arose within the government in Texas, our AI got delayed until -- submission got delayed until March. Which then, HUD is reviewing our analysis of impediments which has to be done before Round Two Phase Two funds can be put in place. Which is the predominant amount of funds that are going to be available to the Galveston Housing Authority.

And again, they have the mandatory rebuild one for one the 569 units on the island. That is where the funds are. This was just tying these funds to those funds, which will have a two year window, whenever they get approved.

MR. CONINE: When is the current extension for the multifamily piece?

MR. HAMBY: Well, the current contract --

MR. CONINE: Time expiration date, I mean?

MR. HAMBY: It would run out in August.

MR. CONINE: Okay. So -- if we look at it between now and June, they can still keep working on it, and keep putting it together. Okay.

MR. HAMBY: Right. It was just giving them the

comfort level that these were still going to be there.

MR. CONINE: Yes. I will give them some comfort.

MR. HAMBY: Okay.

MR. CONINE: Any other questions?

MR. OXER: Mr. Chairman?

MR. CONINE: Yes.

MR. OXER: They said they were due to do the planning and such by April 1st?

MR. HAMBY: Yes.

MR. OXER: Okay. And they haven't concluded that?

MR. HAMBY: They have come out with a group of plans that we do not believe we would agree with John, Mr. Hennenberger that do not address all 569 units. They have started a group of plans that is looking at mixed income.

And they have identified a percentage of houses. They want to buy some single-family housing as well, that will be out, and spread around to help with concentration levels. They have made a couple of requests to rebuild in place, which we don't believe will meet the affirmatively furthering fair housing requirements of Round Two.

And so, we have had some dialogue with them, not as much as we probably need to, but on this particular piece, it didn't trouble us, because it is going to be tied to what

is built in the next round and the next round hasn't started yet.

MR. OXER: So they, if I have got this right, they missed the deadline but they need more time to complete the process, or they need a change in concept or operations to go there?

MR. HAMBY: The deadline that John refers to was a request of the State of Texas, Mr. Gerber and at the time Charlie Stone, who was the director of the Texas Department of Rural Affairs who is the lead agency on this particular disaster recovery fund had requested Galveston to step up before they would approve any Phase One Round Two funding.

This is more complicated, probably, than you want, but Ike has three different funding phases. It has a Round One which was the initial allotment of funds that HUD allowed us to release. And then in Round Two, it was broken into two different phases. It was a pre AI phase, and a post AI phase.

When we wrote the conciliation agreement, Round Two Phase II was intended to work after the AI. It was approved by HUD and we had training.

What we end up with is, in order to get the Phase One funds, which are predominantly infrastructure

funds -- they are not really housing funds -- to get the Round Two Phase One funds, we requested that the City of Galveston pass a resolution to demonstrate that they were supportive of the 569 units being built on the island and they set a date of April 1, at our request.

At that time, we didn't know that we would not even be close to having Round Two Phase II started. We assumed we were going to be finished January 1, with the conciliation agreement called for and that we would be on our way. So that deadline was set, I believe under the impression that we would already be started into Round Two Phase II.

MR. CONINE: All I know is that if someone was giving me 25 ½ million bucks a couple of years ago, to go build some apartments, I would at least have a site plan done by now.

MR. HAMBY: Well, the problem is --

MR. CONINE: I might even have some units on the ground by now.

MR. HAMBY: But it has to be part of an overall plan and it has to be a structure that affirmatively --

MR. CONINE: I understand but that, you know, and I have sympathy for city government processes. But we are talking about people who got their houses destroyed, or their apartments destroyed.

And we have just got to get something going, and, like I said, I am going to take a personal interest in seeing where we are in this process. Is there a motion?

MS. BINGHAM ESCAREÑO: Mr. Chair, I will move approval of Item 1-Q, staff's recommendation with the exception of the City of Galveston. Move to table for further discussion.

MR. CONINE: Until our next meeting.

MS. BINGHAM ESCAREÑO: Until our next meeting.
Yes, sir.

MR. CONINE: Thank you very much. Is there a second?

MR. GANN: Second.

MR. CONINE: Second by Mr. Gann. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: Next, to Item R. The final item we pulled off the consent agenda. Mr. Hamby, any comments there?

MR. HAMBY: This is the one where the people, the four subrecipients now that did not meet the performance, or did not meet the performance of the 20 percent by the end

of March and you will see the City of Houston is on here.

We obviously already had discussions with the City of Houston and they sort of have a plan in place, that they are going to have 44 units in our setup process by the end of June, in order to move forward. That is their plan.

Fort Bend, Chambers County, and Southeast Texas Regional Planning Commission, we are requesting that you allow us to go out and work with them, to come up with a plan of a benchmark that they can meet by the end of June, so we can come back at the July meeting, or if the need it earlier than that, come back to you at your June meeting, that shows and demonstrates that they actually do have the capacity to do this.

We have some trouble with some of these and we may not be able to meet those issues. And so we are a little concerned that they may not be able to meet it.

The City of Houston and the Southeast Texas Regional Planning Commission, we know that they can do it.

We just have to make sure that they are doing it and get some more confidence that they understand the importance of this program. Fort Bend and Chambers are going to take a little more discussion.

MR. CONINE: Those --

MR. HAMBY: And the city, the Galveston County

is mooted by the previous amendment that you just did. That was if you did not approve their reduction, then they would be on the performance plan.

MR. CONINE: Okay. John Hennenberger?

MR. HENNENBERGER: My name is John Hennenberger. I am with the Texas Low Income Housing Information Service.

With regard to the Galveston County performance measures, the action which you took basically halved their production requirements. We believe it is very important that they have new specific performance goals, interim goals and long term goals for meeting the new half level performance that you have allowed them, that you have assigned to them.

Number two, the -- I am going to try to sandwich this in. We have a deep concern about what the long term performance outcome is, of these homes. We are talking about homes that are -- that represent significant taxpayer investments in these houses.

MR. CONINE: Are you talking about specifically about Galveston County?

MR. HENNENBERGER: I am talking about, in general the performance of this, and what I see as an overall problem with performance.

MR. CONINE: Okay.

MR. HENNENBERGER: I am trying to sandwich this in. The \$195,000 of equity in the home plus the value of the lot represents a significant financial asset. The way that the State secures the State's financial grant to the homeowner is such that the property is not encumbered in a manner that would present the homeowner from doing, in our opinion a cash out home equity refinancing of that home.

We are concerned that this is public money and it needs to be properly secured. We have attempted to work, and there have been members in the Senate and the House who have offered legislation this session, that we have worked with them on, to try to craft a requirement that says for some period of time you cannot do a cash out home equity loan and take the equity that the State of Texas just put into these houses out.

Unfortunately, there turns out to be constitutional problems with doing this and which we hadn't anticipated, but having gone through this process, and the hearings, we now are very aware of. This will be a -- in my opinion -- a potential catastrophe.

And there is opportunities for unscrupulous lenders to go in and to give people 20 percent, 30 percent, 40 percent cash value for their homes, on home equity loan,

that they know they can't pay off. Foreclose the property, and basically kick the family out. And then the equity is lost.

We have got to find a way to secure that equity for a long term. There is a five-year use restriction that is -- the family is required to remain in the home for five years, and then it is gone.

But there is nothing in there that prevents in that interim -- and that is too short, in my opinion I have to say but that is over and aside. That is what was decided.

But beyond that, we have got to find a way to prevent this from happening, or there is going to be a cottage industry of home equity lenders, not the major lenders, but the bottom feeders who are going to be in the market of stripping the taxpayers' money out of these homes and these homes are going to be lost to these families.

MR. CONINE: Any questions of the witness? Dr. Munoz?

MR. MUNOZ: About the first part of your question. Does the staff have any comments about the question of what separate or new accountability measures will be put in place, now that the original sort of structure has been modified?

MR. HAMBY: Kevin Hamby, Senior Counsel. Dr.

Munoz, we actually work with this a lot, and one of the problems with this, of course, is that with Ike, it is a local control issue.

So we don't actually make the loans. We aren't responsible for the paperwork that is involved. We have tried to set some minimum requirements and that is where the three to five years, depending on where you are, and what the situation is, required affordability period, is what the HUD term is, affordability period that we have put into some documents.

A lot of these, because it is local control, are not done in the traditional and constitutionally required lien process and so they show up in grant agreements that it is three to five years.

I can tell you at this point, we have already gotten calls asking for waivers. In our Ike program, which we had more stringent -- significantly more stringent requirements, we have gotten requests to do that. Usually at this point, it is for reverse mortgages, and we tell them there is no waiver for us to waive those three to five year requirements, depending on what the documents say at that time.

There is, as John mentioned, a presumption in Texas that free property is free property, and so we would either have to do something radically different, or we would have

to come up with a system that we took back control of everything which would go against what the original intent of this program was.

MR. CONINE: Would you mind coming back at the next Board meeting with some feedback for us from the 18 subrecipients relative to the issue Mr. Hennenberger brought up on the refinancing. Because I know they are making the decisions at the local level.

But it would be nice to know what they think. If that is a problem. If it is a perceived problem or not. Or have they -- you know, you could take all 18 of them and say, this group put in prohibitions -- this group didn't -- and kind of see where they fall.

MR. HAMBY: We sure can. Of course, HUD doesn't require any affordability period on these type of activities. Because it is covered under CDBG. So the State of Texas has been more stringent already than HUD requires under the CDBG program.

There aren't a lot of rules under the CDBG program, because building housing, or reconstruction of housing is a very new activity that previously wasn't allowed. It is a waiver under the CDBG rules for disaster recovery to be able to redo it.

The most stringent requirements that we have, and

one of the reasons that we waive out at some point is that if you are in a flood plain, which would be all of Galveston Island, you know, a lot of Galveston County, a lot of the areas that have been impacted, Southeast Texas, Port Arthur, you have to maintain a review that the people have flood insurance for the entire life of the property, or for a loan period.

So you will find in those areas, it is generally a loan period that when it -- a three to five year loan period, where we do have a subordination agreement, although we normally do subordinate to an existing loan. So there are some variances but we can do that.

But I have not heard anybody express an objection at this point. As a matter of fact, normally express an objection we require them to put in a longer time, rather than a shorter time.

MR. CONINE: Okay. Any other questions of Mr. Hamby or anybody?

(No response.)

MR. CONINE: Otherwise, I will entertain a motion on Item R.

MS. BINGHAM ESCAREÑO: I will move to approve staff's recommendation on Item R.

MR. CONINE: Motion to approve Item R by Ms.

Bingham. Do I hear a second?

MR. KEIG: Second.

MR. CONINE: Second by Mr. Keig. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. We are going to take a ten minute break.

(Whereupon, a short recess was taken.)

MR. CONINE: I will call the meeting back to order, if we could. Okay. Moving on to Item 2. Mr. Gerber.

MR. GERBER: Mr. Chairman, Item 2A will provide the Executive Director with the authority to move HERA or ARRA contract funds among subrecipients, and to grant extensions of contract terms as needed, to ensure the titling utilization of those dollars.

The Department is using a lot of forecasting tools that have been developed by staff, and we are able to reasonably predict expenditure trends and identify which subrecipients will be able to fully expend their awards on

time and which won't.

Some subrecipients are making sufficient progress to be able to take on more grant funds. Where some are not making sufficient progress to fully utilize their dollars in their original contracts, and since most of these funds have a limited duration, if not quickly utilized, they will be lost to the State.

So what we are asking you to do is to give the ED the authority to move funds between current subrecipients and to grant contract extensions within the federal contract period. No funds would be moved from a subrecipient without written notice and the opportunity to be heard before this Board.

But we do need that flexibility to be able to move dollars quickly. A great example has been in the Weatherization program where everyone has stepped up but some agencies can't spend 50 times the amount of money they have historically had. They can only spend 30 times the amount of money they have historically had.

And they themselves have voluntarily turned over those funds. Because they want to make sure that they are not lost to be able to help low income people, and so they have given them to the Department to then reassign to others.

So this will give us maximum flexibility to again grant those contract extensions, within the federal contract period, and make sure that those dollars aren't lost and, of course, we will provide a full report to the Board on activities regarding the moving of funds and contract extensions at the Board meetings following any such action.

MR. CONINE: Okay. Any questions of Mike?

(No response.)

MR. CONINE: Motion to approve by Mr. Keig. Is there a second.

MR. MUNOZ: Second.

MR. CONINE: Second by Dr. Munoz. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Item 2B, we will handle after our Executive Session. Move on to Item 3.

MR. GERBER: Item 3 is a report from the Audit Committee. And Sandy Donoho, internal auditor and person

bearing good news, is here to --

MS. DONOHO: Not always. I am Sandy Donoho, the Director of Internal Audit. We had an Audit Committee meeting this morning, so I want to give you a report from our meeting. We made two minor changes to the Audit work plan.

One was to expand the audit of the Disaster Recovery Program Hurricane Ike to a more general review of the entire Disaster Recovery Program. In addition, the start of the audit of the tax credit exchange program was moved from July to April, because we have completed our planned work a bit earlier than I anticipated.

And these two audits will take us to the end of the fiscal year. We will bring a new plan back for you all probably August, September. We have released three internal audit reports since our last meeting. We discussed those during this Audit Committee meeting.

The first, and unfortunately the most painful was an audit of the Neighborhood Stabilization Program. Also called NSP. We identified significant issues in the NSP program that could affect the efficiency of the program, and its compliance with program rules and federal requirements.

Internal controls in this program are lacking. Key program processes are not always communicated to staff.

Communication between NSP and other divisions involved in processing transactions is not effective. The program lacks segregation of duties. It doesn't track key program elements.

It doesn't regularly reconcile data. Is not recording transactions accurately or timely. Doesn't maintain supporting documentation in the housing contract system, and has not finalized their policies and procedures.

