

BOARD MEETING OF THE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Room E1.016
State Capitol Extension
1400 Congress Avenue
Austin, Texas

11:05 a.m.
Friday,
October 13, 2000

BOARD MEMBERS:

MICHAEL JONES, Chairman
JAMES DAROSS, Vice Chairman
C. KENT CONINE
MARSHA WILLIAMS
LYDIA SAENZ (not present)
DONALD R. BETHEL
ROBERT BREWER
MARGIE BINGHAM
DR. FLORITA BELL GRIFFIN

ALSO PRESENT:

DAISY STINER, Executive Director

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P R O C E E D I N G S

1
2 MR. JONES: At this time I'd like to call to
3 order the Board meeting of the Texas Department of Housing
4 and Community Affairs for October 13, 2000. The first
5 item that we have on our agenda is to call to order, roll
6 call, and I'll be doing that.

7 Mr. James Daross?

8 MR. DAROSS: Here.

9 MR. JONES: Mr. Donald R. Bethel?

10 MR. BETHEL: I'm here, sir.

11 MR. JONES: Happy birthday, Mr. Bethel.

12 MR. BETHEL: Thank you. It's November.

13 MR. JONES: November?

14 MR. BETHEL: Sixth.

15 MR. JONES: Well, we won't see you again before
16 then. This way we can celebrate it twice.

17 MR. BETHEL: Thank you. Delores's birthday is
18 about that time too; she's going to be 30; I'm going to be
19 29.

20 (General laughter.)

21 MR. JONES: Happy birthday, Delores.

22 Ms. Margie Bingham is en route; I understand
23 her plane has been delayed.

24 Mr. Robert Brewer?

1 MR. BREWER: Here.

2 MR. JONES: Mr. C. Kent Conine?

3 MR. CONINE: Here.

4 MR. JONES: Dr. Florita Bell Griffin?

5 (No response.)

6 MR. JONES: Absent. Ms. Lydia Saenz?

7 (No response.)

8 MR. JONES: Absent. Ms. Marsha L. Williams?

9 MS. WILLIAMS: Here.

10 MR. JONES: And I determine that we do have, in
11 fact, a quorum. Michael Jones is here. We do have a
12 quorum.

13 The next thing we will take is public comment.

14 We have nobody that signed a witness affirmation form.
15 Would anybody like to speak to the Board or comment on
16 anything?

17 MR. DUNN: Mr. Chairman, I'd like to address
18 the Board on the deobligation policy but I was hoping I
19 could do it after you've discussed it.

20 MR. JONES: We'll be happy to do that. I would
21 request, though, that you fill out a witness affirmation
22 form.

23 MR. DUNN: Absolutely.

1 MR. JONES: And at that point in time, I'll do
2 my best to remember to recognize you. If I don't, if you
3 would bring that to my attention, I certainly would
4 appreciate it.

5 MR. DUNN: Yes, sir.

6 MR. JONES: We will take your comment then at
7 that time.

8 Would anybody else like to comment to the Board
9 or address the Board?

10 (No response.)

11 MR. JONES: Hearing noon, then, we will close
12 the opportunity for public comment, and move on to our
13 agenda, the first item being the presentation, discussion
14 and possible approval of the minutes of the Board meeting
15 of September 15, 2000.

16 MR. BETHEL: I move approval.

17 MS. WILLIAMS: Second.

18 MR. JONES: We have a motion that's been made
19 recommending approval of those minutes. Any discussion?

20 (No response.)

21 MR. JONES: Hearing no discussion, are we ready
22 to vote? I assume we are. All in favor of the motion,
23 please say aye.

1 (A chorus of ayes.)

2 MR. JONES: All opposed, nay.

3 (None.)

4 MR. CONINE: I abstain.

5 MR. JONES: We have one abstention which is Mr.
6 Conine.

7 We will then move to Item 2 of the agenda which
8 is the presentation, discussion and possible approval of
9 the report from the Finance Committee. Mr. Bethel.

10 MR. BETHEL: Thank you, Mr. Chair.

11 The Finance Committee met this morning and
12 approved all of our items except one that was pulled, and
13 recommend approval to the Board. If the Board would like,
14 we can have Mr. Onion and Mr. Apple and Mr. Stewart come
15 up, or a lot of you were here at the time. What I'll do,
16 if you want to discuss it, I'll make a motion that we
17 approve Resolution 00-30 at Green Bridge at Buckingham in
18 Richardson, Texas and then if we want discussion about it,
19 we can have discussion.

20 MR. CONINE: Second.

21 MR. JONES: We have a motion and a second that
22 Resolution 00-30 be approved. Discussion, questions,
23 comments?

1 (No response.)

2 MR. JONES: Hearing none, are we ready to vote
3 on the motion? I assume we are. All in favor of the
4 motion, please say aye.

5 (A chorus of ayes.)

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

7 (None.)

8 MR. JONES: The motion carries.

9 Mr. Bethel.

10 MR. BETHEL: The next item on the agenda was
11 the Collingham Park [phonetic] Apartments in Houston,
12 Texas. We discussed that and we passed the resolution, or
13 I'll make a motion to pass the Resolution 00-32 approving
14 that.

15 MR. BREWER: I second.

16 MR. JONES: We have a motion that's been made
17 and seconded that the Board pass Resolution Number 00-32.

18 Discussion, comments, questions?

19 (No response.)

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

23 (A chorus of ayes.)

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

2 (None.)

