TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

9:00 a.m.
Monday,
June 26, 2006

Texas State Capitol
Capitol Extension Auditorium
1100 Congress Avenue
Austin, Texas

COMMITTEE MEMBERS:

ELIZABETH ANDERSON, Chair
KENT CONINE, Vice-Chair
SONNY FLORES
VIDAL GONZALEZ
NORBERTO SALINAS

A G E N D A

P R O C E E D I N G S

MS. ANDERSON: I want to welcome everyone to the June 26 meeting of the governing board of the Texas Department of Housing and Public Affairs -- Housing and Community Affairs. I will call the roll.

Vice Chairman Conine.

MR. CONINE: Here.

MS. ANDERSON: Mr. Bogany.

(No response.)

MS. ANDERSON: Mr. Gonzalez.

MR. GONZALEZ: Here.

MS. ANDERSON: Mr. Flores.

MR. FLORES: Here.

MS. ANDERSON: Mayor Salinas.

MR. SALINAS: Here.

MS. ANDERSON: We have five members present. We do have a quorum.

As is our custom, we will take public comment both at the beginning of our meeting or, if you as a witness prefer, when the agenda item -- when we come to the agenda item. We have a fair amount of public comment this morning, so short of imposing a time limit, which I won't be reluctant to do if we decide we need to -- but I just ask you all to keep your comments brief. And we, as always, welcome public comment.

The first witness that I have is Glenn Lynch, and the next witness will be George Johnson, Junior.

MR. LYNCH: Chairman, fellow board members, I'm Glenn Lynch. And I was at the last board meeting, and at that board meeting, I had requested the approval of transfer of three properties for the general partner going to ORCDC, which was a nonprofit corporation.

And actually, the way the agenda read -- it was on the consent agenda. I had filled out a request to speak. And the way the consent agenda -- the way the agenda read, it looked as though they were approved. And I filled out the form. And if Ms. Anderson's remembered, she actually said, Well, it's approved.

And there was actually two of them approved and one of them denied. And I got with staff on that, and they had requested -- they had told me that what I needed to do was come and request of you all permission to bring the Hunters Glen town home back before the board at a future meeting so that I could address it and talk about it, if that's possible.

MS. ANDERSON: Mr. Hamby, would you advise us on -- if that was the board's pleasure -- what the proper procedure to do that would be.

MR. HAMBY: Kevin Hamby, general counsel. The staff disposed of all three of them in the board recommendation. So the recommendation that you made approved two and did not approve one, because there's a cap question about whether or not it exceeds the amount of the cap in the round.

At this point, you would have to probably bring the whole motion back. And as I recall, it was unanimous --

Jim, correct me if I'm wrong on that.

I believe it was unanimous. And the -- so any of you could make the motion to rehear the issue again.

MR. CONINE: I'll make a motion to rehear the -- just the one. I can just do the one. Right? Hunters -- whatever it is.

MR. HAMBY: Because it was there in a group -- because they -- there's a cap question that's involved, so you'd have to rehear the motion.

MR. CONINE: Okay.

MR. HAMBY: You'd have to rehear the entire item.

MR. CONINE: The entire -- rehear the entire item at our next meeting.

VOICE: Second.

MS. ANDERSON: Discussion.

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. LYNCH: Thank you very much.

MS. ANDERSON: Mr. George Johnson. And the next witness is Mike Lankford. Mr. Lankford's yielding, so the next witness will be Margaret Mills.

MR. JOHNSON: Good morning, Madam Chair and board.

At the June 9 TDHCA meeting, the city of Waco contingency, which included several members of the Carver Neighborhood Association, appeared before the board to appeal the department staff's decision to rule on the QCF -- QCP -- I'm sorry -- neighborhood letter in support of the TDHCA number 060244, Waco River Walk Apartment Housing, ineligible, because the neighborhood was not in good standing with the secretary of state on March 1.

I want to report to the chair and to the commission that since that time, we have received a letter from the secretary of state reestablishing the neighborhood's good standing.

Although we were disappointed with the board's decision not to grant the appeal, we understand that the board's hands were tied and that technically, per the 2006 QAP, the neighborhoods -- neighborhood was not on record with the state or our county on March 1 -- and had no choice but to deny the appeal.

