

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

March 13, 2008
9:37 a.m.

Capitol Extension, E1.028
1500 North Congress Avenue
Austin, Texas

BOARD MEMBERS:

C. KENT CONINE, Chair
LESLIE BINGHAM-ESCARREÑO, Member
SONNY FLORES, Member
JUAN MUÑOZ, Member
GLORIA RAY, Member

STAFF:

MICHAEL GERBER, Executive Director
KEVIN HAMBY, Board Secretary
JEANNIE ARELLANO, Director, HOME Division
KELLY CRAWFORD, Deputy Executive Director,
Disaster Recovery Division
TOM GOURIS, Director, Real Estate Analysis
Division
BRENDA HULL,
ROBBY MEYER, Director, Multi-Family
AMY OEHLER, Director, Community Affairs
Division
ERIC PIKE, Director, Texas Home Ownership
Program
MATT POGOR, Director, Bond Finance
Division

Prog

INDEX

<u>AGENDA ITEM/SPEAKER</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL, CERTIFICATION OF QUORUM	8
PUBLIC COMMENT	22
CONSENT AGENDA:	
Item 1: Approval of the following items presented in the Board materials:	42
General Administration:	
a) Minutes of the Board Meeting of December 15, 2007	
b) Minutes of the Board Meeting of January 31, 2008	
Legal Services:	
c) Presentation, Discussion and Possible Approval of interest rate to be used in agreements entered into by the Department pursuant to H. B. 1196	
d) Resolution of the Board of Directors rescinding Resolution No. 06-036, designating signature authority, and adoption of new Resolution No. 08-012 due to reorganization and new signature authorities designated	
e) Adoption of Resolution of the Board of Directors No. 08-011 regarding policy related to 10 Texas Administrative Code §1.10 on public comment time limits - Kevin Hamby	15
ACTION ITEMS:	
Item 2: Election of Board Officers and Appointment of Board Committees	42
Item 3: Presentation, Discussion and Possible Approval of Community Affairs Division Items:	
a) Presentation, Discussion and Possible Approval of the 2008 Department of Energy (DOE) Weatherization Assistance Program Annual Plan - Michael Gerber	98

	3
b) Presentation, Discussion and Possible Approval of the Department of Energy (DOE) and Low Income Home Energy Assistance Program (LIHEAP) Weatherization Program Contracts - Michael Gerber	99
c) Presentation, Discussion and Possible Approval of staff recommendations (based on a Request for Application process) to designate Community Services Block Grant-eligible entities to serve Duval, Jim Hogg, McMullen, Starr and Zapata counties to administer the Community Services Block Grant, the Comprehensive Energy Assistance Program and the Weatherization Assistance Program - Amy Oehler	100
Item 4: Presentation, Discussion and Possible Approval of Housing Resource Center Items:	
a) Presentation, Discussion and Possible Approval of a Request for Proposals for a Market Study Surveying the Need for Affordable Multifamily Housing in the McAllen-Edinburg-Pharr and Brownsville-Harlingen Metropolitan Statistical Areas - Tom Gouris	103
b) Presentation, Discussion and Possible Approval of the Final 2008 State of Texas Low Income Housing Plan and Annual Report - Michael Gerber	114
Item 5: Presentation, Discussion and Possible Approval to Publish Draft Department Rules in the <i>Texas Register</i>	116
a) Presentation, Discussion and Possible Approval to publish the draft of proposed new 10 TAC §8.1, Project Access Program Rules, for comment in the <i>Texas Register</i> - Michael Gerber	
Item 6: Presentation, Discussion and Approval of HOME Division Items:	
a) Presentation, Discussion and Possible Approval of HOME Program Award Recommendation for Disaster Relief for Crystal City in the amount of \$500,000 - Jeannie Arellano	122
b) Presentation, Discussion and Possible Approval of the Amended Housing Trust Fund Rental	127

Production Program Notice of Funding
Availability (NOFA) - Jeannie Arellano

- c) Presentation, Discussion and Possible Approval of 2007 Housing Trust Fund Texas Veterans Housing Support Program Recommendations: 132

- 2007-43: U.S. Veterans Initiative
(Houston, TX), VRA - Jeannie Arellano

Item 7: Presentation, Discussion and Approval of
Texas Homeownership Division Items:

- a) Presentation, Discussion and Possible Approval of the 2008 Texas Statewide Homebuyer Education Program (TSHEP) contract award - Eric Pike 140

Item 8: Presentation, Discussion and Approval of
Bond Division Items:

- a) Presentation, Discussion and Approval of Resolution No. 08-15 authorizing the change in liquidity facility for impending expiration of liquidity support for four outstanding variable rate demand obligations and a liquidity facility for a contemplated new issuance of variable rate single family revenue bonds - Matt Pogor 144

- b) Presentation, Discussion and Possible Approval of Resolution No. 08-013 authorizing application to the Texas Bond Review Board for reservation of 2008 single family private activity bond authority and Presentation, Discussion and Possible Approval of a Mortgage Credit Certificate Program (MCC) for first-time homebuyers (Program 72) to be administered by the Texas Department of Housing and Community Affairs - Matt Pogor 147

Item 9: Presentation, Discussion and Possible Approval of Disaster Recovery Division Items: 42

- a) Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report for Round 1 Funding relating to Housing - Michael Gerber 47

- b) Presentation and Discussion of the Community 50

Development Block Grant (CDBG) Disaster Recovery Status Report for CDBG Round 2 Disaster and Federal Emergency Management Agency (FEMA) Affordable Housing Pilot Program (AHPP) Program - Kelly Crawford

- c) Presentation, Discussion and Possible Approval of certain policies related to Round 2 CDBG Disaster funding for the Homeowner Assistance Program and Sabine Pass Restoration Program - Michael Gerber 66
- d) Presentation, Discussion and Possible Approval of amendments relating to the ORCA Memorandums of Understanding for CDBG Disaster Funds Round 1 and Round 2 - Michael Gerber 42
- e) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG contracts administered by TDHCA for CDBG Round 1 Funding: 97
- CO60001: Houston-Galveston Area Council
 - Michael Gerber
- Item 10: Presentation, Discussion and Possible Approval of Multifamily Division Items: 152
- a) Presentation, Discussion and Possible Action on HTC Amendments:
- 05613: Providence at Mockingbird
 - 07091: City Walk at Akard
 - 07164: Covington Townhomes
 - 07249: Bluffs Landing Senior Village
 - Robbye Meyer
- b) Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit Appeals: 176
- Appeals Timely Filed
 - Michael Gerber
- C) Presentation, Discussion and Possible Action on Amendments to the Bond Documents for Tower Ridge Apartments, #04602 - Michael Gerber 176
- Item 11: Presentation, Discussion and Possible Approval of Multifamily Division Items - Specifically Multifamily Private Activity Bond Program items: 177

- a) Presentation, Discussion and Possible Issuance
of Determination Notices for Housing Tax
Credits Associated with Mortgage Revenue Bond
Transactions with Other Issuers:
- 08408: Park Shadow Apartments, Beaumont
Jefferson County is the Issuer;
Recommended Credit Amount of
\$504,949 - Michael Gerber
 - 08409: Seville Row Apartments, Beaumont
Jefferson County is the Issuer;
Recommended Credit Amount of
\$300,616 - Michael Gerber
- b) Presentation, Discussion and Possible Action 179
for the Inducement Resolution Declaring intent
to Issue Multifamily Housing Mortgage Revenue
Bonds for Developments throughout the state of
Texas and Authorizing the Filing of Related
Applications for the allocation of Private
Activity Bonds with the Texas Bond Review
Board for Program Year 2008, Resolution No.
08-017 - Robbye Meyer
- 08602: Costa Ibiza, Houston
- REPORT ITEMS: 182
- CLOSING REMARKS/ADJOURNMENT: 184

P R O C E E D I N G S

MR. CONINE: Good morning.

(Pause.)

MR. CONINE: Good morning.

VOICES: Good morning.

(General laughter.)

MR. CONINE: Glad to see everybody's awake in the housing industry in the state of Texas today. That's good based on what's going on nationally in the mortgage market. So I'd like to call to order the March meeting of the Texas Department of Housing and Community Affairs at about 9:37. I will call the roll to see if we've got anybody here.

Leslie Bingham?

MS. BINGHAM-ESCARREÑO: Here.

MR. CONINE: Tomas Cardenas, not here. Kent Conine is here.

Juan Muñoz?

DR. MUÑOZ: Here.

MR. CONINE: Gloria Ray?

MS. RAY: Here.

MR. CONINE: Sonny Flores?

(No response.)

MR. CONINE: Wouldn't you know it?

(Pause.)

MR. CONINE: There he is.

You're here. Say, Here.

MR. FLORES: Here.

MR. CONINE: I thought you were here.

MR. FLORES: I'm having a little technical difficulty. I couldn't hear.

MR. CONINE: That doesn't surprise me, either.

We do have a quorum.

Next we have -- let's see.

MR. GERBER: May I go first?

MR. CONINE: Yes. Why don't you? Do you want to go ahead and go first?

MR. GERBER: Sure.

MR. CONINE: Go ahead.

MR. GERBER: Well, Mr. Chair, as you know, we also have had a lot of Board transition in the last few months, and we're saddened to say goodbye to Mayor Beto Salinas, who has been an extraordinary member of our Board for so many years, a tireless advocate of low-income people across the state who has kept staff on its toes and has been just a really vital member of this Board and goes on to great other appointments by the governor. He's going to be -- he has been appointed to the funeral commission, and we certainly wish him well there.

But we just can't thank you, Mayor, enough for your service.

And to his lovely wife, Mrs. Salinas, thank you for sharing the mayor with us year in and year out. Again, it's just -- I think we all look back upon, you know, the mayor's service and his passion with great appreciation.

And I know all of us -- one of my first -- when I -- just shortly

before I took this job, the TDHCA board held a meeting in Mission. And I think all of us -- and Beth Anderson noted this at the last Board meeting -- remember the wonderful prayer breakfast that you host every year. And what a glorious morning that was and what a real joy it was to be with you.

And if you think there's a bunch of Mayor Salinas groupies up here, you should go down to Mission, Texas. And you'll really -- it's just extraordinary to see 400 people out on the plaza there in front of Mission City Hall. It's just really a wonderful and blessed day.

But on behalf of all the staff, we're very grateful for your service and just want to wish you well.

And, Mr. Chairman, I don't know if you want to go around.

MR. CONINE: Sure.

Mayor, we, again, appreciate your service.

Yvonne, thanks for sharing him with us. I'll never -- I will never forget the undying, relentless advocacy for zoning in Houston that always had.

(General laughter.)

MR. CONINE: I'm not sure -- I know they got the message. I'm not sure that they'll follow it through.

But, again, I appreciate your service. I think your commitment not only to the citizens down in the Valley but also the citizens across the whole state, especially the low-to-moderate-income citizens that we serve, is certainly evident from my perspective. And we've had some great times on the Board together, and I'll cherish those memories. So thank you for being here.

Do you want to -- shall we invite him up?

MR. GERBER: Sure.

Mayor, why don't you come on up?

(Applause.)

MR. SALINAS: Well, thank you very much. And I really want to -- appreciate everybody that's here that I've been able to share on the Board with.

I first got appointed back in 2001 and then got reappointed a year later. So I think altogether, I've served seven years. But it has been seven good years that -- I learned a lot in the industry and came in because the governor needed -- I was running a tight race. And I want to be very honest with -- I'm going to tell you why I got appointed.

As you know, you know, the Valley's -- almost everybody's a Democrat. And I had supported the governor. And I was in a close race to re-elect myself as mayor. And we called the governor and said, Well, we're in a tight race because we supported you. So he said, Well, what can I do to make this happen?

Well, what we needed to do in Mission was convince the Republicans that I was really helping the Republicans. So we -- he said, Well, let me appoint him to a good board; that would probably convince the Republicans of Mission to vote for him. So he did, and we had about one whole week in the newspaper -- that the governor had appointed me.

That's why and how I got here. He appointed me. And everybody that's a Republican in Mission voted for me, and I got re-elected, and I got on this Board. I was supposed to be on the Board for a little while, but I ended up being here seven years, and I really, really enjoyed it. And

every time I see the governor, I thank him for it because I've met so many wonderful people.

And I've made a lot of people mad sometimes, but I have enjoyed serving the state of Texas and serving under the governor. I think we have the best governor that Texas has ever had; he has been very good to us in the Valley, and I think people in the Valley understand what it is to have a good governor. He has invested a lot of money in our infrastructure and in our highways, close to \$2 billion.

So you can see that I really appreciate the work the governor has done. So, all of you that are here today, I really enjoyed working with you -- and Ken, and Mike when he was in the governor's office and then he came over here.

Beth -- you know, Beth is a good Republican. And I know I shouldn't be talking about politics, but what the hell? I'm not going to be here any more.

(General laughter.)

MR. CONINE: You can talk about whatever you want to talk about.

MR. SALINAS: But I really appreciate everything you all have done for me and the experience that I've gotten on this Board. I've really gotten a lot of experience through knowing so many people and knowing that there is a lot of people in the state that care for the poor, you know. And we've got to keep on doing it, and I think you all will. So again, thank you all very much.

And whatever I can do -- I'm going to be on the funeral

commission. Whatever I can do for you guys there to help --

(General laughter.)

MR. SALINAS: I'm sure the SCI people will not mind me saying that. Thank you all very much.

(Applause.)

MR. CONINE: Come on up. Come around. We'll get -- we'll come down to you. How's that?

(Pause.)

MR. GERBER: You can't get away without a couple of gifts. Speaking of the governor, the first is a proclamation from the governor, and it just simply reads, "In recognition of the excellence of the Honorable Norberto Salinas. Thank you for your service to the Texas Department of Housing and Community Affairs. Having served as a member of the Board from 2001 to 2008, over the years, your history of service and community involvement demonstrates your commitment to your fellow Texans. Your dedication and distinction highlight the best of the Lone Star State. On this special occasion, First Lady Anita Perry joins me in sending best wishes for the future. Rick Perry, Governor of Texas."

MR. SALINAS: Thank you.

MR. GERBER: And one more gift. This comes from the staff. We had this flown over the Capitol in your honor just before the January meeting. And it's just to say thanks on behalf of all of the staff for your service to the state. We wish all the best to you.

MR. SALINAS: Thank you, Mike.

(Applause.)

MR. CONINE: Mayor, on behalf of the Board, a little token for you to remember us by. We, again, appreciate everything you've done.

MR. SALINAS: Thank you all very much.

MR. CONINE: Come back and see us. Okay?

MR. SALINAS: Certainly. Thank you.

(Applause.)

MR. SALINAS: Thank you all very much.

MR. FLORES: Before you leave, Mayor, I want to say in public, thank you so much, despite the harassment about the lack of zoning in Houston.

(General laughter.)

MR. FLORES: I really appreciate the insight you gave us to the Valley as we had so many projects in the Valley that you brought a very, very unique view, I think, of how things are in the Valley and, I think, educate us in helping to wade our way through all the projects we do down there. We're going to miss you, but we wish you well and hope to see you very soon.

MR. SALINAS: Thank you very much.

MR. CONINE: Okay. Thank you. Appreciate your indulgence.

Now, moving on to the public comment portion of our Board meeting -- before we do that, why don't -- I'm going to take the liberty to move and pull something off the consent agenda right quick, because there's an issue there that I'd like to go ahead and discuss publicly before we get into public comment, and that'll be Item 1.e.

And, Mr. Gerber, if you could, go ahead.

MR. GERBER: Sure.

MR. CONINE: Do you want to get Kevin Hamby up, too?

MR. GERBER: Yes. I'll ask Kevin Hamby to walk us through the new policy regarding public comment time.

MR. HAMBY: Kevin Hamby, General Counsel and Board Secretary in this case.

Item 1.e., Mr. Chairman, expands on what is the Chapter 10 of the Texas Administrative Code Rule 1.10, which establishes the policy for speaking to the Board. In that policy, there is a provision that allows the Board to also set time limits -- and you have to come up with a reasonable policy -- to allow people to address the Board.

We have never at least to my knowledge and not since I've been here had a formal written policy about the time limits. 1.e. would do that.

And the basic thrust of the issue is that you've set a three-limit time limit at every Board meeting by this policy, and anybody can give time to somebody else, but there's a maximum of five minutes for any one person to speak. So a person could cede two minutes to someone else.

And then what we'd end up with is a maximum of 15 minutes for each side of -- if there's two different opinions on an issue, or a maximum of 15 minutes on any one agenda item. So a maximum of three people could speak for five minutes on any one agenda item, or you could have up to five people speak on any one agenda item for three minutes each if no one cedes time.

And there is some discretion for you, obviously, to allow people to have a little bit more time when necessary. And any questions that the Board members ask do not come out of the 15 minutes.

So it provides a uniform time frame so we don't have at the end of the day where people are rushed at the end of the items on the last part of the agenda because of time constraints and other issues. And so it makes it a fair and equitable treatment throughout the day for everybody to address the Board.

MR. GERBER: So, for example, Mr. Hamby, on a controversial issue, each side of that issue would be given 15 minutes, however, if there's a -- so the debate itself should go for about 30 minutes. But if there's another party wishing to just inform some aspect of policy, the Chair has the discretion and Board members would have the discretion to be able to hear from those folks without deducting time from either side?

MR. HAMBY: Correct. It provides a neutral party standard. If someone wanted to address the issue not directly on point of if we should make an award or we shouldn't make an award/you should grant this or you shouldn't grant that, but wanted to do some more broad information, then, obviously, that would be at the Board's discretion of whether or not that's an argument for or against, and -- but the Chairman would have the ability to take that into consideration and call the witnesses.

And if we end up seeing people that are extensively on one side or the other, the Chairman can let them know and they can decide who's going to speak on their behalf for their 15 minutes and arrange that amongst the parties themselves.

MR. FLORES: Mr. Hamby, the -- if this passes today, it's effective immediately, is it not?

MR. HAMBY: It is.

MR. FLORES: If we wish to change it in the future -- in other words, if we take it on and we see something isn't working quite right -- we can change it within, you know, a 30-day --

MR. HAMBY: You could change it at any Board meeting.

MR. FLORES: Any Board meeting?

MR. HAMBY: What this is -- because this is a Board resolution, it's not a rule. It's just an addition to the rule that you have in place.

MR. FLORES: Yes.

MR. HAMBY: If you choose to change 10 TAC 1.10, which is the policy that outlines -- let's say you didn't want to do something -- you would have to change that as a formal rule.

This, however, is a Board resolution that just provides a clear, concise mechanism for the time limit so people know that, whether it's a one-minute or two-minute -- sometimes we've narrowed it down to a one-minute speaking if we know it's going to be a large agenda, especially in July, this provides everybody the knowledge that you'll get three minutes, but there's going to be a maximum time limit so it's not an all-day meeting.

And what really ends up happening is that people at the end of the meeting get crunched and don't get as much time to address the Board. And so this is fair to everybody and it's not where you fall on the agenda as to how much time you get to talk to the Board.

MR. FLORES: And also wear the Board out to a nub. And then after -- with the ones coming at the end, also, you don't listen very well.

Mr. Chairman, I think this is -- makes sense and is something we should be doing. I don't think that we need to have, you know, 15 people

telling us the same thing over and over three minutes at a time to make a point. So in case you need a motion, I certainly move that we approve this resolution.

MS. RAY: And I second the motion, Mr. Chair.

MR. CONINE: I do need a motion and a second.

And I guess, to be specific, we're talking about Resolution 08-11, which is in the Board book?

MR. HAMBY: Yes, sir.

MR. CONINE: Are there any other discussion items that the Board may want to have?

(Pause.)

MR. CONINE: I have one question. Can we post this like on our website so that the public can be more aware of what's going on, rather than --

MR. HAMBY: Yes, sir. We are actually making an attempt to do many of those, because the resolutions you're passing -- we try to make those available to the public -- they are available to the public, but they have to know they exist.

MR. CONINE: Right.

MR. HAMBY: And so we're doing that to come up with a mechanism to make them available to the public.

MR. GERBER: Well, this we'll put on the witness affirmation form, as well.

MR. HAMBY: Correct. It'll be on the back of the witness affirmation form, as well.

MR. CONINE: Okay.

MR. HAMBY: But -- which can be printed from the website already.

MR. CONINE: All right. Well, again, this is a change and departure, and not everybody's here at this meeting that will come to future meetings.

MR. HAMBY: Right.

MR. CONINE: And I just want to make sure that the community as whole is aware of this.

MR. HAMBY: I'm sure Mr. Lyttle and his group will make a note of it on current events on our website, as well.

MR. CONINE: Okay.

MR. GERBER: And, Mr. Chairman, I just had one last thing.

MR. CONINE: Okay, Mike.