In addition, we were unable to verify that the HUD obligations were satisfied by the September 3, 2010 deadline, because of data limitations in the housing contract system. We recommended that all of these issues be addressed in order to ensure the success of this program.

Management's response indicates that they are committed to correcting these problems. Are there any questions on this report?

MS. BINGHAM ESCAREÑO: Mr. Chair, if I could just add, we had discussion, a lengthy discussion, this morning in the Audit Committee about this and I think we are very supportive of moving forward. We did recommend that the Audit Committee reaudit, and do a follow up in a few months, just to check progress.

MR. CONINE: Sounds good.

MR. OXER: Mr. Chairman.

MR. CONINE: Mr. Ozer.

MR. OXER: Sandy, that list that you itemized the problems. Is there anything that went right with this program?

MS. DONOHO: Well, if they did indeed commit the money and make the obligations by the September 3, 2010 deadline, then that is a good thing. We weren't able to determine that mostly because of data limitations.

Some of that information is -- the information is reported to HUD in the Disaster Recovery Grant reporting system and then we have housing contract system on TDHCA's side, where the information on the contracts resides. And trying to reconcile those two was a lengthy, time consuming and we didn't see our way to do the process.

MR. OXER: Complex, no doubt.

MS. DONOHO: Yes.

MR. CONINE: Now, to put it I guess, some sort of context, Mr. Ozer, again for your benefit, especially. As you heard the testimony this morning from some of our public comment folks, we had a lot of stuff dumped on us in the last couple of years that were above and beyond the normal course of business, this being one of them.

And in my visits with management and staff after

this came out, I am in firm belief that it is not as bad as it sounds, and I am in firm belief that management is making superhuman efforts and focusing on this particular item to get it brought up to speed, into what I call TDHCA normal performance, which is generally exemplary in most of our programs.

And I had the same kind of firm conversation with a couple of our staff members to make sure that that happens and I am in full support of Ms. Donoho and her staff going back whenever it is appropriate, whether it is two months from now, three months from now or four months from now, whenever it is appropriate to give the Board an update on where we are in bringing these systems up to speed.

MR. OXER: Having had the opportunity to sit with Mike and the staff, and to at least get a brief understanding, early as I am in this process, that the process is underway, and I understand. This sounds like it is a digestion problem.

There is just so much at once. This pig is not going through this python very quickly, and so I completely support Ms. Bingham's recommendation and your concurrence that we give them some more time to come back at the appropriate hour and tell us it has gotten better.

MR. CONINE: Drinking from a fire hose.

MR. OXER: I know how it is.

MS. DONOHO: And we are more than happy to come back and do that.

MR. GERBER: And pig is the right term for the program.

MR. CONINE: Well, it is doing some good work in their local communities, and a lot of the communities are appreciative of the funds. You know, everybody is generally appreciative of funds but we just need to account for it properly.

MR. GERBER: And I would just interject, Mr. Chairman, we do have a lot of staff energy going into fixing it. I think the message from staff is that, you know, the audit, we knew that there were systemic problems. Because we have been sort of building it on the fly, Mr. Oxer.

But we really appreciate the process with the audit team and they identified a lot of issues. And we went back and forth a lot of what could we do, since we still are building it on the fly, to now go and fix it on the fly, and we are working through those.

But there is a lot of commitment on staff's part to get those systems right. You know, we don't like bad audits. We generally don't have bad audits and we generally have taken pretty dramatic action when we have got them.

And I think it is -- now I think, Tom can speak for -- Tom Gouris who heads up our housing section, I mean, it is pretty much an all hands on deck exercise to get it right.

MR. OXER: Well, and as I told several of you, I have spent most of the last 15 years of my career getting kicked over a cliff and being expected to learn how to fly on the way down. So I am fully aware of what it takes to make it up as you go.

I only asked the question as a passing point of levity to try to add a little -- to soften the blow a little bit. Because I know this is painful to the staff.

MR. CONINE: Thank you. Proceed.

MS. DONOHO: Okay. Now that the bad news is out of the way, we can talk about the good news. We had two other audit reports we discussed.

One was an audit on the Weatherization Assistance Program. As you know, we have audited this a couple of times in the last few years, especially with the ARRA funding coming into play, and we found a number of issues along the way.

The good news is that this time, we feel like they have the procedures in place to predict, identify and prevent weaknesses at the subrecipient level. We looked at subrecipient monitoring, primarily.

We did feel like they should strengthen and formalize processes used to prevent, detect, and identify fraud, waste and abuse, and they have already started implementing some of those things.

We also identified ways to enhance their monitoring procedures, and recommended they develop a centralized location to track complaints as well as allegations of fraud, waste or abuse. We cleared and closed all eight prior audit issues that we had identified in previous audit reports.

So I think overall, this was a good news report.

We also closed four issues identified by the Department of Energy monitors during their monitoring reports. Any questions on that one?

(No response.)

MS. DONOHO: And finally, the last audit that we talked about, as far as internal audits was the Tax Credit Assistance Program. We had no findings on this audit and as I told the Audit Committee this morning, we took twelve pages to tell you we had no findings.

The reason that we did that is because we looked really hard at this program. We looked at 77 draws. We looked at all 59 developments that were funded under this program. Some of those draws that we reviewed were several

inches thick.

A lot of work went into determining that we couldn't find anything wrong at all with the Tax Credit Assistance Program. It is a well run program, in my opinion.

MR. CONINE: We didn't have one unscrupulous developer out there?

MS. DONOHO: Not that we could find.

MR. CONINE: Man. Okay.

MS. DONOHO: We didn't look at the developers though, I will say that. You know. All auditors qualify.

MR. CONINE: You looked at their paperwork, I bet.

MS. DONOHO: Yes. We looked at the paperwork.

MR. CONINE: They can screw up paperwork just as easy as they can -- whatever.

MS. DONOHO: That is true. But the Department correctly awarded all of the funds. The draws were paid in accordance with the Department's requirements and we met all of the reporting requirements to provide information to HUD accurately, and timely. So that is the good news.

We also talked about external audits. We have had 13 external audits, reviews, or monitoring visits for this fiscal year, which is a little higher than we normally have. Nine of those are complete. We talked about seven

of them this morning. None of them had anything earth-shakingly significant.

There are three more that we are waiting on reports and then HUD is coming to visit us, to look at the Homelessness Prevention and Rapid Re-housing Program in July, and we have 82 prior audit issues right now that we also discussed. Are there any questions on the Audit Committee?

(No response.)

MR. CONINE: Any questions?

MS. BINGHAM ESCAREÑO: Mr. Chair, we would just make a comment that Sandy and her team are really working overtime to get all of these audits taken care of. I know she mentioned, too, just the activity that we have had from an external -- to and balancing all of that.

They have really done an excellent job and Mike's staff have really done a job of responding. Appreciate their work.

MR. CONINE: Thank you, Sandy for your hard work and even with the bad news, we appreciate all of your hard work in letting us know.

And Ms. Bingham we appreciate you taking over the Audit Committee, doing a fine job there. We look forward to a shinier report next time up. So thank you very much.

Okay. Item 4.

MR. GERBER: Item 4, Mr. Chairman is a presentation, discussion and possible reinstatement of a tax credit application number 10-241, Timberland Trails. I am going to ask Tim Irvine, our General Counsel and Chief of Staff to present that item.

MR. GANN: Mr. Chairman.

MR. CONINE: Yes, sir.

MR. GANN: I would like to recuse myself from this particular item, Item 4.

MR. CONINE: Okay. Let the record reflect Mr. Gann is recusing himself. Mr. Irvine.

MR. IRVINE: Thank you Mr. Chairman and members. My name is Tim Irvine. I am Chief of Staff and General Counsel. Timberland Trails, as Mr. Gerber indicated, is a request for reinstatement of a tax credit application.

And this is a situation that involves a lot of issues and has a lot of technical moving parts but at the heart of it, I think that what is going on here is, you had a deal put together with players, including a general partner that was a CHDO, that was Spectrum Development.

Spectrum Development has serious material noncompliance issues in several other deals in which it is served as a general partner. It has had problems with the Gardens at De Cordova, the Gardens at Weatherford, the Gardens

at Maybank, several -- actually all of these properties had been foreclosed.

De Cordova and Weatherford are now held by the bond trustee for the benefit of the bond investors. Maybank is now owned by the lender bank. In at least one of these deals, we have potential home repayment liability to HUD. That is on De Cordova, or excuse me. That is on Weatherford.

Tom Gouris needs to be standing at my side here, to fill in details, and correct me where I am wrong. Anyway, Spectrum was, and I believe still is the GP in this particular transaction.

The co-developer has been seeking to make changes in here, and to bring in a substitute GP. This is the local nonprofit that you have heard about this morning from Representative White, I believe. This involves first of all, a change in who is doing the deal.

It also links up with what Spectrum did bring to this development, that now, we are not sure exactly how it is being addressed. Spectrum, through its experience under Jack Matthews, the head of Spectrum, provided the necessary experience for this deal to qualify. We are not exactly sure how experience would be addressed going forward.

The American Capital Group is the investor behind

this, that is moving much of this request. I would also note that a former principal in Spectrum, Mr. Schnurr is involved in the co-developer that is moving forward in this proposed re-cast deal.

So essentially, what you have got to do is to clear the decks to get the noncompliant party out. Get a qualifying party in with real experience issues. And I believe at the heart of it, what this really presents, from the staff's point of view is a continuity question, a continuity of approach question.

We have always taken the approach and continue to recommend the approach that a deal comes forward with identified principles, identified experience, all of the identified components, site control, all of the requisites that in fact, make it a deal, and that you move forward with that deal and that only under extraordinary circumstances do you make changes in that deal.

The extraordinary circumstances in our view, generally have to be something that are beyond the parties' control. Since Spectrum was and I believe still is a party, it is kind of hard to reconcile that issue of control.

I think that the other thing that is germane here is, if the Board does wish to move forward with a reinstatement and serve as the basis for considering this litany of issues.

We do have listed in your Board materials the four specific items, the findings required by our compliance rule that the Board must make in order to reinstate a terminated application.

So just for quick review. One, you have got to find that it is in the best interests of the Department and as you have heard, probably at every meeting where we have talked about tax credits, you know, there are always more deals in the queue, and they are all worthy.

Second, you will hear that it does not present undue increased program or financial risk to the Department or State and you have got to make that affirmative finding to reinstate.

Third, that the applicant is not acting in bad faith. And fourth, that they have taken reasonable measures within their power to address the situation. So with that, I rest.

MR. CONINE: Before I get to the witness affirmation forms, you said that the previous, I guess, Spectrum is the general partner in the applicant. Is that correct?

MR. IRVINE: Correct.

MR. CONINE: And they had previous affiliations with other projects that have compliance issues?

MR. IRVINE: At least three that I have listed, De Cordova, Weatherford and Maybank. All foreclosed.

MR. CONINE: And how old are those compliance issues?

MR. GOURIS: Tom Gouris, Deputy Executive Director for Housing Programs. They are all current noncompliance issues.

MR. CONINE: That doesn't answer my question.

MR. GOURIS: They have --

MR. CONINE: When did they go on noncompliance?

MR. GOURIS: They were kind of on a notice last year. The way the noncompliance works, is you don't actually become noncompliant until you have an opportunity to cure.

MR. CONINE: Opportunity to cure. Right.

MR. GOURIS: And so, they were in that opportunity to cure last year, when they were awarded. By the time, when they were up for an application, when they applied --

MR. CONINE: I believe the application was due March 1 of this year. Is that correct?

MR. GOURIS: This application.

MR. CONINE: This application.

MR. GOURIS: This application is a 2010 application and they got an award at the end of last year.

MR. CONINE: Okay.

MR. GOURIS: Because so much time had passed between the original application and the --

MR. CONINE: I have got it.

MR. GOURIS: The award, we re-ran previous participation and, at that time, they were fully into material noncompliance.

MR. CONINE: Okay. I think I understand now.

MR. GERBER: Patricia, do you want to chime in?

MR. CONINE: Do you want to chime in before the public testimony? I am more than happy to listen to you, Patricia.

MS. MURPHY: Patricia Murphy, Chief of Compliance and Asset Oversight. The Gardens of De Cordova and the Gardens of Maybank have been troubled deals and there has been notice to them that there has been a variety and a litany of problems, and ample opportunity to cure.

MR. CONINE: What years were those awarded credits? Just out of curiosity. Because I remember those Gardens things were issues coming through the pipeline.

MS. MURPHY: 2006.

MR. CONINE: Six? Thank you very much. And they first had ideas they had compliance issues in what year?

MS. MURPHY: The very first onsite, which was in 2009.

MR. CONINE: 2009, which would have been roughly the year prior to this application that we are talking about.

MS. MURPHY: That is correct.

MR. CONINE: Okay. All right. Great. Any other questions of our staff?

(No response.)

MR. CONINE: I call on Cynthia Bast.

MS. BAST: I would like to allow Mr. Schnurr to go first, if possible, please.

MR. CONINE: Okay. Fred Schnurr, and has some time donated to him from someone. He is on injured reserve. That doesn't look good.

MR. SCHNURR: My partner will be acting as an easel. Good morning, distinguished Board.

MR. CONINE: Good morning.

MR. SCHNURR: My name is Frederick D. Schnurr. I am the managing member of American Capital Group, the company that was responsible for bringing Timberland Trails together.

So I have got a short period of time this morning but I want to spend that time giving you guys a sense of how much time and effort we put into this project.

I am making a note of 1,245 days. Because this project really began in November of 2007. That is when we

met with the City of Lufkin and the mayor's office to discuss two pieces of property that we had foreclosed on. And we wanted their input on, if we are going to develop these things guys, what is it you want? What is it you need?