3 MR. JONES: The motion carries.

4 Mr. Bethel.

5 MR. BETHEL: Then we had the inducement
6 resolutions for the multifamily housing mortgage revenue
7 bonds, and we discussed that and discussed approving the
8 resolutions, and so I make a motion we approve Resolution
9 00-33, Resolution 00-34 --

10 MR. CONINE: Wait a minute. How many of these
11 are you going to do?

12 MR. BETHEL: Seventy-two.

13 MR. CONINE: No, we haven't got time.

14 MR. BETHEL: Then I'll amend that motion and
15 make it from Resolution starting with 00-33 going to 00-
16 104 which was 72 resolutions, and that will be 72
17 inducements.

18 MR. BREWER: I second that.

19 MR. JONES: And could the record also reflect
20 that Dr. Florita Bell Griffin has also joined us.

21 We have a motion on the floor that we approve
22 Resolutions 00-33 through 00-104, I believe. Is that
23 correct?

1 MR. DAROSS: I'll second it.

2 MR. JONES: We have a motion made and seconded
3 to that effect. Discussion, comments, questions?

4 (No response.)

5 MR. JONES: Are we ready to vote? I assume we
6 are. All in favor of the motion, please say aye.

7 (A chorus of ayes.)

8 MR. JONES: All opposed, nay.

9 (None.)

10 MR. JONES: All abstentions?

11 DR. GRIFFIN: I abstain.

12 MR. JONES: The motion carries.

13 Mr. Bethel.

14 MR. BETHEL: The next item was pulled. It was
15 the collateralized mortgage obligation funds for down
16 payment and closing cost assistance. That item has been
17 pulled and I believe it will be presented at the November
18 Board meeting.

19 So then we go to -- the next item was the
20 approval of lenders participating in Single Family Bond
21 Program 56, and each member should have a copy of the
22 lenders. We recommended approving this lender list. The
23 ones with the asterisks are the ones that Countrywide is

1 still looking at and there's eleven of those, and so I
2 make a motion to approve the lender list, subject to the
3 approval of those eleven by Countrywide.

4 MR. JONES: We have a motion. Is there a
5 second?

6 MR. CONINE: Second.

7 MR. JONES: We have a motion that's been made
8 and seconded. Any discussion?

9 MS. WILLIAMS: Mr. Chair, I need to recuse
10 myself.

11 MR. JONES: Okay. And at this time I will note
12 that Ms. Williams is leaving the Board meeting, and I will
13 read her letter dated October 13, 2000.

14 "Members of the Board: I am recusing myself
15 from voting on the approval of a resolution approving
16 lenders participating in Single Family Bond Program 56.
17 This agenda item could relate to our firm's representation
18 of mortgage lenders." Signed: Marsha L. Williams.

19 MR. BREWER: Mr. Chair, can we vote without a
20 quorum?

21 MR. JONES: I believe we can. We've addressed
22 that issue before and determined that we could, Mr.
23 Brewer.

1 MR. DAROSS: We have a quorum anyway.

2 MR. JONES: We have a quorum participating, but
3 I don't think it takes a quorum voting. Any further
4 discussion, comments of the motion, questions?

5 DR. GRIFFIN: Mr. Chairman, that isn't
6 truthful. We did research it; you couldn't vote without a
7 quorum, but I am a quorum, so I'm here.

8 MR. DAROSS: We have a quorum anyway.

9 MR. JONES: We have five?

10 MR. DAROSS: We have six.

11 MR. JONES: Okay. Are we ready to vote? All
12 in favor of the motion, please say aye.

13 (A chorus of ayes.)

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

15 (None.)

16 MR. JONES: All abstentions?

17 DR. GRIFFIN: I abstain.

18 MR. JONES: The motion carries. Please reflect
19 that the chairman voted in favor of the motion.

20 If we could, could we go get Ms. Williams? And
21 the record could reflect Ms. Williams has rejoined our
22 meeting.

23 Mr. Bethel.

1 MR. BETHEL: The last item on our agenda was
2 the acceptance of the fourth quarter investment report.
3 Mr. Dally presented that, and we accepted the report. If
4 the Board would like to hear that report, we can have Mr.
5 Dally make it again, if it's the pleasure of the Chair and
6 the Board.

7 MR. JONES: Sure. Obviously, Mr. Dally is
8 here. Any questions? I know the Board has the report in
9 written form and that Mr. Dally has already made it to the
10 Finance Committee.

11 MR. BREWER: Can he just give us a bottom line
12 on our investments? He doesn't have to go through every
13 item.

14 MR. JONES: Sure. Mr. Dally, would you address
15 Mr. Brewer's questions?

16 MR. DALLY: The bottom line, the overall
17 portfolio shrank just a little bit; in total it's \$1.04
18 billion.

19 MR. BREWER: Do you see that turning around?

20 MR. DALLY: Turning around?

21 MR. BREWER: It shrank a little bit, but you're
22 happy with our investments?

23 MR. DALLY: Oh, yes, and we'll have a new issue

1 coming out that's going to increase it by about \$124
2 million, so we'll have more lendable proceeds.

3 MR. BREWER: Okay. Mr. Chair, I make a motion
4 we accept the fourth quarter investment report as given.

5 MR. CONINE: Second.

6 MR. JONES: We have a motion that we accept the
7 report and it's been seconded. Any further discussion?

8 (No response.)

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

12 (A chorus of ayes.)

13 MR. JONES: All opposed, say nay.

14 (None.)