MR. GERBER: And that is that we want to continue to encourage strong public participation. This is just a way, as Mr. Hamby said, to avoid some of the fatigue that sets in at the end, where people don't wind up able to have their views said because just of placement, frankly, on what's often times a very, very long agenda. But, hopefully, this allows for each one of the witnesses to provide a value-added contribution to a discussion to inform the Board during their speaking time.

But we certainly welcome and encourage the public to participate and that they be, you know, acknowledged that they're here when they do come, even though they might not necessarily speak, because we know we have large numbers of folks who come who feel passionate about

particular developments or policy concerns.

MR. CONINE: Yes. This is no -- at least from my perspective, this is no way to limit public comment, but a way to organize it a little better than it has been organized in the past, hopefully. We'll give it a try, and if it doesn't work, we'll try something else. But let's give it a fair chance to work and see what happens.

Seeing no other discussion, all in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

Thank you, Mr. Hamby.

Now we'll go to the public comment portion, and the first witness I have is Jeff Crozier.

And, Jeff, guess what. You've got three minutes.

(General laughter.)

MR. CROZIER: Well, what I've got to say I can probably say in three minutes.

Good morning, everyone. My name is Jeff Crozier, and I'm the executive director of the Rural Rental Housing Association of Texas. After last week's meeting and everybody from the different housing organizations came up and welcomed the new Board members to the Board, I wanted to share my good wishes to all of you all on behalf of the 800 members of my organization, representing over 27,000 units of rental housing in rural Texas.

So welcome. This is going to be a fun time for you all, and I wish you all the best of luck.

Last week -- last month, we heard from members of the TAP organization plus members of the capital markets and people that are familiar with the mortgage business, and they were telling you kind of a pretty bleak picture of what's happening out in the world today when it relates to this industry and what's happening. I'd like to tell you that rural housing is probably not that rosy of a picture.

And so that kind of tells you how tough it's going to be to do rural housing in the upcoming years, not impossible by any stretch of the imagination, just very difficult to do. And I think that it's something that you as a Board might need to be cognizant of as you're looking at applications that, because of the economic considerations of what's going -- you know, the median incomes and things like that in the economic side of it, it's just very difficult to do a rural deal today.

Like I said and tell everybody -- I mean I -- last time I was over at Home Depot, I didn't see an aisle for market rate lumber and affordable lumber. So it costs the same to build; it's just you get less rent coming in because of the median incomes in these particular counties. I'm going to address that in just a second.

One thing that was also told last week: That the rural developers -- I mean lenders and syndicators are cherry-picking deals right now. Well, I hate to tell you all, but rural Texas is -- rural America is not even on that cherry tree.

Once again, the restrictions of who's doing what and what's

getting done is very, very difficult right now, and a lot of people are just using, you know, relationships as a guideline of who gets a deal done. So once again, lenders are drying up.

The answer to that question? Obviously, everybody in the world's going to say, We need more money; we need more HOME funds; we need more Housing Trust Funds. Well, that alone isn't the only answer. That's -- we've got one plate of food right now, and it's being passed around to about 15 different people at the table, and we all get a bite of it, and none of it's enough to feed anybody.

So what we need is some more money. Can you all do anything about that? No, you can't, because a lot of it comes from the feds. We've got to get more money out of our friends in congress, maybe at the Housing Trust Fund. That's a state funding source of money. But everybody's going to be pulling for that money when it comes legislative time. We're all working in that as an industry, and we would like to have you-all's support on that, as well.

The one thing, the big issue, that I have to talk about today -- and this is something that really we need your help on with our legislative folks up in Washington, D. C. I call it the rural conundrum.

A couple of weeks ago, the *Austin American Statesman* had an article in the paper about how prison guards -- we're having a shortage of prison guards. We've got a lot of prisons being built in rural Texas right now, and the guards make anywhere from 24- to \$30,000 as beginning prison guards. And they're not having enough guards because that money's too low.

It's just not enough money to attract people to come be guards

at those prison facilities. I thought that was kind of unusual because, to a prison, every \$24,000 for the beginning salary for the prisoner [sic] is too much money to qualify for affordable housing in that community.

So once again, we're not getting people to come to work in -- you know, we're getting economic development in these communities, but we're not attracting employees, because the rents [sic] are too low. But if we do attract an employee, they make too much money to live in the housing that can be provided in that community.

Is there a solution to that at the state level? No. At the federal level? Yes, there is. Currently, right now, in congress, Senate Bill 2666 has been introduced; it's with the Senate Finance Committee. And what it does -- it's a tax credit modernization bill that has a lot of different things that are very, very good in it. But one thing it does do: It increases the median income -- in a rural county, you're going to get the greater of the median of that county or the national non-metro median, which for right now is \$49,300.

When you start looking at communities in the Valley along the border who have median incomes in the 18-, 19-, 20-, \$25,000 range, as you can see, with these higher medians, you can now charge a little bit higher rent. You can attract the people like the prison guards, the border patrol agents, the beginning teachers, the whoever that live in these neighborhoods that typically have been shut out of these kind of communities.

It's zero budget for congress. And so what'll happen is it just -- it doesn't give us any more credits. It just -- what it does is just -- it increases the ability to do new business with an apartment complex.

I'd love to sit down and talk -- I know we've got to get out of

here. I want to sit down and talk with each and every one of you as we go through to let you all know a little bit about Rural Rental Housing. I just wanted to introduce myself to you, and if I can help you all in any way, I'd be more than happy to. Thank you.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you, Mr. Crozier. I look forward to seeing you up in Washington, D. C.

MR. CROZIER: All right.

MR. CONINE: Mark Mayfield?

MR. MAYFIELD: Thank you, Mr. Chair and Board. My name is Mark Mayfield; I'm with the Texas Housing Foundation, which is a Texas regional housing authority, and also with the Marble Falls Housing Authority out just west of town about 40 miles out in the hill country.

I've been before this Board several times with a lot of rule deals. That is -- basically, what we do more than anything is try to put housing on the ground out in rural communities.

And if you recall, last year, we had worked on a Private Activity Bond deal, a multi-community private activity bond deal, that we tried to put together to put housing out in rural communities, and fought and fought and fought with it to try to make it happen. We've worked diligently with staff trying to make it happen.

And -- I guess, kind of the times that we were in and a few other obstacles -- it did not come to pass. And that was out in a property in Johnson City, Texas, and, also, out in Llano, Texas.

We have since come back with -- made a decision -- they're both in the Region 7. And we came back and decided that we would put a 9 Percent application in for the Llano tract, and that application is now pending with the -- on the tax credit side. But we also came up with an idea over in Johnson City that, frankly, I wanted to bring before this Board, maybe see if we could see a little guidance in how this would work.

Rural housing is difficult. There's no doubt about it. And it takes some creative minds to make it work and some flexibility within the programs that we have that are out there.

We have a pending application now before the state with HOME funds and, also, coupled that with a 538 loan and a small Housing Trust Fund loan. And one of the issues that we have with this 538 loan is the fact of the position that it would hold in a lien position; it would be a senior lien position, and it only represents about 33 percent of the deal.

The HOME funds that were being requested represent about 55 percent of the deal, but they would be in a position where -- to work with the 538 loan, they would be in a subordinate lien position. And that's an issue, and I understand it's an issue. And that's something we're kind of seeking some guidance on. I've been working with Mr. Gouris in Real Estate Analysis with this; he has been very helpful and trying to find out how we can make this.

I've been working with this property over in Johnson City for three years. The city is extremely supportive of it. It's just a tough, tough sell. I don't know.

One thing I'd like to bring out is the fact that our area is a

rapidly growing area. Johnson City is located about 20 miles south of Marble Falls. And Scott & White Hospital has --

Three minutes.

Scott & White Hospital has just recently announced that construction has begun on a new, 125-bed hospital that's about 12 miles from where this site is. We had originally come in with a job creation NOFA with a Private Activity Bond deal, and we were just unsuccessful with that. So we're scrambling.

Our little housing authority is just scrambling trying to make -- meet this demand in Johnson City. And, you know, one of the things we'll be seeking is a favorable recommendation from Underwriting to be able to subordinate the HOME loans to the 538.

It's just the nature of this. And so I wanted to bring it before this Board and see if there could be some guidance that could be shown toward making this property a success. Again, we've been working it for three years. Many of you know the history of what we've been doing out in this area, and I appreciate your time.

MR. CONINE: Any questions of the witness?

Mike?

MR. GERBER: Mr. Chairman and Board members, I'd just say that this has been a tough project. I know we're trying to see if some of our rural NOFA funds that are currently out there can perhaps be applied to this project, and I know Jeannie Arellano and Tom are working aggressively to try to sort through some deficiencies as we try to get it through the underwriting process.

But we'll stick with you, and we'll report back to the Board in May.

MR. MAYFIELD: I believe we're the only HOME app that's not tied to a 4 percent or a 9 percent deal. We're the only HOME app that's there.

MR. GERBER: It has been hard, just typical -- it just typifies how hard it is to do deals in rural Texas.

MR. MAYFIELD: Yes.

Thank you.

MR. CONINE: Thank you, Mark. Appreciate it.

MR. MAYFIELD: And welcome to the new members.

MR. GERBER: Thank you, Mark.

MR. CONINE: Before I move on to the next witness, I'd like to recognize Ms. Kathy Walt and Jackie King from the governor's office.

Glad both of you are here today. Appreciate your being here.

Next, Diana McIver. And you're going to test the new rule because -- I have a couple of give-away forms here that -- they have donated their time. So you have five minutes.

MS. McIVER: Thank you.

Chairman Conine, members of the Board, Mr. Gerber, my name is Diana McIver, and I'm president of DMA Development Company. And I'm pleased to appear before you today as a proponent of a stricter policy on time of witnesses speaking. I guess I had better be brief.

(General laughter.)

MS. McIVER: My -- I'm here today speaking on a project. It's

a tax credit project with HOME funds, and it's Prospect Point in Jasper, Texas.

Jasper is a rural community, and you've heard about the difficulties we've had with projects in rural communities. And think of a rural community still recovering from Hurricane Rita.

Our co-developer is here, as well, today, and that's BETCO Development Company. This project was developed -- is being developed in the capacity building program of the Department.

My request today is really, I think, somewhat unusual. In November, we submitted a request to TDHCA staff for an increase in our allocation of HOME funds for this project located in this devastated hurricane area. We incurred an inordinate amount of excess costs relating to unknown local infrastructure and, also, increased construction costs.

We've been working with staff since that time to reach agreement on an amendment and really hoped to have this matter on today's agenda; however, we learned just recently that because our allocation of HOME funds is a 2006 allocation and since the 2006 HOME cycle is closed, the decision to recommend an increase is not an administrative-level decision.

Consequently, our only course of action is to ask the Board to request of staff to review our request. And that's the purpose of my request today: Basically, to ask the Board to ask the staff to review our request for HOME funds and place it on the May 8 agenda.

(General laughter.)

MS. McIVER: I'm not going to belabor the facts about our request for additional HOME funds, because that would be part of that consideration. I think staff is comfortable with our request and the need for an

increase in HOME funds, and that would be part of their consideration of an increase in our HOME allocation.

I will let you know that we closed on this project in December. We closed with our partner, we closed on our 538 loan, we closed on our construction loan, and we are under construction. Now, we've done that. That was necessary to preserve our credit price of 90 cents, which looks very good today, even though we did this with significant financial risk to the general partners and developers.

So my request is that the Board make a motion to give staff the authority to continue processing our HOME amendment request. Any questions?

MR. CONINE: Any questions?

MR. FLORES: A question, Mr. Hamby. Is that legal?

(General laughter.)

MR. GERBER: That was a good question.

MR. CONINE: A very good question.

MR. HAMBY: Kevin Hamby, General Counsel. No.

MR. FLORES: Diana, I think he just answered the question.

MR. HAMBY: You can't make a motion. What you can do is -- a member of the Board or a couple of members of the Board can say, We'd like for you to place this on our agenda next month. And then you would debate the facts of the matter at that point.

MS. McIVER: That's what I meant to ask for.

(General laughter.)

MR. FLORES: Okay. So you're just asking to be put on the

agenda in 30 days.

MR. HAMBY: Well, it would be the next regular agenda.

MR. FLORES: Well, whenever that is.

Is there any objection there, Mike? Is there any objection to putting on the agenda next?

DR. MUÑOZ: Well, that's what I was about to ask, Mike. I mean Diana indicated that staff was comfortable with what they were proposing. Is that an accurate representation of staff's disposition?

MR. GERBER: We've got some concerns that we need to walk through, and I think we would need to flesh it out more and bring you a formal presentation. We would be fine bringing it to the Board. I don't know if the recommendation ultimately will be favorable, but I think a motion to bring it forward at the next agenda is appropriate.

MR. HAMBY: Well -- and, Dr. Muñoz, this is in a unique -- this is a unique situation.

Because there's no NOFA that you're going to be doing it on, you'd have to be doing it with deobligated funds. And you'd have to come up with, under our deobligated funds policy, a unique and special circumstance as to why this would have to be funded. So it is very unusual, and that's the reason that it's not an administrative policy to do so.

MR. CONINE: So the consensus of the Board is for staff to take a look at it and bring it back to us in May?

MR. FLORES: Yes. I don't think we need a motion, but it ought to be on the agenda next time.

MR. CONINE: I don't think we need a motion.

MR. FLORES: And at least we'll get a chance to look at it.

Diana, it would be very helpful to us if you'd tell us your side of the story in writing and, you know, somehow send it to Mike or whoever so we understand the thing.

MS. McIVER: I'll do that.

MR. FLORES: It's obviously a bit more complicated and more than can be taken care of right now.

MS. McIVER: Yes.

MR. FLORES: But at least we'll give you a hearing. That's all I'm looking for.

MS. McIVER: And that's all we're asking for.

MR. FLORES: Yes. Okay.

MR. CONINE: You got it.

MR. GERBER: It'll be on the agenda.

MS. McIVER: Okay. Thank you.

MR. CONINE: Thank you.

MR. FLORES: Thank you.

MR. CONINE: Amy Young?

MS. YOUNG: Good morning.

MR. CONINE: Good morning.

MS. YOUNG: I'll be well under the three minutes. I promise.

And welcome to the new Board members. I'm sorry I missed the last time. I was up at a fair housing training in Dallas. And I'm Amy Young; I'm with the Texas Council for Developmental Disabilities.

As some of you may know, the DD councils are established in

federal law to work for systems change to ensure that people with developmental disabilities are fully included in their communities and can exercise control over their own lives. And it's a 27-member governor-appointed board, 60 percent of whom have to be people with developmental disabilities -- or family members.

And I just wanted to say or express my appreciation to staff, especially Tom Gouris, Brenda Hull and Erin Ferris, for working with the disability community on the proposed Project Access Program Rule. I think that what -- as it stands now, it supports people both -- coming out of institutions and people who are at risk of returning to institutions because of housing issues -- people with disabilities.

So that's it, and please feel free to use the DD council as a resource as you're getting to know your way around issues around disabilities and housing. That's it.

MR. CONINE: Great. Well, sorry you missed the last meeting, but thanks for coming by today.

(General laughter.)

MS. YOUNG: I'll be here at the next one, too.

MR. CONINE: Okay.

Steve Moore?

MR. MOORE: Good morning. My name is Steve Moore; I'm the owner of Premier Apartments in Houston. This is 400 units in the middle of one of the highest crime parts of Houston. And when I hear other people talking about their needs, I want to tell you I think that this neighborhood has got to be about as needy in all of Texas. I'll just tell you one story, and then

I'll finish with that.

I go down the -- I'm there. I live there a few days a week, typically, even though my family's in Austin. I talked to Jeff [phonetic] yesterday. He lives there, and he said, Steve, I want you to know that I've canceled my plans to go become a missionary in China; instead, I've asked my church to assign your neighborhood to be my mission because of all the needs that you have in this neighborhood -- and the opportunity.

We have, as I said, not just a housing problem, but an opportunity to provide an area with just lower crime and -- which is not just only in housing, but actually can improve the quality of living for the whole neighborhood. Thank you.

MR. CONINE: Any questions of the witness?

MR. GERBER: Sir, what's the name of your -- the neighborhood that the apartment is in?

MR. MOORE: It's the Westwood neighborhood. It's near 59 and Beltway 8.

MR. GERBER: Beltway 8? Okay.

MR. MOORE: It's southwest.

MR. GERBER: I know that area well.

MR. MOORE: I've already formed a non-profit, called the Westwood Neighborhood -- and with my own funds, to try and encourage the other owners in the neighborhood to improve the -- to get their gates working. I've started working with the police department. There's a Weed and Seed program that's going to be funded out of the neighborhood storefront, which I'm trying to get moved right into the neighborhood.

MR. CONINE: Any other questions?

(No response.)

MR. CONINE: Thank you for your efforts. Good luck, continued luck.

Okay. That's all the public comment witness affirmation forms I have for the beginning of the meeting. There's -- I have a few others for -- on specific agenda items as we move forward.

Moving on to -- Item 1 is our consent agenda. And if any of the Board members see anything there they want to pull, fine. If not, I'd accept a motion to approve.

MS. RAY: Approve -- so move, Mr. Chair.

MR. CONINE: There's a motion. Do I have a second?

MR. FLORES: Second.

MR. CONINE: I have a second. Any further discussion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

Item 2. We need to elect Board officers and appoint Board committees. We have two things to do here, I think. One is to elect a -- the Board needs to elect a vice chairman, and then, from a committee standpoint, I think we're going to appoint one committee today, which'll be the audit

committee. And -- but first I think I'd like to take up the vice chairman election.

And is there any --

MR. FLORES: Mr. Chairman, I nominate Ms. Gloria Ray to serve as the vice chairperson.

MR. CONINE: There's a name of Ms. Gloria Ray. Is there any further nominations?

(Pause.)

MS. BINGHAM-ESCARREÑO: I second that nomination.

MR. CONINE: Thank you.

Thank you.

A motion and a second. Any further discussion?

(No response.)

MR. CONINE: Do you want to help me, being vice chairman?

MS. RAY: I would be honored to serve.

MR. CONINE: All those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

Thank you, Ms. Ray, for volunteering. Appreciate it.

(Applause.)

MR. CONINE: Next I'd also like to give Ms. Ray an additional job of chairing our audit committee. She has served on that in her capacity as a Board member in the past and done an admirable job, and we'd love for her

to continue working with our auditor, Sandy Donoho, and the audit committee.

Along with that, I'd like to appoint Leslie Bingham to be on that committee with her. And Tomas Cardenas, who's not with us today, but -- will round out the audit committee and give our audit staff and our Department staff a group to work with that I think can work through the issues there and bring back to the Board anything we need to.

So we look forward to you doing that.

Okay. With the Board's indulgence, I'm going to skip to Item 9 in the agenda so we can get some folks through here and out of here and back to work today.

Item 9, Mike Gerber.

MR. GERBER: Thank you, Mr. Chairman.

Let me if I can take even Item 9 out of order. I'm going to go first to Item 9.d., which is a presentation, discussion and possible approval of the amendments relating to ORCA's memorandums of understanding for CDBG Disaster funds. You'll note that there's nothing included in your Board book, and that is because on the staff level we are able to go ahead and, I think, effect this change.

In 2006, Governor Perry used his authority to designate TDHCA as a recipient of disaster-related grant funds to assist those that were impacted by Hurricanes Rita and Katrina. TDHCA was to work with the Office of Rural Community Affairs, the City of Houston and Harris County in administering these funds.

TDHCA, with the direction of the governor, developed priorities and programs to best utilize the limited funds that were made available. At

this time, all those funds have been programmed and awarded.

And with this large hurdle now completed and with ORCA successfully handling their implementation and day-to-day management of the infrastructure contracts, it seems appropriate to go and allow ORCA to go ahead and capitalize on their expertise and streamline the process to expedite the final expenditure of funds.

As you know, we've spent significant time on this Board dealing with infrastructure amendments; we have approved every one of them. And it has been a fairly straightforward but time-consuming process both for ORCA staff and for TDHCA staff.

With ORCA staff, again, having that expertise and infrastructure, there's no reason to not specialize. And we'll leave it to the ORCA staff and to the ORCA board to make decisions respecting and regarding any amendments or changes. We will simply modify the MOU, and we'll continue to keep, obviously, very, very heavily focused on getting our housing dollars out, which is a priority that the governor has set for us.

And so we will amend our MOUs that we have in place currently with the Office of Rural Community Affairs. The only thing that will be slightly -- I think something that we're going to need through is that it's the intention of the Department to be done with all disaster housing work in about three-and-a-half years time. That's the work that's being done with ACS, our contractor, and with others that we have contracts with.

