

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

10:40 a.m.
Thursday,
October 9, 2003

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:

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

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
ERIC PIKE
BROOKE BOSTON
TOM GOURIS
DAVID GAINES
BILL DALLY
EDDIE FARISS
SUE CAVAZOS

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EXECUTIVE SESSION

OPEN SESSION

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P R O C E E D I N G S

1
2 MR. JONES: I would call to order the meeting
3 of the board of the Texas Department of Housing and
4 Community Affairs for October 9, 2003. Our first order of
5 business is to call roll. And I would specifically
6 instruct all the board members to not mention one word,
7 and that would be football. Because if we do mention it,
8 Mr. Conine will be incorrigible.

9 Mr. Conine?

10 MR. CONINE: Texas Tech.

11 MR. JONES: The chair can assess fines. Mr.
12 Conine is present.

13 Ms. Anderson?

14 MS. ANDERSON: Here.

15 MR. JONES: Mr. Bogany is on his way.

16 Mr. Gonzalez?

17 MR. GONZALEZ: Gig 'em.

18 MR. JONES: I admire your spirit. Keep trying.

19 Mayor Salinas?

20 MR. SALINAS: Here.

21 MR. JONES: And I am here. We do have a
22 quorum. The next business order of business is public
23 comment. And I have several people that would like to
24 speak to the board as is our custom and rules, you have an
25 opportunity to speak now, or at the agenda item. Get to

1 the board when you can. They're better when they're
2 fresh. The first person is Mr. Gilbert.

3 Mike Gilbert?

4 VOICE: He's on the way.

5 MR. JONES: Okay. It's amazing how he could
6 fill that out. The phantom Mr. Gilbert. Okay.

7 Ms. Barksdale?

8 MS. BARKSDALE: I was going to speak at the
9 item.

10 MR. JONES: Okay. Ms. Truesdell?

11 MS. TRUESDELL: I was going to speak at the
12 agenda item.

13 MR. JONES: Ms. Horak-Brown?

14 MS. HORAK-BROWN: The agenda item, please.

15 MR. JONES: Mr. Hanes?

16 MR. HANES: The agenda item.

17 MR. JONES: Ms. Chatham?

18 MS. CHATHAM: Agenda item, please.

19 MR. JONES: Mr. Barksdale?

20 MR. BARKSDALE: Agenda item.

21 MR. JONES: Ms. Moss?

22 MS. MOSS: Agenda item, please.

23 MR. JONES: Mr. Maldonado? Maldonado. Excuse
24 me. I apologize.

25 MR. MALDONADO: My name is Ernesto Maldonado.

1 And I am the principal of Glassman Shoemake Maldonado
2 Architects in Houston, Texas. And I'm talking about to
3 you about local opposition and our experience in Houston
4 in dealing with local opposition.

5 And I appreciate the board's interest in this
6 issue and trying to work toward making affordable housing
7 something that's acceptable and really encouraged by the
8 neighborhoods. And our experience in Houston has been
9 that we've undertaken this as one of our real tasks to get
10 the neighborhood to understand how important affordable
11 housing is, in their neighborhoods, to themselves as a
12 neighborhood.

13 And on a project that I was working on, it was
14 an 18 month process to get not only the neighborhoods, the
15 residents of the community that we were building some
16 housing in on board with us, but also the commercial
17 community that's adjacent to us also on board. And also
18 the representatives of the city, the state and the federal
19 representatives that -- whose district this was going to
20 impact.

21 And we found that it was a very positive thing
22 to spend 18 months working together building community
23 consensus that building this housing was actually going to
24 be very beneficial to this neighborhood. And I'd like to
25 share that experience with anyone else that might need

1 that.

2 In kind of putting together a program for
3 building support for their own projects in Texas. So I'd
4 like to say that I'm available for that, and I would be
5 happy to discuss our experiences with any future
6 applicants who might come up before you.

7 We know that from our technical standpoint --
8 I'm an architect -- that housing is really the first place
9 where people really stabilize themselves.

10 And what affordable housing does is try to be
11 that place that moves people from not having housing, or
12 from a rental situation, but a kind of homeless situation,
13 moving them from that to some kind of housing where they
14 feel secure and know that when they leave to go to work
15 and come back, that they actually have their possessions
16 still intact.

17 That's the part of the housing continuum that
18 we really wanted to deal with and this is an important
19 part of the housing continuum. And it's an important part
20 to get neighborhoods to understand that this piece of the
21 housing continuum needs to be dispersed throughout the
22 city and not concentrated in any one place. Thank you
23 very much for your efforts on this, and for your
24 attention.

25 MR. JONES: Thank you sir. Mr. David Kelly?

1 MR. KELLY: At the item, if you please.

2 MR. JONES: Mr. Kehoe?

3 MR. KEHOE: At the item, sir.

4 MR. JONES: Ms. Tabi?

5 MS. TABI: Agenda item, please.

6 MR. JONES: Thank you. We will then close
7 public comment with the exception of those that wish speak
8 to the agenda item.

9 I would like to recognize a few guests. We
10 have here with us today Lisa Gonzales from the Governor's
11 Office. Lisa, it's awful kind of you to be here with us.

12 We also have Jeremy Mazur, from Representative
13 Callegari's office. We appreciate you being with us,
14 Jeremy. Thanks so much.

15 I believe we should then turn to item one on
16 the agenda which is the presentation, discussion and
17 possible approval of minutes of the board meetings of
18 August 14 and September 11.

19 MR. CONINE: Move for approval.

20 MR. GONZALEZ: I second.

21 MR. JONES: We have a motion made and seconded.

22 Any comments? I would like to comment that in those
23 minutes, Mr. Garvin refers to me as a typical lawyer.
24 Your day will come. But with that, all in favor of the
25 motion, please say aye.

1 (Chorus of ayes.)

2 MR. JONES: All opposed, nay.

3 (No response.)

4 MR. JONES: The motion carries. We will then
5 turn to item 2 on the agenda which is presentation and
6 discussion of the proposed 2004 affordable housing needs
7 score. Ms. Carrington?

8 MS. CARRINGTON: Thank you, Mr. Chairman.
9 This is an item which is for the board's information only.

10 If it's a little deja vu to you, you all will remember
11 that in September, as in last month's board meeting, you
12 all did approve the affordable housing needs score.

13 It is a component that we use to help us
14 determine where the needs are within our state service
15 region. So it allows us to drive needs down and to give
16 communities within those regions an opportunity to have a
17 score.

18 And those scores are looked at as developers
19 are identifying sites to do applications for the HOME
20 program, the housing trust fund, and the low income
21 housing tax credit program. In talking to one of our board
22 members just a few minutes ago, we were talking about
23 whether we are getting some substantive comment in our
24 public hearings around the state.

25 And I think the answer would be yes, indeed.

1 We are. And what we heard very early on, in our first few
2 series of public hearings was that inadvertently the
3 affordable housing needs score that the board approved in
4 September and as a component of our state low income
5 housing plan does not achieve what we had intended it to
6 achieve.

7 That it serves as a disincentive. The points
8 are lower in smaller, more rural communities. The points
9 are higher in more urban areas and indeed that is the
10 opposite of what we were looking to achieve.

11 So what we are doing is informing the board
12 today that we will be going back to the affordable housing
13 needs score that we used in the 2003 state plan and in our
14 various funding sources. And this will come out.

15 Public comment is available through October 24.

16 But what we will do is immediately change those scores on
17 our website so that we do have accurate and appropriate
18 information for what this department is looking to achieve
19 through the utilization of this affordable housing needs
20 score.

21 MR. JONES: Any questions? Thank you, Ms.
22 Carrington. I appreciate that. I do need to inform
23 everybody that the newest world wide star of WTBS has
24 joined us. And when can we watch?

25 MR. BOGANY: Friday.

1 MR. JONES: Friday. What time?

2 MR. BOGANY: 7:00 Central Time.

3 MR. JONES: 7:00 Central Time. Congratulations
4 and autographs will be dispensed after the meeting. He's
5 going to be on TV. Mr. Bogany, please tell us.

6 MR. BOGANY: We have been filming a new show
7 called House Rules. And it's a reality TV show about real
8 estate and people. Home improvement. It premieres Friday,
9 and it will run through the 19th of December. Twelve
10 weeks and we hope everybody listens and it renews the next
11 year. But it's going to be a great show. It's a home
12 improvement show and it's going to be about three couples
13 who remodel houses and I was one of the three judges to
14 determine what they should do, how well they did.

15 But the caveat of the whole show is that you,
16 the audience, will vote, whom -- who wins the house. So
17 they're going to be given the house that they remodeled.
18 And so these are upper end houses.

19 MR. JONES: How do I sign up for that?

20 MR. BOGANY: And Lowes. Lowes is the sponsor.

21 MS. ANDERSON: And when is it?

22 MR. BOGANY: Friday, Central Time, 7:00.

23 MS. ANDERSON: And what network?

24 MR. BOGANY: The TBS Superstation.

25 MR. JONES: Our own superstar. That's good.

1 Glad to have you here. And Mr. Conine?

2 MR. CONINE: Thank you Mr. Chairman. Item
3 3(a). The proposed issuance of multifamily mortgage
4 revenue bonds for the Arlington Villas in Arlington,
5 Texas. Ms. Carrington.

6 MS. CARRINGTON: Thank you Mr. Chairman, Vice
7 Chairman.

8 MR. JONES: Everybody knows he's the real
9 chairman, so just call him that. That's the way it is.

10 MR. CONINE: Oh no.

11 MR. JONES: It doesn't bother me. I just had a
12 twitch.

13 MS. CARRINGTON: My mike wasn't on anyway.
14 Arlington Villas, new construction, tax exempt bond, 4
15 percent tax credit transaction to be located in Arlington,
16 Texas. TDHCA is the issuer on the bonds.

17 It's 280 units. Looking at the first series of
18 bonds being about 15 million in tax-exempt and 2.1 million
19 in taxable. This is kind of interesting financing
20 structure, in that the bonds are going to be issued under
21 two indentures for the first 24 months, bonds are actually
22 going to be rated.

23 But then when it converts, it's going to be a
24 private placement and will not be rated. Our real estate
25 analysis division used a blended rate of 6.87, 6.81 as

1 they underwrote the transaction on page, on tab 3 of your
2 material.

3 The annual credit amount that the department is
4 recommending is \$752,224 and that is the amount that is
5 reflective of the applicant request. On the tax credit
6 allocation, your conditions are listed on page 2 of 2,
7 this underwrite -- of the tax credit report.

8 This particular development will have a pilot
9 agreement with the City of Arlington, and with Tarrant
10 County. And I think that is 25 percent -- for I think
11 it's 50 percent for the City of Arlington and Tarrant
12 County, 25.

13 And we are looking for an executable pilot
14 prior to the issuance of the bonds. The summary, the
15 underwriting report, there's a color map, Mr. Conine.

16 MR. CONINE: Good.

17 MS. CARRINGTON: Behind Tab 7.

18 MR. CONINE: I like those.

19 MS. CARRINGTON: And the underwriting report is
20 included under Tab 5, real estate analysis division's
21 report. There is also a summary of the public comment
22 that we heard at the public hearing.

23 A number of people attended. There was eleven,
24 number of people opposed four, supported three, undecided
25 four, and total number that spoke five. And staff is

1 recommending both the issuance of the tax exempt bonds in
2 amounts of 15 million and 2.1 million and allocation of
3 the tax credits in the amount of \$752,224.

4 MR. CONINE: A couple of questions? And you
5 said that they were going to pilot with a local municipal
6 taxing authorities. Under Tab 5, it says that this is a
7 for-profit entity. Can you help explain that?

8 MS. CARRINGTON: Yes sir, I can. The entity
9 that's the general partner in the partnership is Tarrant
10 County Housing Partnerships. And they are 100 percent
11 owner of the managing general partner. And Tarrant County
12 Housing Partnerships is a 501 (c)(3) organization.

13 MR. CONINE: So it should say non profit
14 instead of for profit.

15 MS. CARRINGTON: The Texas Hampton Villas L.P.
16 is a limited partnership, and that is by virtue of being a
17 limited partnership, a taxable entity.

18 MR. CONINE: Okay.

19 MS. CARRINGTON: But the general partner in
20 that entity is the non-profit.

21 MR. CONINE: And tell me a little bit why we're
22 splitting this into non-taxable and taxable a little bit.

23 I'm curious from our financial underwriting standpoint,
24 why we're blending the rate, instead of just doing \$17
25 million worth of non-taxable.

1 MS. CARRINGTON: Well, I will ask the Director
2 of our Real Estate Analysis division to come up and answer
3 that question.

4 MR. CONINE: Drum roll, please.

5 MR. GOURIS: Tom Gouris, Director of Real
6 Estate Analysis. There's a \$15 million cap on tax-exempt
7 bonds, private activity.

8 MR. CONINE: So the sheer size of the -- so
9 what you're saying is the 2.1 doesn't go against our
10 private activity cap?