And that is when the Mayor gave us some real good input, and said look, there is two good things about one of your sites, Timberland Trails, that we think makes sense here.

One of them is, it is in a great part. It is in a part of town that needs a shot in the arm. So a good development project would be needed there.

Secondly, we think that this site might lend itself to an affordable housing kind of development project and we would like for you to look at that. And so, we told them all right. We will go do that.

And we came back in 2008, after looking at it, and said, I think we can use our experience and our ability to put together an affordable housing project, and we started.

We started marching down that path. Hiring, and doing all of things you have to do. Thinking that we were going to submit for the 2009 tax credit submittal. We got right to the edge, realized that the tax credits market was eroding, that we weren't going to be able to have the financial feasibility.

So we took the next year to cement things, work with DETCOG, work with the veterans groups. Get a better site plan. Get better density. Work with the financial things that we needed to support ourselves. We got a Federal Home Loan Bank grant done that year.

And at the end of it, really worked hard with the community, all of the civic organizations, everybody we could find. We turned over every stone to find and create what we felt like was going to be a project that embodies what it is that TDHCA wants us to do as developers, and so, I mean, with transportation and everything.

We put together what we felt like was a very solid plan. So I am going to let Cynthia talk about some of the things that were brought up by TDHCA about us. About me personally, and that sort of thing.

But I am standing before you today. I ended up breaking my foot five weeks ago. So I am literally on my knees. I am asking you to give us -- give me a chance. Give us the green light. Thank you.

MR. CONINE: Ms. Bast?

MS. BAST: Thank you. Cynthia Bast of Locke, Lord. You know, I have spoken with this Board before about Spectrum and the situation here and what happened, the material noncompliance that resulted when Spectrum partnered

with another for-profit.

I want to be clear. It was the same for-profit developer that was involved in Gardens of De Cordova, Maybank and Weatherford. Thus, the similar names. That developer did not perform as anticipated and fulfill its obligations, and Spectrum is left with the material noncompliance.

The collateral damage across the board is unfortunate, including the collateral damage potentially to TDHCA, with regard to those HOME funds, but I am not here today to rehash what happened with Spectrum. I am here today to talk about why this housing is important for Lufkin.

You heard this morning from Representative White who said that he has looked into this project. He has talked with community leaders and he believes that this is something very important for the City of Lufkin.

You just heard from Mr. Schnurr that it was not idea as a developer to go do a tax credit deal in Lufkin. He didn't say, I think that this is the way I want to go and make money. He owned a piece of land.

He went to the City of Lufkin and said, what can I do on this site that will best help your city? It was the City that said we want affordable housing. We need affordable housing in this particular location, in our city. Please pursue this.

And for all of these reasons, we believe that this application should be allowed to proceed, and you do have the ability to make this happen.

As you heard from Mr. Irvine, in your compliance rules, there are four factors to consider when reinstating an application. The first being, is this in the best interests of the Department and the State.

And as you heard, Representative White, Mr. Schnurr, both indicated that there are compelling reasons from the City of Lufkin for initiating this process, and initiating this property in the first place and why this is so important to their particular community and why this is consistent with TDHCA's mission.

The second question is whether there is any undue program or financial risk associated with reinstating this application. Staff's report does suggest that American Capital Group as the developer is a questionable risk, because Mr. Schnurr who is a principal of American Capital Group was also an officer of Spectrum.

And I want to be really clear about that relationship. It is true that when the City approached American Capital Group and said we really want you to develop affordable housing here, Mr. Schnurr was involved with the board of Spectrum and that is why Spectrum was involved.

He was bringing them in as an opportunity because they were a known nonprofit that had been involved in other transactions. However, Mr. Schnurr resigned from the board of Spectrum in April of 2010 after the application was submitted, because he didn't want there to be any conflict of interest between the nonprofit and the for-profit developer.

At that particular time, as I have testified before this Board before in other circumstances, Spectrum actually had a plan for these troubled properties. They had a plan for all three of them. Working with their financing partners. They were seeking stimulus money to make those deals work.

So those deals at that time this application was filed were not in default. They were not foreclosed upon until 2011. That is when the material noncompliance was deemed, and that was after Mr. Schnurr had resigned from the board. So I think that that is important.

Because Mr. Schnurr and his partner together have over 60 years of experience in construction, finance, real estate, banking, development. There is nothing in their credit history to indicate that American Capital Group is a credit problem. They have been financing this application since inception, since 2007.

As to their experience, they certainly have experience themselves but the QAP also allows that the General Contractor to provide an experience certificate in an application, and we believe that that can be satisfied, and, in fact, that can be satisfied for TDHCA's rules.

They actually propose to remove the risk if you will by asking you to allow them to remove Spectrum as the general partner and bring in another qualified nonprofit, the Seasons of Hope Center that you heard about this morning.

It is a community local nonprofit based in Lufkin with a board of very strong community leaders in Lufkin.

And to be honest, those people probably have more accountability to the City of Lufkin than anyone at Spectrum ever would have. So we believe for all of these reasons that any financial program risk is mitigated.

The third factor is that no one is acting in bad faith. And I don't think anyone here is alleging that anyone with American Capital Group has been acting in bad faith in this situation and, frankly, I don't think that Spectrum has been acting in bad faith, either. They tried very hard to address this situation.

Which leads to the fourth factor, which is that the applicant has taken reasonable measures within its power to remedy the cause of termination. So this is an application

between Spectrum and American Capital Group. They put this application in together.

So I would view it, that you can actually kind of look at this two ways. First of all, did Spectrum do everything it could within its power to remedy the material noncompliance. Spectrum certainly thinks it did.

And the reality of these joint ventures between for-profit and nonprofit organizations is that they probably did. You all have seen these joint ventures time and time again. You understand that in these situations, the for-profit developer comes in to bring the financial strength and the development experience typically. And the nonprofit typically comes in to bring the charitable mission, the community contacts, sometimes ad valorem tax exemption or other things that they can bring.

They each bring their own skills but no one, when the for-profit developer of these other three deals was essentially kicked out for non-performance, no one expected Spectrum to have some huge bank account to step in and fix everything. They did try to fix everything.

They did work on creating a plan to get these troubled properties back into good stead. And, personally, I know of many phone calls with Spectrum trying to avoid the foreclosures that actually happened on those three

properties.

Another way you could look at this is, did American Capital Group do everything within their power to address this situation? And I can tell you, that as soon as American Capital Group heard about the noncompliance, they investigated ways to perhaps cure it on Spectrum's behalf.

And when that was deemed impossible, then they proposed to take Spectrum out and bring in a qualified nonprofit. They looked at multiple nonprofits in Lufkin and did due diligence before deciding on Seasons of Hope Center as the one that would best fit this particular application.

So you have the ability to approve the substitution of the Seasons of Hope Center for Spectrum and the QAP does permit this. American Capital Group has actually gone so far as to already submit a full blown CHDO certification application for Seasons of Hope Center. And our firm has provided a legal opinion that we believe that Seasons of Hope Center qualifies as a CHDO. The QAP says that if there is a substantial hardship, the replacement of a participant is permitted.

And as you have heard, the City of Lufkin and American Capital Group have been working on this development

for over three years. We do believe that hardship would result to the City of Lufkin if this development is not allowed to proceed, because of a series of events that had nothing to do with the City of Lufkin, and it had nothing to do with American Capital Group.

So for all these reasons, we do ask the Board to use its authority to reinstate the applications and to permit the substitution of Seasons of Hope Center as a nonprofit for Spectrum Housing Corporation. So that the Timberland Trails development can move forward and we can at least eliminate one piece of collateral damage in that whole situation.

I am happy to answer any questions. Or our client is available to do so as well. And I thank you for your time.

MR. CONINE: Any questions of the witness?

MR. MUNOZ: I have a question

MR. CONINE: Dr. Munoz. Yes. Sure.

MR. MUNOZ: I have got two questions for you, and then one for the witness. Did Spectrum do everything it could to remedy the issues of noncompliance as she asserts in your opinion?

And then, if this Seasons of Hope were to be recognized as a CHDO and would replace Spectrum, what would that do to the issues of noncompliance? Does that mean that

ACG is like no longer involved or implicated in any sort of way for those issues of noncompliance that remain outstanding?

MR. GOURIS: To answer your first question, I can't say. I can't speak for Spectrum to know if they have done everything they could.

MR. MUNOZ: Did they communicate to us?

MR. GOURIS: They have communicated to us regularly. They were actually involved in the first round of foreclosures for one of the properties, and were brought back in to be maintained as the general partner with the lender involved in the transaction, in the foreclosure, in an attempt to stabilize the property and maintain their participation in the property.

They weren't able to maintain that relationship. And, you know, I can't say how or why they weren't able to maintain that relationship. Or if they have done everything they could but they could not do it.

You know, this is a case with every transaction that has a general partner, yes, they have a financial developer that is helping them, if they are a nonprofit but they are the general partner.

They are supposed to be in control of the transaction and be responsible for it. At the time that they

got in it, at the time that Spectrum got into the transaction, Mr. Schnurr, who we talked about earlier, was not just a Board member but he was the President of the Spectrum board.

MR. MUNOZ: Do you happen to know how long he was on the board? Because that was my last question.

MR. GOURIS: I don't, but when we looked back at our records, it appears to us that he has been on the board since Spectrum has been involved with these transactions, and his last position with the Board was Board President.

MR. MUNOZ: Before, when he resigned?

MR. GOURIS: Resigned. That is what he was listed as. Yes. To answer your second question, what is the impact of Seasons of Hope, they haven't made application for the HOME funds.

There is a significant amount of HOME funds that are necessary to make this transaction work. Those HOME funds have not or were not actually ever awarded but they were anticipated to be awarded in this cycle to Spectrum.

Spectrum did make an application for them. That was out of last year's pot. That application doesn't get transferred to Seasons of Hope. So Seasons of Hope would have to make a new application.

And the whole transaction would rest upon whether or not there were funds available for that, because of the

\$2 million hole that would be created if funds weren't available for that project. We have not done an investigation of Seasons of Hope to find out if they would meet our CHDO requirements.

We have done a -- we only found out about them about a week ago, and as to who exactly it was, we looked them up on their website. It looks like they do some good community work.

They are not housers per se, but they have a dormitory, I believe, that they are using as their housing, their entrance into housing. They have a dormitory. I believe they do some work with folks that have emotional issues, and they work with horses, and they have a dormitory on that site.

MR. MUNOZ: Equine therapy.

MR. GOURIS: I believe that is correct.

MR. MUNOZ: Texas Tech.

MR. CONINE: I am impressed. All right. Any other questions of Tom Gouris?

MR. OXER: If the new nonprofit makes the application, are those funds still reserved under the old one, or do they have to come out of funds that would now be available? Tell me about the funding process, if Seasons of Hope does the application.

MR. GOURIS: I believe they would come out of this year's funds. Because last years funding is closed and down. We roll -- sometimes, if there are funds left over, we will roll them forward.

But they never got an allocation out of last year's. So either way, they would have gotten an allocation out of this year. Is that right, Jeannie? And this NOFA actually, this year's funding NOFA closed last Friday. Do you have an application?

MR. CONINE: Tom, what is the status of this project? It is not closed, yet. Obviously.

MR. GOURIS: No. It is an application that was made last year, received an award very late in the year for tax credits and would be moving forward with closing on its syndication and whatnot in the next couple of months.

MR. CONINE: And when did they get a rescission notice from us? You can ball park it.

MR. GOURIS: Yes. It was this spring. So it was within the last two months.

MR. CONINE: A couple of months or so.

MR. GOURIS: Yes. And as Cynthia said, we have been working with Spectrum and Cynthia and -- you know, to try and see if we can keep these, all of these transactions moving forward. The Timberland application was just the next

one on the waiting list to get an award at the end of the year last year.

MR. CONINE: Okay.

MR. GOURIS: It got an award but we were simultaneously but separately working on the other Spectrum issues. Those things fell apart because of the foreclosure making it -- reforeclosure making it impossible, as far as we can tell, for Spectrum to resolve those issues.

MR. CONINE: And I am not sure I understood Ms. Bast's testimony but was American Capital Group involved in those other, the Gardens projects at all?

MR. GOURIS: No. I don't believe so. I think Mr. Schnurr was, as the board President of Spectrum.

MR. CONINE: Spectrum, right.

MR. GOURIS: But American Capital Group, the original developer for those was a group out of Kansas, I believe. Continental, yes.

MR. CONINE: What happened to him?

MR. GOURIS: They -- their project is here, and it was just destructive. They were doing bond deals, senior bond deals in rural areas. They are very large. And it was a novel idea that just didn't --

MR. CONINE: I have a lot of concerns about this, just in general. It has got a lot of hair on it, so to speak.

MR. GOURIS: Yes, sir.

MR. CONINE: And you know, it appears to me that we just need to -- it is a worthwhile project. Everybody loves it, you know, and they are probably doing their homework on their nonprofit partners now, when they should have been done a year ago.

And it kind of appears to me that we just need to start over, and have them come back through the wringer but I just have some serious concerns about this. Any other questions relative?

MR. OXER: Mr. Chairman.

MR. CONINE: Mr. Ozer.

MR. OXER: I have some concerns about this also, and I would like to hear from you, Tom and Tim, about the -- what is the lowest risk to the Agency and to the collateral damage. This is a train wreck. Okay.

So how do we mop this up? And what is the lowest risk approach to this? And who do we have to trust to make it work?

MR. IRVINE: Well, unfortunately, the risks are compartmentalized in differing entities with differing parties that don't have control over each other. You know, going back to the question about whether Spectrum did everything that it could to remedy the situation, ultimately,

it comes down to money.

And if you don't have it, then you need to get the cooperation of other people who have it. And they were unsuccessful at both of those avenues. I think that with respect to the deal where we already have HOME funds in it, and we do have that potential risk, we could certainly work with a prospective buyer.