So we'll be working with ORCA to have them -- to ensure that they complete their part of this within that three-and-a-half-year period, but we all want to be done with what's ultimately going to be a five- or five-and-a-half-

year project in that time. And we'll just continue to -- they'll continue to report to us the progress they're making on the draw-downs of funds, but the amendment process and other aspects of this will be squarely within their bailiwick.

So I wanted to just mention that item and take that off the plate and ask if the Board members have any questions or thoughts about that.

(No response.)

MR. GERBER: With that said, we'll --

MR. FLORES: Mike?

MR. GERBER: Yes, sir.

MR. FLORES: I'm not so sure I understood what you said. Is ORCA now taking all of that as if we had a contract and they have full run of it with no amendments necessary thereafter?

MR. GERBER: They may still have amendments with individual contracts, but those amendments --

MR. FLORES: They won't be coming before this Board?

MR. GERBER: They will no longer come before the Board.
They'll --

MR. FLORES: No. I understand the amendment. We have some on the agenda today.

MR. GERBER: We do. We will be taking -- anything that's on here for ORCA will come off. And it'll be handled now administratively by ORCA.

MR. FLORES: Okay. That negates that. And then all those funds -- are they all now obligated?

MR. GERBER: They are.

MR. FLORES: ORCA's funds?

MR. GERBER: Yes, sir. And I think --

MR. FLORES: So it's just a matter of shifting money within the contracts that we've already seen?

MR. GERBER: Well, we're not shifting. What we're really doing is taking a layer of review out. Rather than bringing it --

MR. FLORES: Let me rephrase that. What I mean is that they have obligated funds to certain communities and so on, and those stay the same --

MR. GERBER: Yes, sir.

MR. FLORES: -- essentially. So then we're talking about amendments where we put money either into a fire department or a generator, or whatever, or something like that?

MR. GERBER: Exactly.

MR. FLORES: Okay. Thank you.

MR. GERBER: Yes, sir.

MR. CONINE: Do we need a motion to approve you guys doing that?

MR. GERBER: No. I think that's simply just an FYI.

MR. CONINE: Okay.

MR. GERBER: We'll -- if the Board members are interested in what those MOU amendments look like, we'll certainly provide that to them.

MR. CONINE: Okay.

MR. GERBER: Otherwise, it'll be handled between Charlie and

I and the other guys.

MR. CONINE: And refresh my memory on the written reporting frequency.

MR. GERBER: Our intent is to make it very straightforward to have -- there is no reporting requirement as it stands now. We will probably seek to have a monthly, very simple one-to-two page report on the draw-downs.

MR. CONINE: Okay.

MR. GERBER: Yes, and make it as burdenless to ORCA as we can, again, being very mindful of, again, our mutual expertise in our respective areas.

MR. CONINE: Okay.

MR. GERBER: So that's it. We'll move on to Item 9.a.

Kelly, I don't know if you want to come forward.

And Item 9.a. is the regular update of the disaster recovery division on the progress of the CDBG housing activities for the first round of funding. As previously reported, all applicants to be served by Round 1 funds have been identified and determined eligible to receive housing assistance in the form of rehabilitation or reconstruction. And the COGs who are our partners in that process are engaged in the bid and construction phases of their projects.

Without wanting to belabor the point, I think that you can look at the tables that are provided to you. We knew that a lot of the construction work and the contract process was going to take place during this time, and our COG partners are working very aggressively to get all the houses under

bid.

Right now, 58 percent of the houses have either been built or are under construction or contracts are now out for bid. So you're seeing the numbers, you know, steadily creep up, and already 14 percent of the money has been expended. Just a couple of months ago, it was much lower than that.

So you can expect at the May meeting to continue to see that growth and, over the summer, as we work towards, frankly, Labor Day or probably October time frame to really wrap that \$40 million up. But our hope is in the next three to four months, all of the bids will be out for all houses.

And, of course, these are very low-income people, and some are just more challenging to serve than others. And getting the bid packets together has been a tough proposition requiring intensive case work. So we can go --

Kelly, anything you want to add to that?

MS. CRAWFORD: No.

MR. GERBER: Okay.

And, Board members, I don't know if you have any questions about the progress we're making there. I will say that it has been a challenging road, and -- but our COG partners have stuck with us, and we've worked through these issues with HUD.

And Chuck Wemple's here from Houston-Galveston Area Council. He'll be talking with you a little bit later on another item.

Chuck, I don't know if you want to highlight anything regarding your --

MR. WEMPLE: I just want to mention that our numbers have gone up even --

MR. CONINE: Why don't you introduce yourself?

MR. GERBER: Introduce yourself.

MR. CONINE: Yes. Let's make it legal before we go crazy.

MR. WEMPLE: Good morning. Chuck Wemple with the Houston-Galveston Area Council.

I wanted to let you know that the numbers have gone up even more than the most recent report that you have. We now have 30 on the ground. Three are delayed by weather and, hopefully, to be installed this weekend. And a larger number of contracts are also being negotiated.

So over 50 percent of our homes that we've planned to serve are either on the ground or being contracted right now.

MR. GERBER: And I would add we're also trying to -- in some of the issues we're dealing with in the Deep East Texas Council of Governments, just by the lack of available contractors, we're working with Houston-Galveston Area Council and Southeast Texas Regional Planning Commission, where there's a greater number of contractors, to see if we can get them to bite on the bid packets that we're issuing and, hopefully, take advantage of some greater efficiency and buy in larger numbers.

MR. WEMPLE: That's all I have to add.

MR. GERBER: Okay.

Kelly, why don't you walk through Item 9.b.?

MS. CRAWFORD: Okay.

9.b. is an update for the FEMA Affordable Housing Pilot

Program and for Round 2, which ACS is a large part of.

MR. FLORES: Kelly?

MS. CRAWFORD: Yes, sir.

MR. FLORES: Before you go on -- I'm sorry to --

Mike, you kind of walked me a little fast. Can we go back here to Page 2 of 3 of the report we have in the book regarding the project activity?

And the project activity shows the number of households served and the total number of certified applicants and then goes across and tells you that there's a number of homes out for bid and so many awarded, so many under construction, and so on and so on.

I would have thought that if I have 95 eligible applicants, I would have run all those numbers across there and I would get to the number 96. I get the number 68 under the Deep East Texas COG. What happened with the other 28?

MS. CRAWFORD: They're still not out for bid yet. The bid packets are being prepared. Construction inspections are being performed on the homes to understand the level of rehab or the necessity for reconstruction. So those aren't in the process yet for that part.

MS. BINGHAM-ESCARREÑO: So would it be good -- would it be possible just to add that column maybe in the next report just so we can kind of see what's --

MS. CRAWFORD: To show which ones are not --

MS. BINGHAM-ESCARREÑO: -- still out there pending?

MS. CRAWFORD: Which ones are not in the bid process yet?

MS. BINGHAM-ESCARREÑO: Uh-huh.

MS. CRAWFORD: Okay.

MR. FLORES: Yes. It kind of makes it look to us who are sitting at this side of the table that they kind of got lost in the ether somewhere.

And we want to make sure, you know, that all the contracts are out.

MS. CRAWFORD: Sure.

MR. FLORES: And, obviously, you have the clients. Now, when you have an applicant drop out for whatever reason -- death in the family, or whatever -- I assume you have in the pipeline another person or another family which is the next one up, and so on.

MS. CRAWFORD: Yes, sir. And --

MR. FLORES: Okay. So you can --

MS. CRAWFORD: -- all of the COGs have retained a few extra that -- as you'll hear, all the applications have been transferred to ACS for Round 2, but they've maintained some contingency ones, as well.

MR. FLORES: Because I know that'll happen, you know --

MS. CRAWFORD: Yes, sir.

MR. FLORES: -- for whatever reason.

MS. CRAWFORD: Right.

MR. FLORES: Okay.

MR. GERBER: And just to highlight, we've transferred -- the folks at the COGs could not serve a total of about 4,000 applications, and we've transferred those to ACS. So there's plenty to go next to on the list.

MR. FLORES: Okay.

MS. CRAWFORD: Yes, sir.

MR. FLORES: Thank you.

MS. CRAWFORD: You're welcome.

MR. GERBER: I would also add that some of the COGs have seen some efficiencies -- for example, Southeast Texas Regional Planning Commission thinks that they're going to be able to actually serve more than the 229 that are represented here. And so we'll probably be modifying those numbers upwards so that they can continue to work through more folks on their list.

MS. CRAWFORD: Okay. And back to the Affordable Housing Pilot Program, for FEMA, this program is to demonstrate an alternative housing solution to the FEMA trailers. And --

MR. GERBER: Have we walked through that program?

MS. CRAWFORD: We've walked through it a little, but I just wanted to give a reminder.

And just to give you a very brief update, that -- we're actually in contract negotiations with the Heston Group. That should be signed very quickly. And that program -- you'll be getting a lot of interesting updates on that from the May meeting on out, but we're still in that process.

MR. GERBER: And again, the priority for that project is -- we think we'll be able to serve about -- produce about 150 of these tests homes that FEMA has given us the authority and funds to test, and priority's going to be given to folks who are in trailers or have the greatest needs in southeast Texas --

MS. CRAWFORD: Yes.

MR. GERBER: -- and will come off of, hopefully, our list. So --

MS. CRAWFORD: Absolutely.

Okay. And, separate from the FEMA AHPP, then we'll move on to the other Round 2 programs. All five of the CDBG Multifamily Rental Housing Stock Restoration loan commitments were executed between TDHCA and the awardees, and all required loan commitment documentation has been received, reviewed and accepted.

We're working closely with them to ensure loan closings occur timely and that all federal requirements are met. The construction work, once completed, will restore housing units for 813 low-income individuals and families. Four of the five or probably three out of the five are scheduled to close on the loan before the next Board meeting; the other two will follow shortly thereafter.

And then I would like to call Don Atwell with ACS up to provide the update for the AHPP program.

MR. ATWELL: Good morning. Don Atwell with ACS.

MR. CONINE: You're going to need to sign a witness affirmation form, because I can't find one for you.

MR. ATWELL: I will sign one right after I'm through speaking.

MR. CONINE: Just go right ahead. Thank you.

MR. ATWELL: Mr. Conine, Mr. Gerber and members of the Board, thank you for hearing our presentation this morning. It has been an exciting time since we spoke to you last. The project is moving forward on schedule. We have three of the intake facilities that are built out and equipped with the furniture and infrastructure necessary to do the work once we get to the part where we are having people come into the project. We are --

MR. GERBER: So you have offices in Beaumont, Jasper and

Sabine Pass?

MR. ATWELL: Beaumont, Jasper and Port Arthur.

MR. GERBER: And Port Arthur?

MR. ATWELL: And then the call center's actually in San Antonio, and it's built out, as well. So the infrastructure is in place.

We understand that as we were transferring the applications -- Kelly talked about that a little bit a minute ago -- some of the homeowners were going to have questions. And so there wasn't really a good mechanism for them to get those questions answered in this interim period, so we set up a small call center where the homeowners can call in.

And so in the first week the call center was up, we took 50 calls. And then last week, we took 106 calls. So there's definitely some interest. Most of the questions are, Do you have my application. You know, the one thing we want to make certain is that we're not losing anybody in the process, that things are getting transferred the way we would expect them to.

And for everybody that has called, we've had their application. So that's a good thing.

People are also asking, you know, What's next; what are the next steps, and what's the schedule. And so we're providing them general information about the program and letting them know that as soon as the data analysis is complete, we'll mail something out to them telling them about their application specifically, as well as the actual next steps for them to move forward in the program.

We are working on finalizing the project policy. Staff and Mr. Conine and Ms. Ray were at HUD with us last week to talk to them about the

policies that we're putting together. What we want to make certain is that the program that we're defining and implementing isn't something that somebody would come back later and say, "That's not exactly what we were looking for," because we want this to move very quickly once it's up and running.

MR. CONINE: Did you get adequate responses from the D. C. HUD office since we had to leave early?

MR. ATWELL: Actually, we did. It was a very useful meeting. There were some things that they brought up around environmental that changed a little bit about what we're doing and should make it easier for them to sign off on the program. So it was a very productive meeting.

The applications that we're transferring. Mr. Gerber mentioned that we've transferred about 4,599 applications. Those are broken out. About 82.6 percent are in five counties. Those five counties are Jefferson, Jasper, Newton, Orange and Hardin, which is sort of what we would expect in looking at the data.

Some of the other things coming out of what has been a very preliminary analysis of the data is the demographics about the families. It looks like about 78.1 percent are under 80 percent AMI, so meaning they're eligible for the program. So that's good.

We're also finding that about 92 percent are actually four-person homes or less -- four family members -- which means that the amount of funds spent on their homes based on the size of the family is going to probably be the smaller amount. And we can serve more families that way.

So all in all, things are moving forward very well. We're very excited about the things that are going on with the program itself and the help

we've had from TDHCA staff in getting this all set up.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Glad to hear we're making good progress.

MR. ATWELL: All right. Thank you, sir.

MR. CONINE: Keep up the good work.

MR. ATWELL: Yes, sir.

MR. GERBER: If the -- I'd just add, Don, and you might want to touch on this.

The -- if the funding -- given the funding that we have and the three production lines that we're intending to set up -- replacing manufactured homes, a rehabilitation program or new construction -- we believe that we will be able to serve close to 700 homes with rehabs. We believe we'll serve about 2,500 homes of that 4,600 with new homes, newly constructed homes -- maybe a little less. And then there's the third category, which was the balance.

MR. ATWELL: Well, the way I had it broken down was the size of the homes.

MR. GERBER: That's right. I'm sorry.

MR. ATWELL: And so that totals -- there's about 3,486 homes we expect to serve overall. 690 of those would be rehabs, and the rest would be either new construction or a replacement of a modular home.

MR. GERBER: And as the Board was told last time, you know, there's obviously a great concern about the number of rehabs out there. And we were encouraged, I think, to see these numbers and that we're going to be

able hit as many rehabs as we are from just this early extrapolation of data.

MR. ATWELL: Right.

MR. GERBER: So thanks, Don.

MR. ATWELL: Yes, sir.

MR. CONINE: I have a couple of witness affirmation forms on this item.

Paul Raffensperger?

MR. RAFFENSPERGER: Yes. I'm with Reznick, and I'm just available to answer questions.

MR. CONINE: Thank you.

Madison Sloan?

MS. SLOAN: Good morning. Thank you for the opportunity to speak to you. My name is Madison Sloan, and I'm an attorney with Texas Appleseed, which is a public interest, non-profit legal organization. And we have done a number of projects around hurricane recovery.

And I've submitted some written comments on the proposed rules, which I won't take up your time going over. We think there are some really good changes and really appreciate the willingness of TDHCA staff and ACS to consider input from particularly faith-based organizations and other groups, but we do think that there are a couple of problems and a few issues that need to be resolved before those rules are approved.

I just wanted to touch very briefly on sort of three major issues. One is the collection of applications.

Our understanding is that the February 22 deadline did not -- was not met and that or -- that applications were collected from the COGs and

from a number of faith-based groups, but that some faith-based groups did not turn over their applications because they had concerns about, you know, liability and privacy that they weren't able to get resolved in the, I think, three-week period they had to do that.

And it's a little bit unclear sort of what the process is going to be going forward. We understand that the state has limited funding, but we would really encourage, you know, to keep accepting applications and to, at the very least, document the unmet need.

As I think you know, Louisiana was able to go back and get another 3 billion from the federal government. There's a bill in the senate that would allow for more housing funding for Texas. And I think it's just critically important that we document the unmet need.

You know, the governor's office estimated 75,000 homes with major damage. And, you know, 4,000 applications seems a little low for that level of damage. So we know there must be more people out there.

The other issue we wanted to raise is the issue of heir property. Particularly in low-income communities, many people -- you know, estates are probated, and houses just sort of pass from generation to generation with sort of no transfer of title.

And we, you know, understand completely that the state would like people to be able to show, you know, clear title and solid ownership before they invest money in a home, but we also think that people should be given an opportunity to clear that title. As you may know, this has been an issue in CDBG Homeowner Assistance programs in other states.

Louisiana actually ended up, which we are not necessarily

recommending, changing their rules to accept an affidavit saying, you know, I've inherited this home; I have an ownership interest. But in both Louisiana and Mississippi and in Alabama, you know, a number of law firms and non-profits and legal services organizations have done title clearing in connection with these programs.

And Texas Appleseed is right now setting up a similar pro bono project. We would, you know, be more than happy to sort of work with ACS and TDHCA to make sure that those things are connected. And we'd just like to encourage you to look at this as, you know, not only an opportunity to help people get the money that they need to rebuild their homes, but as a real community development opportunity.

You know, families with clear titles have an asset, and they have access to wealth-building tools like mortgages and home equity loans. And, you know, home ownership is just generally a great stabilizing and community-building thing particularly in low-income communities. So we'd really encourage you to ensure that there's space for people to get the help they need to be able to access these benefits if they're eligible. And the third --

MR. CONINE: I need to ask you to wind up.

MS. SLOAN: All right.

The third issue -- and I think you're going to hear a lot more about it from other people -- is the issue of gap funding. Families are required to essentially have cash on the spot for the gap between the damage estimate and the CDBG award.

We are talking about very low-income and very disadvantaged

people who may not have access to sort of mainstream market loans, that kind of thing. We would encourage you to look at other ways to help fill that gap and make sure that money reaches the people who need it most.

MR. CONINE: Thank you for your testimony. I'm sure staff and ACS will be glad to work with you.

MR. GERBER: In fact, Ms. Sloan, I'd add there's going to be a meeting shortly after this. And if you would connect with them with Kelly Crawford, that would be great.

MS. SLOAN: Absolutely. Thank you.

MR. GERBER: Thank you.

MR. CONINE: We need your help.

MR. GERBER: We do.

DR. MUÑOZ: Yes.

So --

MR. CONINE: Dr. Muñoz?

DR. MUÑOZ: Mr. Gerber, so we will be looking at this memo and these issues very explicitly at this meeting following?

MR. GERBER: Yes, sir. What we're trying to do today is -- we needed to bring forward to you a set of policies about how this program's going to operate under the action plan. And you have a draft of those. We're seeking your approval to, for those policies, giving also within the motion, hopefully, the flexibility to staff to make some refinements.

None of these are issues that we can't work around, but there is some need for further discussion with other members of the faith-based community, with Appleseed. Robert Doggett, who's a very prominent attorney

here with Texas Legal Services, is also offering help, along with John Henneberger.

And anyone else who wishes to contribute to that discussion -- you know, we're trying to bring together a roundtable to try to hammer out what the final set of policies looks like, understanding we're not going to always see eye to eye, but we're going to get to a place where -- we want to help the most people.

DR. MUÑOZ: Okay. I've just got one quick follow-up question. Madison, where do you -- of that 75,000 projected -- and I'm not sure where that number came from -- the 75,000 homes damaged in Texas.

MS. SLOAN: It came from the governor's office.

DR. MUÑOZ: Okay. Well, I --

MR. CONINE: Come on up back to the microphone.

DR. MUÑOZ: Here's my question. What percentage -- or a ball-park -- of that were heir properties?

MS. SLOAN: We don't know. That's one of the things we're really interested in seeing from the data analysis that ACS is doing. I believe one of the faith-based groups estimated 30 percent. That seems consistent with what they saw in Louisiana and Mississippi.

DR. MUÑOZ: Okay.

MS. SLOAN: About 30 percent heir property.

DR. MUÑOZ: That's a lot. Okay. If it is 30 percent.

MS. SLOAN: We don't know, but, I mean it's a fairly --

DR. MUÑOZ: Okay.

MS. SLOAN: I mean it's an underground issue, but it's a fairly large one in low-income communities sort of across the board.

DR. MUÑOZ: Okay.

MR. GERBER: And I think that's one of the reasons why we're also talking about needing to marry up with Texas Legal Services and others: Because the resolution of those often times takes a lot of time and legal help.

MS. RAY: Just, Doctor, on the heir property issues, I think the --

I don't have a question for you. This is kind of meant to Dr. Muñoz.

MS. SLOAN: Okay.

MS. RAY: The heir property issue became apparent because of the disaster across the south, but I'm here to tell you, because I work in an urban community, it's all over the nation. And it is a significant problem, and it is a very costly problem, because there's a lot of money and legal issues that have to go into resolving that issue. And 30 percent is probably fairly conservative.

MR. CONINE: Okay.

Mr. Gerber, back on -- I have 9.c. maybe coming up. Or are you finished?

MR. GERBER: 9.c. is coming up. So we're going to --
Is there anything -- Don and Kelly, anything you wish to describe about the policies that we're asking the Board to approve?

(No response.)

MR. GERBER: That said --

MR. CONINE: I've got some public comment on 9.c. Okay?

MR. GERBER: Great.

MR. CONINE: And it looks like Miranda Johnson, and we've got a couple of others who have donated some time to her.

MALE VOICE: There's three of us.

MR. CONINE: Oops. Three of us.