11 MR. GOURIS: Correct.

12 MR. CONINE: It's just again, because it's a
13 501(c)(3)?

14 MR. GOURIS: That would be -- well.

15 MR. CONINE: They're eligible for us to issue
16 those because they're a 501(c)(3).

17 MR. GOURIS: Because we have the ability to
18 issue bonds, I think is the answer. Those are taxable
19 bonds.

20 MR. CONINE: But they're taxable and there's no
21 cap on those.

22 MR. GOURIS: Correct.

23 MR. CONINE: Okay. Now, I got you.

24 MS. CARRINGTON: And the cap, as Tom alluded
25 to, the cap at the bond review board, by state statute is

1 15 million per any transaction. So they are capped out in
2 tax-exempt bonds at 15 million.

3 MR. CONINE: Next year, the problem will
4 correct itself.

5 MS. CARRINGTON: It will?

6 MR. CONINE: Because we're shrinking the number
7 of units. This is 280 units, and I imagine most
8 everything else will come down.

9 Okay. That's it. Thanks. Mr. Chairman, let
10 me move for approval of the Arlington Villas Apartments,
11 and let me give you a resolution number right quick.
12 03-77.

13 MS. ANDERSON: Second.

14 MR. JONES: We have a motion, and seconded.
15 Any discussion, questions, comments? Hearing none, I
16 assume we're ready to vote? All in favor of the motion,
17 please say aye.

18 (Chorus of ayes.)

19 MR. JONES: All opposed, nay.

20 (No response.)

21 MR. JONES: The motion carries. I do have one
22 question with regard to public comment with regard to item
23 2.

24 Mr. Chatham? I'm sorry, I didn't catch your
25 agenda item. I apologize.

1 MS. CHATHAM: It's my fault. I didn't write it
2 down, so. Good morning. My name is Donna Chatham. I am
3 the Executive Director of the Association of Rural
4 Communities in Texas.

5 I came to you last year about this time, to
6 tell you about the formation of ARCIT, an association of
7 rural cities under 50,000, counties under 200,000 and
8 utility districts and economic development corporations
9 that are qualifying in both cities and counties.

10 Our mission statement that we shared with you
11 last year is by being a strong voice, and a resource to
12 government, we promote the policy of best practices and a
13 delivery of public service to enhance the quality of life
14 for all rural Texans. Last year, we began this journey
15 with our original 69 charter members.

16 As shown in the membership directory that I
17 just passed out to you, I'm glad to report that we've
18 grown to over 270 members. One more time, showing that
19 rural Texas wants to be involved in the policy making
20 process for rural communities.

21 In that regard, we have been working a lot with
22 the Office of Rural Communities Affairs board, since this
23 was their first year, last year, as a state agency. And
24 since it's going to be our second year, we had now ability
25 to expand a little bit more.

1 And we definitely want to work close to TDHCA
2 and Ms. Carrington and staff to help form more rural
3 policy. Under the leadership of Ms. Carrington, and of
4 course, you, TDHCA continues to be very sensitive as
5 always to public comments, of which we are very grateful.

6 For example, as shown in your agenda items
7 today that you've already discussed, well, that was put on
8 your website last week of the area housing needs score.
9 It was soon discovered that the new methodologies seemed
10 to have a bias toward the larger communities and like Ms.
11 Carrington already stated, that for instance, Merkel had a
12 population of 2,600 and had a score of 11.

13 And in the 2004 application, the way the
14 methodology, it had a five. Hughes Springs population of
15 1,800 had a score of 14 in 2003. With the new
16 methodology, it had a 5. Marfa had a population of 2,700,
17 had a score of 18. In 2004 it had a seven.

18 So this was biasing it towards the larger
19 communities. From the time of the first phone call, I
20 used to brag about TDHCA, the staff was obviously very
21 responsive. We understand on the posting that the staff
22 has put on the website now, that the new methodology is
23 going to be developed using new census data, and the
24 figures are going to be released come Monday.

25 We are anxiously awaiting the release of those

1 numbers to see the impact. And I will be, I'm sure,
2 working with Ms. Carrington's staff in letting them know
3 of our opinions to this as we go through public comment.

4 Once again, we extend our appreciation to Ms.
5 Carrington and her staff for being sensitive and
6 responsive to public comments, as they always are.
7 Second, ARCIT has been working with Ms. Carrington and
8 Brooke Boston regarding new wording for the qualified
9 application plan in order to suggest new wording that will
10 help to build rural capacity.

11 ARCIT has given Ms. Boston several suggestions
12 in order to build rural capacity of 76 units or less. We
13 would like to request upon your review that this wording
14 be placed in this year's QAP, and that's attached to your
15 packet I just sent out through Dolores.

16 In order to expand rural capacity immediately,
17 the new wording of urban, exurban and rural that was
18 placed in the sunset bill this last session resulted in an
19 increase of tax credits for the rural areas. We need your
20 help in order to encourage new developers in rural Texas.

21 And we defer to Ms. Brooke's guidance as to the
22 specific word and which one she thinks will be the most
23 effective. And we've been working with Ms. Carrington
24 also.

25 Last, ARCIT would like to invite TDHCA to join

1 in a new coalition that is forming. It's going to be
2 called the Alliance for Rural Texas. ARCIT's current
3 emphasis is in rural community development. And as you
4 are well aware, rural Texas is vast and the needs are
5 varied.

6 ART will be our coalition of other state wide
7 association as shown on your handout, and rural
8 stakeholders, in order to network and brainstorm to
9 effectively affect positive policy change for rural Texas,
10 at both the state and the local level. The steering
11 committee will be formed in December 2003 and ART's first
12 coalition meeting will be in the spring of 2004.

13 After being involved in the Texas Housing forum
14 and watching its effectiveness, ARCIT was inspired to
15 create a similar coalition for rural Texas. I have had
16 the privilege now of working with TDHCA for over the last
17 four and a half years, and thank you one more time for
18 being responsive to public comment, and desiring to truly
19 want the best affordable public housing policies for rural
20 Texas. Your work doesn't go unnoticed. We appreciate
21 your commitment and your dedication. We thank you again
22 for letting me make public comment.

23 MR. CONINE: Ms. Chatham?

24 MS. CHATHAM: Yes sir?

25 MR. CONINE: Looking at this list of groups

1 that you're trying to put in the Alliance for Rural Texas,
2 isn't that kind of like herding cats, with that group?

3 MS. CHATHAM: Yes it is. You bet it is.

4 MR. CONINE: Good luck to you.

5 MS. CHATHAM: Thank you. Thank you. We're
6 excited because the membership grew so vast this year,
7 from 69 to now, over 270. It tells you about rural Texas
8 wanting to be involved. So we're excited about putting a
9 new coalition together to bring everybody to the table.

10 MR. JONES: Thank you so much. We appreciate
11 your time. Mr. Conine, 3(d)?

12 MR. CONINE: Review of the transfer of funds
13 from single family bond production to the 19 -- from the
14 83 multifamily transaction in the amount of \$308,884.50,
15 Ms. Carrington.

16 MS. CARRINGTON: Thank you, Mr. Vice Chair.
17 This is found money for the department. Bank One has
18 served as trustee for the department for several years and
19 Bank One was bought.

20 The trust department was bought by J.P. Morgan
21 Chase. And so in looking at our various indentures and
22 making that transfer, what we found was some money, staff
23 found some money that was still in the 1983 indenture.
24 And so that's the \$308,884.50.

25 What we're doing, or what we're recommending

1 that the Board approve we do is that we add this money to
2 the preservation program that we have within the
3 department, to our multifamily housing incentives program.

4 And this is the pot of money that we have programmed
5 junior lien funds and other funds into preservation
6 activities where we take those applications on a first
7 come/first served basis and it would increase that pool of
8 money in the fund.

9 It would be available for the department to
10 continue preservation activities and we are requesting
11 this approval. We would then be preparing a NOFA and the
12 total amount we would have in that NOFA would be
13 \$929.459.50.

14 MR. CONINE: Move for approval, Mr. Chairman.

15 MS. ANDERSON: Second.

16 MR. JONES: We have a motion been made, and
17 seconded. Further discussion, questions, comments?
18 Hearing none, I assume we're ready to vote? All in favor
19 of the motion, please say aye.

20 (Chorus of ayes.)

21 MR. JONES: All opposed, nay.

22 (No response.)

23 MR. JONES: The motion carries. 3(c).

24 MR. CONINE: Our third item is the bond
25 inducements for the private activity bonds with the Texas

1 Bond Review Board, for the program year 2004. Ms.
2 Carrington?

3 MS. CARRINGTON: Thank you, Mr. Conine. On
4 September the 2nd of this year, the department accepted
5 applications and that was the close of applications for
6 those developers who were interested in accessing the
7 private activity bond volume cap for 2004, using TDHCA as
8 the issuer.

9 We received 46 applications for inducement for
10 the approximately \$73 million that the department will
11 have available. We have provided for you behind Tab 1, a
12 summary of the changes in the legislation that relate to
13 the department's administration of the private activity
14 bond program.

15 The 46 applications we received totaled
16 \$649,000,000. If you will remember, Senate Bill 1664
17 requires us to score and rank the applications in our
18 multifamily bond program.

19 Last year, to give you an example, I think we
20 had about 110 or 111 applications for a private activity
21 bond cap, volume cap, so you will see that this year, that
22 amount is down to 46. One of the considerations, I'm
23 sure, on the part of developers is that there is an
24 additional fee that is required of them.

25 There's a \$5,000 fee when they apply to the

1 bond review board now. \$1,000 will go to the bond review
2 board and that \$4,000 remaining amount of that fee will
3 come to the department for us contracting in a series of
4 market studies, some research data related to the benefits
5 and the siting of affordable housing.

6 And so as staff has looked at this, we actually
7 had doomsday scenarios all from oh we're not going to get
8 any applications at all to maybe it won't impact us much.

9 And actually what has happened is that we've come down to
10 about in the middle of what staff was anticipating.

11 The multifamily cap with the bond review board,
12 is actually divided up with 20 percent of the total amount
13 available coming to TDHCA. 70 percent of it goes to local
14 issuers. And then the other 10 percent of that cap is
15 available to the Texas State Affordable Housing
16 Incorporation.

17 Legislation did change the priorities this year
18 and that's on page 2 of your memorandum. We used to have
19 priority one, priority two and priority three. Well, we
20 still have that.

21 But priority one now is divided into three
22 different options that developers can choose from. And
23 priority two is one option. Priority three is a third
24 option.

25 With that, I am prepared to ask the board if

1 they have any questions. I am prepared to read into the
2 record all of the requests we received. How would the
3 board like us to proceed on this item?

4 MR. JONES: You know, I don't see any need for
5 you to read it into the records, since it's already before
6 us, unless some board member requests that that be done.

7 MR. CONINE: I have a couple of questions.

8 MR. JONES: I do think that Mr. Conine should
9 ask questions.

10 MR. CONINE: Are these bond applications, Mr.
11 Carrington, under the emergency rules that we put in
12 place, was it last month, I guess?

13 MS. CARRINGTON: Yes, sir. They are.

14 MR. CONINE: They are. And do all the
15 applications here comply with the emergency rules or have
16 we looked through those applications to see whether they
17 have or haven't.

18 MS. CARRINGTON: Yes, sir. We have looked
19 through the applications. And each applicant was required
20 to score their application and then we also scored the
21 application. So behind Tab -- you've got a chart that
22 shows the self score and also the department's score.

23 Tab 2. Robbie tells me it's Tab 2. And this
24 is basically a chart. It's a spreadsheet that goes across
25 several pages. That gives you -- page 204. Correct. And

1 it's behind Tab 2.

2 On page two of four it shows what priority each
3 of the applications are in, and then within that priority,
4 are they selecting priority A, B or C? The self score.

5 The TDHCA score, and how much was requested on
6 the bonds. Then we've also included borrower contact
7 information. And on the last page of this, the state
8 senator and the state rep.

9 MR. CONINE: Okay, well, I'm probably confused
10 and just need a little help in getting straightened out.
11 But I recall in either the emergency bond rules to be
12 passed or the proposed QAP which these projects would also
13 fall within that, of course, if they want to get the 4
14 percent tax credit, we also -- we had a huge discussion
15 about one bedrooms, two bedrooms, and three bedrooms being
16 adequately spread throughout the projects and we put caps
17 on them and that sort of thing.

18 And as I was flipping through here, I happened
19 to notice that some of these projects had no one bedroom.

20 Some of these projects had no one or two bedrooms. I was
21 just kind of curious as to how they could get on the list
22 if there's a potential that they could win one of the ping
23 pong ball lotteries and yet get kicked out on the 4
24 percent QAP.

25 MS. CARRINGTON: Mr. Conine, I'll ask Brooke

1 Boston, who is the director of multifamily.

2 MS. BOSTON: Because the QAP is in draft form
3 only, I think that it's understandable that they would not
4 have structured the whole deal around what they don't know
5 that well, going forward. We have gotten quite a lot of
6 public comments in opposition to that section, so I, you
7 know, I don't know what will happen with that.