15 MR. JONES: Any abstentions?

16 DR. GRIFFIN: I abstain.

17 MR. JONES: Motion carries.

18 MR. JONES: Dr. Griffin, I have your note.
19 Would you like to speak?

20 DR. GRIFFIN: No. I can wait till the end.

21 MR. JONES: Okay, fine.

22 I then return to Item 3 on our agenda.

23 Ms. Stiner.

1 MS. STINER: Thank you, Mr. Chair.

2 For the past two meetings of the Board, you've
3 been handed the work that the staff has been doing on a
4 deobligation policy. As you may recall, there's been an
5 internal task force working on this for some time. The
6 task has been that as a result of the various programs
7 that the Department administers, the requirements relative
8 to funding vary, so a task force has been working over the
9 last several months to come to a position where we're able
10 to track and reconcile the deobligated funds that become
11 available to the Department from various program sources.

12 You've had that deobligation policy; we
13 presented it to you as a report last month and committed
14 to bring it back to you this month as an approval item.

15 Just as a quick review, the priority of
16 deobligated funds that come back to the Department would
17 be used in the following areas: the first priority would
18 be disaster relief; the second priority would be special
19 needs; the third priority would be in the Colonias; and
20 then number four, other projects as determined by the
21 executive director and the Board that are allowable under
22 program rules and regulations.

23 And we're asking the Board today to direct the

1 Department to institute the policy that will lend itself
2 to those particular priorities.

3 MR. JONES: Yes, we did have a public speaker
4 that would like to speak on this. Mr. Dunn.

5 MR. DUNN: Thank you much, Mr. Chairman.
6 Members of the Board, appreciate the opportunity and
7 special consideration. My name is Mike Dunn; I represent
8 the Texas Association of Community Development
9 Corporations, and I appreciate the efforts of staff in
10 bringing before the Board the proposed deobligated funds
11 policy.

12 We have been asking the Department since about
13 this time last year about such a policy, and I understand
14 that the deobligated funds committee has met a couple of
15 times to study this issue, and we appreciate that.

16 We do have concerns about the proposed policy.
17 There are a couple of questions, quite frankly, that I
18 don't understand just about the process. What happens
19 after this policy comes before you, or is this the
20 policies that are written that are going to govern the
21 Department's use of these funds and how they're going to
22 use it according to public policy? Will there be public
23 comment on the deobligated funds policy as it's instituted

1 by the Department? I guess I don't understand that, first
2 of all.

3 But first of all, we do have concerns about the
4 policy and appreciate the chance to address this to you.
5 The total amount of the deobligated funds ought to be
6 publicly listed each quarter by the Department. The
7 information should include all the funds that are
8 deobligated by amount and type and the remaining term in
9 which the funds must be used before they either go back to
10 the federal government or whatever entity.

11 As far as the very first item on there, how the
12 Department suggests to do it through the individual
13 program tracking, to me, since I don't understand how the
14 process is done now, I assume it is already done through
15 the individual program tracking, and I think what we were
16 looking for was an overall Department philosophy of how
17 they were going to be addressing the deobligated funds.

18 So we don't expect that to address the issue
19 effectively, but if we put, by quarter, how many funds are
20 being deobligated out there, then this allows groups that
21 are out there that have special projects they want to
22 bring to the Board to make use of these funds, perhaps in
23 quick time, because whatever the window is, if it's under

1 two years or if there's a lack of time that they're going
2 to need to be doing these projects quickly, it helps if
3 they know how much is out there and what they can do and
4 come to the Board with.

5 Obviously, I'm not prepared, and I appreciate
6 you allowing me to flip around here. As far as if the
7 funds have above a two-year window, you know, we could
8 make them all publicly made available again through like
9 some sort of request, RFP -- supplemental RFP process.
10 And with most of the Department programs currently having,
11 I believe, like an 18-month window or something like that,
12 that could be done.

13 And if we had some kind of an innovative
14 project category, something that there's a way that you
15 know groups out there that were doing the good work that
16 you had and you were able to redirect the deobligated
17 funds, especially like the HOME categories, you could make
18 decisions based on need, impact, number of units, things
19 like that, levels of the families and income levels that
20 you'd be addressing.

21 And as far as the priorities, the disaster
22 relief and the Colonias, it was unclear to me at first
23 whether that was a priority list or that was a list of

1 priorities, and I appreciate the clarification.

2 MS. STINER: What's the difference: a priority
3 list or a list of priorities?

4 MR. DUNN: Because to me Priority 1 comes
5 before Priority 4, but Priorities A through D is
6 Priorities A through D, and there perhaps is not a
7 difference and it's a fault of myself for not
8 understanding that.

9 I appreciate the Department's time and the time
10 of this Board, and we'd appreciate any chance or
11 opportunity we'd have to work with staff and the Board as
12 they implement this further. Thank you very much.

13 MR. JONES: Thank you.

14 Ms. Stiner, I'd like to give you the
15 opportunity just to address those concerns.

16 MS. STINER: I'd have to try to get to all of
17 his concerns; I'll try to address those that immediately
18 come to mind.

19 The first delineation that he made whether or
20 not this was going to be tracked at a program level or a
21 Department level, I think number two speaks to that. We're
22 going to track them as they become available at both the
23 Department and the program level, so there will be an

1 overriding over-arching tracking of the funds.

2 Relative to what the procedures will be, this
3 policy, as per policies that are directed to the Board,
4 will be reduced to standard operating procedures within
5 the Department. Those are usually also communicated to
6 the public through our NOFAs. Some of these funds lend
7 themselves to NOFAs; others do not. For instance, CDBG
8 traditionally, when the funds have been deobligated, have
9 gone to disaster relief. But that will be a procedure and
10 those procedures will be communicated to the public
11 through the guidelines of the programs and those sort of
12 things.

13 I'd be happy to sit down with Mr. Dunn, as
14 we've done in the past with your organization, and talk to
15 you more about how administratively this policy is going
16 to be implemented. We'll be happy to do that.