(Pause.)

MR. CONINE: And Loye Kemp and Joe Higgs.

MS. JOHNSON: My name is Miranda Johnson, and I'm a case manager with Southeast Texas Interfaith Organization. And I want to talk to you a little bit about the intake applications that we've been doing.

First of all, with our group, we had about 1,200 applicants. When I first started there roughly a year ago, I was assigned 80 cases to manage, and this case management was more hand-holding, helping them through everything. And these people are currently in construction. We have about 300 people in construction that we're going to be sharing files with with ACS and Shaw and the groups that are helping with the TDHCA recovery.

With the 700 people that were left that had not been helped, I dealt with roughly about 500 of them myself. My intake process was -- short and sweet I call it. I was bringing them in and bringing them out. I'd bring in their paper work and get as much processed as I could as fast as I could.

Out of those 500 people, I got roughly 250 of them completed applications. That's 250 people I missed because of not only time constraints but the lack of ability to go out to their homes to the elderly to have them sign paper work, to hold their hands and help them get clear deeds and stuff like

that.

And I believe that Ms. Ray was correct in the statement that the heirship problem is a lot higher than 30 percent, because I find that every day in what I do. You know, there's a lot of homestead issues. And I've had to tell these people that as far as I knew, we weren't taking their applications because of the fact that all the people involved in the property were responsible for repairs, not just the person living on the property itself.

So I believe that 95 percent of these people are going to need help. Call centers are great, but a lot of these people want to look in your eyes. They've had a lot of fraud, they've dealt with a lot of problems, they've been in line after line after line, and nothing has been accomplished. And they want to see someone's face. They want to look in your eyes, and they want to know that you're really going to help them, you know.

And the taxes that -- the policy on the taxes having to be zeroed out? That's going to be a big issue, too. You have a lot of people who haven't filed for their homesteads. You have a lot of people who pay monthly payments on their taxes because they can't afford the \$1,000, the \$500 or even the \$50 that are owed on their properties.

So I think that it's great that we're sitting down and we're talking about all of this and we're going to be willing to go over policy changes, but I think there are a lot of things that really need to be delved into. And I've worked with this for the last six months, solely TDHCA and the people.

And I know that there's a lot of people who are still calling my phone, and I have to tell them, I'm sorry, I'm not taking any more applications at this time, because we're trying to hand it over to Shaw right now.

MR. CONINE: Loye?

MR. KEMP: My name is Loye Kemp, and I'm with Southeast Interfaith Organization. I'd like to talk to you for just a second about the policies on gap funding.

Gap funding. Just to give you a brief explanation of what gap funding is, if I were a homeowner and I received any type of benefit, whether from FEMA, insurance or whatever, to make repairs to my home, when I become eligible for Round 2 projects, I have to show where I spent this funding.

If I can't show where I spent this funding, then it becomes a gap. And if I've spent -- got \$3,500, then \$3,500 has to be taken off of what the construction company can spend on my house.

In Round 1, the Round 1 monies that you all just discussed, 435 homes were estimated. Out of the 435 homes, 229 of them needed gap funding, with an average of around \$3,500 per house. Well, that's 53 percent.

On Round 2, if you help 3,000 families -- and I just heard that we may be able to help 3,400 -- well, that 3,000 at 3,500 -- that's \$5-1/2 million. This money has got to come from somewhere, and I don't know where it's going to come from, because the people aren't going to have it.

And speaking on that line, your program guidelines, the program guideline says if the cost to a fully rehabilitated home exceeds that covered by the grant or loan, then the homeowner must provide evidence that they have available funds or can obtain financing from an outside source to cover the funding gap.

Working with faith-based or non-profit organizations that

provide funding, volunteer services or other forms of self-assistance is an eligible source of such financing. Under the policy, it doesn't say that. The policy says basically that you're going to have to furnish money up front.

Well, first, the faith-based organizations want to help as much as we can, but I can tell you a faith-based organization is not going to give money up front. And I can also tell you that the construction people are not going to be responsible for volunteers' work. They're going to be responsible for their own construction work.

But there are other forms of faith-based assistance that could be provided, but it can't be done up front. For example, in my program, I have grants that will pay for professional services: Electrical, plumbing, roofing and leveling. Some of these grants amount to up to \$20,000 per house. And I have about a hundred homes with grants already approved, but these grants are not going to be paid for until after the work is complete.

So that's one way that the faith-based groups can partner with this program in order to help with the rehabilitations of the homes that I have. So we're asking you to look at the policy and make sure that we find a way to utilize all monies, whether they come from grants or whoever. Thank you.

DR. MUÑOZ: If I could, Mr. Chair?

MR. CONINE: Dr. Muñoz.

DR. MUÑOZ: Can we have questions right now?

MR. CONINE: Yes. Sure.

DR. MUÑOZ: Thank you.

Just so that I understand, to use your own example, a family -- and I hope I don't sound inordinately cruel. Just for my own understanding,

say you have a family and they acquire through their insurance or some other agency X amount of money for repairs and -- 3,500. And if they cannot demonstrate where that money was used to repair the home, it becomes gap funding.

MR. KEMP: That's correct.

DR. MUÑOZ: Okay. So I live in west Texas, and we get hail. So my insurance gives me 2,500 to repair my roof. And so I call a roofer, and he does it. Right? And then I have a receipt. Why wouldn't these people have a receipt for how that money was used to repair their home?

MR. KEMP: Well, sir, we're talking about really poor people.

DR. MUÑOZ: I --

MR. KEMP: A lot of these people -- let me, if I may.

DR. MUÑOZ: Yes.

MR. KEMP: A lot of these people may have used that money to buy clothes or beds that they lost, or for some other reason to help themselves get through a tragedy. We have people living in tents and cars and using bathrooms in the yards and buckets. So I'm not saying that all these people spent all that money on fixing their house.

DR. MUÑOZ: Okay.

MR. KEMP: But they've spent that money -- the majority of them spent that money on survival, but they can't prove --

DR. MUÑOZ: And they have no ability --

MR. KEMP: But they can't prove they spent it on their house.

And agreed so -- we're not arguing the fact that --

DR. MUÑOZ: No. And your example is very helpful, because it

wouldn't intuitively occur to me what they would have spent it on. Again, I'm thinking very sort of bluntly --

MR. KEMP: Yes.

DR. MUÑOZ: -- and very obtusely: Well, you get it for this, you'd spend it for that. I'm not thinking about, you know, the lack of having, you know, a toilet facility.

MR. KEMP: I know of one man -- just to answer your question, I know of one man living in Port Arthur whose wife actually died while they were evacuated with four children. Okay?

DR. MUÑOZ: Okay.

MR. KEMP: He got \$1,700 from FEMA. You know what he used the \$1,700 for?

DR. MUÑOZ: Tell me.

MR. KEMP: To bury his wife.

DR. MUÑOZ: Okay.

MR. KEMP: When it came time when we did an assessment, he didn't have proof. You know, he was, I spent the money on my wife. You don't --

DR. MUÑOZ: He didn't have a receipt for --

MR. KEMP: Well, no. He had proof that he spent it on his wife, but that's not an eligible expense.

DR. MUÑOZ: Okay.

MR. KEMP: And we're not arguing the point that there's gap funding; what we're saying is that the gap funding needs to be addressed. With an average of \$3,500 per home in Round 1 at 53 percent of the people

that were estimated, that's going to give you over \$5-1/2 million in Round 2 if it stays true at \$3,500 a home.

So what we're looking at is a way to come up with that money. The state graciously gave a million dollars in Round 1, and they used over \$800,000 of it.

DR. MUÑOZ: That has been very helpful.

MR. GERBER: It has been critical to moving the -- that million has been a key to moving that first 40 million. And we will look to probably bring some gap financing options to you all in the next several weeks.

But that's a real tough issue and a real Priority 1 for us. It's going to involve community bankers, and it's going to involve a variety of other, you know, financial resources that are already out there to help fill some of that. And it might also involve potentially -- some additional use of the trust fund potentially.

We'll -- as the staff and -- working with the faith-based community and with our contractor's, we'll try to sort out what's the best marriage of things to, hopefully, resolve the problem.

MR. FLORES: May I, Mr. Chairman?

MR. CONINE: Mr. Flores.

MR. FLORES: Sir, you threw a lot of information at me in a short period of time. And I realize it's because you have five minutes and you had to talk as fast as you needed to. Let me see that I got it right.

You kept using the words "front" and "monies" several times. So I need that explained. But I also need explained something about how you had access to something like \$20,000 per home or something, and then you

said you also had access to professional services like plumbing, electric and so on. Do it real slow one more time for me, if you would, please.

MR. KEMP: Okay. In our program, what we've done -- we've applied for grants from several different organizations: Red Cross, Salvation Army, Church World Service, and so forth.

We've got commitments -- for instance, just to give you an example, right now, we've got commitments from the Salvation Army. These commitments are going to pay for professional services on homes that we're working on. And these professional services include your electrical, plumbing, roofing and leveling, which need to be done by professional people because they have to pass inspections.

These cost on an average of, depending on what's done, about \$20,000 per home to do that. And once we go in and do that, then we sent our volunteers in to do the rest of the work.

We've turned all of our cases over to ACS. We have all of them that we've got funding grants approved for earmarked. And, you know, we're requesting that when you get to these, talk to us and find out if we've finished them.

One of the ways that we might could help that gap funding especially on these hundred or so homes that we have is to say, Okay, you know, Shaw can't be responsible for our volunteers' work, and we understand that, but Shaw can accept a licensed professional plumber who has been doing the work and who is bonded and so forth to come in and do the work that's already bid on; when he finishes it and tells me, we'll go to the Salvation Army, turn in the receipt and be paid.

That's \$10,000 or \$5,000 that he don't have to put on his \$40,000 bill that he's working on on that particular house. Now, we can't do all of them, but if we already have 50 or 60 or 100 homes approved, why not let's use that?

MR. FLORES: And how many do you think you would have enough money for -- how man homes?

MR. KEMP: Actually, I have enough for 141, but I think that we're going to probably complete the 41. So we'll probably have funding available for around 100, and for professional services.

MR. FLORES: With that amount on each home, too?

(Pause.)

MR. KEMP: I beg your pardon, sir?

MR. FLORES: Okay. The -- I realize we're getting a little coaching on the sideline there.

(General laughter.)

MR. FLORES: The -- each one of these houses -- does it have generally about up to 20,000 maybe available?

MR. KEMP: That's a ball-park figure.

MR. FLORES: I know. But I mean it's that kind of range?

MR. KEMP: Yes, sir. That's a good figure.

MR. FLORES: Okay.

MR. KEMP: And the problem is -- one of the problems is that the policy that was put forth says that this funding must be provided up front, but we can't get money up front. The only way I can get this grant from Salvation Army is to bring them an inspection sticker showing that the work

has been completed, and then they actually pay the contractor for the work that's done.

But, you know, in looking at a way to partner, you know, under these guidelines that you've got, this is a way that it could be done. Possibly something could work into it to where, you know, you're not going to get but -- if you can do 100 homes that was going to give you monies that can go somewhere else.

So I think that the way the policy reads and it's being turned in is -- and of course, Mr. Gerber informed us that there's going to be some leeway and things that he could look at and so forth to maybe alter this, but let's don't cut our noses off to spite our faces. Let's leave these doors open to where, you know, we can utilize that money.

MR. CONINE: You know, I don't think it's the intent of this Board to cut anybody's nose off.

MR. KEMP: Well, I meant on our --

MR. CONINE: We're more than interested in leveraging funds.

MR. KEMP: Well, we have funds that we can use.

MR. CONINE: We've communicated that message to ACS and our other subcontractors. And I'd be willing to bet that they're going to figure out a way to take advantage of the services you're offering.

MR. KEMP: Yes.

MR. CONINE: So if you have a problem with that from this meeting forward, please come back and let us know.

MR. FLORES: Okay. Now, who's he going to be meeting with?

MR. GERBER: This group is going to be meeting with Kelly Crawford and Don Atwell and others from our contract or group. And then we've added the nice lady from Appleseed and anyone else who wishes to comment on this and just talk generally about the refinements to the policies. We're hoping that today we'll get agreement in principle and a motion to approve these in principle with, again, the latitude to make some small refinements along the lines that we've talked about.

MR. FLORES: Well, Mike, let me throw these two cents in. If indeed they need a pool of money to work out of because of the front-end money and essentially the people that are guaranteeing that loan are somebody of the caliber of the Salvation Army, we ought to consider if we could have a pool of money around for about a year or so for them to draw from that would be replenished. And actually, we wouldn't be out any money, but we'd be banking somebody that has a voucher.

So try that one out, but I think that certainly is a way where you could take care of that front-end money problem that you told us about. But thank you very much. We appreciate getting at the nitty-gritty of what happens in real life out there. And it's really helpful to me.

MR. KEMP: And don't get me wrong. I -- Mr. Gerber and ACS -- they've been working with our organization. And, you know, I really can't say how pleased we are that they are. There's a true feeling on my part and, I'm sure, on all of our parts that there is true concern, and it has been shown.

But one of the things that we've been working on on the ground level since the storm -- and we've been doing -- working with Case

Management 101, and we've been facing these problems. And we've been hitting the bricks and getting these grants that come in from all over.

And we're getting down to where we're getting to the end and, sooner or later, this is the last go-round. And we just want to make sure that together we utilize as many funds as possible. And I assure you that we strongly feel like Mr. Gerber and the ACS group is working with us.

MR. CONINE: Well, we're glad to hear that, Mr. Kemp. Thank you very much.

MR. KEMP: Sure.

MR. CONINE: Mr. Higgs?

MR. HIGGS: I'm again with Southeast Texas Interfaith Organization, which is a coalition of local congregations primarily in Beaumont, Port Arthur and Orange, but also all of the major disaster-recovery organizations -- Methodist, Lutheran, Catholic, Presbyterian -- working together to try to solve the problems.

And because of the action you took last month to give parity essentially to cases from faith-based organizations with the COGs -- you said they should be treated equally -- we were able to hand over 1,000 cases to ACS for processing. And they're going to be treated on an, you know, equal basis with those depending on when people ask for help, on a first-come-first-served basis. So that was a good outcome.

Currently, we're working with ACS on three things. First -- and we think there are concerns that could cause problems for the program.

Number 1 is we need to make sure that the eligible families actually qualify. And that's going to require sufficient staff to go out and work

with people and to get them qualified, but you can't do that on the cheap and get this group of people to fill out the complex documentation that has just got to happen.

And we've got to have enough time for people to respond. These aren't folks who, if you give them a 30-day deadline, are going to rush and get everything done immediately. There has got to be backup to help them if they're qualified.

They've got to -- may have to have some support because they're blind, because they don't have phones, you know, or because they don't have automobiles. So we've got to figure out a way to give them the time and the support to qualify.

We also need to simplify the documents as much as possible. Wherever we can prevent people having to read another document and sign it, we need to do that.

And, thirdly, we've just got to address the obstacles of gap funding. People do not have \$3,500 sitting in their bank accounts to make up those dollars that were spent in other ways or that they were defrauded from. A lot of people were defrauded. People took their money, and they gave them no receipts.

The second thing we think that will be a problem if we don't do well is -- we've got to assure that any new construction is of sufficient quality and size that it will retain value for the families and the communities.

If we give people small-box houses to live in of about 800 square feet, they're not going to want them. And five years from now, when many of those people have passed on, nobody's going to want to buy those

houses, and we're going to create new blight.

So we've got to make sure that these are quality homes, that they're well constructed and that the next generation of buyers is going to want them, because these are mostly elderly people. And we've got to think beyond then because you know what happens to communities in Houston and in San Antonio where nobody wants that house. So that's what we want to work on next on making sure that happens well.

And, thirdly, we've got to build enough flexibility so that homeowners who want to rehab their homes who have a good home that can be rehabbed have the capacity to do that. We're trying to provide some way to do it.

We think there ought to be as much flexibility for certain cases as we can -- we shouldn't rehab every home, but -- where it's clearly the best solution for a person, where clearly the home is of sufficient size and value that it's worth rehabbing and, thirdly, where it's going to cost less than building a new home.

For instance, it makes perfect sense to us to rehab a house for \$45,000 -- that's 5,000 past the maximum -- and to rehab a 1,600-square-foot house that'll be a good house for the community, rather than demolish it and build a new 800-square-foot-home. That's what the people want.

That's what we should try to find flexible dollars for them to do, and that's what we're going to try to help them figure out how to do wherever possible. So we appreciate the opportunity to work with your staff and ACS to work out these solutions.

MR. CONINE: Any further questions of the witnesses?

Ms. Ray?

MS. RAY: I don't have any further questions of the witnesses, Mr. Chairman.

But I do want to commend the witnesses that are sitting before us and the young lady that spoke to us from Appleseed, because you do represent the people. Your heart is in the process.

Were it not for the faith-based community and the non-profits in the community that know the people, we would not be where we are today. We thank you for all that you've done that has gotten us to where we are.

We are here to serve the citizens of the state of Texas; you have been the people on the ground helping us to do our job. And please know that we are listening.

Please know that we have been discussing the issue of the heirship problem and, most importantly, the gap financing. You heard a little bit earlier that we have been all the way to congress and to HUD working on those issues. And gap financing is a very important part of that, and we understand that.

Please know that we hear you. We'll take these things into consideration. Thank you for your time. Thank you for your work. Thank you for your service to the citizens of the state of Texas. We're very grateful.

MR. HIGGS: Thank you. Appreciate it.

MR. CONINE: Thank you, Ms. Ray.

Thank you, witnesses.

Mr. Gerber?

MR. GERBER: Mr. Chair, I'd like to ask Don Atwell to come

forward and just touch on a couple of those issues. And then after that, hopefully, we'll be able to move to a motion.

I would just quickly note on the gap financing question again that we'll continuing to work on that over the next several weeks to see if we can make some headway. Again, I think there'll be several hundreds of thousands of dollars that we'll be able to move and bring forward to the Board in May to move -- that had been intended to move that -- from that first million -- to move that first 40- that, hopefully, will be a downpayment on additional gap financing to come.

But, Don, why don't you touch on some of the other issues that we're working through?

MR. ATWELL: Sure.

Don Atwell with ACS. I think there's also opportunities to address the funds that Mr. Kemp spoke about, the grants that they have from the Salvation Army and from the Red Cross.

The policy as it's designed was set up to exclude people that might be trying to do labor in-kind, if somebody was going to sweat equity, to fix their house. The policy was designed specifically to exclude that.

If there are organizations like the Red Cross or the Salvation Army that have funds, even though they may not be available up front because they require, just sort of like we are, that the home be done before they pay out, we could figure out how the mechanism would work to take advantage of those funds. That's a good win for everybody.

And that'll take care of some of the gap financing issue. We're addressing some of these folks already.

There are going to be, unfortunately, cases in gap financing that are going to be difficult, and we realize that. And we're working with everybody to figure out the best way to do that.

In some cases, it's -- the money that Mr. Gerber spoke about that could come from the Housing Trust Fund. I think there's opportunities to talk to the banking organizations and leverage what they can do.

The Federal Home Loan Bank, as well as -- banks have a requirement under the Community Reinvestment Act to help local communities and -- talking to them about how in the local areas they could use those funds maybe to provide loans. As Mr. Kemp mentioned, these aren't big loans for a big bank, but they're big loans for the individuals that we're talking about in this population.

So there are a number of things we're looking at to do to address the gap funding with regards to the hand-holding. The program is designed to move quickly. It's a big program that's going to address, you know, 3,500 homes in no more than three years, and probably much, much less than that; probably, you know, two or two-and-a-quarter.

And so a lot of the hand-holding that may have taken place in Round 1 is going to need to be streamlined a little bit, and I think we can do that by leveraging the relationships that these communities have, the communities themselves and those organizations, the local organizations, the faith-based organizations and the relationships that they have within these very small communities.

If Don Atwell calls someone in Jasper, Texas, they're not going to know who Don Atwell is, and they're not going to know it's okay to talk to

Don Atwell. But if someone from one of the faith-based organizations calls and says, "Don Atwell's going to call you, and you need to talk to him, and we can get your house fixed," I think there's a way for us to address this issue.

It's not one of those things that's clean-cut and you can write a pretty little policy about; it requires a lot of interaction and a lot of hard work between all of the people and organizations that are trying to affect a particular population.

MR. GERBER: But it's fair to say, Don, we've -- we knew and built into the contract the expectation that there was going to be intensive case work with these with this low-income population and that we knew it was going to be difficult just from, frankly, what we were hearing from the faith-based community and from our COG partners on Round 1. No part of this has been easy, and I don't think we have any misconceptions walking in.

MR. ATWELL: We do not. We know it's going to be hard.

MR. GERBER: And it's going to require -- it's, frankly, just going to require staff. We're hiring -- you're hiring a fair number of staff. They're going to be present on the ground in those communities. There'll be storefronts where people can go through.