But I don't think that that really has anything really to do with the resolution of the issues here. I think they are delinked.

MR. CONINE: Let me just see if I can give you a little historical perspective, Mr. Oxe. We have a lot of gas about changing general partners in midstream of all of these transactions. We don't have a hard and fast rule, because there are some extenuating circumstances where we substitute folks, in between the time they get an award, and the time the project is finished, and up and operational.

But we tend to view that historically as a sacrosanct period of time where we know when the application comes in, who the players are, who the participants are. And we know as we get through construction and lease up, who those players are, and then changes occur after that, down the road.

MR. OXER: You don't want to set a precedent for

a flip.

MR. CONINE: That is correct. Any other questions?

(No response.)

MR. CONINE: If not, I will entertain a motion.

MS. BINGHAM ESCAREÑO: Mr. Chair?

MR. CONINE: Ms. Bingham.

MS. BINGHAM ESCAREÑO: Criteria for reinstatement. I move staff's recommendation to deny.

MR. CONINE: Motion to deny. Is there a second?

MR. OXER: Second.

MR. CONINE: Second by Mr. Oxer. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Could someone go get Mr. Gann, please? Moving on to Item 5. Mr. Gerber?

MR. GERBER: Mr. Chairman, Item 5A is a status report on the 2011 Competitive Housing Tax Credit cycle and Tom Gouris is going to walk us through that.

MR. GOURIS: Just a brief report to let you know where things stand. You know that development costs are increasing, and transactions are getting more and more expensive. Meaning that applicants are asking for more and more credits as we go.

Unfortunately, the supply of credits hasn't increased at the same pace. So there is a finite pool of these credits.

We have done some looking at where we are with the current cycle and what we found so far is that if we were to allocate based on highest scores today, we would have a number of regions, sub-regions for which there would be, the credits requested are more than for one transaction, or more than what the amount for the region.

And that occurs in a number of -- quite an extensive number of regions. The impact of that is what we would normally do is, we would collapse all of those funds, and group them together and then fund those regions of the State that were highest, that had the highest level of underserved.

In this year's allocation I believe we are going to have a situation where we are going to have some regions of the State that are 100 percent underserved. That when we collapse all of the funds, we still won't be able to serve.

And I wanted you all to be aware of that. Because there is always a lot of pressure for forwards, and what have you. And this is one of those things that is just going to add to that pressure.

As far as where we stand with the round, we have received 152 full applications. There are 144 that remain active. We had 239 pre-apps. So we had a good resizing or relook, and folks fell out when they realized there was a lot of allocation.

The current application pool represents a 4.5 to 1 oversubscription rate for dollars. The Department will have roughly \$55 million in credits to allocate, and will do that in our July meeting.

The Board previously awarded \$14.8 million in forwards. That will reduce that total that we will have to allocate in July.

We will be bringing back to the Board a list of qualified applicants to the June meeting. We hope to have most of the underwriting done by then as well, so that we can deal with any underwriting appeals at the first July meeting and hopefully have a clean end of July award meeting.

I think that is it in a nutshell. If you have

questions about any other issues, I would be glad to answer them for you.

MR. CONINE: I have a witness affirmation form on this particular agenda item.

MR. GOURIS: Really.

MR. CONINE: I guess so. Mary Hernandez. I guess she doesn't like what you said.

MR. GOURIS: Yes.

MR. CONINE: Not hard to do. Good morning.

MS. HERNANDEZ: Good morning. First of all, my name is Mary Hernandez. First of all, thank you for letting me speak. My name is Mary Hernandez and I am here in support of the funding of Palms of Leopard in Region Ten, project 11-166.

I live and represent all residents at Northside Manor which is 40 years old, and is in dire need of demolition and relocation due to sub-standard living conditions and deterioration of the neighborhood. I present a resolution.

Did they give it to you all? Declaring the City of Corpus Christi signed by every council member that supports the proposed development.

I hope that this project is approved, because I know that every family living at Northside Manor will appreciate better conditions. I lived in Northside Manor

complex since 2004, and never complained.

But the opportunity is here to improve my present living situation. I stand before you today, so we the residents at Northside Manor could have a better tomorrow. Thank you.

MR. CONINE: Thank you very much. Any questions of the witness?

(No response.)

MR. CONINE: We appreciate you coming today.

MS. HERNANDEZ: Thank you. Item 5B. Mike?

MR. GERBER: Mr. Chairman, Item 5B is a waiver request on Singing Oaks. Tom, do you want to present that one? Just give the quick version.

MR. GOURIS: Sure. Singing Oaks is an application for a 126-unit development in Denton. Seventeen buildings are positioned along the perimeter of the site, surrounding the interior parking area, surrounding the interior parking area. There is a single metal pole supporting three power lines positioned in the middle of the property, and the electrical lines span the entire parking area.

At the time of preapplication, the applicant wasn't aware of what the power line high voltage requirement that we had, and what met that high voltage test. According

to the Texas Municipal Power Agency, anything that transmits over 100,000 volts is considered to be high voltage.

The power line in question operates at 138,000 volts. The restriction on high voltage power lines being an absolute you can't participate is a new requirement, as far as a death knell issue. We have had it in there as a concern.

But now, it is one of those things that you just -- we won't allow a transaction to go forward with. However, this transaction already exists. It is a rehab transaction.

And they have asked for us to look at this again and asked for us to consider this waiver of that requirement, because it is an existing transaction. Frankly, staff is -- this is one that, the kind of deal that staff struggles with, because it is an existing transaction. These folks would be served by a project but staff is recommending the waiver.

MR. CONINE: It has been there 40 years and nothing bad has happened in the 40 years, as far as you can tell?

MR. GOURIS: That is right.

MR. CONINE: Okay. We do have one witness affirmation form. Lisa Stevens. Good morning.

MS. STEVENS: Good morning. Lisa Stevens with

Singing Oaks development, the applicant for this particular application. Thank you for giving us just a few minutes. I will be brief. And I thank staff for their support and review of this.

This development was constructed in 1970, and I know you have heard it is one of those that is in dire need of rehabilitation. And every applicant is certainly -- has a good story.

The power poles here were actually constructed ten years after the development was constructed. They were put in place post construction of the development. Somewhere around 1980. They have been in existence for 30 years.

And I just wanted to point out that we have the City of Denton's support for this rehabilitation. It has been almost ten years since a family deal has been approved in the City of Denton, and we have been working with them for two years in order to get their support for a tax credit family transaction.

They actually presented to me on Friday a letter of support for this particular waiver request. I have not had a chance to get it to staff but I have copies here for you, if you would like.

And finally, I would like to play off of some comments that were made earlier about the forward allocations

from last year. This is the top-ranked deal in the housing credit cycle in Region Three for the Dallas MSA, and due to some forward allocations, it is one of those that is a little bit short of funding.

So even though we are the top-ranked deal, we are a little short on funding, and I would ask that you consider this request for the waiver and when the time comes in July, that you consider fully funding the application as well.

MR. CONINE: What part of town is this in, in Denton? Just out of curiosity?

MS. STEVENS: It is off of the Loop, Loop 288.

MR. CONINE: 288.

MS. STEVENS: Yes.

MR. CONINE: East, there, or somewhere?

MS. STEVENS: It is on the east end of town, out towards the new development that is going out there. Mockingbird and 288 is the intersection.

MR. CONINE: Okay. All right. Thank you very much. Just curious. Any questions of the witness?

MR. OXER: Mr. Chairman?

MR. CONINE: Yes, Mr. Oxer.

MR. OXER: When was the transaction application made?

MS. STEVENS: The application to TDHCA?

MR. OXER: Right.

MS. STEVENS: In March.

MR. OXER: When was the rule, Tom? When was the rule instituted to prevent or that limited the applications?

MR. GOURIS: The rule was instituted last fall to -- and in December, approved by the Governor. Approved by the Board just before that, to change from it being a penalty point issue, to it be an ineligibility issue.

MR. OXER: How much length of the power line parallels the property, and ostensibly puts it at risk under this rule?

MS. STEVENS: There is one pole located in the center of the property and the lines actually run completely through the property, from the west end to the --

MR. OXER: So it is through the property as opposed to by the property.

MS. STEVENS: Correct. It runs through the property. Yes, sir.

MR. OXER: Is there any way -- I understand that moving the transmission line would obviously be cost prohibitive but is there anyway to reinforce that single pole so that it doesn't represent --

MS. STEVENS: It is a substantial metal structural pole. It is not a wooden structure pole.

MR. OXER: I am familiar with the --

MS. STEVENS: Yes.

MR. OXER: That is all right but is there anyway to reinforce that to prevent the potential risk to the property?

MS. STEVENS: Well, we have -- what we have suggested is that we would hire an independent engineer to come out and evaluate it each year and to make sure that it is maintained in compliance.

At this point, there doesn't appear to be need for it to be supported or modified in any manner. It is good shape, according to the utility authority.

MR. OXER: So the risk, and the rule was put into place Tom, to prevent what type of risk? Impact? Falling?

MR. GOURIS: I believe --

MR. OXER: Line failure?

MR. GOURIS: I believe that, and concerns of just -- concerns about having that a high voltage power line along a property line.

MR. OXER: Physical as opposed to EMF issues, I see.

MR. GOURIS: I think a little bit of both. I don't think there was -- you know, I don't think we ever clarified

and said, it is because of this or that.

I think it was just general concern that caused the Board and the staff to recommend to the Board penalty points for a number of years, and then this last year a straight ineligibility. I think there has been some conversation about it being ineligible for new construction. And that is clear.

We also had -- I was reminded after the fact of a lengthy discussion we had about ineligibility to existing projects coming in for some of these ineligibility items, and the question is, does it apply to all of these ineligibility items?

Because how great is the risk here, with this line? And not being an expert in that, I can't say what that risk is. Certainly there is more risk for going either side, because it is going down the middle of the property but I am sorry. Have I answered your question?

MR. OXER: That is okay.

MR. CONINE: Mr. Keig?

MR. KEIG: I have some real heartburn about having the engineering study first. Why we are being asked to do that now, without getting the study first?

MR. GOURIS: We could certainly go back and ask for that.

MR. OXER: But the power agency has said that there is no risk. Is that correct?

MR. GOURIS: That is correct.

MS. STEVENS: If I may, the power agency, we did reach out to the taxable municipal utility authority and they did take a look at it. And they came back.

And part of the package that was presented to staff was an email from them saying that it is in good shape, there have not been any issues with it, and that they don't have any problems or concerns with it.

We also reached out to the City of Denton utility authority, who also took a look at the pole. Their engineering department took a look at the pole, and they don't have any concerns with it as well, which was part of their letter, that I have here for you.

MR. CONINE: The only thing that really bothers me about this is that, and this has nothing to do with this particular pole but there have been light poles around stadiums falling like trees if you will, because of one bad manufacturer you know, essentially.

And I say that with reservations, because I am not sure but there have been a series of those fall and this was put up long before any of that occurred.

And I am at least satisfied that if you have an

annual inspection, and someone is looking at it, and if we need to reinforce it, we can reinforce it. If it has been there 30 years, and we have had the storms we have had come through in 30 years, it is not likely to fall at this point.

Any other discussion?

(No response.)

MR. CONINE: I will entertain a motion.

MR. OXER: Motion to accept staff recommendation.

MR. CONINE: Motion to approve the waiver by Mr. Oxer. Is there a second?

MR. GANN: Second.

MR. CONINE: Second by Mr. Gann. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(A vote of nay.)

MR. CONINE: The motion carries.

MS. STEVENS: Thank you.

MR. CONINE: One nay, excuse me. I heard one nay down there.

MR. GERBER: Mr. Chairman, the second item is

Bluebonnet Villa, which was a request for a waiver, and that has been pulled, based on some additional material that they have sent in by the applicant, clarifying the situation. And we think that can probably be handled administratively.

So we will move to Item 6A, which is the status report on the implementation of ARRA funds. And Brooke Boston, our Deputy Executive Director for community based programs will come forward and present that.

MR. CONINE: Ms. Brooke.

MS. BOSTON: Hello.

MR. CONINE: How are you.

MS. BOSTON: Great. Brooke Boston, Deputy with the Texas Department of Housing. This is in your Board materials. And I just wanted to give you a few additional updates, and point out some information for you, relating to the weatherization program.

As you heard earlier, we had a good internal audit and I would like to say, out of the three findings we had, we have actually implemented all of the management responses already. So we see it as done, and we were glad to have it. And we feel good about that.

We had mentioned that our fund movement steps that we have done, in terms of contract movements have been

presented to DOE and we actually have gotten DOE approval, which was a nice relief for us.

We had preliminarily gotten their blessing to do all those fund movements between subrecipients but until we put the plan in front of them, we weren't positive we had it. And so now on a going forward basis, we know that they are supportive of our approach.

We also have -- the goal as you know for DOE is that we hit 33,908 units. And this week, we got to 33,029.

So we are at 97 percent. I would say however, as we turned in the plan amendment to DOE, and this will incrementally keep happening, our target of units is going to keep going up.

The reason for that isn't because we are moving funds from one subrecipient to another, because it is the same constant number of dollars, but as our subrecipients move their funds from non-house activities such as administration and training and TA into house activities, that increases the number of units they have to perform for us.

So right now, the total goal that we have is actually 35,249. So we were almost there, and then we eked it up a little higher. We will well exceed all of those numbers.

Expenditure-wise, as you can see, we are at 54 percent. So we will have far exceeded our production goals for the Department of Energy when we hit the full expenditure rate.

On homelessness prevention and rapid re-housing, that is also going very well. Since this report in your book, we have spent a little bit more. We are at 29.79 million, which is 71.84 percent.