8 But they'll all be, whatever ends up being in
9 the 2004 QAP, everyone of the bond applicants, whether
10 they're with us as an issuer or a local, they'll have to
11 meet the 2004 QAP requirements. So it may involve at that
12 time, them needing to restructure their numbers of ones,
13 twos, and threes if that makes it into the final QAP.

14 MR. CONINE: Well, in my review, I noticed that
15 obviously, we have some repeat offenders here, repeat
16 developers shall we say. And some structure their
17 projects to match the proposed QAP, where they have added
18 one bedrooms, two bedrooms, nice mix. Looked like a
19 wonderful thing. And of course, there's one in Frisco, in
20 my home town that has nothing but 3 bedrooms in it. Which
21 you know, I can't ever understand why anyone would turn
22 one in that would look like that. So my question is,
23 based on the dollar volume that we have, that is being
24 submitted, which is the 650 million or so, and the
25 allocation we're going to get, which is 300 and something

1 million, it's going to be a two for one deal. Or one for
2 two. Half of them are going to be winners, and half of
3 them are going to be losers in the ping pong ball process.

4 MS. CARRINGTON: Our allocation right now is 73
5 million.

6 MR. CONINE: I must of misread that.

7 MS. CARRINGTON: We have applications that
8 total about 650 million. But our 20 percent is equal to
9 about 73 million.

10 MR. CONINE: Okay. Sorry, I must have misread
11 that then. So it's one out of five. Or one out of four.

12 Ms. Carrington referred to the \$5,000 fee that's been
13 added on this year, which you know, increases the cost of
14 doing business with the state.

15 And I recognize that we passed the emergency
16 rules the other day that are currently in effect. Now,
17 let me ask this question, In the emergency rules, are the
18 one, two and three bedrooms in those? They're not. Just
19 in the QAP.

20 MS. BOSTON: So, I mean, if your thought would
21 be -- I'm anticipating. If you were thinking of trying to
22 cut any of that out, it wouldn't be based on any rule
23 that's in effect.

24 MR. CONINE: Because they all meet the
25 emergency rule test.

1 MS. BOSTON: Correct. And with the QAP not in
2 effect.

3 MR. JONES: But then his point still stands,
4 and it's a good one that the best guess of what the QAP
5 should be next year is the current draft. Correct?

6 MS. BOSTON: Yes.

7 MR. JONES: Okay.

8 MR. CONINE: There's going to be a lot of
9 gnashing of teeth because the bond lottery will occur
10 before the November board meeting which we approve the
11 QAP.

12 So we're going to have a million people
13 standing in front of us saying I want a ping pong ball.
14 Now, change the QAP so my project conforms. And I don't
15 like that position.

16 And I'd rather be a bad guy today, if I need to
17 be a bad guy today, and I'm really, I guess, disappointed
18 at the number of projects that we have that are still just
19 two and three bedrooms. At least we got rid of the four
20 bedrooms.

21 I looked through there and didn't find any 4
22 bedrooms. That's a wonderful thing. But I'm still
23 concerned. In a very weak apartment market all across the
24 state of Texas, no matter if you're rural, exurban or
25 urban.

1 Designing product that conforms to the rules of
2 the game versus the needs of our citizen of Texas. You
3 can't tell me that in any community in this state that
4 there isn't somebody out there who needs an one bedroom
5 for about 4 or 500 dollars a month versus a two or three
6 bedroom unit that's 6 or \$700 dollars a month. That's not
7 rational with me. So I don't know what to do about the
8 dilemma I'm in, Ms. Carrington, because these guys all
9 conformed.

10 I guess the only thing I can do is say once
11 again, which I have publicly several times, as one board
12 member, that I am desirous of making sure our developers
13 out there develop product that is consistent with the
14 needs of the citizens of Texas. And I don't think we're
15 getting that, coming through the mill, at this point in
16 time.

17 And the only thing I can say is that if you win
18 a ping pong ball, don't get too excited, because there are
19 no guarantees here this year. And maybe some of them want
20 to rethink their position today before it goes in.

21 Or can they do that? Do they have the ability
22 to withdraw after the board approves this list?

23 MS. CARRINGTON: Certainly. Certainly.

24 MR. CONINE: Okay. All right. Some folks may
25 want to reconsider, based on -- or maybe they don't. They

1 don't care what I think. But that's what I think.

2 MR. SALINAS: But you're saying one bedrooms
3 should be part of the --

4 MR. CONINE: Yes, we in our QAP, we try to put
5 a nice mix in most of these project now. Creating caps on
6 how many you can do, so that you don't get a concentration
7 of twos, threes, or whatever the case may be.

8 I think the QAP addresses that, which this
9 board has passed and for public comment, and will
10 ultimately pass in November. But this lottery is going to
11 occur at end of the month and they're going to have bond
12 allocations and won't be able to get the four percent
13 credit. And it's going to put people in a very upset
14 position, and I don't like for this board to be put in
15 that position.

16 MS. BOSTON: Just for clarification, to you
17 all, as well as to the public listening, the deadline for
18 comments on the QAP, on that section or any other is
19 October 10. Tomorrow, at 5:00.

20 MR. SALINAS: But you say we should have some
21 one bedrooms.

22 MR. CONINE: Yes.

23 MR. SALINAS: In the QAP.

24 MR. CONINE: And we do, under the current
25 draft. See you got bond -- this is going just for bond

1 proceeds. Then we'll have to come back here for the 4
2 percent credit.

3 And it will be matching -- it will be okay for
4 all our bond rules, but it won't meet our 4 percent tax
5 credit rules. And then people get upset. I'm trying to
6 avoid the conflict.

7 MR. JONES: And I join the mayor and Mr. Conine
8 on the same issues. Because you have to go in, I would
9 think, I mean, if I were submitting one as a developer.
10 You go in and you look at the draft QAP and you have to be
11 prepared to meet it. Now, my assumption is that if the
12 QAP stays the same, what their plan would be is to redo
13 their development in accordance with the QAP.

14 MS. BOSTON: Correct.

15 MR. JONES: But if they're not willing to do
16 that, it's a shame. I mean, that they're even on the
17 list.

18 MS. BOSTON: Right. And that would be their
19 option at that point in time.

20 MR. JONES: What are you saying, Ms.
21 Carrington?

22 MS. CARRINGTON: If they do not comply with the
23 '04 QAP, then they will not be eligible. They'll just
24 fall out.

25 MR. JONES: Right. But hopefully, I don't know

1 what more we can do, but hopefully they would understand
2 at least what three board members have said.

3 MR. CONINE: Can I ask the one question about
4 project in Frisco, since I happen to live there. Am I
5 correct? It's all three bedrooms?

6 VOICE: Yes, sir, you are.

7 MR. CONINE: Okay. I'm going to make a motion
8 that we amend this list to remove the -- where is that
9 thing, Primrose at Stonybrook, and the number is 2004-017
10 from this list.

11 MS. SALINAS: Second.

12 MR. JONES: We have a motion that's been made
13 by Mr. Conine, and seconded by the Mayor. Further
14 discussion? Hearing that, I assume we're ready to vote?
15 All in favor of the motion, please say aye.

16 (Chorus of ayes.)

17 MR. JONES: All opposed to motion, please say
18 nay.

19 (No response.)

20 MR. JONES: The motion carries. And then we
21 continue our discussion on Item 3(c).

22 MR. CONINE: I make a motion to approve the
23 amended list. We probably need a resolution here. Hang
24 on just a second.

25 MR. JONES: Sure.

1 MR. CONINE: 03-078. Is that right, Ms.
2 Carrington? Does that resolution accompany this list?

3 MS. CARRINGTON: Yes, it does. 03-078.

4 MR. CONINE: Okay. Motion to approve the
5 amended list.

6 MR. JONES: We have a motion to approve the
7 amended list. Is it seconded?

8 MR. GONZALEZ: Second.

9 MR. JONES: It is. Mr. Gonzalez. The motion
10 has been made and seconded. Further discussion? Hearing
11 none, I assume we're ready to vote? All in favor of the
12 motion, please say aye.

13 (Chorus of ayes.)

14 MR. JONES: All opposed, nay.

15 (No response.)

16 MR. JONES: The motion carries. Item 3(d).

17 MR. CONINE: Fourth quarter investment report.
18 You going to do this, or call on Bill Dally.

19 MS. CARRINGTON: I'm going to call on Bill
20 Dally.

21 MR. CONINE: Okay, good. Do we have any money
22 in the bank, Bill?

23 MR. DALLY: Yes, we do.

24 MR. CONINE: Good. Good.

25 MR. DALLY: Good morning Mr. Chairman, board

1 members. Ms. Carrington. Under Tab 3(d) is the quarterly
2 investment report for the fourth quarter, so this will
3 wrap up this fiscal year.

4 It contains all the elements required by the
5 Public Funds Investment Act, which is to show all the
6 detail of all the investments by type, maturity and market
7 value. It also shows the investments by funds.

8 The report then shows the transactions of
9 purchases, sales and maturities that occurred during the
10 year. And finally, it shows a comparison of the par value
11 and the market value from the beginning of the quarter to
12 the end of the quarter.

13 What's significant about this particular
14 report, we see the trend of refinancings on this. We had
15 over 48 million in principal paydowns this last quarter,
16 versus 12 million in purchases or new originations. So
17 what that will mean is that we will need to rebalance the
18 charity of these bonds.

19 In other words, we'll take these principal
20 paydowns, look at that surplus, and make calls on our
21 bonds. And that will bring the assets and bonds back into
22 balance. We also had four new multifamily projects get
23 issued this quarter, in the sum of about \$56 million.

24 Overall, the market value of our portfolio
25 decreased by \$18 million this quarter, and that's a result

1 of the interest rate spike that hit about mid-August. It
2 went from about 5 percent -- the whole trend had been down
3 throughout the year, and it went for a spike in the
4 last -- in August. So it went up to about 6 percent. But
5 overall, the portfolio of value is still \$18 million over
6 the par value.

7 Here's the point. What's significant is not so
8 much this fluctuation of how the market has done in
9 mortgage deals in what our portfolio will show, which is
10 what this report is showing, but the fact that the
11 appropriate cash flow comes in to pay debt service on our
12 bonds.

13 And that, I can report, is occurring as it
14 should. Now, the other thing that I wanted to add, and
15 there's been some news about certain housing agencies and
16 bond ratings and those sorts of things.

17 Our portfolio, this portfolio, the significance
18 of it is, that is, is the assets, the cash flow, the
19 revenue that are going to pay out that huge amount of debt
20 that we issue. In our bond ratings, we will submit
21 reports to the rating agencies every quarter to show what
22 the health of that indenture is.

23 And on our single family issues, those are all
24 rated not as a department bond rating but indenture by
25 indenture. So they're looking at the strength of each one

1 of those. And all of those are in A or double A status.

2 Multifamily issues are looked at differently.
3 They're more on the property in that particular instance.

4 So not all of those are in that high of a standing.

5 Questions with this particular report?

6 MR. JONES: Thank you sir. I appreciate it.

7 MR. CONINE: Mr. Chairman, that concludes my
8 report.

9 MR. JONES: Thank you, Mr. Conine. We will
10 then turn to item number 4(a). And we have public
11 comment. Mr. David Kelly?

12 MR. KELLY: Actually, I'm only here to answer
13 questions.

14 MR. JONES: Thank you. Thank you, Mr. Kelly.
15 Thank you, Delores. Mr. Mike Gilbert?

16 MR. GILBERT: Mr. Chairman. Ms. Carrington.
17 I'm here to request an extension for the Meadows of
18 Oakhaven. I appeared before you on July 30.

19 And you granted us an extension then to close
20 by September 11 on our construction loan. We were able to
21 close that construction loan yesterday, which was the
22 extension date that we requested of the Board.

23 And so we have accomplished what we have set
24 out to do but a little later than we wanted to, than we
25 initially requested to. We have, as a result of closing

1 on the construction loan, invested more money in the
2 project again and we pray to find your approval for this
3 request.

4 MR. SALINAS: I move for the extension.

5 MS. ANDERSON: Second.

6 MR. JONES: We have a motion that's been made
7 for the extension with regard to 02-131.

8 MR. CONINE: Can we hear staff comments,
9 please?

10 MR. JONES: Staff. Ms. Carrington, are you
11 staff? Yes.

12 MS. CARRINGTON: Yes, sir. I certainly am.

13 MR. JONES: Good.

14 MS. CARRINGTON: Today and every day.

15 MR. JONES: Every day. At least you know who
16 you are every day.

17 MS. CARRINGTON: Yes, I do. And I know who I
18 work for. Staff's recommendation was to deny the
19 extension because the QAP does not allow for more than one
20 30 day extension.

21 MR. JONES: Okay. We have a motion on the
22 floor to approve it. We have staff recommendation that it
23 not be approved.