Currently, the application is one of three priorities -- designated application in the urban set-aside in the region 8. At the last meeting, it was stated that development and the QCP support for the neighborhood -- it received was exactly what the legislators and what this commission was looking for.

We emphatically want you to know from the city of Waco that this project has gotten the kind of support and -- in the community from all facets of the community, to include elected officials as well as neighborhood and citizen support.

And we again would ask your favorable consideration in moving this project forward. Thank you.

MS. ANDERSON: Margaret Mills. Next witness will be Bob Sherman.

MS. MILLS: Madam Chairman, members of the board, I'm Margaret Mills, executive director of Downtown Waco Incorporated, an economic development contractor for the city of Waco.

Our organization has recently written a plan for the redevelopment of the Brazos River corridor, and this project is one that is totally consistent with the plan, has been unanimously endorsed by the city council of Waco and other nonprofit economic development boards in support of the Waco River Park Homes -- and the overall objective of this development.

We urge your -- you to move this project forward. We believe that the neighborhood association has done their best to comply, has recently received notification of such from the comptroller. And we appreciate your consideration of this application. Thank you very much.

MS. ANDERSON: Thank you.

Mr. Sherman. And the next witness will be Christopher Hamilton.

MR. SHERMAN: Good morning, Madam Chair, board members, Mr. Gerber. My name is Bob Sherman. I'm a general partner of the Winfield Estates property in Texarkana. I'm here -- and it gives me no pleasure -- to announce my opposition to Renaissance Plaza, number 060050.

As you probably know, I warned in 2005 and 2006 officially that we found out people from Arkansas are not likely to move across the border in live in Texarkana, Texas. We have five tenants out of 154 today from Arkansas on our development. The ratio has never changed sine we started that developing thing in the year 2000.

Page 17 -- unfortunately -- I finally got a copy of the market study. Page 17 of their market study says there are no psychological barriers to people moving across the border either way. I found out $700,000 later that that's probably wrong. It came right out of our pockets.

The market area's defined in taking -- as taking in all of Texas and Arkansas. And it shows a map after page 17. The map shows about -- almost equal. Perhaps the Arkansas side is a little smaller. But I firmly believe and I -- from my own experience that they probably got a market area just about half of what their market study says.

And I'm -- as I said, it gives me no pleasure, but I don't want to see anybody get hurt. It's not one big market area. We know it's not. And we found out the hard way. I would say, why get hurt?

One other important factor is we're two miles from them, just over two -- two and a tenth miles from them. We had -- and I submitted this to the -- to all of you and the staff -- a whole 96 people that visited our site last year. And not all of them rented, of course. Ninety-six people. Where are they going to find 120 tenants?

This is just a situation that -- you know, as I said, it gives me no pleasure, but I don't want to see anybody get hurt, not them, not me again. You know? And I would just ask you to consider that.

I would challenge directly that there are no psychological barriers. If there are none, why do I only have five people from Arkansas when I tried my heart out -- I marketed that thing personally, I mean the shoe-leather kind of marketing in Arkansas. And it didn't work.

Thank you very much. Chris Hamilton is following me.

MS. ANDERSON: And after Mr. Hamilton will be Mr. Don Schwartz.

MR. HAMILTON: I just want to briefly follow up on what Mr. Sherman said regarding the proposed

Renaissance Plaza development. If I -- you can, at your convenience, take a look at that market study. Following up on what he said, in the study they predict that there are 215 units of actual present demand within the entire city of Texarkana for income-qualified seniors housing.

Of that amount, if you look at the 2000 census numbers, approximately 56.6 percent of the residents of the city of Texarkana reside on the Texas half. So if you take those numbers and apply that proportion, you come up with a number of 121 units of demand, which is precisely the number of proposed units in the Renaissance Plaza development.

In addition, there's one small additional problem, we believe, with the market study, which is that the market study assumes a 50 percent turnover rate in all the existing developments within the city. And included within that number are Winfield Estates's 156 units.

So in order just to get to the 121 units of demand on the Texas side of the border in Texarkana, they're essentially assuming that they're going to acquire 78 units from Winfield Estates. To us, this doesn't make any sense, not only because it would affect our development, which generously received federal funding just a few years ago.