17 MR. JONES: Thank you, Ms. Stiner.

18 MR. CONINE: I have a couple of questions, if I
19 might.

20 MR. JONES: Certainly.

21 MR. CONINE: Ms. Stiner, do you think we could
22 actually write in another number about the NOFAs if
23 applicable under the funds, so it would be actually in

1 this written policy? Is that something that you feel
2 comfortable doing?

3 MS. STINER: May I address the NOFA situation?

4 MR. CONINE: Sure.

5 MS. STINER: It occurs to me that the NOFA
6 situation is not necessarily a method that we would want
7 to use in every particular situation. If these funds
8 become available and there's a disaster, we certainly do
9 not want to be in a position of putting our NOFA forward.

10 MS. BINGHAM: He said if applicable.

11 MR. CONINE: Yes, I said if applicable, so it
12 would give you an out if it didn't pertain to that.

13 MS. STINER: Thank you. If applicable, okay.
14 Thank you.

15 MR. CONINE: Yes. I didn't want to suggest
16 that public disclosure of deobligated money is appropriate
17 in every case, but in cases that are, we would have a
18 written sentence in here that would say that if
19 applicable, we would do a public disclosure.

20 And secondly, under 4(d) when you were reading
21 through there, I think you said the word "and" and between
22 executive director it's written "or" Board, and if we
23 could amend that to say "and/or" it would make me more

1 comfortable and be in line with what you actually said a
2 few minutes ago.

3 MS. STINER: Yes, sir.

4 MR. JONES: Do we have any further discussion
5 or a motion?

6 MR. BETHEL: Ms. Bingham?

7 MR. JONES: I'm sorry.

8 MR. BETHEL: I mean, she is here.

9 MR. JONES: Ms. Bingham has joined us. Thank
10 you.

11 Any further discussion or any motions?

12 MR. CONINE: Mr. Chairman, I move we adopt the
13 policy, the deobligation policy submitted by our staff
14 with the two amendments that I mentioned just a few
15 minutes ago.

16 MR. JONES: A motion has been made. Is there a
17 second?

18 MR. DAROSS: Second.

19 MR. JONES: A motion has been made and
20 seconded. Further discussion, comments, questions?

21 (No response.)

22 MR. JONES: Hearing none, are we ready to vote?
23 All in favor of the motion, please say aye.

1 (A chorus of ayes.)

2 MR. JONES: All opposed, nay.

3 (None.)

4 MR. JONES: All abstentions?

5 DR. GRIFFIN: I abstain.

6 MR. JONES: Motion carries.

7 Ms. Stiner.

8 MS. STINER: Thank you. On item (b), I'll ask
9 Homer Cabello, the director of the Office of Colonia
10 Initiatives to come forward. I think you heard a little
11 earlier, when the CFO was making his presentation about
12 the Ginnie Mae sale, that there were some proceeds that
13 remained that was available to the Department, about \$1.9
14 million. And Mr. Cabello will present to the Board a use
15 of those funds, and I'll allow him to make that
16 presentation and staff can entertain any questions that
17 you may have relative to that particular item.

18 Homer, will you identify yourself and make the
19 presentation, please?

20 MR. CABELLO: Thank you, Daisy. For the
21 record, my name is Homer Cabello, the director for the
22 Office of Colonia Initiatives.

23 I've been before this body before several times

1 already talking about the contract for deed conversion
2 issue that we are mandated to do under our appropriations
3 rider. We are required to convert 400 contracts for deed
4 and expend no less than \$4 million by August 31, 2001. To
5 date, we have converted 371 contracts for deed and we've
6 expended \$4.2 million.

7 Technically, all these conversions happened
8 within the last 12 months so we could count them for this
9 mandate that we have under this biennium; however, we are
10 intending to fulfill also the mandate of the last biennium
11 that we did not achieve the first time around.

12 We do have \$5.7 million of HOME funds already
13 committed to this program and we also have \$2.9 million of
14 1994 B funds, bond funds, for a total of \$8.6. This \$1.9
15 million will take us to about \$10.5 million committed.

16 The reason we're asking for additional money is
17 because we have about 50 applications in-house that we are
18 not able to fund for the approximate amount of \$800,000.
19 We also have a minimum of another 50 files in our field
20 offices that we have done intake, totaling \$700,000. So
21 we have applications to date of \$1.5 million of which we
22 don't have enough money to fund.

23 I would like to note that this program has

1 become very successful. We are starting to get many phone
2 calls and inquiries about this program in other parts of
3 the state and other parts of the border, and we would like
4 to continue this initiative. It's also my understanding
5 that this same rider will be in the next biennium in the
6 appropriations also, so it will be a program that will be
7 continued; however, it is an unfunded mandate and we do
8 request approval of the \$1.9 million.

9 MR. JONES: Thank you, sir.

10 MR. CONINE: I'll move the item on the agenda
11 just to get it up for discussion.

12 MR. JONES: We have a motion that the
13 recommendation of staff be approved.

14 MR. DAROSS: I'll second.

15 MR. JONES: The motion has been made and it's
16 been seconded. Now discussion.

17 MR. CONINE: Homer, what is the average size of
18 those contracts for deed? You said that we get a bunch of
19 applications in and you gave us a gross dollar amount, but
20 what's the average size?

21 MR. CABELLO: We're averaging about \$12,000 a
22 home. However, under the HOME Program we don't just
23 convert them. We also have to provide the rehabilitation

1 to bring the houses up to Colonia housing standards in
2 order to be in compliance with the HOME Fund regulations.

3 However, with the bond funds, we just do the contract for
4 deed conversion and by giving title to the family,
5 hopefully they are able to obtain their own home
6 improvement, reap the benefits of home ownership.