24 MR. BOGANY: I have a question.

25 MR. JONES: Yes. Go right ahead.

1 MR. BOGANY: Do we have the ability to still
2 approve?

3 MR. JONES: Discretion. It's called a
4 discretion.

5 MR. BOGANY: Discretion. I'm sorry. Do we
6 have the discretion?

7 MS. CARRINGTON: The QAP, the reading of the
8 QAP allows for one 30-day extension.

9 MR. JONES: So if I interpret your statement,
10 Ms. Carrington --

11 MS. ANDERSON: Don't. Don't interpret her
12 statement.

13 MR. JONES: Yes, ma'am.

14 MS. CARRINGTON: The board did grant an
15 extension last month on this particular transaction and as
16 Mr. Gilbert has said, they have been successful in closing
17 their construction loan. Congratulations.

18 MR. SALINAS: These things have -- sometimes
19 you have to have some common sense, and you know,
20 sometimes it takes longer than what it takes. There's
21 nothing wrong with us doing this. And I'm sure if it's
22 already closed, that there's nothing wrong with that.

23 MR. JONES: Well, we have a motion on the
24 floor, it's been made and seconded. And I don't hear
25 anyone dying to talk any further so I assume we're ready

1 to vote? Is that right? All in favor of the motion,
2 please say aye.

3 (Chorus of ayes.)

4 MR. JONES: All opposed, nay.

5 (No response.)

6 MR. JONES: The motion carries.

7 MR. GILBERT: Thank you very much.

8 MS. CARRINGTON: Thank you, Mike.

9 MR. JONES: Mr. Kurt Kehoe.

10 MR. KEHOE: I'd like to speak to item 4(b).

11 I'm just here to answer any questions that may come up.

12 MR. JONES: Thank you sir.

13 MR. CONINE: Now, wait a minute. We've got us
14 one more on 4(a).

15 MS. CARRINGTON: This is an extension request.

16 MR. JONES: Excuse me. I'm getting ahead of
17 myself. Y'all are right. I thought that was 4(a), but
18 it's not, it's 4(b).

19 MS. CARRINGTON: This is an extension request
20 for the commencement of substantial construction on the
21 Raferio Street Apartments, which was an '02 tax credit
22 development. It's located in San Antonio.

23 It's the redevelopment of a Hope Six
24 transaction. The deadline that was requested by the
25 developer is January 31 of '04. The deadline being

1 recommended by staff is January 31 of '04 and we are
2 recommending this extension be granted.

3 MR. CONINE: Move for approval.

4 MR. BOGANY: Second.

5 MR. JONES: Motion has been made and seconded.

6 Any questions, comments? Hearing none, I assume we're
7 ready to vote? All in favor of the motion, please say
8 aye.

9 (Chorus of ayes.)

10 MR. JONES: All opposed, nay.

11 (No response.)

12 MR. JONES: The motion carries. Now, we go to
13 item 4(b). And Mr. Kehoe just wants to answer questions
14 so what is staff's recommendation?

15 MS. CARRINGTON: Staff's recommendation on item
16 4(b) is the issuance of a 4 percent tax credits in the
17 amount of \$574,155. This is the Sweetwater Point
18 Apartments, to be located in Houston, with the Houston
19 Housing Finance Corporation as the issuer on this
20 transaction.

21 MR. JONES: Is there a motion?

22 MR. BOGANY: So moved.

23 MR. JONES: We have a motion for approval. Is
24 it seconded?

25 MR. GONZALEZ: Seconded.

1 MR. JONES: We have a motion for approval.
2 It's been made and seconded. Questions, comments,
3 discussion? Ms. Carrington has all the answers. Hearing
4 none, I assume we're ready to vote? All in favor of the
5 motion, please say aye.

6 (Chorus of ayes.)

7 MR. JONES: All opposed, nay.

8 (No response.)

9 MR. JONES: The motion carries. We will then
10 turn to item 4(c)(1).

11 MS. CARRINGTON: Is there any comment?

12 MR. JONES: I don't believe so.

13 MS. CARRINGTON: Item 4(c)(1) is a request for
14 an amendment to a tax credit application that involves a
15 material change. This was an allocation out of -- our
16 commitment notice out of the '03 tax credits which were
17 just issued commitments on in July of this year.

18 And the way the QAP reads, if there is a
19 material change that is being proposed to the development
20 then that material change must come to the board for their
21 consideration. But the change that's involved in this
22 particular transaction I would add to over three acres of
23 land.

24 It also changes two buildings to one story
25 buildings. The City of Gainesville did request these

1 changes. They didn't require them, but they did request
2 them. At the bottom of page 1 of 2, you'll see staff's
3 recommendation.

4 There was no change in underwriting as a result
5 of the requested change in this award and staff is
6 recommending that this material change be granted on this
7 tax credit application. There would have been a point
8 loss because it did differ.

9 This change would have resulted in the loss of
10 pre-application points, between pre-application and
11 application phase; however, there were not -- this
12 application still would have been competitive in its
13 region, in its set-aside. And so staff is recommending
14 that this amendment to the '03 tax credit application be
15 approved.

16 MR. CONINE: Move for approval.

17 MS. ANDERSON: Second.

18 MR. BOGANY: Second.

19 MR. JONES: We have a motion that's been made
20 and seconded. Are there any questions, comments,
21 discussion? Hearing none, I assume we're ready to vote?
22 All in favor of the motion, please say aye.

23 (Chorus of ayes.)

24 MR. JONES: All opposed, nay.

25 (No response.)

1 MR. JONES: The motion carries. We will now
2 turn to item 4(c)(2). Mr. Kent Hance?

3 MR. HANCE: Chairman, members of the board.
4 Just briefly. As a developer at Sterling Springs, we are
5 requesting change in the site plan, and there's really two
6 parts to it.

7 One is that the City asked us to give them land
8 so that they could build a road on the west side, and
9 we're just asking if we can add, it's a small amount of
10 property to the east side that we're giving up to the City
11 to keep good relations with them on the west side. And
12 the second part is that we are asking approval of
13 amendment to the site plan, in that when we got the
14 property, it was zoned that we were okay.

15 But the first 200 feet of the property is zoned
16 for duplexes and the back of the property is zoned for
17 multifamily. And so we asked for a zoning change to make
18 it all multifamily.

19 And it passed planning and zoning. It passed
20 the city council, and before the second city council
21 meeting, some of the neighbors complained that they wanted
22 duplexes in that first 200 feet like the original. So we
23 have gone back and adjusted our site plan, so it will be
24 duplexes on the front part and then the multifamily on the
25 back.

1 And it does not increase the number of
2 buildings. I mean, it does increase the number of
3 buildings, but it does not change the number of units or
4 the unit mix or the credits.

5 We've done this primarily to get along with our
6 neighbors and the City. And we would request that you
7 approve this. Thank you very much.

8 MR. JONES: We like people to get along with
9 their neighbors.

10 MR. HANCE: We try.

11 MR. SALINAS: I move for the approval.

12 MR. BOGANY: Second.

13 MR. JONES: We have a motion for approval.
14 It's been made and seconded. Further questions, comments,
15 discussion?

16 (No response.).

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

19 (Chorus of ayes.)

20 MR. JONES: All opposed, nay.

21 (No response.)

22 MR. JONES: The motion carries. I think we
23 have some people that want to speak to item 5. Is that
24 correct? I'll go ahead and turn it over to Mr. Bogany,
25 and we'll have public comment.

1 MR. BOGANY: Ms. Moss?

2 MR. STALLCUP: I'm David Stallcup and I'd like
3 to speak first.

4 MR. JONES: Certainly. I don't mind at all.

5 MR. STALLCUP: Hello. Good morning. Thank
6 you, Board, for allowing us to speak. Good morning to
7 you. My name is David Stallcup and I represent the
8 Collinwood Homeowners Association.

9 And as a group, we represent the surrounding
10 homeowners association around this project. The project
11 in question is at Dessau. That shaded area. The handout
12 that I've given you today is a very simplistic and
13 rudimentary drawing that I created last night on my PC
14 showing that the space has a very small footprint.

15 I copied some of the existing houses in
16 development and pasted it into what is the shaded area
17 there, showing that it has about room for at most, 17
18 houses. The one thing that I couldn't demonstrate with
19 this drawing is that it is two-dimensional and it is not
20 three-dimensional.

21 And I can't represent here as sufficiently as
22 I'd like that this is not a flat piece of land. It is a
23 very steep piece of land. It is bordered here on Dessau
24 Road, which is primarily a bridge right along here.

25 It slopes from the top of the hill, down to

1 this creek and there's a cul-de-sac there. The creek runs
2 under this bridge here in the culvert, and when it rains
3 heavily, the creek floods, of course.

4 So you've got a piece of property that is like
5 this and Dessau Road has quite a history of car accidents
6 late at night. People traveling at a high rate of speed
7 come over this hill and it's basically blind here, and
8 they come down and they crash right in this area.

9 And the best way that I can put it is that I've
10 seen Starflight land four times in the last three years.
11 Two of those times was at Dessau Road for accident that
12 happened there, so we here are as a group to oppose this
13 project happening in this location. We're not against it
14 happening at all. In fact, we recommend that instead of
15 being 7.3 acres, that they purchased that they use the
16 6.95 acres right here.

17 It's much flatter. There's no trees on this
18 piece of land, whereas this is completely covered in
19 trees, so there would be no trees to clear. It is at a
20 major intersection with a light, so traffic slows down all
21 around this.

22 There's a much wider road right here along with
23 Dessau versus Claywood, which is only 29 and a half feet
24 wide, which is what they're having to come in off of. And
25 it would just be much safer, flatter and otherwise a much

1 better piece of land for them to do this project at.

2 So that is what I came here to say today. And
3 I'll let my fellow citizens say their piece. Thank you.

4 MR. JONES: Thank you. I appreciate it. Ms.
5 Lindebach?

6 MS. TABI: I'm Theresa Tabi.

7 MR. JONES: Have at it. Thank you ma'am.

8 MS. TABI: I'd like to discuss the
9 transportation issue of cottage communities. Our local
10 transportation authority, Capitol Metro, will not provide
11 transportation across the Cottage Community.

12 At the city council meeting on September 25,
13 Tom Stacy of Cottage Communities assured the city council
14 that public transportation issues of Capitol Metro could
15 be worked out, so residents of the Cottage Community would
16 have reasonable access to public transportation. That is
17 just not true. His statement is not true.

18 Because in the TDHCA multifamily underwriting
19 analysis, it also states public transportation to the area
20 is provided by Capitol Metro buses. That isn't going to
21 happen. I have a letter here, I would like to submit. I
22 have seven copies of this letter from Capitol Metro.

23 The TDHCA multifamily underwriting analysis
24 states that the units of housing for the Cottage Community
25 will be reserved for low income families headed by a

1 single parent, legal guardian or grandparent with school
2 age children. Tom Stacy at the September 25 meeting said:
3 we are applying for smart housing and a transit person
4 planned to work very heavily with Capitol Metro.

5 With our programs, there are other ways,
6 besides big buses coming around, and we hope to work with
7 Council members as well. Unfortunately, hopes are all
8 that Mr. Stacy has in this matter, because Capitol Metro
9 will not provide transportation to the Cottage Community.

10 The nearest bus stop is one mile away. Nearly
11 a one mile walk. Route 392, Braker, provides bus service
12 to a senior center in the Collinwood neighborhood on a few
13 daily trips.

14 Due to narrow streets and an inability to turn
15 their buses safely, Capitol Metro is not considering
16 providing service to any other residential streets within
17 Collinwood. The current bus stop that is nearly a mile
18 away is as physically close to the proposed development as
19 it can get.

20 Capitol Metro also will not run vans or any
21 kind of shuttle service for regular residents of cottage
22 communities. Because there is no mass transit close to
23 cottage communities, residents without cars would be
24 stranded. The closet grocery store and pharmacy is a two
25 mile walk or a 15 minute bus ride.

1 The demographic of our neighborhood does not
2 support a bus route. We have 20 percent of Cottage
3 Community in need of a bus. We are only talking about six
4 households. These six families of single parents with
5 children and maybe small children, would have to walk
6 nearly a mile to catch the bus.

7 In addition, Cottage Community has proposed
8 other services, such as child care and educational classes
9 too the community at large. However, because there will
10 be no public transportation to Cottage Community, only
11 those that have their own vehicles can avail themselves to
12 these services.

13 So anybody that wants to take advantage of
14 educational classes, other community projects that are
15 within the Cottage Community would have to walk nearly a
16 mile to have access to these offerings. I would also like
17 to discuss the option, the non-option of private
18 transportation.

19 Because there's no public transportation,
20 Cottage Community would need to hire a private shuttle
21 service to ferry their residents to and from the nearest
22 bus stop. This could effectively double their costs for
23 taking a shuttle service to the nearest bus stop, that
24 could cost a \$1.50 for people to take the bus to where
25 ever you need to go, that's an additional \$1.50.