Our intent is to do referrals, not just to do, "Here, call 1-800 Legal services," but to give them a name of an attorney who can assist them with heirship questions or other legal issues that will be specifically assigned to one of those storefronts.

The intent is also to assign them to a particular case worker at a faith-based organization that may be in partnership with ACS so that, you know, there's someone who will be able to, you know, walk that extra mile to

assist where, you know, perhaps the case work structure that we've got in place with ACS, you know, is just not getting the work done and there's just, you know, that extra need. And so I think those are all things we've anticipated

MR. ATWELL: That's correct. And one other thing I would add is, typically, when people think of a call center, they think of something -- somebody sitting there waiting for someone to call. The call center's both inbound and outbound.

So the folks in the call center are going to be doing outreach to folks. And that'll be much more effective, obviously, as I said earlier, if somebody says, Hey, someone's going to call from these folks; you need to and it's okay to talk to them.

MR. CONINE: Don, I'd like to ask you if I could to, if you could, put together a couple of case studies on the gap financing. I've got a couple of thoughts on that. And I would appreciate you, you know, whitening out the names to protect the innocent.

MR. ATWELL: Yes, sir.

MR. CONINE: But if you could, get me a couple of those case studies and let me take a look at it and make some phone calls and see if I can -- I want to make sure I understand the case itself before I make the phone calls.

MR. ATWELL: Yes, sir.

MR. CONINE: But I think there are some opportunities out there I'd like to explore.

MR. ATWELL: We appreciate that. And, yes, sir, we'll get on

those right now.

MR. CONINE: Thank you.

MR. FLORES: Mr. Atwell?

MR. ATWELL: Yes, sir.

MR. FLORES: I always knew that it was going to be complicated when you got in. And you've come well recommended, and that's why we gave you that contract, but, you know, you have a great obligation, I think, to the citizens of the state with the job you're doing.

We have confidence in you, and we certainly appreciate your attitude in working with the communities and especially with the faith-base communities back there, but, after listening to you today and, of course, in the past, I think you're the right guy for the job. So keep going at it and, you know, just keep us informed of what's going on.

But we don't think it's easy. We -- and you know it's not easy. So good luck to you.

MR. ATWELL: Yes, sir. I appreciate that. Thank you. And it's a great team working on this.

MR. CONINE: We need a motion to approve these policies at 9.c. in our book.

MS. RAY: Mr. Chairman?

MR. CONINE: Yes.

MS. RAY: So moved.

MR. CONINE: Okay.

I've got a motion to approve. Is there a second?

MR. FLORES: Mr. Chairman, these rules here -- are they the

kind of rules we can change and that are flexible if they don't work? I mean within a 30-day space. I mean I'm not talking about putting them into the public, the *Texas Register*, and so on.

Can you answer that, Kelly or Kevin?

MR. GERBER: Well, these won't go in the *Texas Register*, but these are program rules similar to a program manual that we have in other programs.

MR. FLORES: So a 30-day deal?

MR. GERBER: More or less.

MR. HAMBY: Correct. These do not get --

MR. FLORES: Okay.

MR. HAMBY: The public comment was today. They had the opportunity. And that's the reason our Board book gets posted and the notice is put out in the *Texas Register* if people want to do it.

Normally in most programs, these types of policies wouldn't be given to the public at all, but because this Board expressed a great deal of interest in making sure that the people of the southeast Texas trinity were taken care of, we brought them to the Board.

These are internal operating guidelines, if you will, but they do have some policy implications that are consistent with the action plan that you've developed. And that's why we wanted to make sure the Board had an opportunity to see these, because there are some real hard choices in here, and we wanted to make sure that the public had an opportunity to come before this Board and explain some of those hard choices.

And so these will not be published in the *Texas Register* other

than -- they were this week by notice that the agenda was up.

MR. FLORES: Yes.

MR. CONINE: His question was on future amendments, I think.

MR. HAMBY: Well, future amendments would come to this Board if they were deemed to change the policy.

MR. FLORES: But it would be a situation where we could get it done within 30 days? I -- there's some reluctance, obviously, you can see in my way here, because some of these things may or may not work. We don't do this every day. This is a new thing, and, hopefully, we won't do it again, by the way.

But I certainly would second that motion on that basis then.

MR. HAMBY: And the concept is -- and that was what Mr. Gerber said -- that you have some flexibility. What we were asking this Board -- and it was more out of reaction to this Board's reaction to the overall issues when we were working with the ACS contract, that you had a deep concern about how we were going to interact with the people in the community.

MR. FLORES: Sure.

MR. HAMBY: And quite frankly, that's -- the reason they're here today is so you could have that.

MR. FLORES: And I think it's fair, you know.

MR. HAMBY: So whatever we -- unless it deviates dramatically from the policies that you see here today, like if we suddenly decide that we can't accept a blah-blah-blah form, and that would impact several hundred homes, then we would probably bring that back to this Board.

If it's, "We're going to take documentation that is standard in the industry and accept that," and we didn't have it in this policy originally, that would not come back to the Board. It would be those things that would cause issues -- unless the Board tell us something different, it would be those things that would cause issues, and so they would be fairly immediate.

And if you'll recall -- I'm sure you read the entire master service agreement, all 800 pages of it, or whatever it is. But if you recall, part of the issue is that there's a team that looks whenever we change these policies, from both staff level and from ACS and their team.

And so there's a discussion that goes on before that, and part of that would be vetting if it needs to go back to the Board, but the intention is this gives you the opportunity to understand what the contract is doing in the community to help the people in the community and how we're going to impact the people in the community. And at this point, we hope to not burden you with these again unless it has a bigger impact so that the changes would be fairly quickly done.

MR. GERBER: And I would just add to Kevin's comment that the goal of any technical corrections is to be more inclusive and to capture a wider number of that 4,600 population. That's really the target that we're all trying to serve, understanding that there remains tremendous need in southeast Texas, but those are the folks who've really walked a mile through the first round process, working with the faith-based community.

You know, I think it's -- a large number of them should be helped. And we don't want to victimize them yet again.

So the goal is to really craft the rules to simplify, to make it

easy, to address the gap financing questions, to give them the case work necessary to complete this in a timely way so that we can realize efficiencies and help as many people as we can, but, finally, after, you know, close to three years, get them the help that they need, and to do it in as inclusive and simple a way as we can.

MR. FLORES: And my concern is that if at any time, Kelly, Don Atwell or anybody else out there that's working with ACS sees something that's not working out there and wants to refine it, they can come right back to us at the next Board meeting and say, Let's see if we can fix it.

MR. GERBER: Absolutely.

MR. FLORES: That's what my concern was, but I second.

MR. CONINE: We've got a motion from Ms. Ray and a second --

MR. FLORES: And I've got a second.

MR. CONINE: -- from Mr. Flores.

MR. FLORES: Thank you, Mr. Chair. Let's move on.

Thank you, very much, Don.

And thank you, Kevin.

MR. CONINE: Thank you.

Any further discussion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Thank you.

MR. GERBER: We've already done Item 9.d. So we're moving to Item 9.e., which is an amendment for the Houston-Galveston Area Council.

MR. CONINE: All right.

MR. GERBER: They're requesting to transfer \$669,000 from the rehabilitation budget category to the reconstruction category. Obviously, with so much time passing, there's less need for rehabs and more need for full reconstruction of homes.

And that transfer would enable them to serve the people that they have targeted without any appreciable decrease in the number of people that they're ultimately serving with the Houston-Galveston Area Council. And we would ask for a motion to.

MR. CONINE: I have public comment from Chuck Wemple.

MR. WEMPLE: Only if there are questions and clarifications.

MR. CONINE: And I have another one from Heather Lagrone.

Just --

MS. LAGRONE: If you need anything.

MR. CONINE: In good shape? Okay. Thank you.

MR. FLORES: Move the staff recommendation.

MS. BINGHAM-ESCARÉÑO: Second.

MR. CONINE: A motion and a second to approve Item 9.e.

Any further discussion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

All right.

MR. GERBER: Go to Item 3?

MR. CONINE: Yes. Let's go on and go back to Item 3, I guess.

MS. RAY: 3.a.?

MR. GERBER: Mr. Chairman, Board members, Item 3.a. is a presentation, discussion and approval of the Weatherization Assistance Plan. As we discussed last night during the training, this relates to the annual Department of Energy 2008 Annual Plan.

TDHCA received grant guidance in December of 2007. We developed the draft plan; it was reviewed by energy assistance staff and was sent out for public comment. We received no public comment on it, and staff is recommending the approval of the plan.

MR. FLORES: Nobody had any comments?

MR. GERBER: Everybody loved it.

MR. FLORES: Move staff's recommendation.

MR. CONINE: There's a motion to accept. Do I hear a second?

MS. RAY: Second.

MR. CONINE: There's a second. Any further discussion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chair, Item 3.b. is relating to the 2008 Weatherization awards. The awards total \$12,329,590. The contracts begin April 1, 2008 and end March 31, 2009.

With these funds, the sub-recipient network will weatherize approximately 3,000 households throughout the state. We ask your approval of the 2008 weatherization awards.

MR. FLORES: Move staff's approval.

MR. CONINE: There's a motion.

MS. RAY: Second.

MR. CONINE: There's a second. Anything further?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: The motion carries.

MR. GERBER: Mr. Chairman, Board members, as I shared last night, we're delighted that Amy Oehler has accepted the position of Director

of the Community Affairs Division. And she's going to present Item 3.c. dealing with community services block grant entity to be --

MS. OEHLER: Thank you.

Mr. Chairman, members of the Board, and Mr. Gerber, Item 3.c. relates to the review and possible approval of the staff recommendation to designate a Community Services Block Grant-eligible entity to administer the Community Services Block Grant, the Comprehensive Energy Assistance Program, and the Weatherization Assistance Program in Duval, Jim Hogg, Starr and Zapata counties.

Due to financial insolvency and numerous unresolved monetary findings, the Community Action Council of South Texas and Rio Grande City voluntarily relinquish the eligible entity status for the programs in counties previously mentioned.

The Department received two applications from interested parties in response to the request for application which had a deadline of January 11, 2008. One application was submitted by the South Texas Development Council to administer CSBG Weatherization and CEAP grants in Jim Hogg, Starr and Zapata counties.

The second application was from the County of Duval to administer CSBG Weatherization and CEAP grants in Duval County. The Department did not receive an application from any interested party to serve McMullen County.

Staff recommends that South Texas Development

Council be selected to serve Jim Hogg, Starr and Zapata counties. Staff recommends that the County of Duval be conditionally approved to serve Duval County. The application submitted by Duval County is being recommended conditionally because it contains deficiencies staff believes can be corrected.

The Department has provided notification of the deficiencies and is awaiting a written response from the County of Duval. If the county fails to adequately respond, staff requests authorization to release a new request for application for Duval County.

Staff also requests authorization to explore other opportunities for McMullen County, including potentially providing additional administrative funding to applicants to support additional expenses for providing services in McMullen County and a new request for application.

MS. RAY: We don't have any public comment for that?

MR. CONINE: No public comment.

MS. BINGHAM-ESCARREÑO: Move staff's recommendation.

MR. CONINE: Thank you, Ms. Bingham.

Do I hear a second?

DR. MUÑOZ: Second.

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

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MS. OEHLER: Thank you.

MR. GERBER: Thank you, Ms. Oehler.

MR. CONINE: Thank you, Amy.

MR. GERBER: Tom Gouris is going to come up to talk about Item 4.a., but I just want to, while he's walking up, share with you that the Affordable Housing Research Information Program is a program that we are using to perform market studies in key communities. We're using fees that -- we're using money that the legislature has appropriated to us from our bond fees.

Previously there had been an increase in the bond fees that developers pay of \$5,000. It goes to the Bond Review Board, and then the intent was of the legislation to transfer the -- they would keep \$1,000, and 4,000 would come to the Department for education and for market studies.

Somewhere along the way the money was never transferred to the Department. We sought permission from the legislature and received permission to get \$240,000 over the biennium for market studies and for an information program from our bond fees. And so what you'll be seeing this year is a proposal to do one in the Brownsville -- in the McAllen-Edinburg-Pharr and Brownsville-Harlingen Metropolitan Statistical Area.

And Tom's going to talk a little bit about that one.

MR. GOURIS: Tom Gouris, director of real estate analysis, acting deputy executive director of programs. Also, Brenda Hull is with me here to talk a little bit more about this if you have questions.

The study we're proposing to do in the Valley is similar to the studies we've attempted to do and have completed in some other areas of Texas. And we'd like to hit all the areas of Texas.

We believe that the Valley area is probably our next most significant area of concern as far as where the need is and how much the need is, where we're putting developments. And so we'd like to see a study done there broken down by sub-markets based on what the applicant's suggest the proper sub-market would be.

We're using a similar formula to the study that

we asked to in Dallas, and it's similar to the other cities that we've done, but we continue to add elements to try to get a better product and try to get a better construct of what that is. And this is, you know, this is a little bit of testing the water, seeing what other states do and seeing what, you know, we think we need to here in Texas.

And we think that, this time around, what we've asked for in the RFP is to have the market analyst actually select an area and give a demonstration of the demand for that area so that we can see what their methodology is and kind of see the inter-workings of how they're going to get there. We think that will help us understand if that measurement tool is going to be an appropriate one.

MR. GERBER: Tom, do you want to touch on the Dallas market study real quick, on what happened?

MR. GOURIS: The Dallas study -- we are -- we did an RFP for that, we've received several bids. We haven't eliminated the possibility of doing that study, although it's not likely at this time because of the cost we expected to incur there and because we didn't have that extra tool of knowing exactly they're going to derive demand in those sub-markets.

We may still bring that back to the Board for consideration, but we'd like to move forward with this study first because we think we can move forward in a clean

way with this study.

MR. GERBER: The Department did do a market study on Houston several years ago. It was a useful set of data points for additional decision making, and for Tom in real estate analysis to use. But obviously real estate conditions change quickly so the information oftentimes is very rapidly outdated.

MR. GOURIS: Right.

MR. GERBER: Nonetheless, it's useful to get a snapshot in time of a particular market. Our intent had been to do Houston and then to do Dallas -- or to do San Antonio first.

San Antonio -- the San Antonio community felt that the time was not right to do that market analysis. We then moved to Dallas, and given the challenges we've had in capturing Dallas, the next was obviously the Valley. And so hence the request you're seeing today.

MR. GOURIS: Right. There's one change in the recommendation, in the write-up that -- it actually says -- we inadvertently referenced Dallas in the write-up, we should have referenced the Valley.

MR. CONINE: Oh, you made a mistake.

MR. GOURIS: Yes, I --

(General laughter.)

MR. CONINE: Glad to hear you admit it before I

pointed it out.

MS. RAY: We were waiting to point it out.

(General laughter.)

MR. FLORES: Mr. Chairman, let's give him the money so he can move ahead --

MR. CONINE: Hang on. Hang on.

Brenda, did you have any --

MR. FLORES: -- approval of staff recommendation.

MS. HULL: I have nothing to add.

MR. CONINE: Nothing to add.

MR. FLORES: Oh, I'm sorry.

MR. CONINE: We have public comment from Darrell Jack, our friend.

MR. FLORES: I'm sure Mr. Jack is just dying to have us approve this thing. He may have an interest in such things. So --

MS. RAY: Sounds like a conflict to me.

MR. JACK: Thank you, Mr. Flores.

My name is --

MR. FLORES: I'll just give you an entree, Mr. Jack.

MR. JACK: Thank you.

Appreciate you letting me come to speak to you this morning. For those new members that I haven't met, my

name is Darrell Jack. My firm is Apartment Market Data and we're based out of San Antonio, Texas. We're kind of unique in the market study world in that we have the only database that covers the entire State of Texas.

So currently we're databasing over 1.6 apartment units that include, you know, things in the major cities like Houston and Dallas, but the small out-of-the-way places like Jasper and Commerce, Texas, and places that most of us don't ever get to go to.

I just had a few comments about the RFP, the way that it was drafted, first regarding the time line. Currently, it has a draft being submitted October 1, with a final report due November 1.

And my thought here is that, one, the report can be done quicker than that, but, two, one of the useful purposes of a report being delivered earlier is that it gives developers the opportunity to use the report in selecting sites that meet the needs of the community for the 9 percent round. The sooner that they can get a report like that, the more useful it becomes in doing their site selection for the 9 percent round.

So I would submit to you that the report -- a draft could be submitted to the Department by September 1, with the final report being delivered October 1, and being a more useful tool to the development community.

Second regards the baseline of 2008. Currently the demographic providers that we use for this type of analysis only have their baseline set to 2007, and that's the data that we're currently using in the 9 percent round.

The forecast goes out five years, so we could forecast 2008, '9, '10, '11 and '12, but the baseline data that we need to prepare the report won't be available probably till October or November of 2008. So I'd like to recommend a baseline of 2007.

And then finally, the little more difficult part of my comments is the explanation that if the market analysis submitted to TDHCA contains conclusions that are contrary -- I'm sorry, other market studies that come in after the report that have conclusions that are contrary to the study, that's hard to pin down, because, as you know, every project is unique.

And an applicant that submits a mix of ones, twos and threes, that project might fit within the states' underwriting criteria, where if it was twos, threes and fours, it might not. And I'd like, you know, to work with staff down the road on how this might be further defined. Thank you.

MR. GERBER: Tom, did you want to come forward and --

MR. GOURIS: Yes, on the issue of accelerating time lines, I mean, we'd be happy to get the report quicker than that. We were trying to provide enough time to generate the report. It is a little bit longer time line than we had proposed for previous studies that we've done, and so I don't have any issue with, you know, reeling that in, especially if, you know, one of the potential respondents is here saying that would be doable.

As far as the baseline data goes, again, I'm not sure that -- the '07 -- the 2007 data is really, you know, going to be based on a bunch of projects from data that's, you know, created previous to that anyway because of the way the census data is collected.

So I'm not sure that it's all that critical that the baseline data be reported as 2008 or 2007 since I think they're both going to have some base -- some amount of projection in them. We certainly could adjust that to 2007 and then added -- make sure that we just go through the 2012 --

MR. CONINE: Well, why would it not serve the purpose to say the most recent, and just kind of cover it --

MR. GOURIS: As a five --

MR. CONINE: -- in a way that --

MR. GOURIS: -- year period.

MR. CONINE: Yes.

MS. RAY: Okay.

MR. GOURIS: We can do that.

MR. CONINE: And what was the third point?

MR. GOURIS: The third issue had to do with presentations of contradictory information in the future.

And I'm not sure if grasped your point, Darrell, but think the issue had been, for us anyway, is we wanted to ensure that anyone who does a study for us doesn't say -- give us this information here and says, you know, there's no demand. And then it comes back, you know, the market study, you know, six months from now and says, oh, there is plenty of demand in this same area from, you know, from a consistency standpoint.

The way we would approach that is, if we got that kind of information, is we'd sit down and kind of work through why there might have been a difference, you know, a change in the situation.

But we wanted to make sure that, you know, this study was to be taken seriously, and going to be done, and going to be held to, and people were going to understand that if, you know, demand isn't seen in this market for this kind of project, that's a pretty big, tall hurdle to get across, to come back with another study that says it's okay.

MR. CONINE: Right. Well, you know, my gut's going to tell me there's going to be a huge demand down there --

MR. GOURIS: Yes.

MR. CONINE: -- anyway, so I don't think it's going to be any surprise.

Any other questions of the witness from the Board?

MS. RAY: Mr. Chairman?

MR. CONINE: Yes, ma'am.

MS. RAY: I move that we accept staff's recommendation with the following changes: to use the date of 1 September on the deadline instead of 1 October; and on the baseline data, to change the terminology to use the most recent baseline data.

MR. CONINE: There's a motion on the floor. Do I hear a second?

MR. FLORES: Second.

Does that take care of it, Tom?

MR. GOURIS: Yes.

MR. FLORES: Okay.

MR. GOURIS: We can work from there, yes.

MR. GERBER: Just go by -- it'll be draft submitted September 1 --

MR. CONINE: Ms. Bingham, you have a question?

MR. GOURIS: Final October 1.

MR. GERBER: October 1.

MS. BINGHAM-ESCARREÑO: I think that takes care of it. Thank you.

MR. CONINE: You got it?

MS. BINGHAM-ESCARREÑO: That was my question.

MR. CONINE: Okay. Seeing no other questions, I will call the question. All those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: Any opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GOURIS: Thank you.

MR. CONINE: Let me say from a timing standpoint, from what I'm looking at in front of me here now, that I think we're going to do Item 5 and Item 6, probably take a 30- to 45-minute break for lunch, and then proceed on after that. So everyone can plan accordingly.

Mr. Gerber, Item 5.