And I would note too, that the action you all took earlier relating to Recovery Act and HERA that gives us the ability to move funds among subrecipients and potentially grant contract extensions past the original Notice of Funding Availability is particularly helpful for this one. At the time that we released HPRP, we had said that all of the programs need to -- all the contracts needed to end this August, in spite of the federal deadline not being until next summer.

And we anticipate being done in December. And so a few of those, we will be given extensions to, and removing funds between those who have been spending a little more slowly, and moving that to the contracts who have been spending it at an accelerated rate, and can therefore spend down the difference of money by December.

Community Services Block Grant of course, is over

and done, accomplished. On Tax Credit Assistance Program, I would just echo the sentiment from Ms. Donoho earlier. That one also had an audit, without a single finding, and it was very thorough. So again, thanks to their team for that thorough scrutiny.

And on the exchange program, since the report in your book, we are actually up to 426 million. So we are at 71.85 percent and, other than that, I mean, Recovery Act is going great. We are making a lot of positive steps. And I would be happy to answer any questions.

MR. CONINE: Any questions of Ms. Boston?

(No response.)

MR. CONINE: Thank you for that good report. Appreciate it. Item 7, Mike.

MR. GERBER: Item 7 are our bond finance items. And I would ask Tim Nelson to come forward and present those. Good morning, Tim.

MR. NELSON: Thank you. Good morning. Tim Nelson, Director of Bond Finance. Our first item is Resolution 11-026. This relates to the next piece of our \$500 million NIBP program.

The Board might recall that we released this program last May and that in December you approved the first piece of this, to convert some of the bonds that were issued

under the NIBP program in December of '09, and to issue the market match piece that was required with that.

We priced that transaction in February. Closed it in March. We have been proceeding forward to finish purchasing, pooling and delivering all of the securities that would be related to that transaction. We think that will occur early next month.

So it is time now for us to move forward with the second piece and that is what this resolution is related to.

Again, giving us approval. It is also approving the underwriting team that will be working with. That is included in your materials.

I will just review that real quick. That we have got Morgan Stanley and Company as our book running senior manager. This time, Morgan Keegan and Company, who was our book runner last time will be our co-senior manager. We have George K. Baum and J.P. Morgan as our other senior managers.

And rounding out our group, Citigroup, Samuel Ramirez, and Merrill Lynch. And I would remind the Board that all of these firms were selected to be part of our group in our RFP process, that was conducted in the fall of '09.

A couple of other items that I would like to point

out, that the Board might be interested in. I think the parameters that we have outlined in this request are very similar to those that were in the last resolution for the 2011-A deal.

Including, the Board might remember, expanding the authority to use down payment assistance with all of the loans under our program, under our statute. We are required to set aside 30 percent of our funds for those making less than 80 percent of median, and to make down payment assistance available to those borrowers in the 2011-A program and, again, staff is recommending for this program that we make those funds available for all borrowers.

I can report to the Board that to date, under this Program 77, we have made over 70 percent of the funds available to people making less than 80 percent of the median, and that is an outstanding percentage, I think, given our historical track record. And I will also report that staff does monitor that on a monthly basis, to make sure that we are meeting our statutory requirement.

A couple of other items I would like to point out, that our latest commitment lot, which we released earlier this week. Our no assisted mortgage rate, we are offering now is at 450. Our four point assisted mortgage rate is 510.

And I believe right now, I didn't check rates today, but I think market rates are somewhere in probably the 470 to 475 range. So I think our rates are very competitive with what is going on out in the marketplace.

And with that, I will answer any questions, if anybody has got any questions they would like to ask.

MR. CONINE: Any questions of Mr. Nelson?

(No response.)

MR. CONINE: If not, I will entertain a motion.

And we want to refer to specific resolution --

MR. NELSON: Resolution 11-026.

MR. CONINE: Thank you very much.

MR. NELSON: This all is outlined in it.

MR. CONINE: Appreciate it. Do I hear a motion?

MS. BINGHAM ESCAREÑO: Mr. Chair, move to so resolve.

MR. CONINE: Ms. Bingham moves to approve. Is there a second.

MR. GANN: Second.

MR. CONINE: Second by Mr. Gann. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of it, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries.

MR. NELSON: Thank you.

MR. GERBER: 7B, please.

MR. NELSON: Our next item is Resolution 11-027.

And what staff wanted to try to do with us, when we released the program last year, which as I said, a total of 500 million is the maximum amount we could do under the program. The Board authorized up to five points of down payment assistance to be available for that.

So we were going to have to locate up to 25 million of down payment assistance, assuming that we did the maximum size program, and made available the maximum amount of down payment assistance. At that point in time, we felt like we had sort of located maybe half of the money that we thought could be made available under that.

And that that money would be located under one of our indentures that we are currently issuing out of, the RMRB indenture but we didn't really know where the rest of the money would be coming from.

Now that we have gotten about halfway through the program, staff has kind of looked at this a little bit more

closely. We now have the benefit of twelve months having gone by.

And we wanted to report back to the Board, and I think get a little bit more direction, and make sure the Board was clear on what dollars were being made available.

In your materials, we have put together a little table there, that shows 7 ½ million being available out of the RMRB indenture residuals presently.

And I will point out that a large portion of those dollars have been generated by a number of these restructurings that the Board has authorized over the past twelve months. We think there is another 5 ½ million that we think could be made available with another restructuring that we are looking to undertake in June of this year.

And that we also think that we have located 3 million in indenture residuals out of the single-family deal, as well as the escrow that the Board authorized last year for our warehouse agreement. We were successful in reducing the collateral requirement under that warehouse agreement and so we think there is 3 million that could be made available out of that, and could be made available for down payment assistance.

And finally, we have been working with our home ownership group. People in the HOME area and the Housing

Trust Fund area believe that we can marry up some HOME and Housing Trust Fund down payment assistance dollars with our first time home buyer program and we have presently estimated that to be at \$2 million.

So I think we would like the Board to approve the use of these monies as well as to give staff the ability to move those monies into indentures if that is required, in order to make the down payment assistance available. And with that, I will address any questions.

MR. CONINE: Would you say that this is the proverbial getting the nickels and dimes out of the couch cushions?

MR. NELSON: We have been spending a lot of time turning over couch cushions.

MR. CONINE: Any questions of Mr. Nelson?

(No response.)

MR. CONINE: If not, I will entertain a motion.

MR. GANN: Mr. Chairman, I move we accept Resolution 11-027.

MR. CONINE: Mr. Gann moves to approve the resolution. Is there a second?

MR. KEIG: Second.

MR. CONINE: Second by Mr. Keig. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Thank you very much.

MR. NELSON: Thank you.

MR. CONINE: Good luck on getting it out of there.

We are going to go into Executive Session for more than likely, for everybody in the audience, probably for about an hour and a half, because we are going to walk down to our building and do it down there.

So plan on an hour and a half. We will try to reconvene at about 1:30. Mike.

MR. GERBER: On this day, May 5, 2011, in a regular meeting of the governing board of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board adjourned into a closed Executive Session as evidenced by the following, A) openly announced by the presiding officer that the Board will begin its Executive Session today May 5, 2011 at 12:10 p.m.

Be it the subject matter of this Executive Session

deliberation as follows: the Board may go into Executive Session one, the Board may go into Executive Session pursuant to Texas Government Code 551.074 for the purposes of discussing personnel matters, including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee. Two, pursuant to Texas Government Code Section 2306.039(c), to meet with the internal auditor to discuss issues related to fraud, waste or abuse.

Three, pursuant to Texas Government Code Section 551, to seek the advice of an attorney about pending or complex litigation, or settlement offer, including a) the Inclusive Genius Project, Incorporated versus TDHCA et al. filed in federal district court, b) the claim of Gladys House filed with the EEOC, c) discrimination charge of Donald Willis to Health and Human Services regarding 2009 CSBG application.

Four, pursuant to Texas Government Code Section 551, for the purposes of seeking the advice of the attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this Texas Government Code Chapter 551.

Or lastly, five, pursuant to Texas Government Code

Chapter 551, Section 072, to deliberate the possible purchase, sale, exchange, release of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person.

(Whereupon, the Board recessed into Executive Session at 12:10 p.m.)

MR. GERBER: Mr. Chairman, the Board has completed its Executive Session of the Texas Department of Housing and Community Affairs on May 5, 2011 at 1:30.

MR. CONINE: Okay. We are back in session. Thanks for everyone's indulgence and we hope you had a good lunch. Item 8, Mr. Gerber.

MR. GERBER: Mr. Chairman, Item 8 are appeals. And I will let Raquel Morales, our 9 percent Administrator walk through those. The first one, I know has been withdrawn. So we are going to start with Greenhouse.

MS. MORALES: Right. There were five appeals originally listed. Two of those have been withdrawn and handled administratively. So we only have three before you today. The first --

MR. CONINE: Sounding better all the time. Go right ahead.

MS. MORALES: The first appeal is for application number 11-114, Greenhouse on the Santa Fe Trail. This

application was terminated because the development as proposed is not designed to meet the Department's minimum unit size requirements that is set forth in Section 49.8 of the QAP.

Greenhouse on the Santa Fe Trail is a proposed new construction of 24 supportive housing units targeted towards families transitioning out of homelessness in the Dallas area. The applicant appeals determination on the basis that the QAP allows the development is proposing single room occupancy to be exempt from the minimum unit size requirements.

The QAP does have a provision that waives this requirement for developments proposing either rehab or single room occupancy. However, the units proposed for Greenhouse do not qualify as single room occupancy units.

The development and the floor plans provided in the application consist of one and two-bedroom units. The definition of a single room occupancy is an efficiency unit that meets all of the requirements of a unit except that it may be rented on a month to month basis.

Beyond that, the definition of an efficiency unit is a unit without a separately enclosed bedroom. The architectural drawings provided in the application and with the applicant's appeal clearly reflects separately enclosed

bedrooms.

The applicant further appeals that the doors leading to the bedroom areas will be removed, and therefore removal of the doors qualify the units as single room occupancy. The lack of doors is only one element that separates these rooms from others in the unit. As currently designed, even without the doors, there are walls between the rooms that distinguish them as separate rooms within the unit.

Alternatively, or I am sorry. So lack of a door just doesn't -- it doesn't substantively change this characteristic. Alternatively, the applicant could have conformed to the unit size in the unit mix requirements for regular or non-SRO housing but instead chose to mix the type of housing in a way to suggest that neither requirement applies.

Additionally, the applicant has not provided the Department with a good cause as to why this new construction development could not be designed in accordance with the rules in place. Staff recommends denial of the appeal.

MR. CONINE: Okay. We have got some witness affirmation forms on this one. Bernadette Mitchell.

MS. MITCHELL: Good afternoon, Chairman, Board members. Thank you for letting me speak to you this

afternoon. My name is Bernadette Mitchell, Assistant Director Housing and Community Services with the City of Dallas. Representing the City of Dallas today.

And also requesting that the Board reinstate the application for Greenhouse at the Santa Fe Trail. You know, in the City of Dallas, we are committed to eliminating homelessness. Providing temporary, emergency, permanent supportive housing, and also transitional. Also affordable housing.

You know, in Dallas, we figure it makes good economic sense for us to do so. It is a quality of life issue. It is an economic issue. When we -- I think you heard testimony earlier today from Mike Fienza with regard to the Bridge.

A number of years ago, we made an investment in the City of Dallas for a stellar project called the Bridge.

A homeless assistance center that would serve as a single point, one stop shop to run people who were experiencing homelessness. Get them referrals. Get them right back out into some self-sufficiency. And with that, 74,000 square feet of space was made available.

You know the face of homelessness in Dallas has changed. It is the working poor. It is women. It is children. It is veterans. Seniors and other special needs

groups. During the one point count one day that we counted all of the homeless in Dallas, there was over 2,800 women, 1,100 children homeless on that day.

In Dallas, we have a great need for transitional and permanent supportive housing and that is where we have put our money, and so we put our money where our mouth is.

To this day, we have invested in projects that provide this type of housing and we have embraced all of our partners that can provide the services and who can put these deals together.

In fact, the City of Dallas, on an annual basis, appropriates millions to not only the Bridge, but also to deals that you see coming through LIHTC rounds. The applicant's Shared Housing has been a tremendous partner in Dallas, in providing transitional services and shelter services for families, particularly single parents with children, and seniors.

The City of Dallas itself has supported the mission of Shared Housing, with over 500,000 in allocations annually.

Their mission has been supported by the City of Dallas for over 20 years. They get money from us for emergency shelter grant, Community Development Block Grant, and in fact, stimulus funding has also gone through Shared Housing.

Greenhouse on the Santa Fe Trail will provide desperately needed transitional housing for parents with children including supportive services like counseling and child care and job readiness. Many of the parents coming out of transitional shelter with Shared Housing will transition out well before time frame of 24 months that is allotted for this type of housing.

We attribute a lot of that to the developer Shared Housing itself doing a really good job of working with these parents to move them along. There is a lot of thought that goes into the investments with the City of Dallas. The City Council works tirelessly to think through every aspect of every development that we put money in.

This particular project has already received money from the City of Dallas. And, in fact, we have already invested 400,000 to acquire the property in anticipation of the LIHTCs being awarded. So in this time of scarce resources, I would say the City of Dallas would ask the TDHCA Board to reinstate this application and work with us hand in hand to allow this project to move forward and also further leverage tax credits -- leverage our money together and work with us to get this project done.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you for your testimony. Linda McMahon.

MS. MCMAHON: Good afternoon, Mr. Chairman, Board and Mr. Gerber. I am here as a representative, President and CEO of the Real Estate Council of Dallas and the Real Estate Council Foundation.