1 So we're talking about there needs to be a
2 shuttle service, because there can be no mass transit.
3 Cottage Community has not determined the cost of private
4 service and has no idea how much of a financial burden
5 this would impose on the residents. It could effectively,
6 as I said, double their transportation costs.

7 Cottage Community can also not guarantee that
8 they will be always able to afford or provide an
9 affordable shuttle service. If the service were ever
10 terminated, it would be a devastating blow to residents
11 that don't have cars.

12 And lastly, part three. I'd like to discuss
13 the importance of public transportation. As studied
14 recently by the service transportation policy project
15 performed a study on transportation and how it alleviates
16 poverty. And the study cited unreliable fragmented
17 transit systems contribute to poverty.

18 It also says that the transportation system
19 should enable all people to gain access to good jobs,
20 education and training and needed services. Where
21 possible, personal transportation expenses should be
22 minimized in ways that support wealth creation.

23 Integrative land use planning, transportation
24 should also enhance the quality, the mobility and the
25 character of communities and support revitalization

1 without displacement. The transportation system should
2 allow every American to participate fully in society,
3 whether or not they own a car.

4 A coalition of businesses called the Welfare to
5 Work Partnership found that the most significant barrier
6 to employment for their employees was transportation. The
7 study's conclusion was that the access to public
8 transportation is a factor in alleviating poverty. That
9 is the basis for the T in SMART housing.

10 And I would like to conclude by saying that
11 good public transportation is a critical component in the
12 development of this project. Our local transit authority
13 will not provide banner shuttle service to the area.

14 The existing bus stop is nearly a mile away and
15 it is as physically close to the proposed development as
16 it can get. And I have the materials, flyers, the
17 submitted letters I gave you all has contact information,
18 if you need to confirm any of this information.

19 Because they now have the bus as physically
20 close to Collinwood as it can go because of the terrain,
21 Cottage Community will not be able to provide affordable
22 transportation to those it intends to serve because of the
23 location they have chosen. So our recommendation is that
24 their funding be denied on this basis.

25 MR. JONES: Okay. Thank you, ma'am.

1 MS. TABI: Thank you and I will turn this over
2 to my other fellow speaker.

3 MR. JONES: Who's next?

4 MS. BARKSDALE: I'm next.

5 MR. JONES: And you might be?

6 MS. BARKSDALE: I am a Longhorn. And I'm
7 Tamara Barksdale from right here in Austin. Hope I don't
8 offend anybody.

9 MR. JONES: That's probably one football game
10 we could all agree on.

11 MS. BARKSDALE: Maybe so. Thank you for the
12 opportunity to speak this morning. I appreciate your time
13 and attention.

14 And before I remark on that specific to the
15 applicant's request for a million dollar HOME grant,
16 please let me speak on behalf of all of Austin when I say
17 that affordable housing is a worthy and notable service
18 every community should have for their citizenry.

19 Those who cannot for whatever reason cannot
20 afford median priced housing should never be excluded from
21 safe warm neighborhoods and ultimately, home ownership.
22 The cottage communities has selected for development a
23 tract of land that for many reasons could not be more ill-
24 suited for the development as planned.

25 The TDHCA underwriting analysis supports this

1 and the cottage community's lack of readiness to proceed
2 based on numerous construction uncertainties bears this
3 out. I'll address the site's apology [phonetic], access
4 to the site, zoning at the site, design uncertainty, and
5 resident safety issues at the site.

6 This tract of land is as David said earlier,
7 slopes very steeply to the south. When I asked my local
8 community groups about construction to allow for the steep
9 slope on most of the property, the Cottage Communities
10 primary architect, Richard Hatch responded, quote unquote,
11 it certainly will be challenging.

12 I urge the board to take into serious
13 consideration the staff report on this issue. Please
14 compel the applicant to absolutely prove that the
15 development on this site is possible within allowable
16 ranges for construction costs.

17 And please also compel the applicant to submit
18 a site plan, architectural drawings, construction
19 specifications, and a certified project cost schedule
20 before any grant award is made.

21 Next, access to the site is limited. In its
22 application to the TDHCA, the applicant submitted
23 contradicting information regarding right of way access to
24 the site. You can see page 6 of the construction cost and
25 estimated evaluation in the staff report.

1 Unlike any rough site plans sent into the TDHCA
2 to date, the applicant submitted to the City of Austin in
3 a September 25, 2003 council meeting, that the only access
4 to the property would be via Claywood Drive. And I'll say
5 that here.

6 It's a regular subdivision. They said as
7 recently as September 25 that the only road for access
8 they'll be seeking is through Claywood Drive. We'll talk
9 about that because of Dessau Road. To bring you up to
10 speed on the access issue, via Claywood Drive, Travis
11 County used to own this piece of land.

12 Travis County determined that accessing Dessau
13 Road at any point along here was too dangerous. The piece
14 of land was slated for a fire station. Travis County
15 determined that a fire station could not safely be put
16 here, with a fire truck coming out here, even with red
17 lights flashing, sirens, warning signs on either side,
18 with the traffic coming over the hill.

19 So the applicant has now concluded or agreed --
20 I see your gavel -- play with your kind of
21 access[phonetic].

22 MR. JONES: I'm going to do this more often.

23 MS. BARKSDALE: I know. I just need to go real
24 fast. So let me catch up with my place in my talk. The
25 City of Austin has subsequently gained control of the

1 right of way from Travis County and has preliminarily
2 stated that it too, will not allow curb cut or right of
3 way access along this stretch of road, including any
4 potential ingress roads controlled by the applicant.

5 The lack of access significantly affects the
6 applicant's development plans, and is in stark contrast to
7 all information submitted to date in its application to
8 date, to the TDHCA. Again, I urge you to compel the
9 applicant to produce a site plan consistent with its most
10 recent plans as they are to the City of Austin.

11 I would like to submit the September 25, 2003
12 zoning page summary to support this point. And there's a
13 secondary case in there. So you'll have to read ahead.

14 And regarding zoning at the site, in addition
15 to housing, the applicant proposes to offer on-site
16 daycare, health and legal services, adult education
17 classes and a slate of other services. The applicant must
18 first garner commercial zoning to accomplish this.

19 Because of the unsuitability of this project
20 for this tract of land, its remote location and the
21 burdensome amount of traffic its development would create
22 along a single small residential street, organized
23 neighborhood associations filed a 60 percent valid
24 petition with the City of Austin to oppose zoning of the
25 tract.

1 These same community groups are deeply opposed
2 to any commercial zoning on the tract. The access issues
3 at Dessau Road limits the applicant to just one ingress on
4 a minor residential street, and makes commercial zoning
5 unlikely. I would like to submit the applicant's first
6 zoning case back in 2001, the first time it was before the
7 City of Austin council to support this point. Meaning at
8 the time, they --

9 VOICE: This case was brought back in Austin
10 before you were born.

11 MS. BARKSDALE: At the time, access was going
12 to be at Dessau Road, and this neighborhood street. The
13 city staff at that time determined for the density that
14 they want to build, that two points in and out were
15 necessary. In this case, they only have one point in and
16 out.

17 The next point I'd like to address is design
18 uncertainty. The applicant proposes or proposed in its
19 application to TDHCA one 5,000 square foot building to
20 house a 100-child day care center and to accommodate
21 support services it wishes to offer.

22 City zoning statutes strictly prohibit the
23 mixed uses the applicant has planned. Administrative
24 offices, health care services and child care must be
25 housed in separate structures.

1 If the applicant intends to proceed as outlined
2 in its HOME grant application, then they must consider
3 another building at this site. Means of this construction
4 have not been proposed or tested or accepted by TDHCA. I
5 would like to submit -- I have submitted the zoning use
6 summary table built in the City of Austin land development
7 codes to support this point.

8 Further, at a minimum, the state of Texas
9 Department of Protective and Regulatory Services requires
10 at least 30 square feet per child of indoor space,
11 excluding single use space, and 80 square feet of outdoor
12 space per child per daycare.

13 Assuming the applicant would aspire to best
14 practices standards, a 45 square feet per child at this
15 daycare, there would be no additional space available in
16 the one building they currently have planned to house a
17 daycare and provide all the services they want to provide
18 to the residents and surrounding community.

19 A certified site plan with a specific floor
20 plan for this proposed 5,000 square foot building as
21 requested by TDH staff would address this design
22 uncertainty. And finally, safety.

23 In the rough site plan presented to community
24 groups, with proposed 30 cottages, parking, community and
25 daycare building, with those uses alone, absent a second

1 building we believe is necessary, the applicant was able
2 to fit all the proposed construction on the usable portion
3 of this land which is about this footprint here.

4 Because of the western steep slope down to the
5 creek and floodplain, for all its intended uses, the
6 applicant proposed situating the 30 cottages around the 15
7 foot, one-way drive. It is unimaginable to me that a
8 certified site plan would include that configuration and
9 leave residents at odds with emergency response vehicles,
10 should, God forbid, there be a fire or other emergency.

11 Meaning, on such a long, narrow, one-way drive,
12 a resident could be trapped behind an emergency vehicle,
13 unable to retreat, going the wrong way down a one-way
14 street and again, be at odds with any emergency vehicles
15 trying to get in.

16 Further, the applicant told the city council in
17 picking zoning and considering placement for its plans for
18 daycare center, it might see right of way access via
19 Dessau Road. Travis County engineers deem this stretch of
20 road as too dangerous for firemen. Now, I also think its
21 too dangerous for mothers, fathers or any single parent
22 trying to get their children to daycare.

23 We would ask you to require the applicant to
24 submit a certified site plan that addresses these
25 significant safety issues and resolve with the City of

1 Austin the Dessau Road access issues before any grant
2 award is made. Thank you.

3 MR. JONES: Thank you.

4 MR. CONINE: Ms. Barksdale. Do you live close
5 by?

6 MS. BARKSDALE: I do.

7 MR. CONINE: Where? Can you point it out?

8 MS. BARKSDALE: I can make a dot, or I can just
9 point.

10 MR. CONINE: Yes point. Just point. I can
11 see.

12 MS. BARKSDALE: I live here.

13 MR. CONINE: Oh. Okay.

14 MS. BARKSDALE: I can tell you more about my
15 house.

16 MR. CONINE: It's up there. I've seen a few
17 houses in my life. Do you -- where do you work?

18 MS. BARKSDALE: I work at 6th and Lamar. I'm
19 sorry, 6th and Mopac, just down the street, for an
20 advertising and public relations firm.

21 And I have as Theresa Tabi, who spoke to you,
22 run from my house, run up the street, around the lake, to
23 right over here to the bus stop to try to get to my job
24 downtown. It took a little more than two hours.

25 MR. CONINE: Okay. Thank you.

1 MR. SALINAS: Has it gone to planning, the
2 zoning of the City of Austin?

3 MS. BARKSDALE: Sir?

4 MS. BARKSDALE: Has it gone to the planning?
5 The zoning? What did they say?

6 MS. BARKSDALE: Yes it has. The case is there.
7 Zoning and Planning approved it in May. Approved the
8 zoning change unanimously, as did the City Council.

9 MR. SALINAS: How can we change that, if they
10 approved that?

11 MS. BARKSDALE: We can't change it. I mean,
12 obviously, we can't change it. But for the further uses
13 that the Cottage Community has planned or has submitted in
14 application, they're commercial uses.

15 So housing has been -- housing zoning has been
16 awarded. For the single family condensed use housing
17 here, but commercial uses has not been awarded.

18 MR. SALINAS: Well, how can we change anything
19 here from what they've done already with the City?

20 MS. BARKSDALE: I don't think I understand your
21 question. I don't think anything can be changed.

22 MR. SALINAS: But you want us to deny the --

23 MS. ANDERSON: But not based on zoning.

24 MS. BARKSDALE: But not based on zoning. No,
25 there is a zoning issue. There is a commercial zoning

1 issue. I submit that without access -- well, I guess I
2 guess I didn't put up proper zoning codes. Without access
3 to a major thoroughfare, arterial thoroughfare, to have a
4 100 child daycare, 90 parking spaces, a community center
5 and 30 cottages, their only way in and out for the
6 residents, is via this small street.

7 MR. SALINAS: But what would we have to do with
8 that? What is our --

9 MS. BARKSDALE: There is still a zoning issue.

10 MR. SALINAS: Well, but we have no zoning here.
11 We don't deal with zoning here.

12 MS. BARKSDALE: No, no. I'm saying, when
13 considering awarding a grant, consider the fact that this
14 tract -- my whole thing is that this tract of land is just
15 unsuited for this use.

16 MR. SALINAS: But the City says it is.

17 MS. BARKSDALE: The City is saying it's useful
18 for housing.

19 MR. SALINAS: Okay.

20 MS. BARKSDALE: But not with supportive
21 services, having said so with the daycare.

22 MR. SALINAS: So what's our role here?

23 MR. JONES: Our role here is -- somebody tell
24 me and correct me here. I don't understand it.

25 MR. CONINE: We need to listen some more.

1 MR. JONES: Yes. Number one, we're taking
2 public comment. Our role here is after we take public
3 comment, to decide whether or not we want to approve the
4 development as been presented.