MR. GERBER: Item 5, Mr. Chair, is the Texas Low Income Housing Plan and Annual Report for 2008. This Department is required to provide that report each year, and it offers a comprehensive reference on housing needs and resources, it reviews TDHCA's housing programs, current

and future policies, resource allocation plans, and reports and 2007 performance during the preceding year.

This slip was made available for public comment on January 4 through February 6 of 2008. We received some -- although no public comment was received during the official public comment period, staff has summarized and provided reasonable responses for some comments that we received when it was in draft form.

Most of those centered around expanding the use of mixed income developments using tax credits, utility allowances, construction costs and current market instability that we're seeing, as well as just a general issue of NIMBY-ism.

The slip is fairly typical, again, of the Department's approach of, you know, round tables and trying to encourage, you know, as much input from the community as a whole before oftentimes rules come before you, and before reports of this nature come before you.

It's fairly straightforward. And following its approval by the Board, we'll publish it and distribute it to the governor, lieutenant governor, and speaker of the house and our oversight committees, as required by statute. We're recommending approval.

MR. CONINE: I have a couple of public comments on this particular item.

Ms. Sarah Mills?

VOICE: This is 4.b., actually.

VOICE: Yes.

MR. CONINE: What did I do wrong?

MR. GERBER: We need to correct I --

MR. GOURIS: Oh. I'm sorry.

MR. GERBER: It's actually Item 4.b. And Item
5 is the --

MR. CONINE: Whoa.

MR. GERBER: -- Project Access rules.

MR. CONINE: I'm sorry.

MR. GERBER: That's fine.

MR. CONINE: I'm sorry. I was getting way
ahead of myself.

MR. GERBER: But don't go far.

MR. CONINE: Yes. Just hang tight for just a
minute.

Item 4.b. So I don't have any public comment
on Item 4.b. Do I hear a motion?

MS. RAY: So move staff's recommendation.

MR. CONINE: Is there a --

MS. BINGHAM-ESCARREÑO: Second.

MR. CONINE: -- second? There's a second. Any
other discussion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: Opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chair, I'd really like to acknowledge Brenda Hull and thank her and her team for their hard work. This is a tough report to put together each year. It requires -- there's a lot of moving parts. And I just want to really commend Policy and Planning on their effort.

(Applause.)

MR. CONINE: Sorry for my oversight and first mistake of the day. Okay. Now to Item 5.

MR. GERBER: Item 5, Mr. Chair, is the Project Access rules.

Brenda, do you want to discuss, or do you or -- me?

Project Access is a program that utilizes Section 8 housing choice vouchers from the Department of Housing and Urban Development to assist low-income non-elderly persons with disabilities in transitioning from institutions into the community by providing access to affordable housing. The purpose of this draft rule is to

define the eligibility criteria that apply to project access voucher recipients.

As you all know, we received significant public comment at the last Board meeting regarding the proposed project access rule. Since the Board meeting, staff has convened two meetings with the Disability Advisory Work Group and discussed the rule one on one with several individuals.

And as a result of these discussions, staff is suggesting several amendments -- adjustments to the proposed rule, which you see in your Board book that are indicated in black line. The black line, again, is just the difference between what you saw last time and what you're seeing now.

Staff, in a nutshell, was proposing to expand the eligibility criteria beyond HUD's original guidelines to include people with disabilities under the age of 62 that have already transitioned from institutions using the Department's Tenant-Based Rental Assistance program, and who were within 120 days of their assistance expiring.

The Department's TBRA program is administered through the HOME Partnerships program. Such assistance, as you all know, is limited -- is transitional. It's intended to be limited to 24 months. The waiting list for Section 8 housing choice vouchers are very long and, in many cases,

are closed for extended periods of time, making this and -- but it's often times those Section 8 vouchers that are the key source of permanent housing assistance, and it's very difficult when it's unavailable.

The disability advisory work group provided considerable input that expanding the eligibility criteria to these individuals with expiring TBRA assistance would help alleviate the shortfall of permanent housing assistance. And if it's approved by the Board today, the public comment period for the proposed rule will be March 28 through April 30.

So we'll see some additional public comment on this, to be sure. And Sarah Mills has been very helpful in the effort and the disability advisory work group.

And, Mr. Chair?

MR. CONINE: Now you're up, Ms. Sarah. Sorry about that.

MS. MILLS: Well, I just wanted to say good morning, and welcome to the new Board members.

And I'm not going to take up much of your time, but I just wanted to let you know who I was, because I didn't speak at the last Board meeting.

MR. CONINE: We missed you.

MS. RAY: A lot of people do.

MS. MILLS: But I am Sarah Mills, and I'm a

policy specialist with Advocacy Incorporated. And for those of you who don't know what Advocacy Incorporated is, we are Texas's protection advocacy system.

And what that means is we have a legal services unit, a policies provision unit, and advocates on the ground working individual cases throughout the state. And we do receive our funding from Congress in the ways of grants.

And basically, I do want to thank Mr. Gerber, Brenda Hull, Tom Gouris. They were fabulous meeting with us, and I appreciate their opportunity to come work with us before this is put out for public comment. And we are very supportive of the draft. Thank you.

MR. CONINE: Any questions?

(No response.)

MR. CONINE: Thank you, Ms. Sarah.

MS. RAY: Mr. Chairman.

MR. CONINE: Yes.

MS. RAY: I move staff recommendation.

MR. CONINE: Well, wait a minute, we've got one more public comment. Hang on.

(General laughter.)

MS. RAY: Wow.

MR. CONINE: Jean Langendorf?

MS. MILLS: Oh. She had to leave.

MR. CONINE: She's gone? She let you do the whole deal, huh?

MS. MILLS: Well, we'd actually signed up to speak at public comment, but I think there's a little -- it got slipped in the wrong --

MR. CONINE: Okay.

MS. MILLS: -- place. But she --

MR. CONINE: I'm sorry.

MS. MILLS: -- I'll also speak on behalf of Disability Policy Consortium and United Cerebral Palsy of Texas. How about --

MR. CONINE: Great.

MS. MILLS: -- that?

MR. CONINE: Thank you.

MS. RAY: Mr. Chairman.

MS. RAY: Yes, ma'am?

MS. RAY: What a difference a month makes.

(General laughter.)

MR. CONINE: Do I hear a motion?

MS. RAY: Moved.

MR. FLORES: -- second.

MR. CONINE: All right. There's a motion and a second to approve Item 5. Any further discussion?

Dr. Muñoz.

DR. MUÑOZ: I just have a question of the

executive director. In these two subsequent meetings, were any of the people that offered public comment at the last Board meeting, were they participants in any one of those two subsequent meetings?

MR. GERBER: Absolutely. We invited them all and some were, some --

DR. MUÑOZ: Some were?

MR. GERBER: -- were not. But the disability community, you know, I think is -- you know, there are a number of key leaders, it's very diverse. We're trying -- you know, there's not really a set work group. It's pretty, you know, we really, you know, again, operate through round tables, we try to encourage people to come in and participate. So it's not a you're a member of the work group so you can participate, and you're not so you can't.

We try to be open, you know, have an open door policy and be inclusive. We still have our issues to work through with the disability community, and we're always -- we're not going to see eye to eye, but I think this was a good reminder to me and to staff that we just need to do a better job of continuing to deal with issues on the front end rather than --

DR. MUÑOZ: Yes, but then, you know, I guess the point I'm trying to make, or underscore, is that they were at least given the opportunity to weigh in, they were

afforded the opportunity. And I appreciate people contesting decisions and what have you.

But I think what you've done is a clear illustration of fair redress. Two meetings to weigh in and comment and what have you and try to negotiate some solution that is amenable and agreeable to all constituents. And so, you know, I applaud what you've done.

MR. GERBER: Thanks.

DR. MUÑOZ: Again, you know, people are going to come and question, and I think properly so, the decisions. I think they should also be prepared to attend these meetings where the work, or the details are actually decided for us to then, you know, rule on at subsequent meetings. And so I just wanted to see whether that group, or individuals, had been afforded that opportunity.

MR. GERBER: Absolutely.

MR. CONINE: Thank you --

MR. GERBER: Thank you.

MR. CONINE: -- Dr. Muñoz.

Any further discussion on the motion?

(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: Motion carries.

MR. GERBER: Item 6 --

MR. CONINE: Item 6.

MR. GERBER: Item 6.a., Mr. Chairman, is approval of the HOME program award recommendation for disaster assistance for Crystal City. I'm going to let Jeannie Arellano come forward.

I'll just touch briefly on just the big picture for disaster assistance. This is one of really two key ways that the Department normally helps provide disaster assistance.

It's this program, and also using the disaster portion of CSBG, Community Services Block Grant discretionary funds where we help community agencies who are on the ground doing disaster assistance. HOME assistance is the other key disaster program that we normally have when we're not running, you know, CDBG in southeast Texas.

Generally we are not a first-responder agency.

We do go in and have a housing team that is part of the Governor's Division of Emergency Management. So when a tornado or other natural disaster or other disaster occurs that involves housing, we'll be part of inspecting and

seeing what happened -- what has happened.

But we are really a second responder. We -- after a community has had a chance to evaluate what their needs are, we will then offer assistance through the HOME program for those low-income people, who are very hard to serve, who cannot repair their homes on their own, and provide a grant of up to \$500,000 for assistance.

And what you're going to see today is Jeannie's going to talk about a community that was hit by a tornado and is seeking that \$500,000 maximum assistance.

Jeannie?

MS. ARELLANO: Good afternoon. Jeannie Arellano, director of the HOME Division.

Mr. Chairman and Board members, during the summer of 2007, Crystal City experienced severe storms, tornados and flooding which devastated certain areas of the city. A federal disaster declaration was issued on June 29, 2007, and the Department's HOME program rule makes HOME deobligated funds available no sooner than 90 days after the date of the federal declaration date.

The Department notified Zavalla County officials of the Department's HOME program and offered technical assistance for completing and submitting an application. Crystal City's application in the amount of \$500,000 was received and processed for recommendation.

The application has been thoroughly reviewed for eligibility. This application and award is typical of the type of disaster relief awards received by the program, as Mr. Gerber mentioned. And you will see these again and again. It's common for these to be presented on the consent agenda.

As you may recall, the Department has approximately \$6 million set aside in deobligated funds for disaster funding. And the program makes these funds available for the reconstruction or rehabilitation of owner-occupied housing units affected by disaster.

The Department is not a first responder agency. And since federal funds cannot be duplicated, applicants must wait until after federal funds are made available, if they're made available. The HOME funds available under this disaster relief program are part of a longer disaster recovery plan and provide an option to households that typically have the least options in rebuilding after a disaster.

The Department has received three additional applicants for disaster relief totaling to additional 1.5 million in requests. Staff is reviewing these for threshold and eligibility requirements, and they will most likely be presented for an award recommendation at the May Board meeting.

Staff recommends approval of this disaster relief award recommendation and also recommends approval of the 2 percent of project funds requested for program administration.

MR. GERBER: And just to give you a sense of perspective, Mr. Chairman and board members, we generally try to keep a little higher balance in that account for disaster assistance, especially when we're sort of playing the odds with hurricanes. You know, we have not used as many of those dollars in the last year, thank goodness.

But when we get to the summer storm season, we do try to make sure that we have adequate funds. And so we'll be going down to now \$4 million with those awards likely to come forward to you all in May, and it doesn't take much to go through the four million.

MR. CONINE: I have a witness affirmation form from Sandy Marcada.

MS. MARCADA: Good morning. My name is Sandy --

MR. CONINE: Do you want to come -- come on up.

MS. MARCADA: -- Marcada. I don't have a comment actually. I'm here to answer any questions --

MR. CONINE: Answer questions. Thank you very much.

Are there any questions of the witness, or any

questions of the --

MR. FLORES: Move approval, Mr. Chairman.

MR. CONINE: There's a motion to approve. Do I hear a second?

DR. MUÑOZ: Second.

MR. CONINE: Motion to approve and second. Any further discussion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries.

DR. MUÑOZ: Good luck.

MR. GERBER: Jeannie will help on 6.b. on the Rental Production NOFA.

MS. ARELLANO: Mr. Chairman and Board members, during the 80th Legislative Session, the Department was appropriated \$5.8 million in general revenue for the Housing Trust Fund. Rider 10(d) of the appropriation bill also requires that the Department provide an annual report to the Legislative Budget Board, the House Appropriations Committee, and the Senate Finance Committee detailing the Agency's plan to expend funds from the Housing Trust Fund.

The 2008 -- that 2008 annual plan, a copy of which has been provided to you today, was approved by the Board in September 2007.

During the original concept discussions regarding the program and possibilities of the increased Housing Trust Fund, interested affordable housing stakeholders expressed a need to leverage funds with rental properties, primarily in rural areas that do not receive a Housing Tax Credit award to better enable qualities properties to target units of households at lower than median incomes.

Therefore, the plan included the programming of \$844,000 for the rental production program, and the Board approved the notice of funding availability for this program in October 2007. The Department released and published an amended NOFA in December 2007 to reflect changes necessitated by the final adopted Housing Trust Fund rule.

To date one application had been received with a maximum award request of \$250,000. Staff is currently reviewing and evaluating the application. This is the public comment that you received from Mr. Mark Mayfield.

Additionally, staff discussions with another interested applicant indicate that the requirement for the submission of third-party reports for small scale

developments is a barrier to submitting an application since it's not cost effective.

Staff believes it is prudent to require and review third-party reports such as a market study, environmental site assessment, an appraisal, and property conditions assessment for proposed properties involving acquisition.

However, staff does recommend amending that NOFA to remove the requirement of a market study for those applicants proposing the acquisition, or acquisition and rehabilitation of a development with 10 or fewer units. Staff has revised the NOFA, which is attached with black line reflecting the amendment proposed, and staff recommends approval of the amended NOFA.

Another prospective applicant has expressed an increase -- and interest in removing the exclusion for properties funded with Housing Tax Credits from this NOFA.

The applicant has indicated that there's an interest to utilize these funds for properties that were previously funded with Housing Tax Credits and are now in need of rehabilitation.

Staff is not recommending an expansion of these funds for Housing Tax Credits at this time. However, if the Board desires to remove the exclusion for properties funded with Housing Tax Credits, staff recommends an

extension of the application deadline from May 1, 2008 to August 31, 2008, and approval to extend the reprogramming of funds for under-subscription to August 31, 2008 as well.

As described on page 10 of the 2008 annual plan that you've been provided, which describes the rental production program. If the funds are not applied for within six months of the release of the NOFA, they will be reprogrammed by the Department's Board to another activity identified in that plan.

Therefore, if the Board does not desire to amend the NOFA, removing this exclusion and that program remains under-subscribed by the May 1 deadline, staff will evaluate the possible programming of these funds and present recommendations to the Board in May.

MR. GERBER: But our recommendation is that you approve the modification, and we're very hopeful and we're going to continue, as we talked about during public comment, to work with Mr. Mayfield to see if we can make these funds available to his development, as well as the development of other rental housing in rural Texas, which is very difficult and why these Housing Trust Fund dollars were devoted for this purpose. But they are harder deals to do, hence the need for the need for subsidy.

MR. CONINE: That's why we go you doing it --
(General laughter.)

MR. CONINE: -- Jeannie doing it.

Any other questions?

(No response.)

MR. CONINE: Do I hear a motion?

MR. FLORES: Move staff's recommendation.

MR. CONINE: Do I hear a second?

MS. RAY: Second.

MR. CONINE: Motion and second to approve
the -- Item 6.a. --

MS. RAY: 6.b.

MR. CONINE: A, or b?

MS. RAY: B.

MR. GERBER: That's B.

MR. CONINE: I am really losing it. 6.b.

MR. GERBER: 6.c.

MR. CONINE: C?

MR. GERBER: 6.c, yes, sir. Now --

(General laughter.)

VOICE: No, b.

MR. GERBER: Oh. 6 --

VOICE: This is 6.b.

MR. CONINE: Now you're losing it.

MR. GERBER: This is 6.b.

VOICE: Right.

MR. GERBER: We need a motion to approve.

MR. CONINE: 6.b. All those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Item 6.c.

MR. GERBER: 6.c. now, Veterans Housing.

Ms. Arellano?

MS. ARELLANO: Okay. With the 2007 Housing Trust Fund Funding Plan, staff designed a specialty program to meet a need brought to the Department's attention from various entities that assist veterans transitioning into housing after service in recent overseas conflicts.

It appears that this need is especially greater in urban areas since the entities that provide supportive services to veterans are typically locally in the vicinity of military or VA hospitals, such as San Antonio, Houston and Dallas.

In July 2007, the Board approved the Housing Trust Fund Texas Veterans Housing Support Program notice of funding availability, which made available a million dollars to be utilized for rental subsidies and home ownership assistance for low income, 80 percent AMFI veterans.

As you can see from the chart in the write-up,

a total of seven applications were received by the application deadline date of December 28, 2007. The City of San Antonio, HOVER, Inc., Catholic Charities of Dallas, Inc., and the City of Dallas were approved for funding at the January Board meeting, totaling \$812,816 in awards.

Only one of the three remaining applicants has cleared deficiencies at this time, and is therefore being recommended to the Board, along with a recommendation to add an additional \$62,816 to the NOFA to fully fund the recommendation.

U.S. Veterans Initiative is a non-profit organization formed in 1992 to serve and assist military veterans, either experiencing or at risk of homelessness. The organization currently operates 12 sites in five states. The Houston site was established in 1997 to help homeless veterans in the Houston/Harris County area.

Staff recommends approval of the Housing Trust Fund Texas Veterans Housing Support Program award recommendation to U.S. Veterans Initiative and the addition of \$62,816 in available deobligated Housing Trust Fund funds to award this full request amount.

The remaining two applicants have passed their deadline for submitting deficiencies and are considering reapplying for future funding from the Department. Should these applicants clear their deficiencies, they would

require a Board waiver extension of the deficiency deadline, and an increase in funding allocated for this NOFA.

Additional Housing Trust Fund uncommitted and deobligated funds are available to meet the applicants' requests if the Board waives or extends the deficiency deadline and the deficiencies are cleared.

MR. FLORES: Mr. Chairman.

MR. CONINE: Yes, sir.

MR. FLORES: Jeannie, I'm trying to put my arms around it. Is this only for veterans that's coming out of the hospital into civilian life, is it, or do you give preference to them? I'm trying to figure out the eligibility. Who's eligible for these funds?

MS. ARELLANO: A Texas veteran.

MR. FLORES: Any Texas veteran.

MS. ARELLANO: Correct. We ask for -- in the NOFA we ask for priority to those veterans that were recently returning from overseas conflicts.

MR. FLORES: So does that mean they get extra points or something?

MS. ARELLANO: There's no point structure, but the entities that awarded the funds could develop that in their application process in deciding who they decide to serve first, if they have a waiting list of veterans.

MR. GERBER: And most are represented as priority being given to those returning from Afghanistan and Iraq.

MR. FLORES: Because I would think that you could use that stuff in a great big hurry for people transitioning from hospital to civilian life, or whatever they're doing. Yes. Okay.

Well, I move approval, Mr. Chairman.

MR. CONINE: There's a motion on the floor.

Dr. Muñoz?

DR. MUÑOZ: No, no, I have a question.

MR. CONINE: Okay. Let's just get a second on the motion.

MS. BINGHAM-ESCARREÑO: I'll second.

MR. CONINE: There's a second.

Dr. Muñoz?

DR. MUÑOZ: Okay. Give me a few examples of deficiencies. What would be deficiencies for which these non-profits were precluded from continuing in the process?

MS. ARELLANO: One of them is -- lacked a resolution from their governing board authorizing them to apply for the funding. So we've requested that deficiency be cleared. Another example is the application required a narrative on the financial structure, and experience components of performing this type of activity in the past,

and asking for some more information in a narrative.

DR. MUÑOZ: Okay. And --

MS. ARELLANO: Resumes of program participants that are administrators --

DR. MUÑOZ: All right. Those seem to me fairly easily reconciled deficiencies. You mentioned something about a waive of deficiencies or extending a deadline. How can we incorporate that into what we're going to decide here in a minute? Because I for one want to see those with these moderate or minor deficiencies not precluded.

MS. ARELLANO: Okay.

MR. GERBER: Well, Dr. Muñoz, some of the deficiencies are -- I mean, Jeannie, you know, certainly I heard you describe them. In one instance that I'm aware of, I mean, we just have a question about just the overall capacity of the organization to actually use the money the way we intend --

DR. MUÑOZ: Okay. That's different, Mike. I mean I appreciate the severity of that, sir. But that is different than, you know, a narrative. So --

MR. GERBER: Sure. I mean there's -- you know, these are, you know, hard to apply our funds, and we, you know, have a set of expectations that we try to lay out. We don't want to make it overly burdensome.