I am here to request the Board reject the staff recommendation to terminate the application of Greenhouse on the Santa Fe Trail. The Real Estate Council Foundation has provided significant grants to this project. In addition, we have provided a significant amount of pro bono professional services.

And we feel it is critically important for this project to go forward, because of the desperate need, as you just heard, regarding homeless families and, particularly, women with children.

Our foundation's grant process is extremely rigorous and we have been doing this for over 20 years. We have granted over \$20 million in pro bono services as well as cash.

And this project, because of the 30 year history of the organization and their proven success in working with this population, is a grant recipient based on our rigorous standards. So we feel like it is extremely important that

this project go forward.

We think that Shared Housing provides a vital resource in helping homeless women and children and that their work is obviously not easy but their concept is a little different.

And the Shared Housing concept is something that they have proven that works where they have small spaces, shared common areas. And the families work together, and learn together and help hopefully progress out of homelessness because of their model.

Now, I recognize this is not a typical project, and I know that you will agree that we have to do everything we can do to eliminate the homeless issue.

And so sometimes, there needs to be some innovative solutions to the problem. So the strict standards that have been applied in terminating this application, while they may be in conformance with the rules, don't necessarily mean that you can't bend those rules or make a waiver in this particular case, so that these 24 units can go forward and serve this population.

So we would request that you would reconsider the staff recommendation and join us, as well as the City of Dallas and other funders who have really put a lot of effort and time into making sure that this project moves forward. And

we would love to have you as a partner in that. Thank you very much for your time.

MR. CONINE: Thank you. Any questions of the witness?

MR. KEIG: Yes.

MR. CONINE: One question. Mr. Keig. Hit your microphone button, please sir.

MR. KEIG: Staff has said that just taking the doors off wouldn't change it into a single room occupancy unit but because there is still walls, could it be modified so that the walls could be taken out, so it is more of a loft type?

MS. MCMAHON: Yes, it could be. Maria, do you want to help me here.

MR. CONINE: Oh. She is going to speak next.

MS. MCMAHON: Okay. Sorry. I am not the expert on the design.

MR. CONINE: We are going to save your question, because I was going to ask the same thing. We will save your question.

MS. MCMAHON: All right. Thank you very much.

MR. CONINE: Chris Luna is -- one more speaker, and he has got some time dedicated.

MR. LUNA: Good afternoon, Mr. Chairman and

members of the Board. I don't know if the worst time to speak to a Board is right before lunch or right after lunch.

Before I begin my presentation, I do want to introduce other people with me from our Shared Housing team.

Curt Baker who is the Board Chair is here. Maria Machado, who is the Executive Director. Clara Palmer, our attorney and Mike Sagrue our developer.

I had the pleasure and honor of serving on the Dallas City Council, and chaired the City of Dallas' housing committee. During that public service, I became familiar with Shared Housing and their programs, and services and, as Linda mentioned, the method is a little different, because it truly is a shared housing concept for single moms with children and for seniors.

Last year, Shared Housing applied with a standard apartment product and we did very well on the point scale and ended up on the waiting list. This year, we wanted to prepare a development that better tracked our mission and that better served our clients' needs.

So our response letter is in your packet. And I will try to only hit on the highlights and make reference to that response as appropriate. Before we submitted our plan for this year, our developer discussed the concept with the Department staff.

While the final plans had not been developed, the idea and concepts and proposal were discussed. At no time did we get an objection, reservations or concerns. If we had, we could have simply resubmitted our standard apartment plan from last year. But based upon that reliance, we moved forward.

Ms. Morales has identified the issue which is, that the Department staff says that we do not meet minimum requirements pursuant to 49.85(b), and I think that everybody agrees that if we do qualify as an SRO, then those minimum size limits do not apply.

So we need to break down the issue. First is, the 20 units. The Department staff calls those one bedrooms and has therefore applied the related size limits for those apartments. The problem is, the definition of bedroom.

And in the Department's definitions that are available on the website, bedrooms are defined as -- and I apologize for reading this to you, but words matter, and it is important. A portion of a unit which is no less than 100 square feet, is self contained with a door.

Or the unit contains a second level sleeping area of 100 square feet or more, and has at least one closet that is not less than two feet deep and three feet wide, enough to accommodate five feet of hanging space. So when you read

the definition of bedroom, and apply it to our 20 SRO units, you will see that the second level sleeping area is 96 square feet. So it is less than 100 square feet.

It is not, the upstairs loft, sleeping loft does not have a door. So it is not self-contained with a door, and while the closet is two feet by three feet, because of mechanical and hot water heater, any potential hanging space would only be three feet. So no matter how you slice it, that upstairs sleeping loft in those 20 units is not a bedroom.

So what we do think it is, is an SRO. And once again, Ms. Morales did do the definition of an SRO, which is in the definitions. An efficiency unit that meets all of the requirements of a unit, except that it may be rented on a month to month basis. Efficiency unit is a defined term.

So if you go back to that definition, it says, a unit without a separately enclosed bedroom. You have to harmonize an enclosed bedroom there with the definition of a bedroom in the definitions, where it clearly says, if it is contained with a door. Self-contained with a door. So, we believe that when you put these together we do meet the definition of an SRO.

Further, in page 2 of our response, and I won't

read it out to you, but we meet the IRS definition of an SRO, which of course, allows us to seek federal funds. So therefore, those 20 units are excluded from the minimum size requirements because the sleeping loft upstairs does not meet the definition of bedroom. It is not a one-bedroom. It is an SRO.

Now, let's turn to the four disability units. The staff, Department staff has called those two-bedroom units and then applied the related size limits to there. The drawings that we did submit do show that the downstairs sleeping area has a door on it.

And the reason was, since those were going to be the disability units, we wanted privacy for our physically challenged clients, some amount of privacy and he or she would not be able to go up the stairs. So they would be sleeping downstairs.

But once again, if you grant our request to remove those four doors, then it is not contained with a door. That sleeping area on the first floor is 99.75 percent square feet, i.e., less than 100 square feet. And it clearly shows on the diagram, no closet. So once again, it is not a bedroom.

Now, the upstairs sleeping area would be considered a bedroom, because of the closet issue and the

size issue but, at that point, those four units would be a one-bedroom unit, and even in the staff's memo to you, they have said it is 700 square feet. So it would meet the minimum requirements for a one-bedroom.

So we essentially have a hybrid. There are 20 SRO units that are exempt from the minimum size limits. And then we have four disability units that would meet the size for a one-bedroom.

Now, all of this comes down in my mind, and I am just a simple country lawyer, it comes down to the discussion of an enclosed issue. The staff in their briefing presentation to you, and Ms. Morales said today, that quote, the lack of doors in and of itself does not change the characteristic of these units, having a separately enclosed bedroom, because walls exist between rooms and units to distinguish them as separate rooms within a unit. Therefore, having no doors does not substantively change this characteristic.

Well, if you go online, and you go to Merriam Webster online, and look up enclosed, it says surround or closed off on all sides. Further bound on all sides is the definition. Now, if you are a rancher in Texas and somebody says there is a closed corral or pen, and you take out that gate or door, and their livestock gets out, my guess is that

they will tell you that that is not an enclosed corral or enclosed pen.

If your next door neighbor has an enclosed porch, and you take off the door, and his or her cat or dog gets out, my guess is, that they would argue with you, and say, that is not an enclosed porch. So we believe that when you apply the simple meaning of enclosed, when you harmonize the definitions that you issued, of what is and isn't a bedroom, we pass on that test.

So we believe that the 20 sleeping units are SROs and exempt from the size. The four disability units are one-bedrooms, and we meet those size requirements.

I will close, Mr. Chairman, members of the Board, I do want to emphasize that the broad based community support.

You have heard the real estate council. You heard the City of Dallas.

The last two years, if you look at our file, you will see that we have support for our projects from our State Senator, Senator West. Our State Representative, Representative Branch, the City of Dallas, our county judge.

We have had two of those, by the way. Both of them supported the project. The police department, the school district, our local city councilperson and our local religious leaders.

So we understand and I especially understand that you have professional staff that has made a recommendation.

When I was on the City Council, I had to deal with that issue all of the time, of staff recommendations.

But I also understand as you do, that as the governing board, you have the discretion and authority to grant our appeal and to set the policy that these hybrid projects, while a little odd looking maybe, serve an important public service and that is, to provide housing for the homeless.

And then my last point Mr. Chairman, I do want to publicly, or we want to publicly thank Ms. Morales. Throughout this whole process this year and last year, she has been helpful, informative and responsive and you should be proud to have a staff member like that on your team. Thank you, Mr. Chairman.

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

MR. LUNA: Mr. Chairman, can I --

MR. CONINE: Yes.

MR. LUNA: I am sorry.

MR. CONINE: First off, let me just say that staff can only react to what was submitted in the application. So obviously, you are suggesting some changes that staff

doesn't have the authority to approve while you are here.

I, too, because I am a frustrated developer, got to playing with the site plan a little last night. And this is rough, as you can well imagine. But the one-bedrooms unit, you stated, or excuse me, in the 20 units. Let me call it that.

There is a boxed in area there on the ground floor. Is that a disability circle, or what is that boxed in area with the hashed line on these particular plans. Can you --

MR. LUNA: Yes, Mr. Chairman. On those, that is where a bed could be situated in that space.

MR. CONINE: Okay.

MR. LUNA: So that was the concept. And you will notice, that is why those are actually labeled on the plan as SROs.

MR. CONINE: And I think your testimony was such that since there is no door there, in that particular unit, that that would be considered an SRO unit or kind of be an efficiency unit. Is that correct?

MR. LUNA: Yes, Mr. Chairman.

MR. CONINE: The one area upstairs in that unit that has me a little bugged, again, as a frustrated developer is that by the closet up there, you show a little wing wall coming out, that really serves no purpose other than to have

a door attached to it, and if you would, to me, if you would agree to eliminate that, that would make it a much cleaner opening there.

And I think would allow staff to -- or allow the Board at least to have a little different look at that. That is issue number one for me.

Issue number two for me is in the four units. I think your testimony was, you would be willing to take the door out on the downstairs unit but I would also submit to you that that wall could be taken out as well.

Again, opening that whole area up to anyone's understanding that that is just an open area, for lack of better words and that the one bedroom would be upstairs. Which has no door on it, or anything else, other than to the bathroom and the closet. Is that something that the developer would consider at this point?

MR. LUNA: Absolutely, Mr. Chairman. I think that is one option and, I, think going back to Board member Keig, is that -- am I pronouncing it right?

MR. CONINE: Keig.

MR. LUNA: Keig, I apologize. Board member Keig's question, we could widen those doors even more, so that they are four or five, six feet. Or we could also have pony walls, so that there is some visual --

MR. OXER: Separation.

MR. LUNA: Defined separation. Thank you, Board member Oxer. Separation but once again, not have it go into the ceiling. So I think any of those three options are workable for what our goal and intent was.

MR. CONINE: Let me ask Ms. Morales then a question. Ms. Morales.

MS. MORALES: I am sorry.

MR. CONINE: On the four bigger units --

MS. MORALES: Uh-huh.

MR. CONINE: If you just eliminated that door and that wall totally, forget the pony wall discussion or anything else. If you just opened that whole area up, does that then satisfy the definition of technically a one-bedroom as Mr. Luna has articulated?

MS. MORALES: On the 20?

MR. CONINE: No, on the four units.

MS. MORALES: On the four bigger units.

MR. CONINE: Uh-huh.

MS. MORALES: I don't know. I mean, when we talked -- when I talked to the applicant about what it was that they were trying to do with these units, the reason that they were designed, or I think the reason given to me when we had that discussion was, because their target population,

being families, single parents with children, they wanted there to be some sort of separation you know, to give the children and the parent or whatever some sort of privacy within the unit.

And understanding that, I get where they were going but if they were to change it to a loft style type of unit, then I don't know that that is meeting what they were trying to do with their target population.

Separate -- if they took away the walls, you know, I don't know if that would technically be okay, and consider it a single-room-occupancy unit. Tim, do you want to --

MR. CONINE: He is not an architect. What are you asking him for?

MS. MORALES: I am not either. So I mean, I am --

MR. CONINE: He is the last guy I would ask but go ahead, and let him answer the question.

(Simultaneous discussion.)

MR. CONINE: One, and 1A. Come on. Come on up.

MR. GOURIS: I am not an architect, but people say I play one every day. The definition of an SRO is -- here is our problem. We have got a mixed hybrid thing.

MR. CONINE: Right.

MR. GOURIS: If it is going to be all SRO, the definition of an SRO is for a single room but, secondly, it

is an efficiency.

And a unit that has effectively two bedrooms, even if one of them is open and is now a one-bedroom isn't an efficiency. It is just not. So staff wouldn't be able to read the rules to say that is okay.

MR. MUNOZ: Hold on. Are you saying that an efficiency couldn't have two beds in it?

MR. GOURIS: It could have two beds in it, but not two rooms. It is an efficiency.

MR. MUNOZ: If --

MR. GOURIS: You can put a hammock in it, if you want.

MR. MUNOZ: Well, but if you have a bed up in a loft, and you have a sofa bed in the bottom, that is not a bedroom. That is a sofa that somebody sleeps on.

MR. GOURIS: The problem with this is, that we are trying to design this development at the dais with you all, instead of the applicant and their architect looking at our rules and saying here is what we can get accomplished here.

It is true that we had some conversations about the transaction earlier and they asked about, could we do an SRO? And yes, SROs work. There wasn't the discussion of it is going to have these extra bedrooms, and can we do

this hybrid thing.

And there were no plans shown to us, for us to help them kind of think through that. If there had been, we would have said well, this isn't going to fit within the SRO definition. The time to design that for our purposes, is past.

MR. CONINE: November, December.

MR. GOURIS: Yes. I mean, there is a lot of hypothetical that makes it very difficult for staff to say on the spot, yes that would fit, or that wouldn't fit. Because it is one persons vision, another persons vision kind of trying to figure that out.