5 MR. CONINE: And staff comment.

6 MS. CARRINGTON: And staff will have a
7 recommendation.

8 MR. JONES: Is Mr. Barksdale next? Mr.
9 Barksdale?

10 MR. BARKSDALE: Good morning.

11 MR. JONES: Good morning.

12 MR. BARKSDALE: I've come here today to speak
13 of the lack of readiness of our community partners, in
14 terms of lining up their funding with their financial
15 partners. The recommendation from the underwriting
16 analysis or part of the recommendation was to deny funding
17 because Cottage Communities had not demonstrated a
18 readiness to go forward with additional financing they
19 needed to make the project complete.

20 My first point is lack of funding commitments
21 from the City financial partners. And this was stated by
22 staff in the underwriting analysis.

23 The TDHCA underwriting analysis of September 2,
24 2003 for Community Partnership for the Homeless, also
25 known as Cottage Community, recommended not to award a

1 grant of 1 million, \$50,000 to the applicant, due to,
2 among other reasons, a lack of financial commitment from
3 its financial partners. On September 26, Cottage
4 Community appealed this decision, providing letters from
5 Compass Bank and Austin Housing Finance Corporation as
6 proof of those financial commitments required by TDHCA.

7 An examination of these letters indicates an
8 interest by both parties, but no financial commitment.
9 Austin Housing Finance Corporation stated that Cottage
10 Community has an application and it has received a
11 preliminary review, but does not say that they have been
12 granted funding.

13 Compass Bank granted the loan request, subject
14 to several conditions. And among them are, one, a first
15 lien deed of trust on the real property and all
16 improvements thereon, needs to be in the loan, needs to be
17 provided.

18 And secondly, a minimum debt service coverage
19 ratio of 1.25 times will also be necessary. Again, no
20 financial commitment was demonstrated, and the appeal was
21 denied.

22 In addition, a close examination of the
23 conditions of funding from Compass Bank reveals other
24 problems. There could be a potential conflict related to
25 the lien position of the property, which may jeopardize

1 funding.

2 As a condition of funding, Compass Bank
3 requires once again, a first lien deed of trust on the
4 real property and the improvements thereon. But an
5 examination of the information provided to TDHCA by
6 Cottage Community shows that one of its financial
7 partners, Stratus Properties Operating Companies, L.P.,
8 already has a first lien on the property.

9 Cottage Community acquired a loan from Stratus
10 to purchase the property on which the project will be
11 built. So how will this conflict be resolved?

12 Third, the debt coverage ratio requirement is
13 not met for Compass Bank funding. As a condition of
14 funding, Compass Bank requires a debt coverage ratio of
15 1.25 times.

16 In the pro forma financial statements submitted
17 to TDHCA, Cottage Community projects that a debt coverage
18 ratio of 1.10 times. TDHCA underwriting analysis
19 generously estimated that 1.16 was more appropriate, based
20 on the financials that were provided them.

21 Both projections are below the DCR requirements
22 of Compass Bank. And finally, the last stipulation and
23 one important stipulation of the Compass Bank funding is
24 that the offer for funding or the offer for interest
25 remain open until October 15.

1 That's less than one week away. That's four
2 working days away from today. Compass Bank stated that
3 this letter of interest or this letter of approval will
4 expire at 5:00 p.m. on October 15.

5 I would submit to you that they have a lot of
6 work to do, to deal with these particular issues that I've
7 pointed out. And once again, I think points to the
8 financial unreadiness of this project. And I would ask
9 that you vote no for the funding of this project.

10 MR. JONES: Thank you, sir. And is Ms. Moss
11 next?

12 MS. MOSS: Good morning, Mr. Chairman and board
13 members. My name is Linda Moss. I'm president of the
14 Collinwood Homeowners Association, which consists of 95
15 homes in the immediate area.

16 Clearly, we oppose the building of this project
17 on this particular site. We have touched upon the myriad
18 of concerns and issues that we would like for you to
19 consider. I repeat, we would like for you to consider
20 those issues and concerns that we have articulated as you
21 review the request for application that is submitted by
22 Cottage Community.

23 And our concerns, in closing, is specific to
24 the safety, specifically to accessing the site at Dessau
25 Road, financial feasibility regarding the construction

1 costs, and the lack of public transportation to the site.

2 We strongly believe that this particular site wouldn't
3 adequately serve the needs of the targeted population.

4 We have suggested an alternative site, that is
5 still within the immediate, still within the neighborhood,
6 and we're just asking once again to consider the
7 information that we have shared with you this morning.

8 MR. JONES: Thank you. Mr. Tom Stacy?

9 MR. STACY: Mr. Chairman, Commissioners, Ms.
10 Carrington -- to address you here today. It's always nice
11 to have your name mentioned. Let's hope they spell it
12 right.

13 We've had some very good meetings with the
14 neighborhood. Had two very large meetings with the
15 neighborhood and the many people here today are all very
16 fine people. We intend to work with them on this project.

17 The purpose of today's meeting is for you to
18 decide on our appeal. We have asked you to overturn the
19 decision of staff. To touch briefly on some of the
20 comments that have been made, there are some very
21 important points that you probably would like to know.

22 One, as Tamara had mentioned, we have have got
23 our zoning change on the site. We had a unanimous vote
24 from the Planning and Zoning Commission. And we had a
25 unanimous 7-0 vote from the City Council two weeks ago to

1 change the zoning from SF2 to SF6.

2 The request there, as is in our request to
3 TDHCA does not involve child care. If we decide to put a
4 child care facility on the property, we'll go back to the
5 City for that zoning and it's not part of our application
6 here.

7 And the comments about transportation, it's
8 about 3500 feet to the nearest bus stop. Council member
9 Darryl Slusher, who is a member of the board of Capitol
10 Metro, as well as the City Council, has also said that he
11 wants to help provide transportation from this project if
12 we need that, from van shuttles.

13 We do not intend or would not want to ask for a
14 bus stop in this area. This one is close enough. If we
15 need some help, van shuttles or various other means of
16 transportation will be available, and we'll make sure that
17 happens.

18 The one reason that we're here. We're a small
19 non-profit with a 13 year track record of providing
20 housing to homeless and formerly homeless people in Texas.

21 It's difficult to find organizations that have product on
22 the ground.

23 We currently own eight homes and provide
24 housing for up to 28 Texas veterans now. This project is
25 designed for single parent families, whether it be a

1 mother raising children by herself, or a father or a
2 grandparent raising children by themselves. It's a very
3 worthwhile project.

4 Relating to the specifics of the request today,
5 we were turned down for funding originally when we were
6 here last month, because we did not have our financing
7 proven up as well as staff would have liked to have seen,
8 and our plans as proven up as well as staff would have
9 like to have seen. And we have been very appreciative of
10 staff's interaction with us.

11 We were able to work with Robert Onion this
12 month. He has spoken with our primary bank lender,
13 Compass Bank and we do have a firm commitment from them.
14 Mr. Onion has spoken with the loan officer that approved
15 that, and I believe is convinced that we have the million
16 dollar commitment from Compass to be firm.

17 The City of Austin is committed to their
18 \$500,000. Paul Hilgers spoke to you last month, saying
19 that as well, and Mr. Onion has spoken with him also. We
20 have an additional funding to Federal Home Loan Bank in
21 Atlanta that Compass is sponsoring. We will not hear from
22 that until December.

23 Even without that, we have enough funds to
24 build this project, with some of the HUD funds that we
25 already have. The sense of urgency that we have, as we

1 discussed with Mr. Onion, is that the HUD funding will
2 expire at some point, and so we need to keep the project
3 moving.

4 We have learned about the open round of funding
5 that is proposed, and we are very willing to go through
6 that process, if we cannot stay in this round of funding.

7 We think it's important for us to do that. Mr. Onion
8 would still like to see our plans in better condition.

9 Because our zoning just was approved two weeks
10 ago, we did not want to spend a great deal of money on
11 plans with that zoning opinion change pending. We would
12 still have built the project with the current zoning, and
13 we have agreed to restrict the density of housing to
14 actually less than we could have done with SF2, with SF6
15 zoning.

16 That allows us to cluster the homes, therefore
17 having less infrastructure costs. That makes the project
18 cost less. We can build this within the budget that we
19 have presented to TDHCA. And we also have additional
20 funds, that if we chose to do something differently, we
21 would be able to pay for that as well.

22 Our hope is, and our request is, that you will
23 keep us in this round of funding. And we expected -- I
24 guess it was a bit of not understanding this process. And
25 this is a difficult process.

1 There is a reason why a lot of these aren't
2 built. It's difficult. And we felt like the commitment
3 that we would get from TDHCA would be conditional upon
4 having either awarded general contracts, or bids and
5 things of that nature that we thought would be part of
6 that process. However, it seems that because the HOME
7 funds, you like to see this already done.

8 And it's sort of a cart and horse problem in
9 that we can build to a budget, and we are building to a
10 budget. We will get to that point. And we would not
11 expect to get to utilize your funds if we did not meet
12 some of that criteria.

13 But we thought that we would have the
14 commitment and then start the check off of those criteria
15 as we went along. It will take us a bit of time to get
16 the plans completed, now that we know where our zoning is.
17 We can do it the cheapest method possible.

18 We like this site. We own this site. Stratus
19 Properties, who funded the acquisition for us will be paid
20 off with the Compass Bank funding, so the first lien is
21 not an issue. It was brought up. It's all in those
22 numbers.

23 So our request is that we could stay in the
24 program, in this round of funding. If that's not
25 possible, we will be back in the open funding. We'll be

1 back until we get this built.

2 And it's just been a learning process. But our
3 concern is that some of the timeliness of our data might
4 be affected in the open round. That we have to have
5 letters that are updated, and so on. Restrictions might
6 be different. Requirements might be different in the open
7 round as they are today.

8 We are through the process, almost to the end
9 of it. We'd like to stay in it, because we have some of
10 the unknowns, some of the questions. We're certainly
11 going to abide by your decision. We ask that you let us
12 stay in.

13 If that's not possible, we're going to be back.
14 And we're going to continue to work with staff. And we
15 appreciate their cooperation with us.

16 MR. JONES: Thank you, sir. Appreciate it.
17 Thank you very much. Ms. Carrington, what's staff's
18 recommendation on item 5(a)(1)?

19 MS. CARRINGTON: Staff's recommendation on item
20 5(a)(1) is to deny the appeal of the applicant. They are
21 following our standard appeal process. The executive
22 director did deny their appeal. Their next step is to
23 appeal to the board, and you have heard that.

24 But our recommendation is, due to financial
25 infeasibility, lack of all of the information that we need

1 on the construction planning, and firm financing
2 commitments, staff's recommendation is to deny this
3 appeal.

4 MR. JONES: Mr. Bogany?

5 MR. BOGANY: And I'm assuming, Ms. Carrington,
6 this was done, discussing this with Mr. Onion, and going
7 over everything?

8 MS. CARRINGTON: Yes, sir. And you do have an
9 underwriting report.

10 MR. BOGANY: Okay.

11 MS. ANDERSON: I move to adopt the staff
12 recommendation and deny the appeal.

13 MR. GONZALEZ: Second.

14 MR. BOGANY: It's been properly moved and
15 seconded. And we need a vote.

16 MR. JONES: Okay. No further discussion? I
17 assume we're ready to vote. All in favor of the motion,
18 say aye.

19 (Chorus of ayes.)

20 MR. JONES: All opposed, say nay.

21 MR. CONINE: Nay.

22 MR. JONES: The motion carries. We will turn
23 to item 5(a)(2). We do have comment. Ms. Truesdell?

24 MS. TRUESDELL: Good afternoon. My name is
25 Carolyn Truesdell. And I am here speaking on behalf of a

1 project that has been submitted for HOME funds by the New
2 Hope Housing in Houston. New Hope Housing Canal.

3 Some of you may know that for over 20 years, I
4 was an attorney at Vinson and Elkins, specializing in
5 public finance. And 15 years of that was doing housing
6 finance work.

7 MR. JONES: Are you a typical attorney?

8 MS. TRUESDELL: I would hope not. I would hope
9 not. I'm a female to begin with.

10 MR. JONES: Be sure to tell that to Garvin back
11 there. She's says not typical. I am. She's not.

12 MS. TRUESDELL: And I have been retired now for
13 almost five years from the practice of law. And one of
14 the things that I have devoted my time to is working with
15 non-profit and community organizations.

16 And about a year and a half ago, I got on the
17 board of New Hope Housing. And I am just here to speak
18 mainly on behalf of the board and of our commitment to
19 this project. And to what we do, providing housing to
20 very low income people. We provide one bedroom, basically
21 one room housing.

22 This project is being built in a location that
23 is on two major bus routes. And it is -- I have been
24 enormously impressed with New Hope Housing, with the
25 project that we have. How well they are built. How well

1 they are maintained. And what wonderful things we do for
2 those that we serve.