7 But if you combine it all together, if you
8 divide \$4.2 million by 371, we're averaging about \$12,000
9 per home.

10 MR. CONINE: So if this \$1.9- gets you to a
11 number over \$10 million, you're going to more than likely
12 far exceed the 400-unit mandate, are you not?

13 MR. CABELLO: Yes. We're trying to do 800
14 conversions so that -- for the last biennium we didn't
15 meet the mandate, so we're trying to do 800 conversions.
16 Hopefully, by the end of the year, we'll have
17 approximately 500 conversions done.

18 MS. STINER: May I comment?

19 MR. JONES: Sure.

20 MS. STINER: Homer, isn't it correct that those
21 contracts were originated in the past fiscal year and they
22 closed this fiscal year, so those are pursuant to our last
23 fiscal year?

1 MR. CABELLO: Yes.

2 MS. STINER: So we'll be able to count them,
3 and this is the beginning of a new fiscal year and we'll
4 have to meet that same mandate.

5 MR. CABELLO: The mandate is for the biennium;
6 last fiscal year was part of this biennium.

7 Yes, that's correct.

8 MR. JONES: Further questions, comments,
9 discussion?

10 MS. STINER: Oh, I'm sorry. I forgot to make
11 the comment I asked you to make a comment for. The OCI
12 Program, the contract for deed conversion initiative,
13 received a national award last month at the NCSHA,
14 National Council of State Housing Agencies. And we just
15 want to congratulate the staff and ask the Board to join
16 us in congratulating them. It's a program that's serving
17 as a model for the rest of the country, so we're real
18 proud of the fact that it's something that the other
19 states and the national associations have recognized.

20 (Applause.)

21 MR. CABELLO: Can I make some comments?

22 MR. JONES: You sure can. Keep on going.

23 MR. CABELLO: This program has received two

1 national awards, one by HUD and one by the NCSHA and one
2 regional award which is comprised of, I believe, five
3 states. But I would like to share the credit with Pam
4 Morris and her staff, because without her staff, these
5 accomplishments would not be at this point. So while we
6 like the spotlight, I think it's also appropriate that we
7 share the spotlight with the Single Family Department and
8 the HOME Department, of which Pam is the director, and she
9 should share the same type of recognition also.

10 (Applause.)

11 MR. JONES: Any other acceptance speeches?

12 (General laughter.)

13 MR. JONES: Congratulations; that's great. We
14 have a motion on the floor and it has been seconded, and
15 we're into discussion. Further discussion, comments,
16 questions?

17 (No response.)

18 MR. JONES: Are we ready to vote? I assume we
19 are. All in favor of the motion, please say aye.

20 (A chorus of ayes.)

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

22 (None.)

23 MR. JONES: All abstentions?

1 DR. GRIFFIN: I abstain.

2 MR. JONES: Motion carries.

3 We will then move to Item 4 on the agenda. Ms.
4 Bingham?

5 MS. BINGHAM: Item 4 is the approval of the
6 issuance of determination notices for tax exempt bond
7 projects. I notice, Cherno, you moved to the table pretty
8 quick, so I guess you're going to stop me real quick. You
9 may proceed.

10 MR. NJIE: Do you want me to make the
11 presentation?

12 MS. BINGHAM: yes.

13 MR. BETHEL: Ms. Bingham, the Finance Committee
14 did approve these.

15 MS. BINGHAM: You've already approved these?

16 MR. BETHEL: Yes, but we didn't do the tax
17 credit one, but we did approve them.

18 MS. STINER: The bond issuance.

19 MS. BINGHAM: Well, for those who were here, I
20 would certainly accept a motion, without having been here
21 myself.

22 MR. BETHEL: I so move.

23 MS. BINGHAM: I second.

1 MR. JONES: We have a motion and we have a
2 second, we have Chernobyl at the table.

3 (General laughter.)

4 MR. JONES: Looking pensive like he's ready to
5 comment, but maybe not. Do we have any discussion? Do we
6 have any comments? Do we have any questions on the
7 motion?

8 (No response.)

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

12 (A chorus of ayes.)

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

15 (No response.)

16 MR. JONES: All abstentions?

17 DR. GRIFFIN: I abstain.

18 MR. JONES: The motion carries.

19 MR. CONINE: You get a free ride today, Chernobyl.

20 MR. NJIE: I look forward to more of these.

21 (General laughter.)

22 MR. JONES: Ms. Bingham?

23 MS. STINER: Daisy, I assume you've got the tax

1 credit counsel?

2 MS. STINER: Yes. Betty Marks, will you come
3 forward and make the staff presentation? Ms. Marks is
4 general counsel for the Department.

5 MS. MARKS: I'm Betty Marks, general counsel of
6 the Department. This item is for the approval of engaging
7 Hawkins, Delafield & Wood as the tax credit counsel for
8 the Department. And as in your write-up, on June 19,
9 2000, and later revised as August 23, 2000, the AG's
10 office implemented new retention of outside tax counsel
11 contracts to be used by state agencies for this fiscal
12 year upcoming in 2001 which began September 1, 2000.

13 All state agencies were required to request
14 proposals for outside counsel legal services, excepting
15 bond-related contracts, so we are renewing and extending
16 automatically our bond counsel contracts. However, we
17 were required to send an RFP for our tax credit counsel.
18 What the AG's office is doing is redetermining whether
19 they have the expertise in-house to be able to represent
20 the Agency, and tax credit counsel is one of those where
21 they've asked us to go ahead and put out an RFP.