But the bottom line is, there are clearly two rooms in the one unit. And I would argue that the loft, the way they have it structured, is actually a room. Because it is cornered off. The way the stairs go --

MR. MUNOZ: Isn't there an opportunity to maybe have you revisit with the developers and come up with some sort of redesign, including some of what the Chairman is proposing. You know, here is my concern.

We make accommodations to certain structures because of perhaps physical disability or some consideration along those lines. Well, structurally here, what they are trying to organize is a complex that serves a particular

population that also requires very specific and hopefully empirically validated accommodations. And I think that these sort of circumstances are going to become more frequent.

So how can we exercise a degree of -- I hate to use the word discretion, in permitting perhaps, some reexamination of their original design that satisfies your interests, as well as their desires.

MR. GOURIS: 1A.

MR. IRVINE: If I might just offer a non-architectural comment. I mean, what you are really trying to do here is to rewrite a section of the QAP, right here, right now.

And staff is already acutely aware that this is something new, that is an increasingly important use of affordable housing resources. You know, as a parent, I have got to say, I really like doors between me and my child. I think that --

VOICE: I like state lines between my three.

MR. IRVINE: I think that if it is workable or amenable both to the Board and to the applicant and the staff, this might be an appropriate thing to table and conclude next month, after we can more fully develop some sort of a dialogue.

What that hybrid might look like, so that if you are going to make a policy decision to waive the current QAP and to

allow something different, at least from a policy perspective, it would make sense.

MR. MUNOZ: I am much more comfortable with your solution.

MR. GOURIS: Can I just chime in, though. We had another transaction that came to us prior to the application round, and they came to us with a plan. And they said, this is what we are going to do and it is very similar, here in Austin.

In fact, they have got an appeal on a different issue going later on but they came to us, and said, is this going to work? And we sat down, and we said no, you can't do this under the current QAP. You can't do this, and you can do that. And they were frustrated with us.

But they are, I think, appreciative that we resolved that issue, so they restructured their deal to fit within our constraints and our box. We will do, obviously, always what the Board directs us to do but I am very concerned about taking this transaction and restructuring it in this way.

Because there is going to be the next transaction that is going to want to be restructured as well and that puts us in a difficult spot.

MR. OXER: Mr. Chairman.

MR. CONINE: Mr. Ozer.

MR. OXER: I am much more comfortable Tom, with your idea of adapting the design to fit the rules, rather than trying to adapt the rules to fit the design. So if there is any way as you suggest Tim, that would could reengage the applicant in order to have that discussion, for you to have that discussion, that is what I would recommend.

I would support tabling this. I have a couple of other questions, procedural. Is there an age limit to the children who would be housed in this particular --

MR. GOURIS: Not from the State's perspective.

MR. OXER: Okay. Has the applicant suggested that they are? Would it be mixed use? Would there be single mothers with children, or single mothers with children and elders? Or is it sort of blocked off?

MR. LUNA: No. There would be a mix. And that is why the other aspect of this design is flexible use space, so if there is a senior by him or herself could go to a unit. Or if it was -- I say parent. Usually it is mothers with children could also --

MR. OXER: Sure.

MR. MUNOZ: Mr. Luna, let me just add something to John Paul's comment. If we move to table, and provide a greater amount of time for you to interact with the staff,

you know, I would like a little bit clearer evidence of the efficacy of this shared housing thesis. And I will tell you why.

Because saying that you have assisted 17,000 individuals over 20 years, universities enroll tens of thousands of students. 54 percent of whom don't graduate in four years. So just sort of interacting doesn't mean that you have served them effectively.

But much of this rests on the premise that your physical structuring of their residency is somehow, leads to an appreciable beneficial effect. I am not persuaded by the two lines that I read, that that is effect and outcome, and I would think that your argument would be much more compelling if there were a little bit more evidence to the efficacy of your design.

MR. LUNA: Dr. Munoz, we would love to do that. And I don't know about the ex parte rules. We would love to come to Lubbock and sit down with you but we have been doing this for 25 years, with four properties. Two in Oak Cliff, which is a part of Dallas, and two in East Dallas.

MR. MUNOZ: I don't want it to be too onerous but just something that sort of says, look. Here is clear evidence of why this kind of redesign is necessary for this population.

MR. LUNA: Easily doable, Doctor.

MR. CONINE: Do I hear a motion?

MR. MUNOZ: I will recommend that we table this appeal until the next meeting.

MR. CONINE: Move to table. Do I hear a second?

MR. OXER: Second.

MR. CONINE: Second by Mr. Oxer. There is no discussion on a motion to table. All those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries.

MR. LUNA: Thank you, Mr. Chairman. Thank you, members of the Board.

MS. MORALES: Yes. The next appeal is for termination of application number 11-42, Veterans Place. This application was terminated because the proposal includes a non-conforming unit mix.

Specifically, more than 30 percent of the total units proposed consist of one-bedroom and/or efficiency units, which is a violation per Section 49.4. The applicant is appealing that the calculation of the number of one-bedroom and efficiency units was a miscalculation and oversight.

During design changes to the building unit mix. The applicant further provided via an administrative deficiency response, a revised unit mix to correct the error, resulting in a change to the application and to the total number of units proposed, going from 150 units to 149. Staff did request clarification from the applicant as to how the development met the rules that are in place right now with the original mix proposed.

We did not ask them to correct it and, nonetheless, they did. They provided a revised rent schedule with the unit mix. Staff recommends that Board deny the applicant's appeal.

MR. CONINE: Okay. I have -- hold on just a second. I do have three witness affirmation forms here. One with some extra time. Miguel Ayala. He has got the extra time.

MR. AYALA: Miguel Ayala, speaking on behalf of Veterans Place. Good afternoon. I would like to thank the Board for this opportunity to speak on behalf of Veterans Place and appeal application 11-142.

I believe you all have a handout in front of you and what that handout is meant to do is just give you an idea of the project, and the master plan as a whole. It encompasses an entire city block, adjacent directly to the Dallas VA

Medical Center.

And what we are proposing is a Phase One multifamily piece. I would like to start by laying out what has transpired in the design process and what were the contributing factors to this unintended consequence.

At the time of our pre-application, we had 147 total units that met the QAP threshold of 30 percent of its total units as one-bedroom and or efficiency units. In an effort to meet the needs of disabled veterans, and better serve our population, the building design was reconfigured, bringing our total number to 152 units.

Upon further review of that design and prior to submitting our final application, it was decided that a clubhouse would be needed in this first phase. And, Drew, do you mind if we see this second picture? And we have a clubhouse designed here. It is part of the third phase.

And so we wanted to reconfigure the building to accommodate a clubhouse in the first phase. By doing so, we removed two units, one efficiency unit, and one one-bedroom unit from the ground floor. This left Veterans Place with a total of 150 units.

Our architectural firm certified the plans, and the application was submitted with that 150 units. We were unaware that this left us over the threshold by .67 percent,

under 1 percent, or two units, and also removed our ability to be divisible by four.

The responsibility of this oversight squarely falls on my shoulders and I understand the importance of the rules as laid out by the QAP. My responsibility also extends to the many partners that I have on and in this project as well.

The City of Dallas, who has invested several millions of dollars into Veterans Place, Dallas Area Rapid Transit has agreed to extend their DART station at the front here by 120 feet, to accommodate a skybridge. And in part of your handout, you see the skybridge there.

What we are trying to do is to get the veterans off of the street at the moment they exit the DART rail, and they have over two football field walk across Lancaster Boulevard, across train tracks. DART trains are coming and going. Across two parking lots.

Obviously, a lot of the men and women are disabled.

Our skybridge would alleviate that traffic hazard, and allow them to take an elevator directly up from DART into the VA facility. So DART has agreed to extend that train station.

The Veterans hospital desperately needs services in the area. You also have pictures of the neighborhood as

it looks today, and the revitalization of this project for the Veterans Administration is very important. And also, the services that Veterans Place would provide to our veteran men and women, some of who are here today in support of this extraordinary project.

Veterans Place is not another multifamily housing project. It is a catalyst for an entire neighborhood. It is a Southern Dallas redevelopment project, a sustainable transit-oriented community. Attached to the second largest VA Hospital in the country, currently serving 1.3 million veterans each year.

The North Texas VA Hospital is also a teaching facility, Texas A & M University and Texas Tech each having a local campus there. The City of Dallas has entered discussions with the Texas Tech School of Pharmacy in an effort to provide a new campus for them at Veterans Place.

I have personally spoken with the associate director and archivist of the Veterans Center Museum there at Texas Tech and we would like to try and bring them in as an affiliate. We also have a museum piece and we would like to bring them in as an affiliate. And so we have had some of those discussions.

Veterans Place is as the name implies. It is a place for veterans. It is veterans housing. It is medical

offices. A veterans museum, conference center, a community plaza, a climate controlled skybridge with movable walkways, parking, restaurant and retail services. It was said by the director of sustainable communities at HUD that Veterans Place is a poster child project for what inner city redevelopment should look like.

I think this is an inspiration for the community of Dallas and I think this is a source of pride for the State of Texas.

We would like to ask the Board to approve Veterans Place being slightly over the required QAP threshold for efficiency or one-bedrooms units, so we may better serve our population. Or we would like to ask the Board to allow us to change the unit mix by converting one one-bedroom and one efficiency unit into a two-bedroom unit, bringing our total to 149 units, instead of the submitted 150.

I have been a builder for almost 20 years and when I have a problem, I fix it. And that is what we did. We went ahead and fixed the problem. To use Mr. Ozer's words, you know, we have adapted the design to fit the requirement.

In closing on this project, the City and I have been to Washington, D.C. We have met with the VA in Washington, D.C. We have met with HUD in Washington, D.C.

I have spoken to State Representatives. I have spoken to the Governor.

I have spoken to neighborhood associations, Crime Watch associations, and most importantly, I have spoken to veterans service organizations about Veterans Place, and we have all received enthusiastic support for this development.

I really hope a simple design error would not jeopardize a project of this nature and significance. Veterans Place would not be able to move forward without the backing of the TDHCA. Thank you.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you very much for your testimony. Bernadette Mitchell.

MS. MITCHELL: Hello again.

MR. CONINE: Hello.

MS. MITCHELL: Bernadette Mitchell. City of Dallas. Again, just reiterating how much we are committed to serving our homeless populations and special needs populations. We have a lot of veterans in Dallas. This is not -- Eagle is very humble about this project but this is really a huge catalyst project.

A number of years ago, we decided to go to

geographic targeting in our neighborhoods, in order to make a maximum impact. Not only with federal funds, but local funds.

And so in this particular instance, the City of Dallas has already invested \$4 million in the acquisition of property and demolition of properties to get ready for the build out for this project. Particularly the first phase, which comes to you all, but there is a tremendous effort on the VA Hospital side to expand.

There is going to be expansion of parking, obviously. Because they are short, and it is the second largest in the country. They are also looking at office space and so they are looking to rent office space over at Veterans Place.

Along the ideas of catalyst projects, we also are very focused on transit-oriented developments and the Dallas Area Rapid Transit has made a huge commitment to expand light rail lines to that effect. The Blue Line runs right in front of this project.

And as Eagle mentioned, the VA and DART have had discussions with us, to do the skybridge in order to facilitate. We took, and I think it was at Eagle's picture taking skills, that there were many pictures taken of VA, veterans trying to cross a major street of Lancaster, trying

to get to the DART rail, and couldn't do it, either fell down or fell over the street. The lights are real short.

So it is a huge project, particularly for the Lancaster corridor. We have also invested into the Lancaster corridor a number of other catalyst projects but this one is really important to us.

And so, as much as TDHCA can lend itself to allowing Veterans Place to receive their appeal, and go back into the round, we really would appreciate that leveraging and that partnership. Thank you.

MR. CONINE: Any questions?

(No response.)

MR. CONINE: Thank you. Gina Thompson? You brought some friends with you, I see.

MS. THOMPSON: Good afternoon, Board, Mr. Chairman. We are all veterans of the military. Mr. Robinson is a retired veteran from the Navy for 21 years. Mr. Hudson is a Navy veteran. Ms. Rossi is an Army veteran and I am a veteran of the Army.

And we are here to represent service providers of veterans, of organizations in Dallas that work with homeless veterans. We see veterans like daily, that come in that are in need of housing, and we don't have the facilities to help them, really.

The count that Metro Dallas Homeless Alliance had as of last year was like 5,750 homeless just in the Dallas area and, of those, about 1,200 are veterans. And in the shelters, there is programs that help veterans but maybe like for 150 or less.

The rest are just space available at some of the shelters looking for place but, really, there is no services there to help them. So we think the housing project with Veterans Place will be a great benefit for these veterans. Thank you for your time.

MR. CONINE: Thank you. And any questions of this witness? Dr. Munoz?

MR. MUNOZ: Thank you for your service.

MS. THOMPSON: Thank you.

MR. CONINE: Absolutely. Thank you for coming. That is all of the witness affirmation forms we have on this particular agenda item. Ms. Morales, what are being asked to do here is, under the current recommendation which was to raise a freckle over on the 30 percent. Is that correct?

MS. MORALES: Right. I think they asked for either a waiver to go over that 30 percent, or to accept their change in the unit mix, that they have provided.

MR. CONINE: Does staff have a preference either way?

MS. MORALES: It is up to you all.

MR. CONINE: Up to us. Yes. A perfect answer.
Mr. Gouris?

MR. GOURIS: Might I throw one thing out for
consideration?

MR. CONINE: Yes, you may.

MR. GOURIS: And this would apply to the last
transaction as well. In this region, there are limited funds
left. It is unlikely that either of these two transactions
will be hit with regular funds. They are likely both to be
hit with -- if they get hit with anything, would be a forward
for next year.