3 It is, I know from my experience, extremely
4 difficult to do very low income projects, and yet there is
5 a great need in community for that. And I think that it
6 is by doing the financing the way we want to do it, with
7 no debt, that's how you can do it.

8 Because that allows you to build a quality
9 project and it allows you to use the rents, and our rents
10 are currently maybe a little over \$300 a month. And to
11 keep the rents reasonable, which is often a problem.

12 And to maintain and operate the buildings in
13 good condition and to provide supportive services. And we
14 are doing all of those things. And I am very proud to
15 speak in favor of this. And I am happy every time I walk
16 into our existing project and see what we are doing.

17 And I want to thank the board very much and the
18 staff for the very hard work that they have done in
19 looking at this and helping us through this process and
20 trying to find a way to make what I think is an enormously
21 valuable project work. So thank you so much.

22 MR. JONES: Thank you. And we have one more
23 speaker. Ms. Joy Hovak-Brown.

24 MS. HOVAK-BROWN: Mr. Jones, I'll waive my time
25 unless anyone on the board has any questions.

1 MR. JONES: Thank you ma'am. Mr. Bogany?

2 MR. BOGANY: Staff recommendations?

3 MS. CARRINGTON: Thank you, Mr. Bogany. This
4 is a truly an application that has been through the
5 process. They applied in multifamily home CHDO awards
6 set-aside.

7 When the board looked at these original awards,
8 staff had recommended that it not be approved. And that
9 was the case due to financial infeasibility. They
10 appealed. They appealed to staff. And staff took another
11 look at it.

12 They provided us additional information. And
13 staff, now comfortable, we re-underwrote the transaction,
14 got comfortable with the information that they have
15 provided us on the financial, on the long term financial
16 feasibility of the transaction.

17 So last month, I guess, staff approved this and
18 they are now coming to you for funding. And what we are
19 recommending is \$1,250,000 of funding out of the HOME
20 multifamily CHDO set-aside. They had originally applied
21 for a million out of the HOME funds and 250,000 out of the
22 trust fund.

23 And since they weren't eligible back last
24 summer, we reallocated that \$250,000 trust fund to other
25 applicants, because they were not eligible at the time.

1 So we did take an additional \$250,000 out of the
2 multifamily HOME CHDO money.

3 We do have it available. It's not taking it
4 from another applicant. And the staff is recommending the
5 award to this particular application for \$1,250,000.

6 MR. BOGANY: Okay. I move the recommendation
7 from the board.

8
9 MR. CONINE: Ms. Carrington. You said we -- I
10 remember seeing this last month and remember talking about
11 it, but you said the staff relooked at it and determined
12 that financial feasibility was appropriate for this.

13 MS. CARRINGTON: Right.

14 MR. CONINE: Yes, I'm looking at the
15 underwriting analysis which still says: not recommended.
16 And I guess this is a format question here. If you guys
17 change your mind, the board members would be inclined to
18 see the latest version of these, if I'm looking at
19 something that's an earlier version.

20 MS. CARRINGTON: And I'll ask Mr. Gouris to
21 address that. Because I believe what you all do have in
22 your book is the September 2 underwriting report, and it
23 was later in September that the appeal was made to the
24 executive director, and the executive director did grant
25 their appeal. So now they're coming to you all for

1 funding.

2 MR. GOURIS: Tom Gouris here. Director of Real
3 Estate Analysis. I believe there's a page at the end of
4 the underwriting report that refers to a memo that we
5 provided.

6 We didn't actually do a re-underwriting of
7 this, because there was not a lot of new information
8 provided. What we have indicated is that we provided in
9 our original underwriting report the situation the
10 transaction. And based on the underwriting rules that we
11 have in place, we had a difficult time approving it, based
12 on those rules.

13 They appealed, and the appeal was upheld. And
14 we certainly understand, and accept the appeal from a real
15 estate analysis perspective. We support the transaction,
16 based on the fact that we've created new underwriting
17 rules for the '04 year.

18 And based on the fact that those rules would
19 have allowed us to approve this transaction in
20 underwriting. It's a difficult thing for us to abide by
21 three rules and say this transaction meets all those rules
22 and underwriting is not able to do that.

23 MR. CONINE: I appreciate you clearing this up.

24 MR. JONES: I was about to ask you if he
25 answered your question, but I don't even know if I can

1 remember the question.

2 MR. CONINE: So '03 they don't make it, '04
3 they do make it. And you're convinced we'll go under '04
4 standards because that's where we're headed, and we'd like
5 to see the project done.

6 MR. GOURIS: I'm convinced that they provided a
7 significant amount of mitigation for the transaction. We
8 don't have a -- '03 rules don't have a --

9 MR. JONES: Provided a significant amount of
10 mitigation for the transaction, which would mean --

11 MS. CARRINGTON: What they have provided to us,
12 they provided to us a history. A long history of
13 fundraising. Of a substantial amount of fundraising.

14 Our initial problem was the 30 year financial
15 feasibility. And what they did, even though Tom is
16 correct, and I misspoke, we did not re-underwrite the
17 transaction.

18 They did provide additional information to us
19 that shows that they have years of history of being able
20 to satisfactorily raise millions of dollars of money and
21 would certainly have a portion of that, that would be
22 committed to this transaction.

23 MR. GOURIS: And our '03 rules don't speak to
24 that issue at all. Our '04 rules do. They provided
25 enough on the mitigation, not only that they fund-raise,

1 but they have got two other transactions that they've been
2 successful at maintaining a debt free structure and
3 keeping it working and affordable. They've set up
4 mechanisms so they can offset operating losses with
5 fundraising specifically for to address operating costs.

6 MR. CONINE: I'm kind of sorry I asked the
7 question.

8 MR. GOURIS: I am too.

9 MR. CONINE: But I guess for future reference,
10 if there would be a way that we could indicate that your
11 opinion has changed on the underwriting analysis that
12 would match what the staff recommendation is on our front
13 page. I get a little confused when staff's recommending
14 over here, and staff's denying over here. This is --

15 MS. CARRINGTON: And in hindsight, our memo
16 from real estate analysis should be the second item in
17 your packet and then have the original underwriting report
18 to refer to. We will not make that mistake again.

19 MR. CONINE: I'm from East Dallas; I get
20 confused every now and then. Move for approval, Mr.
21 Chair.

22 MR. GONZALEZ: Second.

23 MR. JONES: A motion has been made and
24 seconded. Mr. Bogany, did you second it?

25 MR. BOGANY: Mr. Gonzalez did.

1 MR. JONES: Further questions, comments,
2 discussion? All in favor of the motion, say aye.

3 (Chorus of ayes.)

4 MR. JONES: All opposed, nay.

5 (No response.)

6 MR. JONES: The motion carries. Item 6. Mr.
7 Gonzalez.

8 MR. GONZALEZ: We'll call on Mr. David Gaines.
9 We had our meeting earlier.

10 MR. GAINES: Mr. Chair. Members of the board,
11 this morning at the audit committee meeting, we had one
12 action item and several report items. An action item that
13 needs to be carried to the full board is approval of the
14 annual internal auditing plan for fiscal year '04.

15 We discussed the process internal audit goes
16 through to arrive at that plan. The plan that you see in
17 front of you have the objectives of each project. And
18 there are a couple of carryover projects from last year
19 that we discussed the reasons for. And I'm here to ask
20 for approval of the plan.

21 MS. ANDERSON: I move approval of that plan.

22 MR. CONINE: I'll second it.

23 MR. JONES: A motion has been made and
24 seconded. Any further discussion? Hearing none, I assume
25 we're ready to vote. All in favor of the motion, say aye.

1 (Chorus of ayes.)

2 MR. JONES: All opposed, nay.

3 (No response.)

4 MR. JONES: The motion carries.

5 MR. GAINES: The first report item is behind
6 Tab 6(b)(1). And this is an annual report required by
7 statute. Basically, it's a summary of our audit plan of
8 last year, deviations from that plan, a summary of all
9 audit issues issued during the year. The status of those
10 issues. And the plan for this coming year, which is the
11 final document.

12 There's also a brief discussion of other
13 activities of the internal audit division. And the only
14 thing I want to specifically point out, so you may be
15 inclined to look at it further, should you decide, is that
16 the report is distributed to the state auditor's office,
17 the Office of the Governor, the legislative budget board
18 and the Sunset Advisory Commission.

19 This is a report item. I know approval is
20 required. I'll be glad to discuss it further, should you
21 decide to.

22 MR. JONES: Keep going. We'll tell you when to
23 stop.

24 MR. GAINES: We're contemplating the subjects.

25 MS. ANDERSON: Well, I think we have a very

1 extensive discussion in the audit committee this morning
2 and I appreciate that briefing. And so perhaps if you
3 could summarize at a very high level and see if Shad and
4 the Mayor and the Chairman have any questions, and we just
5 zip on through.

6 MR. GAINES: Well, if I get much more
7 summarized, I'll refer you to the agenda items. Is there
8 anything on the agenda that you'd like to specifically
9 discuss.

10 MR. GONZALEZ: Thank you.

11 MR. GAINES: We had an engaging meeting this
12 morning and I appreciate that.

13 MR. JONES: Any further questions?

14 MR. GAINES: Thank you. Can I record your show
15 this Friday?

16 MS. CARRINGTON: Two more items.

17 MR. JONES: Is that the conclusion of the audit
18 report?

19 MR. GOURIS: Yes.

20 MR. JONES: Okay. Thank you. Item 7. Ms.
21 Carrington.

22 MS. CARRINGTON: We have a report in your
23 packet on the Community Affairs Division. We are
24 attempting on a quarterly basis to report to the board the
25 activities in Community Affairs.

1 And what that division has done is provide for
2 you all a copy of the executive brief, which is done for,
3 in this case, August '03. Eddie? Eddie Fariss.

4 MR. FARISS: Good afternoon. We provided the
5 most recent executive brief to you so that you can at your
6 leisure look through there, and note the accomplishments
7 of the three different sections of the community affairs
8 division.

9 If you have a chance to look at that, you'll
10 see that we are well ahead of our planned performance in
11 all the goals that are listed here. The executive briefs
12 are prepared on a monthly basis so that the executive
13 director has a snapshot picture of what is going on in
14 each of the divisions of the department.

15 And as you see here in the community services
16 section, to date, we've served 441 thousand persons who
17 are at or below poverty in the state. That includes
18 assisting in the transition from poverty of 1,565 persons.

19 We have one competitive grant in the community
20 affairs division which is the emergency shelter grant
21 program which we just finished awarding and implementing
22 the most recent contract year. 76, we have 76 emergency
23 shelter grant contracts ongoing right now.

24 In the energy assistance section, of course,
25 with the weatherization assistance program and the

1 comprehensive energy assistance program. This report
2 shows you that to date, we have weatherized 4,351 homes.

3 All of those, the residence of those homes of
4 course are at 125 percent of poverty or less. It goes on
5 to talk about the system benefit fund expenditures and
6 other activities in the division.

7 The Section 8 portion also talks about the
8 lease up and percent of funds expended. And while this
9 report chose the first two months of the contract of the
10 program year, I want to point out that for the year just
11 ended, June 3 of 2003, our lease up rate was at 95
12 percent.

13 But the expenditure of funds, the utilization
14 of funds was at 106 percent of available funds. So I
15 believe that represents a significant improvement from the
16 performance in 2002 in that program.

17 I also wanted to mention that during the month
18 of June and the month of August, we held two highly
19 successful conferences. One on energy in June and then
20 our annual community affairs executive director conference
21 in August.

22 And at those meetings, we were able to
23 recognize high performing agencies. At each of those
24 meetings, we also conferred monetary awards on those high
25 performing agencies both in energy assistance and in

1 community service programs.

2 Another thing that I wanted to mention was that
3 we recently received a \$50,000 grant from the U.S.
4 Department of Health and Human Services to assist with a
5 project that we were involved with.

6 HHS has contracted for national community
7 service management academies to be conducted and we have
8 identified six agencies in Texas that we would like, that
9 we wanted to attend, And we subsidized their
10 participation through paying the registration fee.

11 Tuition for a team of five. So we sent 30
12 people to this training, and we applied to HHS for \$50,000
13 to help defray some of the lodging and per diem costs for
14 those participating agencies. Let's see, what else.

15 And I'll just close by mentioning that we
16 administer to the community services block grant program
17 in the community affairs division and that grant is
18 undergoing discussion in Congress for reauthorization.
19 And I'll be attending this month a national conference to
20 discuss issues with that reauthorization and we hope that
21 that occurs. Does anybody have any questions about any of
22 the things?

23 MS. ANDERSON: I'm curious about what the
24 issues are. What are the issues around reauthorization of
25 it?

1 MR. FARISS: Every six to eight years the
2 legislation is reauthorized and one of the -- well, there
3 was several issues. One had to do with gosh, you would
4 ask me, one had to do with continuing to fund the network
5 of service providers as it exists today. There's a
6 network of 49 eligible entities to whom we allocate funds
7 on an annual basis. The original language in the bill as
8 first proposed would not have continued that allocation
9 in that manner. The language that is now up in conference
10 retains that language.