22 We put out an RFP, request for proposal. It
23 was filed and posted for tax credit counsel both in the

1 Texas Marketplace -- which is a requirement -- and also in
2 the Texas Register. The deadline for submitting the
3 proposals from firms who wanted to act as tax credit
4 counsel was September 29. The copies of the requests for
5 proposal were sent to three law firms; the only proposal
6 we received back was from Hawkins, Delafield & Wood in
7 Washington, D.C. This is Mr. Tony Friedman, who has
8 represented us for a number of years, I believe since
9 1992, maybe before -- since 1993.

10 I've summarized the proposal from Hawkins,
11 Delafield & Wood, and it's at the bottom of your write-up.

12 And their firm proposal was to engage to continue
13 representation of the Department, and their proposed fees
14 range from \$450 an hour to \$175 an hour. And then as
15 required on the tax credit counsel form that is required
16 by the AG's office, they will be billed hourly with
17 detailed billing of actual time and they will also have
18 other expenses reimbursed at actual cost at state mandated
19 rates.

20 The fees and expenses with an hourly breakdown
21 are valid for the duration of the proposal for their
22 contract, which is a one-year contract. If you have any
23 questions?

1 MR. DAROSS: I move we approve Hawkins,
2 Delafield & Wood as tax credit counsel for the Department.

3 MR. BREWER: I second it.

4 MR. JONES: The motion has been made and
5 seconded. Further discussion, comments, questions?

6 (No response.)

7 MR. JONES: Hearing none, are we ready to vote?
8 I assume we are. All in favor of the motion, please say
9 aye.

10 (A chorus of ayes.)

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

13 (None.)

14 MR. JONES: All abstentions?

15 DR. GRIFFIN: I abstain.

16 MR. JONES: Thank you. The motion carries.

17 Ms. Bingham, does that conclude your report,
18 ma'am?

19 MS. BINGHAM: That's all I can gather, for the
20 short time I've been here.

21 (General laughter.)

22 MR. JONES: We turn next to Item 5, Mr. Conine.

23 MR. CONINE: Thank you, Mr. Chairman. The

1 Audit Committee met this morning and had a presentation
2 from our internal auditor, Mr. David Gaines. Under Tab
3 5(a) in your book you'll find the Fiscal Year 2001
4 Internal Audit Plan. You can see the projects that Mr.
5 Gaines has listed down the left side: the software audit;
6 internet security audit; the Community Services Block
7 Grant Program; the Section 8 follow-up audit; and a
8 payroll audit that he wants to implement for next year.

9 So we discussed this with him at length and
10 unanimously decided to bring it to the Board for your
11 approval, and I make that motion at this time.

12 MR. DAROSS: I second.

13 MR. JONES: We have a motion that's been made
14 and seconded. Discussion, comments?

15 (No response.)

16 MR. JONES: No other discussion or comments?
17 Are we ready to vote? All in favor of the motion, please
18 say aye.

19 (A chorus of ayes.)

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

21 (None.)

22 MR. JONES: All abstentions?

23 DR. GRIFFIN: I abstain.

1 MR. JONES: Motion carries.

2 MR. CONINE: One other item, Mr. Chairman, I'd
3 like to bring to the Board's attention. We did also, at
4 the Audit Committee, review the status of prior audit
5 issues and it's a report that Mr. Gaines has massaged over
6 time and continues to improve on, and there are several
7 issues listed there. The report is some ten pages long,
8 some of them going back as many as a couple of years.

9 Two action items that we've requested for the
10 next Board meeting. One, we want the Compliance Division
11 to meet with us for the next several meetings just so we
12 can get an accurate update of where we are on some of
13 these issues that show up on the prior audit issues report
14 and get a direct report, and that will probably start next
15 month when we meet.

16 Secondly, we've asked Ms. Stiner to put
17 together a written report on some of the older issues.
18 Some of them may not actually be -- the cost-benefit
19 analysis of dealing with them may be out of whack and we'd
20 like her comments directly on some of these issues so we
21 can get them off of our ten-page report and hopefully get
22 it down to a one- or two-pager here shortly. So we look
23 forward to Ms. Stiner providing us with that, and I just

1 wanted to make the Board aware of that.

2 MR. JONES: Ms. Stiner?

3 MS. STINER: Mr. Conine, you expect my report
4 to get it down to a one-pager?

5 MR. BREWER: If you can do it.

6 (General laughter.)

7 MR. CONINE: That concluded my report.

8 MR. JONES: Thank you, Mr. Conine.

9 Any further questions or comments concerning
10 the Audit Committee?

11 (No response.)

12 MR. JONES: With that, I would turn our
13 attention next to the Executive Director's report. Ms.
14 Stiner.

15 MS. STINER: Delores, have you handed out the
16 handout for the out-of-state applicants for the Housing
17 Trust Fund? We're finding the copies to hand out to each
18 Board member.

19 Pursuant to the Board's request that in the
20 future all Housing Trust Fund capacity building awards be
21 made to in-state providers, the legal staff has done some
22 research and have concluded that that is certainly
23 something that can be done under the law. I think that's

1 the bottom line summary of it, but we have a paragraph
2 that's being passed out to you, and I'll read it into the
3 record until we can get you your own individual copies.

4 "In the August 11, 2000 Board meeting, a motion
5 was made and approved that the Department exclude out-of-
6 state companies from competing for Housing Trust Fund
7 awards for training non-profit housing providers. Such
8 approval was, however, expressly made subject to review by
9 Legal. The issue has been researched and Legal is of the
10 opinion that while such exclusion could subject the
11 Department to a challenge on the basis that such action is
12 in violation of the Commerce Clause of the U.S.
13 Constitution, such a challenge would likely be
14 unsuccessful, as it would fall within the market
15 participant exception for the Commerce Clause under
16 present case law. The rationale for such exception is
17 that the Department is entering the market to purchase
18 trainers with state funds, and therefore, would be
19 entitled to favor Texas-based organizations over out-of-
20 state trainers."