One would think then, that if they are not going
to get funds until next year, that they could make application
in next year's round, and improve their project, so they could
be considered without an exception. Without these issues.
Just a thought.

MR. CONINE: Yes. Coming from a guy that doesn't
pay interest carry, I can understand that.

MR. GOURIS: But --

MR. CONINE: It is only another year.

MR. GOURIS: But I have sleepless nights over
other things.

MR. CONINE: What is the Board's pleasure? I will

entertain a motion.

MR. OXER: Mr. Chairman, I have a question.

MR. CONINE: Yes. Mr. Oxer.

MR. OXER: My own personal recommendation or preference would be on this, if you are talking about changing the design or allowing the exceedence or adding to the design, I would always add to the design to allow for more accommodation. And if the denial was strictly a product of a critical exegesis of the regulation on this, it says, it can't be on one side, so it falls black and white with respect to what the staff says.

Is that correct, Tim? Okay. Then I would move that we accept, or deny the staff's recommendation and accept the project.

MR. CONINE: Accept the change as is.

MR. OXER: Accept the change as is.

MR. CONINE: There is a motion to accept the change as is, which is being a freckle over the 30 percent, and I guess, waiving the divisible by four rule. Those are the two things we are waiving here. Is there a second to that motion?

MR. OXER: And if they can show good faith to have them add the one extra unit.

MS. MORALES: Okay. So, to keep it at they -- the

mix as originally submitted and just waive the requirement, or accept the change that they made to conform to the requirement? I think they posed two options.

MR. OXER: Well, if they can change it to conform to the requirement, that means they have adapted themselves, and adapted the design to accommodate the rule, as opposed to us waiving the rule to accommodate the design.

MR. CONINE: Okay. So you are going for the two bedrooms then.

MR. OXER: Right.

MR. CONINE: Create the extra two-bedroom.

MR. OXER: Is that feasible.

MR. CONINE: And lower the amount of units by one unit.

MR. OXER: Right.

MR. CONINE: Okay. That is the motion. Is there a second to that motion?

VOICE: Could you restate it?

MR. CONINE: Yes. Essentially, he is going to take a one-bedroom unit and an efficiency unit, and make a two-bedroom out of it. So he is changing the plan, reducing the total number of units by one, but that now conforms to the QAP.

MS. BINGHAM ESCAREÑO: Second.

MR. CONINE: There is a second to that motion that Mr. Oxer made, from Ms. Bingham. Any further discussion?

MR. MUNOZ: I will abstain from voting. Let the record reflect.

MR. CONINE: Because you're a Texas Tech guy?

MR. MUNOZ: That is right.

MR. CONINE: Okay. All right. You have got to watch those guys from Texas Tech. I can say that. Any other discussion?

(No response.)

MR. CONINE: Let the record reflect that Dr. Munoz abstaining. All those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion does carry.

MS. MORALES: The last appeal before you today is for reinstatement of the six pre-application points for application 11-218, The Works at Pleasant Valley.

At the time that staff conducted threshold reviews for all pre-applications submitted back in January, this applicant was notified that the pre-application points would not be awarded because the neighborhood request letter that

is required to be sent out by all pre-applicants was not sent out on the deadline stated in the QAP, which was December 20 of 2010. All applicants are required to request a list of neighborhood organizations that are on record with the county and the state, whose boundaries include the proposed development site.

And the applicant is appealing that the one day delay in sending out the request letter made no material impact to the applicant's notice to or interaction with the neighborhood organizations. The deadline in this case was set by the Board, in order to provide a scoring incentive for compliance.

The denial of the points for missing this deadline would not result in a termination of the application. Staff recommends the Board deny the appeal.

MR. CONINE: I have a witness affirmation form here. Susan McDowell with some additional time.

MS. MCDOWELL: Good afternoon.

MR. CONINE: Good afternoon.

MS. MCDOWELL: My name is Susan McDowell and I am Executive Director of Lifeworks, which is an Austin based nonprofit organization dedicated to promoting stability and self-sufficiency for more than 10,000 families every year.

I think fortunately, this issue is not as complicated as doors on bedrooms or unit mix. Although we are the applicant that Mr. Gouris referenced earlier in the discussion about -- we had an issue earlier this year, early in the process.

And I just -- we are not angry with staff. We are very appreciative that they sat down and helped us develop a very workable project. The issue here is, as Ms. Morales noted, is that we have been denied six pre-application points, because we were one day late in sending the request letter to the Mayor's office.

Staff summary of our appeal notes that the Board may waive this deadline, based on a finding of good cause, and we believe that there is good cause. We were already in possession of the neighborhood list, well in advance of the December 20th deadline.

This list is readily available on the City of Austin's website, and, as matter of course, the Mayor's office typically doesn't respond to these requests, because it is available on the website and we have not received a response to our request of December 21st.

We notified all of the neighborhood associations in our area, as well as the required public officials by the deadline stipulated in the pre-application. And, I think

most importantly, well in advance of December 20, we were already actively engaged the two neighborhood associations who are active in our area, the Govalle Neighborhood Association and the Guadalupe Neighborhood Development Corporation.

We have been notified that we received the full 24 points for qualified community input, based on the participation of the Govalle Neighborhood Association. And I actually have a letter here, that I can hand out, from the Govalle Neighborhood Association that reference our participation in their October 13, and November 10, 2009 meetings, where we discussed our plans to build affordable housing on this land.

So clearly, we have been engaged with the neighborhood for quite a while on this. So the purpose of this deadline is to applicants such as ourselves accountable for identifying key neighborhood groups, so that they can provide input into the pre-application process. Under the circumstances I have described, our one day delay had no impact whatsoever on our knowledge of these groups, our engagement with them, or their ability to participate fully.

Another cause for waiving the deadline is, we have satisfied every other pre-application requirement, including site control and including self-scoring. The proposed

project is a very rare opportunity to locate 36 units of supportive housing, all affordable to 50 percent and 30 percent of MFI on land adjacent to Lifeworks' brand new, state of the art, 31,000 square foot workforce development and social service center, which will provide unbounded access to our residents for supportive services. And our residents will include families, formerly homeless individuals, and youth who are aging out of foster care. This is a project that has not been done in Texas yet and it is set up for success because of the services we will offer from the Center.

The services far exceed what we are required to do as a supportive housing, and actually go beyond what you see in most typical supportive housing situations. So this is not your usual missed deadline situation. Because the only two neighborhood associations in our area are engaged in the project.

It is not your typical project, because it is supportive housing and, as supportive housing, it is finely attuned to the concerns of the community and the needs that exist in the community. Our community is well aware that we will be providing housing for folks who live in the community, which is a tremendous concern in Central East Austin.

So we were out talking to them way in advance. We are very sorry that we missed the deadline. It was an oversight. We apologize. But it did not impact the ability of the neighborhood to participate.

And we don't feel like you are setting a negative precedent by waiving the deadline for a supportive housing program that has such strong evidence of support in the application for neighborhood participation. I want to thank you for your commitment to supportive housing and for the ability to make this request. Thank you.

MR. CONINE: Any questions of the witness?

MR. KEIG: Just one question. Why did it go out a day late?

MS. MCDOWELL: You know, very honestly, falling on our swords, it was an oversight. As we related to you in January, we were a little late coming to the process and we just missed it by one day. It is not typical of Lifeworks.

In the application you will see that we are a \$10 million organization, multiple grants across all government sectors. A long history with TDHCA. We are in very good standing. It was a mistake that occurs maybe once every ten years at Lifeworks, and we take responsibility for that and apologize.

MR. GANN: One question.

MR. CONINE: Mr. Gann.

MR. GANN: Tell me, you know, you are required to send a letter but you said you all went to these two groups, all of the groups, is what you said, basically. There are two groups.

MS. MCDOWELL: There are two after --

MR. GANN: So tell me what you did to contact those groups?

MS. MCDOWELL: We attended their meetings. We reached out. Initially, what we did was, we reached out to leadership, and then we attended meetings. For the Govalle Neighborhood Association was relatively new to us a couple of years ago.

But we have had this wider project, including the Youth and Family Resource Center in development for several years. So we have gradually developed a relationship with them over the last couple of years and started talking to them about this project about 22 months ago.

MR. GANN: So you had extended contact with them before.

MS. MCDOWELL: Extended, yes. We are well known to them, right now.

MR. CONINE: Mr. Ozer.

MR. OXER: Do you have anyone here to add some additional weight to your comment that you have their support?

MS. MCDOWELL: I do not. What I do have that I can hand out is a letter written actually for another application last year to the City from the leaders of the neighborhood association, that does note that we have met twice in 2009. And so it goes that far back. So that, I have that to verify it but nobody additionally to speak.

MR. CONINE: Any other questions for the witness?

(No response.)

MR. CONINE: Thank you for your testimony.

MS. MCDOWELL: Thank you.

MR. CONINE: Entertain a motion.

MS. BINGHAM ESCAREÑO: Okay. Next meeting, somebody has to be the bad guy, besides me. So you know, it sounds like a great project, and I think probably the heartburn that we have as a Board is just that those points, other people do turn things in on time.

And obviously, this round is going to be very competitive, with not a lot of funds. So at this point, I am going to move staff's recommendation to deny.

MR. CONINE: Motion to approve staff recommendation to deny by Ms. Bingham. Is there a second?

MR. OXER: Second.

MR. CONINE: Second by Mr. Ozer. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: Item 2B?

MR. CONINE: Item, well, do we have anything else on eight?

MR. GERBER: I think that is it.

MR. CONINE: I guess we need to go back to Item 2B, although I hate to do it.

MR. GERBER: Mr. Chairman, Item 2B is a resolution to deal with my intention to resign as ED, effective prior to the next scheduled meeting of the Board. Likely in middle to late June. This will obviously necessitate the designation of an acting Executive Director as provided for in our governing statute.

And this resolution will authorize the Chair to carry out the necessary administrative details in connection with this transition. It has been a great privilege to serve

and as I have shared with many people who have come up expressing good wishes, that to everything there is a season.

I have enjoyed immensely my time at TDHCA and I will have much more to say about that when I come back at the June 30 meeting sitting out in the cheap seats. Tim Irvine is up here, hopefully in the hot seat. But it has been a privilege to serve each and every one of you.

MR. CONINE: Well, we are going to miss you. That is all I can say for sure. It is something that I know you thought long and hard about and we will have an appropriate send off for Mike at the next Board meeting. He didn't want to do it this particular time for a lot of different reasons.

But we as a Board and I am sure, the family you have created out here, will show appropriate recognition at that next month's Board meeting but this will be the last time that you are sitting in that chair, and you have certainly given me a lot of assistance in doing what I need to do from this chair.

And certainly, we appreciate the way you have run the Department over the last five years. Any other Board members care to say anything at this point? We can save it for next time.

MR. MUNOZ: Save it for next time.

MR. CONINE: Save it for next time. How about if we approve the resolution, recommendation action here in our Board packet. Do I hear a motion there?

MS. BINGHAM ESCAREÑO: I am not going to.

MR. CONINE: You are not going to be the bad guy? Or you are the bad guy?

MR. MUNOZ: I will make the motion. Leslie, I will share the burden today. I will make the motion.

MR. CONINE: Motion to approve Item 2B. Is there a second?

MR. KEIG: Second.

MR. CONINE: Second by Dr. Keig. All those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All those opposed?

(No response.)

MR. CONINE: Reluctantly, we have approved Item 2B and we will have a chance to articulate that a little better next month.

MR. GERBER: Mr. Chairman, could I just interject one thing?

MR. CONINE: Sure.

MR. GERBER: What the Board just did, is appoint

Tim Irvine as acting Executive Director upon my resignation.

Tim is about as fine a person as you could ever -- as I have known. He has been my steady deputy dog for the last several years.

He has put up with more than any one person should reasonably be expected to and I know that he has the confidence of every person in the Department and in the stakeholder community. And so I know, and wish Tim every best wish and so applaud the Board's decision.

MR. CONINE: Do we have any report items, Mr. Gerber?

MR. GERBER: There are several that I will refer you to. There obviously is a list of outreach activities. There is information about a release of a request for proposals for research on the prevalence of contract for deeds in Texas colonias.

There is also some information related to one particular LURA for Anna House in Ridgeoak Way. That is a compliance issue that I would draw your attention to. Our regular update on the Community Development Block Grant contracts are administered by TDHCA. As well as another report item, a final report item on the Neighborhood Stabilization Program budget and transfer reconciliation report. That is there.

Many of you obviously, at the beginning of this heard about some issues that Ms. Donoho brought forward. This will give you a little bit better indication of where the dollars are going within the Neighborhood Stabilization Program, the progress that we are making. And you will see those numbers continue to be updated as we reconcile accounts and continue to frankly, expend those dollars, and wrap up that program.

This is a one shot deal. We don't think that Congress is going to be appropriating more money for the Neighborhood Stabilization Program, and, in some respects, that is a good thing. But we want to make sure that we finish strong on the dollars that have been entrusted to us.

So I will refer those items to each of you and to read at your leisure. If you have questions, to let us know.

MR. CONINE: Okay. Any further questions or issues to be brought before the Board?

Mr. Oxer, we appreciate you being here, and hope you enjoyed your first Board meeting, and look forward to many more with your participation.

MR. OXER: Nobody seemed to be --

MR. CONINE: I think you have done pretty well. If there is nothing else to come before the Board, we stand

adjourned.

(Whereupon, the meeting was concluded at 2:50
p.m.)

CERTIFICATE

IN RE: TDHCA Board Meeting

LOCATION: Austin, Texas

DATE: May 5, 2011

I do hereby certify that the foregoing pages, numbers 1 through 194, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

5/11/2011
(Transcriber) (Date)

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