We want them -- you know, we want to know

clearly what they're intending to do and then we walk through a process to just verify. And it's certainly a lot less rigorous than, you know, than it is certainly for, you know, for other programs like, you know, like tax credits.

I mean we seek some, you know, some reasonable level of assurances using some proven methods.

In this particular case, you know, our intent is -- you know, we generally don't urge the Board to waive rules, but in this case, because of the population that we're trying to serve, we believe that there may be some merit if we can get them across the -- you know, get them to the finish line, to come back to you all in May and say, You know, this seems like a worthy population to serve, the funds are available through deobligated Housing Trust Fund dollars --

DR. MUÑOZ: Sure.

MR. GERBER: -- we think we can business with these folks, and we'll make that recommendation to you.

DR. MUÑOZ: So is that what's going to happen?

MR. GERBER: That's what would happen in May, if --

DR. MUÑOZ: All right.

MR. GERBER: -- we can get these folks to the finish line. Our intent is to still work with them. I know in one case I think they pretty much have felt that

they --

DR. MUÑOZ: Right.

MR. GERBER: -- just don't have the capacity to move forward. In the case of the City of Houston, I think that they are trying to still address their issues. So we just don't -- at this point we just don't know. But we --

DR. MUÑOZ: Well, I guess I'm just -- okay. Well, I appreciate that explanation. Seven organizations, only one of which apparently at this point you're recommending. This is --

MR. GERBER: Five organizations. We did --

DR. MUÑOZ: Five.

MR. GERBER: -- four at the last Board meeting, and then this is a fifth. We had seven total apply.

DR. MUÑOZ: Okay.

MR. GERBER: And that's why we're -- and we're exceeding the million dollars that we had allotted, so we're asking you to --

DR. MUÑOZ: A million four. Right?

MR. GERBER: Well, we had a total of a million four in applications, but the seven -- that's for the total of seven. But for the five, we're going to 1,062,000. And so we need to ask your permission to get that additional 62,000 from deobligated Housing Trust Fund dollars. And, again, because of the merits of the population and what

we're trying to do, we think -- we're asking for your permission to --

DR. MUÑOZ: Okay.

MR. GERBER: -- provide those additional funds and award this fifth grant.

DR. MUÑOZ: All right.

MS. ARELLANO: If I could provide just some additional information to you? One of the applicants that's applied for the rental subsidy, the rental assistance type program, that's the organization that's indicated -- wanting to wait and not wanting to move forward at this point, when we were trying to clear these deficiencies.

The other applicant, the City of Houston, is applying for a Homebuyer Assistance -- the Homebuyer Assistance program, and they've indicated an interest in applying under the -- an open NOFA that we have right now that also provides the same type of assistance, down payment and closing cost assistance. And it's just that that one's not targeting veterans.

MR. CONINE: Okay. There's a motion and a second to approve staff recommendation. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those favor of

the motion signify by say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

Mr. Gerber, let's go ahead and catch Item 7 while we're here.

MR. GERBER: Sure. I'll ask Eric Pike to come forward and talk about that. And while Eric's walking up, let me, if I can, just ask for your indulgence for a second, Mr. Chairman.

I think what you saw, Dr. Muñoz, was as we modify -- we want to get these dollars out. And where we see that something is being under-subscribed to like we saw in the Rural Rental NOFA, we'll come back to the Board, you know, when we're not seeing any applications coming in or we're hearing from applicants who are saying, you know, With some minor tweaks, we would apply. And we'll come back, and we'll make those changes to you.

So it's not an uncommon thing and so just so you know, we -- that's pretty much an example how we try to handle it.

Eric, do you want to talk about the Statewide Homebuyer Education Program and our proposed award to NeighborWorks to do that work?

MR. PIKE: Sure. I'm Eric Pike, the director of the Texas Home Ownership Division. Good morning, everyone.

Item 7.a. is regarding the awarding of the 2008 Texas Statewide Homebuyer Education Program. In 1997, the 75th Texas Legislature passed House Bill 2577, which in part charged TDHCA with the development and implementation of a statewide homebuyer education program.

The Statewide Homebuyer Education Program, or TSHEP as we call it in the Department, was created to fulfill this mandate. TSHEP aims to bring comprehensive homebuyer education to all 254 Texas counties and promotes uniform quality homebuyer education throughout the state.

Training workshops are conducted to educate non-profits and community-based organizations on how to teach the principles and applications of comprehensive pre- and post-purchase homebuyer education. Participants who successfully complete the Train the Trainer course are certified as TSHEP homebuyer education providers.

Since the program was launched in 1999, TSHEP -- or TDHCA I should say, has sponsored over 28 training opportunities which have also included continuing education courses on combating predatory lending and foreclosure prevention. To date over 500 individuals in the industry have been certified.

As a result, tens of thousands of people across the state have attended and benefitted from TSHEP sponsored homebuyer education classes. On December 21 of '07, the Department published an RFP in the *Texas Register* and the *Texas Marketplace* seeking organizations to provide training to non-profit and community-based organizations in the principles and applications of homebuyer education and foreclosure prevention.

On January 31 of this year, TDHCA received two applications in response to the RFP: One from an organization called Entrepreneurial Development Corporation, and from NeighborWorks America.

A review committee made up of staff members scored both proposals and is recommending that NeighborWorks be awarded the 2008 TSHEP training contract in the amount of \$84,950 based on the overall quality of the proposal, their superior training materials, their ability to provide the workshops in Spanish if necessary, as well as the option of providing additional training topics.

Staff also proposes that the contract, if approved, be eligible for extension for a period of up to three years.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Do I hear a motion?

MS. RAY: So move, Mr. Chairman.

MR. CONINE: Thank you, Ms. Ray.

Do I hear a second?

MR. FLORES: Second.

MR. CONINE: Motion and a second.

Mr. Muñoz?

DR. MUÑOZ: I just want to say I very much appreciate the point being made in terms of the quality of the proposals, particularly noting the ability to deliver the workshop in Spanish. I mean I don't have to state the obvious. We all just have to look at Murdock-the-state-demographer's projects. That's just, to me, a very nuance sensitivity. And for you to have rated that as value added, to me, just make enormous sense.

MR. PIKE: Thank you.

MR. CONINE: 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: The motion carries. We're going to take a 45 minute break for lunch, and be back at 12:45. Thanks.

(Whereupon, at 12:04 p.m., the meeting adjourned, to reconvene later this same day, Thursday, March 13, 2008.)

A F T E R N O O N S E S S I O N

(Time Noted: 12:53 p.m.)

MR. CONINE: Everybody's got planes to catch and buses to catch. Item 8.a. is next up.

MR. HAMBY: Before you take a vote, I'll have to go find a quorum. We're missing one person.

MR. CONINE: One, two, three -- oh. We need one more.

MS. RAY: Oh. We're missing Muñoz.

MR. GERBER: Mr. Pogor, will you come forward?

And can we at least be in the discussion, Mr. Hamby?

MR. HAMBY: Yes. You can do that.

MR. GERBER: Great. Matt Pogor, director of Bond Finance, is going to walk us through the items under 8, many of which -- some of which were covered in broader terms last night.

Matt?

MR. POGOR: Chairman, Board members, Item 8.a. includes the approval of Resolution Number 08-015 authorizing the change of liquidity facility for impending expiration of liquidity support for four outstanding variable

rate demand obligations and a liquidity facility for a contemplated new issuance of variable rate single family revenue bond.

TDHCA has six outstanding liquidity facilities with DEPFA Bank, of which four will expire on April 20, 2008, totaling \$189.6 million. The remaining two facilities -- liquidity facilities with DEPFA Bank totals \$179 million, and they will expire in 2009 and 2012. The Department utilizes the services of another liquidity facility, DEXIA, totaling 7.6 million.

Staff is also coming to the Board today for approval of a liquidity facility that will be used if staff comes to the Board in May with a contemplated new issuance that includes a portion of a variable rate single family revenue bond. Because of the current market conditions, it is cost efficient to select a liquidity facility today, along with the four expiring liquidity facilities.

UBS, acting as our current underwriter for Program 71, sent out a request for qualifications on behalf of TDHCA to 26 liquidity facilities -- liquidity facility providers, requesting a response by February 8, 2008. In this tight liquidity market, TDHCA received responses from Bank of America, Bank of Nova Scotia, and DEXIA.

Conference calls were held with our underwriter, UBS, our financial advisor, RBC Capital Markets, our bond counsel, Vinson and Elkins, and the TDHCA executive staff and select DEXIA, because they provided the best value and terms. By authorizing a change of the four liquidity facilities from DEPFA to DEXIA, the Department will have a more balanced portfolio of liquidity facilities.

Excluding a new structure, DEPFA will provide \$179 million in

liquidity support, and DEXIA will provide \$197.2 million in support. Staff is recommending approval of Item 8.a.

MR. CONINE: All right. Do I hear any questions of the witness at this point?

(No response.)

MR. CONINE: I'll take a motion.

MS. BINGHAM-ESCARREÑO: Move to approve staff's recommendation.

MR. CONINE: Thank you.

There's a motion to approve. How about a second?

MR. FLORES: Second.

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

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: Item 8.b., Mr. Chairman, deals with the proposed Mortgage Credit Certificate Program.

And, Matt, why don't you walk us through that?

MR. POGOR: Thank you, Mike.

Chairman, Board members, Item 8.b. includes Resolution Number 08-013 authorizing application to the Texas Bond Review Board for

reservation of 2008 Single Family Private Activity Bond authority, and presentation, discussion and approval of a Mortgage Credit Certificate Program, known as an MCC, for first-time homebuyers under Program 72, to be administered by the Texas Department of Housing and Community Affairs.

A mortgage credit certificate is an instrument designed to assist persons of low to moderate income. The procedures for issuing MCCs was established by the United States Congress as an alternative to the issuance of a single family mortgage revenue bond.

Mortgage Credit Certificates help make ownership of new and existing homes more affordable by entitling the homeowner to a personal tax credit of up to \$2,000 against their federal tax liability for a portion of their interest paid on their home mortgage. This same homeowner can also deduct the yearly mortgage interest paid as deductions on their annual federal income tax return. Simply put, an MCC is a dollar for dollar reduction of income tax owed.

In 1985, TDHCA issued its first MCC program, and on November 14, 2003, TDHCA approved an issuance of its second MCC program. Since 2003, TDHCA has issued three additional MCC programs using Housing Administrators, Inc. as its program administrator. TDHCA staff, over the past four years, has developed the knowledge and skills needed to administer the next MCC program in-house.

Lenders participating in the TDHCA previous Mortgage Credit Certificate Program have expressed continued interest in Mortgage Credit Certificates. Bond Finance anticipates using \$60 million of its 2008 state volume cap to issue \$15 million in MCC authority.

TDHCA's 2008 state volume cap equals \$189.6 million. The volume cap balance of 129.6 million will be used to issue single family mortgage revenue bonds in 2008. Staff is recommending approval of Item 8.b.

MR. CONINE: So, Matt, is the origination network for the MCCs, can you explain how that differs, if it does, from the origination network from our normal mortgage revenue bond mortgages?

MR. POGOR: The origination?

MR. CONINE: Yes.

MR. POGOR: The origination --

MR. CONINE: Do we use the same originators in the MCC program as we do in the single family bonds?

MR. POGOR: Oh, the same lenders in that group?

MR. CONINE: Same lenders?

MR. POGOR: Yes, it'd be the same lenders we would go to with that structure.

MR. CONINE: It doesn't change relative to those guys?

MR. POGOR: I would --

MR. GERBER: Eric, do you want to come forward?

MR. POGOR: Eric -- maybe Eric could give some additional insight on that, because that's really where his --

MR. GERBER: It's the market, the program --

MR. CONINE: Yes, that's -- give me the marketing man.

MR. PIKE: Good afternoon, again. Eric Pike, director of Texas Home Ownership.

Mr. Conine, we do send out an invitation to lenders across the

state. Historically the lender network has been very similar to the network that we have that administers our mortgage revenue bond program. There are some variations, but very few.

MR. CONINE: And the last time we did this was when?

MR. POGOR: June of 2006.

MR. PIKE: 2006.

MR. CONINE: So it's fairly recent, so they know the drill.

MR. PIKE: They know the drill, and we will -- obviously, if this is approved today, we will begin planning how we're going to market and promote this program as well as the training that we'll need to go out and do for the lenders. We typically conduct about five or six lender trainings around the state, and we'll try to get broad coverage.

MR. CONINE: Okay. Any other questions?

(No response.)

DR. MUÑOZ: Move staff recommendation.

MS. BINGHAM-ESCARREÑO: Second.

MR. CONINE: There's a motion to approve with a second.

Any further discussion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Items 8 --

MR. GERBER: Mr. Chairman, if I could just interject for a second? We're always looking to expand our lender network, and we have -- we'd certainly welcome the input of Board members or the community at large to try to -- we've historically targeted and we've been successful in a number of big communities.

We'd love to do more business along the border, we'd love to do more business in the area west of I-35 to be frank. And so we've had a strong program in El Paso, we've had a strong program in different communities that kind of dot west Texas, but as region we can do better. And so we'd always -- we welcome your help in trying to expand that program and market it more affirmatively.

MR. CONINE: Well, let me say thanks to the staff -- Matt and the staff --

MS. BINGHAM-ESCARREÑO: Yes.

MR. CONINE: -- Eric and the staff for putting together -- and the professionals that we all use for the Department, for putting together a program during these turbulent times is character building, to say the least.

MR. POGOR: It is.

(General laughter.)

MR. CONINE: We appreciate all --

MR. POGOR: It keeps me young, that's for sure.

MR. CONINE: -- all your creative and innovative efforts, again, to help low-income citizens of Texas. It's greatly appreciated.

MR. POGOR: Thank you. Appreciate it.

MR. CONINE: Thank you.

All right. Moving on to Item 10 and the Multifamily Division, Mr. Gerber?

MR. GERBER: We're going to proceed to Housing Tax Credit amendments. I'm going to let Robbye Meyer, our director of Multifamily, walk us through those, starting with Providence at Mockingbird.

MS. MEYER: Chairman, Board, the following agenda items are amendments to Housing Tax Credit projects that were previously awarded. The first one is Providence at Mockingbird, 05613. The Department issued tax-exempt bonds for this particular development, along with housing tax credits, in July of 2005.

The development proposed to acquire and convert an eight story hotel into 155 units for the elderly population, and 96 additional units in townhome-style units of new construction serving the general population. This was one of the first intergenerational developments that we did with the Department.

The owner is requesting a waiver of the threshold requirement to provide ceiling fans in all of the units. The owner states that the fans were provided in all the new units, however, the ceilings were not proposed in the original application for the units in the converted tower because of the -- it was impractical, due to the ceiling height, and that the ceilings were concrete.

The owner has included a health screening room, a service coordinator's office, a small convenience store, and a beauty salon on the property for the convenience of the elderly tenants. And the owner is requesting the Board accept these additional amenities in lieu of the ceiling fans that are omitted.

Staff recommends the Board deny the request because the ceiling fans were a requirement of threshold. And staff does not have the ability to waive these requirements. And staff recommends the assessment of appropriate penalties.

MR. CONINE: Okay. I've got two witness affirmation forms on this particular agenda item.

Barry Palmer?

MR. PALMER: Mr. Chairman, we have two speakers. If it's okay with the Board, we'd like to have Mr. Harris go first.

MR. CONINE: Okay. Mr. Harris, how are you?

MR. HARRIS: Hello, Mr. Chairman.

MR. CONINE: You're first up.

MR. HARRIS: All right. Good afternoon, Mr. Chairman, members of the Board, Mr. Gerber. My name is Matt Harris with Provident Realty Advisors in Dallas.

And as Robbye said, this property, Providence at Mockingbird -- it's 251 units, an intergenerational community that consists of 155 units of senior housing and 96 units of new construction family housing.

The senior housing is in a former Radisson Hotel that we converted that's eight stories tall. It was a blighted property that was boarded up and was an eyesore to the neighborhood, and then we converted it into a new senior living facility.

Right now, the family units are 93 percent occupied; the senior side is 50 percent occupied. We're requesting a waiver of the ceiling fans in the senior tower portion only. We did put ceiling fans in all the living rooms and

bedrooms of the family portion.

From the beginning, we knew that it was not going to be practical to put ceiling fans in the senior tower and we intentionally meant to avoid committing to that in the application, and we never checked in any boxes for ceiling fans. I guess that's where we got confused, thinking if we weren't checking boxes, we didn't have to do it, but we found out recently that it didn't matter; you were going to have to do it, anyway.

Well, so basically, the reason for the ceiling fans not being installed was the low, eight-foot ceilings, concrete floor plates. There's no attic space; it's just solid concrete and concrete walls. So we would have to run exposed conduit up the wall and up the ceiling, and it just would be -- detract from the units and wouldn't be desirable.

So that said, we do have some substitute amenities that we've added that we did above and beyond what we ever committed to in the application, which include a health screening room. We have a social service coordinator office in addition to our leasing offices. We have community seating areas on each floor of the tower with window views out to the community. We have a beauty salon that we added.

And we have a sundry convenience store where residents can get prescription drugs and sundry items and stuff delivered to them. And we don't receive income from the store; we just provide it as a service to our residents.

So the added extra amenities would more than offset what the cost would be to the ceiling fans, and the residents really do enjoy those other amenities. So we would respectfully request a waiver on the ceiling fans in the

tower.

MR. PALMER: And that's an excellent summation from Mr. Harris; I don't have much to add. This is an excellent use of the tax credits to take a blighted structure that had stood there boarded up for a number of years and to readapt it to an elderly facility, and putting family units to create an intergenerational facility.

This adaptive reuse concept requires a little flexibility in the QAP, and so we would ask the Board to consider the amenities that have been substituted that are of much more value and use to the elderly residents than having ceiling fans at this point. So we request the Board to approve this amendment.

MR. CONINE: Thank you.

Any questions of the witnesses?

MR. FLORES: Mr. Harris, in your original proposal to us, did you have a health screening room, a service coordinator office, sundry convenience store, beauty salon, or a community sitting area in that plan?

MR. HARRIS: No, sir.

MR. FLORES: So you added those later?

MR. HARRIS: Yes, sir.

MR. FLORES: So we're getting a trade?

MR. HARRIS: Correct.

MR. FLORES: Sounds like a fair trade to me.

MR. CONINE: Take it.

MR. FLORES: I'll take it. Chairman, I move to -- what am I trying to do here --

MR. CONINE: You're going opposite what that says.

MR. FLORES: Yes. I'm trying to figure how to say it.

MR. CONINE: I'll let you figure it out.

MR. FLORES: Thank you very much.

(General laughter.)

MR. FLORES: I move that we approve the developer's request
for --

MR. CONINE: Grant the waiver?

MR. FLORES: Grant the waiver.

MS. RAY: I second the motion.

MR. CONINE: Motion and a second. Any further discussion?

Does the staff understand what the motion is clearly?

And no penalties? You want to add the no --

MR. FLORES: No penalties.

MR. CONINE: No penalties. Okay. We'll add that to it.

Any other discussions?

(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: Motion carries.

MR. HARRIS: Thank you.

MR. GERBER: Mr. Chairman, Board members, while Robbye's

walking back up, this is a property that actually Brooke Boston and I visited about a year ago; we just dropped by. And it's right near Love Field, and we had an opportunity to tour the property.

It's very well maintained, and we visited with a number of residents who spoke very highly of the management of the property. And it's just a good example of an intergenerational tax credit development. And I just wanted to commend the team that worked on it.

Next?

MS. MEYER: The next amendment is tax credit property, 07091. It was a rehabilitation adaptive reuse of a 15 story building. The owner is requesting approval to eliminate what was originally proposed as nine market rate units. They want to eliminate that from the development, and condo those units off on the 15th floor.

These units would be sold separately from the restricted units. The development would still provide 200 restricted units located on floors 4 through 14. Floors 1 through 3 will be commercial space, and that'll be condoed off separately, also.

The unit mix of the tax credit units is also proposed to change from 132 efficiencies and 68 one-bedroom units to 145 efficiencies, 33 one-bedroom units, and 22 two-bedroom units. The owner has requested to reduce the number of units serving 30 percent incomes from 21 to 20, and to increase the number of units serving 60 percent tenants from 179 to 180.

The net rentable area of the tax credit units would change from 87,369 square feet to 82,039 square feet. The owner states that the redesign of the units and the reconfiguration of the floor layouts were required by their

financial partners. Staff is recommending approval of the request with no assessment of penalties.

MR. CONINE: The syndicator is always to blame.

I have a lot of witness affirmation forms here, but I bet if I could get a motion on the floor first, we might --

MS. RAY: Mr. Chairman, I move staff recommendation.

MR. CONINE: Thank you.

Is there a second?

DR. MUÑOZ: Second.