21 So with that, I think we're trying to provide
22 the Board with assurance that that is certainly something
23 that we can do and we will include that in all future

1 NOFAs and solicitation of bids for the Housing Trust Fund
2 capacity training set aside.

3 MR. JONES: Does that complete the executive
4 director's report?

5 MS. STINER: Yes, sir.

6 MR. JONES: Thank you.

7 One other thing that I'd like to say, kind of
8 in connection with the report, that we've talked about the
9 next Board meeting, and we've talked about trying to do
10 something in South Texas with regard to our work with the
11 Colonias, and Ms. Stiner is looking into that and we'll
12 try to get back with the Board members about that, as we
13 plan our next meeting next month.

14 With that, we do need to go into executive
15 session. We can move into that room.

16 Before you go, I'd like to thank a number of
17 people for their attendance. We have Danette Rich from
18 the Governor's Office and we certainly appreciate you
19 being here. We have Michael Grimes from Senator Harrah's
20 [phonetic] office, and Michael, we certainly appreciate
21 you being here. And we have Donna Chatham from the House
22 Urban Affairs Committee. And Donna, we certainly
23 appreciate you being here. We thank you so much for

1 coming.

2 DR. GRIFFIN: Mr. Jones, may I speak before
3 everybody leaves, please?

4 MR. JONES: Dr. Griffin.

5 DR. GRIFFIN: Thank you, Mr. Jones.

6 Briefly, it is with a great deal of excitement
7 that I announce the beginning of my criminal court trial
8 on October 16, which is Monday morning at nine o'clock.
9 It will be held at the Houston Federal Building located at
10 515 Rusk Street on the 9th Floor and the judge is Nancy
11 Atlas. The trial will last a maximum of two weeks, and I
12 am being represented by a team of lawyers led by former
13 U.S. Congressman Craig Washington.

14 I wanted to say that before you left, and I
15 wanted to say that I am deeply appreciative to all of my
16 friends and foes that have played whatever role you've
17 played and Board members have played to get us to this
18 point. And it was kicking and screaming that I performed
19 to make sure that we were going to trial October 16 and
20 not have it postponed. I was hoping that we could do it
21 60 days after the indictment in June, but that wasn't
22 possible because of surgery my attorney had to have, so we
23 made sure that the date that was set for October 16 would

1 be a good date that would get us out maybe a couple of
2 weeks before the election, and we're all real excited
3 about that.

4 And then I'm sure that you will understand any
5 repercussions or any fallout that may come as a result of
6 the truth finally being told, but I think that it will
7 make us all stronger people. It has definitely made me
8 stronger, and I'm sure that anything that will come out of
9 this should make anybody looking on and anybody involved
10 much stronger after having been there.

11 And I think if there's any one thing that I
12 would hope would come out of this process -- and I'm
13 speaking especially to citizens of the State of Texas --
14 is that there is a such thing as due process. And
15 something like this will happen one day to somebody that
16 you know, somebody -- and when I say like this, I mean
17 accusations -- somebody that you know, somebody that you
18 love -- it might even happen to you.

19 But the bottom line is this: There is a
20 constitution and it does set out what your rights are and
21 I would challenge you to stand and demand that your rights
22 be carried out. Nobody has a right to publicly try you in
23 the press or to take your rights away and try to make you

1 run, hide and intimidate you.

2 See, back in North Carolina, where I came from,
3 we were taught to fight, fight to the end. That's your
4 right; that's what you've got to do. Many of you have
5 looked on, and you've made different comments and you
6 really can't understand why I continue to come back. I
7 come back because I can't leave; I have invested too much.

8 My mother and father and grandparents and my
9 ancestors have invested too much in me, my brother and
10 sister in bringing us up, in our education, in teaching us
11 about God. My dad would turn over in his grave if he ever
12 thought that somebody could come up to me or write
13 something about me or say something about me and I would
14 cower under the pressure. Even as a woman -- and we're
15 supposed to be, as some men say, the weaker sex -- even as
16 a woman, I wouldn't even think about doing that. I know
17 that's hard for some of you to understand, but that's just
18 my makeup.

19 So it is with a great deal of excitement that I
20 hope that I will see many of you on Monday morning. And
21 regardless of what the outcome of it is, I'm prepared for
22 it. But I also tell you that it might be some surprises.

23 The Austin American Statesman called the other

1 day, and they said -- they called trying to get me to talk
2 about some other Board members, and I refused to. I said,
3 I don't have time for that right now; I'm concentrating on
4 me. I hope you'll be there. And they said, Well, Dr.
5 Griffin, is there anything new that's going to come out?

6 And I said, Absolutely, the truth. Why don't
7 you come hear it? It ought to be worth it. You know, at
8 least hear the other side of it. There's always two sides
9 to a story.

10 So I would challenge you, as you go through
11 your life, to be strong, stand up for what you believe in,
12 because the bottom line is this: everybody is not going
13 to like you anyway. But if you stand and fight for what's
14 right, they will have to respect you; they don't have a
15 choice in that.

16 And so I just encourage you, as you go through
17 your life -- I'll see you next month, but as you go
18 through your life, and regardless of what happens, please
19 remember this and don't ever forget me and don't ever
20 forget what I've just told you, because I assure you,
21 should you live past today, you will need those words.
22 And I just hope you remember that I spoke them.