11 MS. ANDERSON: So they were going to compute
12 them, or --

13 MR. FARISS: That was -- there is another issue
14 that had to do with requiring the state to terminate its
15 lowest performing entity every year.

16 MS. ANDERSON: Kind of like what General
17 Electric does. Okay.

18 MR. FARISS: You know, in a small state, like
19 in Rhode Island where there might be three, it would take
20 about three years and you wouldn't have any experienced
21 contractors. So I believe that language has been removed.

22 And I think that renegotiations that most of the issues
23 have been successfully dealt with and it will go through
24 conference in a manner that is satisfactory to everybody.

25 But, we'll be talking about those issues.

1 MS. CARRINGTON: For the board's information,
2 at the National Council of State Housing Agencies
3 Conference, which I guess is going to be in two weeks now,
4 and we do have two board members who are going to be
5 attending.

6 I have been invited to participate in the final
7 session. It's a general session. And it's on
8 homelessness and addressing homeless issues. And there
9 will be two state housing agencies represented.

10 One from a large state, Rhode Island, and then
11 I'm from a small state, rather, and then Texas, along with
12 some experts on homelessness. So Eddie and his area will
13 be working with me to get me up to speed in this
14 particular area. Thank you, Eddie.

15 MR. JONES: Appreciate it. Executive
16 Director's Report.

17 Ms. Carrington?

18 MS. CARRINGTON: Yes, sir. I have two items.
19 The first one is a follow up to Mr. Conine's directive at
20 the last board meeting. You all may remember that staff
21 had proposed that we eliminate the expanded approval
22 component the 10 million EA component in one of our single
23 family bond programs.

24 And Mr. Conine asked that we spend a little
25 more time trying to figure out really what some of the

1 issues are, and have a meeting if possible with Fannie Mae
2 and bankers. And board member Vidal Gonzalez took the
3 lead on that, and we did have such a meeting. And Mr.
4 Gonzalez, would you share the meeting with the other board
5 members?

6 MR. GONZALEZ: First of all, I'd like to call
7 Sue Cavasos and Eric Pike up because they were involved in
8 this whole process. This is the Fannie Mae expanded
9 approval program.

10 And as we visited the time before, and this was
11 when we had a contingency provision that said that they
12 could use up all the 3 percent down, 6 and a half percent
13 money 30 year financing that was available.

14 So we decided to meet with Aurora Ortega-Geis,
15 director of Fannie Mae in San Antonio's Partnership and
16 Sue Cavasos was there. And I'll let Sue go ahead and
17 brief us a little bit about what went on there.

18 MS. CAVASOS: Yes, we met. When was it? That
19 was in September 19 and we met with Tim Almquist of Master
20 Service and Vidal was there.

21 And he also brought Kirk McClellan, Jourdanton
22 State Bank and we also were on conference call with Mark
23 Vanderlinden. He's the Director of Housing and Community
24 Development for Fannie Mae.

25 We gave an update on our expanded approval

1 program and discussed previous marketing efforts on behalf
2 of TDHCA staff. Jourdanton State Bank was invited in the
3 meeting in hopes that they and other community banks would
4 be interested in participating in our expanded approval
5 program.

6 Our original intention was to have community
7 banks partner with Texas Independent Bank to originate VA
8 loans. Unfortunately, Texas Independent Bank wasn't able
9 to attend the meeting.

10 Tim Almquist with Countrywide Home Loans
11 announced that they were now allowing their wholesale
12 division to partner with community banks and brokers
13 throughout correspondent agreements to originate loans for
14 TDHCA. With this new arrangement, a vehicle will exist
15 for many other community banks and brokers to participate
16 in our programs.

17 It was also decided at the meeting that
18 additional training would be conducted for current
19 participating EA lenders in order to increase awareness
20 regarding the EA program and to invite any new lenders to
21 a separate training session. The first lender training is
22 scheduled in San Antonio on Tuesday, October 21.

23 Training for the new lenders will be held
24 during the morning session and existing lenders will be
25 trained at the afternoon session. Since the meeting, a

1 conference call has been held with our other
2 representatives from Fannie Mae to discuss marketing
3 efforts.

4 To introduce the program to our participating
5 program lenders, it was decided that we would do one-on-
6 one onsite visits to our top five lenders. Our top five
7 lenders are CH Mortgage, Sterling Capital, Rocky Mountain
8 Mortgage, Northstar Mortgage and Judith O. Smith Mortgage.

9 We wanted to ensure that we had the right
10 message and understand obstacles that the lenders may
11 encounter. It is anticipated that we will target lenders
12 in Austin, El Paso, Houston, Dallas, San Antonio and the
13 Valley.

14 These meetings are tentatively scheduled to be
15 conducted in November. At the regional trainings we will
16 invite realtors that lenders currently work with. Fannie
17 Mae has agreed to commit the following to the marketing
18 campaign: \$5,000 in marketing dollars, coordination and
19 training resources, and product collateral.

20 MR. GONZALEZ: Thank you. One of the biggest
21 challenges that we have is the private mortgage insurance
22 may run as high as \$300 per month. And so that has kept
23 people from actually qualifying.

24 And we're looking at that. I visited with Mr.
25 Conine earlier today, and he had a couple of ideas and

1 we'll try to pursue those. But, basically, that's been
2 one of the challenges.

3 The other challenge was bankers, or community
4 banks in rural areas do not get that many requests, and
5 they're not Fannie Mae approved. Since then, of course,
6 Countrywide has offered to handle those loans and so will
7 Texas Independent Bank, which is a bankers bank.

8 So we've solved that and the only other
9 challenge that we have is the private mortgage insurance
10 and Eric, you might want to touch on some of your
11 experience on that.

12 MR. PIKE: Eric Pike, Director of Single
13 Family. There is an issue that has been brought to our
14 attention regarding the mortgage insurance associated with
15 these types of loans.

16 Obviously, because we're trying to target a
17 borrower who has less than perfect credit, there is
18 associated risk with providing a loan for that borrower.
19 Our understanding is that 35 percent of the mortgage
20 amount must be covered and that does sometimes add a
21 rather significant amount of payment for the borrower.

22 Those are issues that we want to discuss
23 further with Fannie Mae to see if we can address. We have
24 a meeting also here, scheduled here in Austin, with CH
25 Mortgage. We are having Fannie Mae's representative on

1 the Fannie Mae, on the expanded approval program come to
2 Austin and meet with CH Mortgage.

3 And the meeting is either going to be the 14th
4 or the 15th of next week. We want to try to address that
5 issue specifically. Also a point of the purpose of the
6 meeting is to find out specific problems lenders are
7 having.

8 CH is one of our largest producers and has
9 originated millions of dollars worth of loans for us; yet,
10 they're not originating Fannie Mae loans and/or Fannie Mae
11 expanded approval loans. So we want to try to get inside
12 their head and talk with a lot of their loan officers and
13 see where their problems are and hopefully can address
14 some of these issues in, again, originating some of these
15 loans.

16 MR. GONZALEZ: Right. We'll be having a
17 meeting with Fannie Mae on October 21, and I want to
18 personally thank Director Salinas for not killing this
19 program and pushing us forward and also, of course, Edwina
20 for helping us in the staff because I think we're going to
21 try to find some solutions to this and try to solve some
22 of the housing needs in different areas.

23 MR. JONES: Thank you. I'd like to just make a
24 couple of comments. Initially, I think, when Mr. Johnson
25 brought this to us, you know, I really wasn't for expanded

1 approval or I guess issuing funds on these bonds for
2 people with credit issues.

3 And what I don't understand is why, and I've
4 seen the 2 to \$300 mortgage insurance premiums on these
5 houses and I think it's just totally ridiculous. But I've
6 also noticed that there are other lenders out there that
7 are using Fannie Mae products that don't charge any MIP at
8 all for people with credit issues.

9 And I've seen that product. I franchised part
10 of the SENDIG Corporation. And they have a product that
11 has no MIP for people with past credit issues as long as
12 they reach a certain score on that end.

13 And the other thought is that we also need to
14 keep in mind, is that if the people use FHA, there's no
15 credit scoring involved. I don't know how long that's
16 going to go. I think that's -- Mr. Conine may be closer
17 to that than me, but I think that's going to be changing
18 soon.

19 But there are other Fannie Mae products and I
20 think what we need to do is tell Fannie Mae to tell us
21 what those products are and who are using those products
22 which we may be able to push those people over towards
23 that product.

24 They had a product out there that they just
25 cancelled that had no PMI and we just did a deal the other

1 day that I asked a lender why how are you doing this
2 product. And it was a past credit issue. And she says we
3 have a product that's no PMI.

4 But I've seen a lot of the local lenders get
5 stuck with this 2 to 300. But if you get one of these
6 national lenders that across the board, across the country
7 seem to have a little bit more flexibility than these
8 mortgage bankers and locally.

9 And I don't really know what the issue is, but
10 Fannie Mae has products that will work. Because these
11 other big lenders are using them.

12 MR. CONINE: Let me piggyback a little on that,
13 if I might. If you've got a Fannie Mae meeting set up for
14 October 21st, you might want to have a Countrywide sitting
15 in the same room with you, along with an MGIC, or whomever
16 they're using for PMI.

17 I would agree, it defeats the whole purpose to
18 begin that. And I don't buy the risk argument that MGIC
19 or whomever is putting on the table.

20 MR. PIKE: We intend to have a representative
21 from Countrywide present at all of those meetings. Like I
22 said, the first one is scheduled for the 21st.

23 MR. BOGANY: And I think --

24 MR. CONINE: But you need to have the PMI
25 companies there too. Okay, because they're the cause of

1 the problem. Everything else, people, we'll underwrite
2 and get approved for. It's just that those bandits need
3 to be reined in just a little bit.

4 MR. BOGANY: I think Wells Fargo has a program
5 also, with no PMI. And I know that some of these may be
6 Fannie Mae products. Some of them may be internal
7 products that they're using to promote, but I think you
8 ought to bring the major players, and I agree with Mr.
9 Conine and the MIP company.

10 300 -- that's ridiculous. I've seen some of
11 them at 2 to \$300 MIP. And typically, when I've seen it,
12 it's been, you know, a small mortgage company. And I've
13 either broken their loans out or whatever. But that's a
14 lot of money for mortgage insurance.

15 MR. CONINE: We need to continue to stress to
16 our friends over at Fannie Mae that this is kind of
17 treading new waters and they need to use their muscle to
18 influence whatever the burdensome costs may be on the
19 process in and of itself.

20 It's 10 million bucks, is that what it was?
21 It's not a blip on their radar screen. They can step up
22 and do it without PMI if they want to. So as Mr. Bogany
23 suggested, so get tough with them.

24 MR. PIKE: Okay.

25 MS. CAVASOS: And I do know that they are

1 behind us because they know that we're the only housing
2 finance agency in the nation that has this expanded
3 approval, and I know that they want it to be successful
4 for them.

5 MR. CONINE: Right. And Ms. Carrington and I
6 talked to Mr. Hernandez. I think he'd like to see that.

7 MS. CAVASOS: Okay. Thank you.

8 MR. JONES: Ms. Carrington?

9 MS. CARRINGTON: One more item. I'd like to
10 introduce the newest member of the senior staff at TDHCA.
11 And that is Leonard Spearman.

12 Leonard joined us on October 1. Leonard, do
13 you want to stand up? For those in the audience who maybe
14 do not know you. And Leonard is special assistant to the
15 executive director.

16 And we have him doing a variety of activities
17 related to governmental affairs, and some marketing and
18 public outreach. Accessing additional federal funds to
19 the state. Just a variety of activities that as I visited
20 with the directors, it's like what would you like to see
21 done?

22 And that's basically Leonard's job description
23 and we are delighted. We're just delighted to have him
24 here. And he's already been out on consolidated public
25 hearings and just is learning very quickly what we do at

1 TDHCA. So welcome, Leonard.

2 MR. JONES: I always wanted to meet a special
3 assistant. Mr. Conine has a special assistant too. It's
4 me.

5 MS. CARRINGTON: Leonard comes with some
6 wonderful experience from D.C., with the Federal Housing
7 Finance Board and with FHA. So as we deal with our
8 issues, with single family lending and other things, he
9 has some very good experience.

10 MR. JONES: Thank you. Is that your report?

11 MS. CARRINGTON: Yes, sir.

12 MR. JONES: Good report. At this point, I will
13 entertain a motion to adjourn.

14 MR. CONINE: So moved.

15 MR. GONZALEZ: Second.

16 MR. JONES: A motion made and seconded. All in
17 favor of the motion, say aye.

18 (Chorus of ayes.)

19 MR. JONES: Passes.

20 (Whereupon, the meeting was concluded.)

C E R T I F I C A T E

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

LOCATION: Austin, Texas

DATE: October 9, 2003

I do hereby certify that the foregoing pages,
numbers 1 through 99, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
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(Transcriber) 10/23/03
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