MR. CONINE: I have public comment forms here from Antoinette M. Jackson.

MS. JACKSON: No, sir. I'm just here if you need anything.

MR. CONINE: Johnice Woods?

MS. ANDRE: She's just here -- she's with the developer.

MR. CONINE: Sarah Andre?

MS. ANDRE: Likewise, just if you have questions.

MR. CONINE: Mike Svarue?

MR. SVARUE: Same.

MR. CONINE: Boy, there is a lot of intelligence out there today.

(General laughter.)

MR. FLORES: What was the motion, Mr. Chairman? I couldn't hear.

MR. CONINE: To approve staff recommendation, which is to --

MR. FLORES: Approve the amendments?

MR. CONINE: Approve the --

MR. FLORES: Yes.

MR. CONINE: -- amendments, yes.

MR. FLORES: Okay.

MR. CONINE: Everybody clear on the motion?

MR. FLORES: I don't think there was a second. Or was there?

MR. CONINE: Yes. We got a second.

MR. FLORES: There was a second?

MR. CONINE: We got two.

MR. FLORES: Okay.

MS. RAY: Dr. Muñoz seconded.

MR. FLORES: Call the question.

MR. CONINE: Go ahead?

MR. FLORES: Call the question.

MR. CONINE: Oh. All those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. FLORES: This was a very hard project, Mr. Chairman. I remember this old building they took on, and my hat's off to them that takes on that kind of a challenge.

MS. MEYER: The next amendment is Covington Townhomes in Texarkana, 07164. The owner's requesting approval to increase the

development site from 8.76 acres to 11.8 acres and change in the building count from 17 to 29 residential buildings, and change the site plans.

The owner stated that the number of units, the unit mix, and the net rentable square -- net rentable area would not change. The changes are being made to improve the development plan and to add more green space to the development.

The qualified allocation plan rules does not allow an increase in the development size once an application is submitted, and these requirements are necessary to maintain control of the complete site throughout the period. Although this additional land does not negatively affect the development, it does defy the competitive process and violate the program rules.

Staff recommends denying the request because the land to be added was not under the applicant's control through the application period, which is a requirement of the qualified allocation plan, and therefore the application would have lost its pre-application points and therefore would not have received an award at the time.

MR. CONINE: I have numerous witness affirmation forms here on this one as well, along with a letter I need to read into the record, or I'll submit for the record. I don't know that I want to read the whole thing, but it's from State Senator Kevin --

MR. GERBER: Eltife.

MR. CONINE: -- Eltife?

MR. GERBER: Eltife.

MR. CONINE: Is that how you say that?

MR. GERBER: Yes, sir.

MR. CONINE: Hate to mispronounce his name. And he is basically in support of us accepting the proposed changes in the waiver.

I'll start off with Antoinette M. Jackson.

MS. JACKSON: Mr. Conine, if you don't mind, could we have Mr. Herrington go first? And I'm just here if you need --

MR. CONINE: Okay.

MS. JACKSON: Thank you.

MR. CONINE: Mr. Herrington.

MR. HERRINGTON: Good afternoon, Mr. Conine, Board members, Mr. Gerber. My name is Richard Herrington, Jr. I am the executive director of Housing Authority of the City of Texarkana, Texas, and also the secretary for the Texarkana Public Facilities Corporation of Texarkana.

The overview -- the request for Covington, I believe, is very, very simple. We have a very, very large mass scale redevelopment plan for the City of Texarkana, and particularly the Rose Hill neighborhood which sits inside Texarkana. Rose Hill is a very old community, it's predominantly African American, and the housing authority has a lot of its units sitting right there, Covington being one of them.

We -- the housing authority decided to work with the city, Texarkana A&M, and Texarkana College and the Texarkana Independent School District to go into a major redevelopment of the entire neighborhood. And it has so far, through our efforts, whatever we -- everything that we have done has been successful.

During the process of doing this application, we first decided to do this by ourselves, and then when we were given an opportunity to make -- to

apply for a HOPE VI application, we so did it, but it was after the point of the tax credit application.

The City of Texarkana, in conjunction with their other partners, came to us and presented us with an offer that would enhance our -- enhance the HOPE VI application, which in turn also would enhance the tax credit application.

Which means that they were going to actually purchase the land that is right -- surrounding Covington Homes and be at no cost to the housing authority, which in turn only increased the value of our initial tax credit application. It really made it a lot easier, and it was not going to change our pricing at all.

And we -- after our discussion with them, they really encouraged us to do this. We -- and we saw that it was really going to be to our benefit, and we said we would love to make this happen. There are a lot of people that really see this as being the right thing to do, particularly with the source -- with the money -- the little bit of money that we have right now. So t's a win/win for everybody.

If I may, I have copies of what we -- the actual proposal as far as the land. If I -- as you see, the gray piece -- I'm sorry, Mr. Conine. I apologize, sir.

MR. CONINE: Just --

MR. HERRINGTON: Okay.

MR. CONINE: -- wrap up if you would.

MR. HERRINGTON: I will, sir. The gray piece you see is the original tax credit application. The colored piece that you see is really the

enhancement, and it is really a far better -- it makes our tax credit application far better.

If -- we're asking for this without the penalty because if we do the penalty, it would really hurt all our future applications because they're all wrapped around Covington, and the previous application that we had that you gave to us last year.

We ask your permission to go along with this, and we really solicit your support. And I'll be able to answer any questions, or anybody on my team. We'll be willing to help you out and answer any questions.

Ms. Cheryl Vannig [phonetic] from -- the chief of staff from Senator Eltife's office, is here.

Mr. Conine, you have her -- you have his letter?

MR. CONINE: Yes.

MR. HERRINGTON: Okay.

MR. CONINE: I've submitted that for the record.

MR. HERRINGTON: Okay. Thank you, sir.

The next person on the team would be Councilman Derrick McGary, because it's in his ward that this is actually being done.

MR. CONINE: Great.

MR. MCGARY: Good afternoon, Mr. Chairman, distinguished members of the committee. My name's Derrick McGary. I am the city council member and mayor pro tem of the City of Texarkana. It's good to be with you this morning, and I'll be very brief, I promise.

But I just stand here before the -- representing the mayor and the city council of the City of Texarkana, Texas to say that we are in support of

the housing authority's plans. Obviously the city is willing to purchase the three acres of property in addition, to add to the Covington Homes project.

This is something that we have been working on for several, several years. As you heard Mr. Herrington say, the Covington Homes project lies within my district. And it's definitely going to be an enhancement to the community. The community has really been neglected for so, so many years.

And we just feel like, after numerous town hall meetings that I've had with the residents there, with a bunch -- with numerous constituents, that we feel that this is not going to be a negative impact to the project, but it's going to be something that's going to not only enhance it, but it's also something that the residents want. They want to see more green space and want to see the added enhancements to the project.

And, quite frankly, it fits in the entire scheme of what we're trying to do to the city of Texarkana and make it -- and make our older neighborhoods more appealing, that have been neglected for quite some time. So I would respectfully ask that you please consider our request without penalty, because as you heard Mr. Herrington say, this -- all of our future plans are tied to doing some magnificent things there in the Covington Homes/Rose Hill area.

So we just ask that you please respectfully consider our request without penalty, and we'd be glad to answer any questions that you, Mr. Chairman, or members of the committee may have.

MR. CONINE: Any questions of the Councilman?

(No response.)

MR. CONINE: Thank you for --

Oh, Dr. Muñoz?

DR. MUÑOZ: I've got questions about the case.

MR. CONINE: Okay.

DR. MUÑOZ: And maybe Robbye will answer this. Here in the staff recommendation, if this -- if these three acres were never controlled by this group, points would -- they would have been assessed -- or granted fewer points, which then would have precluded -- you know, it says, with the loss of its pre-application points, they would not have received an award.

So for me -- I mean here's what I'm trying to get at, for me there's no question about the merit of the case. There's no questions that the additional three acres would enrich the project, enrich the development and enrich the city. That, to me, isn't a question.

But what happens to others who may not have been moved forward, because of some deficiency in the application they weren't awarded points and they didn't move forward? This application moved forward, and now we're sort of retroactively trying to compensate for something that might have been deducted points for. Is that --

MS. MEYER: That -- you're correct. If they had --

DR. MUÑOZ: I mean, I'm not -- for me the issue is procedural not merit, and not the value of the additional acreage and the embellishment to the development. It's the issue of the points.

MS. MEYER: That's correct.

MR. CONINE: Let me see if I can reframe Dr. Muñoz's question a little bit. If the original application came in looking like this new site plan versus the old site plan, would they have scored the same?

MS. MEYER: If they had had the total acreage under control,

we wouldn't have this issue.

MR. CONINE: Right.

DR. MUÑOZ: But they --

MR. CONINE: Right.

DR. MUÑOZ: -- didn't.

MS. MEYER: But they --

MR. CONINE: But they didn't.

MS. MEYER: -- didn't, that's correct. The three acres was donated to the property, I do believe, after the fact.

MR. CONINE: The way I see it, it's a timing issue here. The three acres came after the submission. As you say, the merits of the project are obvious, and my gut feeling is that it would have scored exactly the same because of area of land and the number of units and all that doesn't change a whole lot, so.

MS. MEYER: Probably not. But it would not have received -- I mean it would have received its pre-app points because it would have remained the same.

MR. CONINE: Yes. Right.

MS. MEYER: So you wouldn't have had that loss.

MR. CONINE: I have some more witness affirmation forms.

MR. FLORES: Let me ask Robbye a question before you do.

MR. CONINE: Go ahead.

MR. FLORES: Robbye, the acreage that they're bringing in -- all that would fall under LURA, all the additional three acres?

MS. MEYER: Yes, sir.

MR. FLORES: In other words, that's -- we're all covered on those three acres also as well as the rest of the property. Okay.

MS. MEYER: If the Board allows them to add the acreage, yes, it would all be under the control --

MR. FLORES: Okay. And they're willing to do that? In other words, that property is changing title, or --

MS. MEYER: Yes.

MR. FLORES: -- something and going to the project instead of belonging to the City of Texarkana. Where does this land come from? Who owns it?

MS. MEYER: It's from the city, isn't it?

MR. FLORES: Who owns it? The developer owns it?

VOICE: It's going to the partnership.

MR. CONINE: Toni, you're going to have to come up here and talk if you're going to talk.

MR. GOURIS: I believe the city is donating it to the partnership.

MR. CONINE: Okay.

DR. MUÑOZ: Is donating, or had donated?

MR. GOURIS: Well, if this isn't approved, then they'd have to go back to their old plan, and they probably wouldn't then donate it to the partnership because the partnership couldn't use it.

MS. RAY: If it's approved --

MR. GOURIS: If it's approved, they will donate it to the partnership.

MR. FLORES: Okay. Okay. I think I've got it now. Thank you.

MR. GOURIS: And just a point of clarification. I think the reason that this rule is in place, it might seem a little odd to have a rule like this in place, but the reason is so that a transaction doesn't come in and say they can build on four acres, and really they have plans to build on 10 acres, but they don't have the other property under contract.

That's not what was -- I don't believe that what they intended here. They could have built on the site that they had originally. They proved that up, they got through the application process, they went forward. Now they're coming back and saying, Hey, we can do this better.

That application cycle is way over. It was -- you know, all the other applicants, you know, fell off the waiting list December 31, 2007. So this application now is coming in and saying, I can do this better. And it's -- that's what they're seeking. We can't approve -- we can recommend approval of it because our rules say otherwise, but.

MR. CONINE: Okay. There are some more witnesses here that I need to proceed with.

MR. HAMBY: One other thing. Because it is statutory, and that's the reason whenever you have a negative implication, this Board is required by statute to approve it -- or deny it. You have to hear it and you have to make the recommendation on what you want to do.

And so there is no way to say, Gosh, this looks really good on the merits, and -- because that's just not within our purview. And it's statutory it's not within purview, it's not necessarily our rules.

MS. RAY: Mr. Chairman?

MR. CONINE: Yes, ma'am.

MS. RAY: Given the discussion that we've already heard --

MR. CONINE: Yes, ma'am?

MS. RAY: -- and given the witness affirmation forms that you probably have before us, would it be to our advantage to advance a motion at this point, and perhaps we may not have to listen to --

MR. CONINE: It's up to you. You're welcome to --

MS. RAY: Mr. Chairman, I move to grant the request for the amendment with no penalties.

MR. CONINE: Okay. There is a motion. Do I hear a second?

MR. FLORES: Second.

MR. CONINE: I have a second. I need to make sure that these other witnesses do not wish to testify, or do wish to -- either way.

Craig Lindholm?

MR. LINDHOLM: I'm here to answer questions. I'm with the --

MR. CONINE: Okay.

MR. LINDHOLM: -- City of Texarkana, and I want the Board to know that we brought this on our initiative and our initiative alone. We've already made a major investment in this, and we'll continue to do so.

MR. CONINE: Ms. Jackson?

MS. JACKSON: No, sir.

MR. CONINE: Mr. Kelly?

MR. KELLY: No, sir.

MR. CONINE: All -- any other discussion on the motion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. McGARY: Thank you.

MR. CONINE: Thank you.

MR. GERBER: Bluffs Landing.

MS. MEYER: The next one is a housing tax credit transaction, 07429. This is relatively sort of the same deal, except we're reducing property that was under contract. The owner is requesting approval to dedicate a driveway from Old Settlers Boulevard of the subject property as a right-of-way.

The change concerns approximately 1.5 acres of the original 8 acre tract that was purchased for the development. The final area of the development site would include approximately 6.486 acres from the original 8 acres.

According to the applicant, the change is required by the City of Round Rock, and the net effect of this request is to change an originally proposed private road to a public road. The rest of the development is the same as it was originally proposed. Staff is recommending the approval of the request with no assessment of penalties.

MR. CONINE: I have no witness affirmation forms on this one. Do I hear a motion?

MR. FLORES: Motion to approve staff recommendation.

MR. CONINE: Is there a second?

MS. BINGHAM-ESCARREÑO: Second.

MR. CONINE: Motion and a second to approve staff recommendation. Any further discussion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chairman, Board members, Item 10.b. is a presentation on possible housing tax credit appeals. There are none at this time, but look forward to those, I'm sure, in May.

(General laughter.)

MR. GERBER: Moving on to -- 10.c. is a discussion and possible action on bond documents related to Tower Ridge Apartments. The owner is requesting approval to amend the financing agreement and trust indenture that was approved in April of 2005 for the Tower Ridge Apartment development.

It was originally anticipated that Red Stone Partners would provide the permanent financing with Prudential Mortgage Capital Company as the loan servicer. The owner is requesting approval to change the credit facility provider to Fannie Mae. This change will result in a more favorable bond rating, and we're recommending approval of this change.

MS. BINGHAM-ESCARREÑO: Move to approve staff's recommendation.

MR. CONINE: Ms. Bingham moves. Is there a second?

MR. FLORES: Second.

MR. CONINE: Mr. Flores seconds. Any further discussion?
(No response.)

MR. CONINE: I have a witness affirmation, and he says here,
To answer questions only. I assume he doesn't need to answer any questions.

All those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chairman, Board members, moving on to
Item 11, these are two multifamily items that we want to bring forward for your
consideration.

Park Shadow Apartments is a tax-exempt bond application
requesting 4 percent tax credits. The Board previously approved this
application in December of 2007. The applicant was unable to close the
transaction before the bond reservation expired due to issues with the
syndication of the tax credits. Jefferson County Housing Finance Corporation is
the issuer of the bonds.

This is a Priority 3 application proposing to acquire and
rehabilitate 150 units targeting the general population. The Department has
received one letter of support from the county judge, and we're recommending --

staff is recommending to the Board the award of \$504,949 in housing tax credits.

MR. FLORES: Move approval.

MR. CONINE: There's a motion to approve. Do I have a second?

MS. RAY: Second.

MR. CONINE: There's a second. I do have a witness affirmation form from Owen Metz.

MR. METZ: Just to answer questions.

MR. CONINE: Okay. Thank you.

Any other discussion on this motion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: Opposed?

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: The next item, Mr. Chairman, Board members, is Seville Row Apartments. This is a tax-exempt bond application again requesting 4 percent tax credits. The Board previously approved this application in December of 2007, however, the applicant was also unable to close the transaction before the reservation expired. Jefferson County Housing Finance Corporation is, again, the issuer.

This is a Priority 3 application proposing to acquire and

rehabilitate 90 units targeting the elderly population. We have no received any letters of support or opposition. The staff is recommending the award of \$300,616 in housing tax credits.

MR. FLORES: Move approval.

MR. CONINE: Motion to --

MS. BINGHAM-ESCARREÑO: Second.

MR. CONINE: -- approve. There's a second. Any further discussion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: Opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Ms. Meyer, would you like to walk us through Costa Ibiza?

MS. MEYER: Chairman, Board, the Resolution 08107 includes an inducement of one tax credit -- tax-exempt bond application. This application was previously induced by the Board in November of 2007. The Board meeting initially requested -- at that Board meeting, the applicant initially requested \$11,500,000 in volume cap.

However, due to the current economic conditions, the applicant has determined that 11.5 million would not be sufficient for the financing. They are requesting to increase that bond amount to 15 million, which is the max

volume cap that they can for the Costa Ibiza Apartments in Houston, Harris County.

Upon Board approval, then we will proceed to submit an application to the Bond Review Board. The Board has previously approved seven applications for the 2008 program year, and approval of this inducement is not an approval of the issuance of bonds. This just starts the process.

The Department has received letters of opposition from State Representative Patricia Harless, Harris County Commissioner Jerry Eversole and the Houston Northwest Chamber of Commerce. Two of those letters -- Representative Harless' and, also, from the Houston Northwest Chamber of Commerce -- we did -- well, we were in receipt of those at the first inducement.

However, the letter from Harris County Commissioner Jerry Eversole was not received the first time. It has been received in addition to that.

Staff does recommend the approval of the increase of the bonds.

MR. GERBER: And, again, just to be clear, we are simply inducing the bonds. This will begin a process of 150 days in which the public and others will have full opportunity to vet the merits of this bond transaction.

MS. MEYER: That's correct.

MR. GERBER: And then it'll come back to this Board to make a decision whether or not to go ahead and allow this deal to move forward, and then to further be approved by the Bond Review Board.

MS. MEYER: That is correct.

MR. FLORES: So we're just letting them into the ball game, so to speak, but that doesn't mean they'll win the game?

MR. GERBER: It's a 150-day ticket to the dance, yes.

MR. FLORES: Okay.

MR. GERBER: That's right.

MR. FLORES: Motion to approve staff recommendation.

MR. CONINE: Thank you.

MS. RAY: Second.

MR. CONINE: Motion and a second. Any further discussion?

MR. GERBER: Mr. Chair --

MR. CONINE: Yes?

MR. GERBER: -- I'm sorry --

MR. CONINE: All those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: Opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chair and Board members, I just want to, again, just remind those associated with Costa Ibiza that the Department has high expectations of community involvement, reaching out, again, to those elected officials who have commented and expressed concerns about this development.

And as we move forward, before the TEFRA hearing, we'd certainly, you know, want to make sure that they have a full opportunity to see the full project laid out, as I know you all will, and to give them an adequate opportunity to see exactly what's going to affect their community. So -- and we

appreciate the way you've handled that and other transactions, and know you will in this case. So thank you.

MR. CONINE: I guess we're moving on to your report now.

MR. GERBER: My report.

MR. CONINE: Yes. You get --

MR. GERBER: I've talked so much.

MR. CONINE: You get one.

MR. GERBER: What you have in the back -- I think I covered the big item, which was the issue involving ORCA. So that is -- that was Item -- that's actually Item 4 of the report items that I've got.

You'll see a list of our outreach activities listed in the back.

You'll see a list of Housing Trust Fund -- I'm sorry, Housing Tax Credit ownership transfers and amendments that have been approved administratively by staff.

And beyond that, Mr. Chairman, I don't think I have much else to report, other than thanks for everyone's patience last night and today.

MR. CONINE: Okay. Any other comments from any Board members?

(No response.)

MR. CONINE: I guess I would like to say that most of you know that our other Board member, Mr. Cardenas, is not here today. And I'm sure it's with every Board member here's deepest sympathy he lost his mother, I think, several days ago. And I'd at least like to go on record as saying that we're thinking about him. And if you could, express that to him. And I'm sure each of us will do that in his way. We'll look forward to seeing him, hopefully, again in

May.

If there's no other business to come before the Board, we stand
adjourned.

(Whereupon, at 1:35 p.m., the hearing was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Board

LOCATION: Austin, Texas

DATE: March 13, 2008

I do hereby certify that the foregoing pages, numbers 1 through 159, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Stacey Harris before the Texas Department of Housing & Community Affairs.

3/19/2008
(Transcriber) (Date)

3/19/2008
(Transcriber) (Date)

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