23 Thank you so much.

1 MR. JONES: I also need to recognize Mike
2 Geeslin from the Lieutenant Governor's Office. We
3 appreciate you being here also.

4 With that, on this the October 13, 2000 at a
5 regular Board meeting of the Texas Department of Housing
6 and Community Affairs held in Austin, Texas, the Board of
7 Directors adjourned into a closed executive session as
8 evidenced by the following: the opening announcement of
9 the presiding officer which says the Board of Directors
10 will begin executive session today, October 13, 2000, at
11 12:00 noon.

12 The subject matter of this executive session
13 deliberation is as follows: personnel actions pursuant to
14 Section 551.074 Texas Government Code regarding discussion
15 and possible approval of performance evaluation for the
16 executive director; secondly, consultation with attorneys
17 concerning pending litigation pursuant to Section 551.071
18 Texas Government Code, Re: KRR Construction and Joseph
19 Kemp v. Texas Department of Housing and Community Affairs,
20 et al. And with that, we'll go into executive session.

21 (Whereupon, at 12:00 noon, the meeting was
22 recessed, to reconvene following executive session.)

23 MR. JONES: I will call back into session the

1 Board meeting of the Texas Department of Housing and
2 Community Affairs for October 13, 2000.

3 MS. BINGHAM: Friday the 13th.

4 MR. JONES: Friday the 13th, 2000.

5 MR. CONINE: Full moon.

6 (General laughter.)

7 MR. JONES: We recently adjourned our meeting
8 and went into executive session today at 12:00 noon. The
9 subject matters of the executive session deliberation were
10 as follows: personnel matters pursuant to Section
11 551.074, Texas Government Code regarding discussion and
12 possible approval of performance evaluation of executive
13 director. Action taken: None.

14 Number two, consultation with attorneys
15 concerning pending litigation pursuant to Section 551.071
16 of the Texas Government Code, Re: KRR Construction, Inc.,
17 and Joseph Kemp v. Texas Department of Housing and
18 Community Affairs, et al. Action taken: none.

19 The Board of Directors has completed its
20 executive session of the Texas Department of Housing and
21 Community Affairs on Friday, October 13, 2000 at 12:39
22 p.m.

23 I hereby certify that this agenda of an

1 executive session of the Texas Department of Housing and
2 Community Affairs was properly authorized, pursuant to
3 Section 551.103 of the Texas Government Code, posted at
4 the Secretary of State's Office seven days prior to the
5 meeting, pursuant to Section 551.044 of the Texas
6 Government Code, and that all members of the Board of
7 Directors were present with the exception of Lydia Saenz,
8 and that this is a true and correct record of the
9 proceedings, pursuant to the Texas Open Meetings Act,
10 Chapter 551 Texas Government Code. And I will sign that
11 as Chair of our Board.

12 With that, I'll direct our attention to the
13 agenda and to Item 6 on the agenda, which is the
14 presentation, discussion and possible approval of
15 settlement of KRR Construction, Inc., and Joseph Kemp v.
16 the TDHCA, et al. I believe there is a proposed
17 resolution concerning that matter in the Board packets or
18 has been submitted to the Board members.

19 Is there a motion concerning this item?

20 DR. GRIFFIN: May I have a copy of the
21 resolution, as I didn't get a Board packet?

22 MR. BETHEL: Would that be Resolution 00-105?

23 MR. JONES: It might well be.

1 MR. JOHNSON: There was one minor wording
2 change between the settlement agreement that you were sent
3 earlier in the week and the settlement agreement that
4 you're being presented with now that Mr. Kemp asked for at
5 the last minute, which basically says that he agrees to
6 dismiss this case with prejudice at the time that the
7 Board commitment is approved. Previously, that language
8 had not been in there and it is now in there; it's just a
9 minor tweaking of the language.

10 MR. JONES: Thank you, Mr. Johnson. It is
11 Resolution Number 00-107, in response to your question.

12 MR. DAROSS: Mr. Chairman, there was a motion,
13 I think, by Mr. Bethel.

14 MR. JONES: I don't think there has been one.
15 There's been no motion.

16 MR. DAROSS: Well, then I will move that the
17 Board approve Resolution Number 00-107.

18 MR. BREWER: I second it.

19 MR. JONES: We have a motion by Mr. Daross,
20 seconded by Mr. Brewer that Resolution Number 00-107 be
21 approved. Comments, discussion, questions?

22 (No response.)

23 MR. JONES: Hearing none, are we ready to vote?

1 I assume we are. All in favor of the motion, please say
2 aye.

3 (A chorus of ayes.)

4 MR. JONES: All opposed, say nay.

5 (None.)

6 MR. JONES: Abstentions?

7 DR. GRIFFIN: I abstain.

8 MR. JONES: The motion carries.

9 That being the conclusion of our agenda, the
10 Chair would entertain a motion to adjourn.

11 MR. DAROSS: So moved.

12 MR. BETHEL: And you're going to let us know
13 when and where?

14 MR. JONES: I certainly will.

15 MR. BETHEL: Okay, second.

16 MR. JONES: Mr. Bethel seconded your motion
17 that we adjourn, Mr. Daross. All in favor of the motion,
18 say aye.

19 (A chorus of ayes.)

20 MR. JONES: We're adjourned.

21 (Whereupon, at 1:00 p.m., the meeting was
22 concluded.)

C E R T I F I C A T E

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MEETING OF: Texas Department of Housing and
Community Affairs Board Meeting

LOCATION: Austin, Texas

DATE: October 13, 2000

I do hereby certify that the foregoing pages,
numbers 1 through 47, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Penny Bynum before the
Texas Department of Housing and Community Affairs.

(Transcriber) 10/17/00
(Date)

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