We just believe that it's a bad idea and that with those types of numbers -- that this development, without the demand in the market, is not justified and that there's a likelihood that it will cause a diminution in the quality of one or both of the developments or, in a worst-case scenario, may cause one of the developments to fail.

Accordingly, we respectfully ask that you consider our experience in the market in evaluating the propriety of the market study offered by Renaissance Plaza. And if you deem it appropriate, we ask that you reject the application of Renaissance Plaza. Thank you.

MS. ANDERSON: Thank you.

Mr. Schwartz, and then State Representative Jim Pitts.

MR. SCHWARTZ: Good morning, Madam Chairman and board. My name is Don Schwartz. I'm an attorney representing the Bayou Park Homeowners Association and the various other citizens of Rosenberg. And we're here in opposition to the Providence Estates application, number 060219.

And I would ask that you refer to the mailing that I did on June 7 from Dr. Ives. It states, pretty much, our position. But just to recap that, I'd like to go over some of these items with you.

The project -- first of all, an application was made. And the application is in error as far as the location. It's supposed to be -- it says the southeast corner of Louise and Airport. It is not at the southeast corner of Louise and Airport. It is actually some 3, 400 yards east of Louise on Airport. That's not a big thing, but when you look at also other errors in the application --

There -- with regard to signage, the sign is in error. It does not have the proper phone number of the Texas Department of Housing and Community Affairs. The sign blew down sometime in the first part of April and has been down ever since then.

The application itself is in error as far as the -- making reference to the amenities. It lists that there's a Church's Fried Chicken place located at 4823 Avenue H, which is wrong. It makes reference to a Security Finance on Dale Avenue. There is no such Dale Avenue in Rosenberg.

It says -- makes reference to a Life Check Pharmacy. There is no Life Check Pharmacy. The pharmacy's been out of business for five years. It says there's a natatorium west of the project. There is no natatorium west of the project. It says that the George Junior High is west of the project. George Junior High is east of the project.

As far as we're concerned, the application is in error. It's false and borders on the -- of being almost fraudulent. And when you're considering the kind of money that this developer is seeking to obtain with regard to N tax credits --

Probably one of the most important things that I think that's in opposition is that this board has got -- we're asking the board to use its discretion. And this project is being -- right in the middle of an area where there's at least 600 units of housing around it within a mile.

The schools that are within the mile radius, for the most part, are of low socioeconomic -- what they call low socioeconomic students. And the enrollment of each school -- at least half of the enrollment now is receiving free meals or reduced free meals for lunch.

And the point being is that this area is highly concentrated with low socioeconomic students. And this project would be better served, as far as taking our tax money -- building somewhere else where they had more diversity as far as the population of the immediate area of the city in the immediate area.

This area where they want to build is already, like I said, highly concentrated with low-income housing. And that brings us to the point of the cost of the education. And this is important. You'll look in the -- what I submitted on June 7 -- is the resolution from Lamar Consolidated Independent School District.

The school right now is tapped -- is capped out as far as your tax rate. The enrollment of the schools is at its max, and they're going to have to probably build more schools. The problem being is that there's not enough money.

This unit's going to have approximately 168 units. And the average is one student per unit. That means there's going to be 168 students that the school is going to have to support and educate. And the information that we have forwarded to you -- it's about $6,400 a year for each student. If you multiply that times 168, you get 1.07 million.

The tax revenue from this project in no way can cover the increased cost that the school is going to have to spend to educate these students. This is also verified by a letter from Dr. Randall of the -- superintendent of Lamar Consolidated Independent School District -- that points this out. Also, there's a resolution from Lamar Consolidated Independent School District that is against this project.

And the whole idea right here is, one, that the students will suffer, the existing students, if you load more of these students on there, because there's just so much money, so much availability of teachers. And the unit that it takes to do the education, to educate the schools --

MS. ANDERSON: Sir, I need to ask you to --

MR. SCHWARTZ: All right. I'll go --

MS. ANDERSON: -- conclude.

MR. SCHWARTZ: All right. Basically, it's a tax burden on the city of Rosenberg, as well as the -- not only the school, but the city also. There's a letter from Dora Levo against it, who is our honorable representative. There's a letter from the homeowners association.

We would ask that you take a look at the information that's submitted. We would -- it's -- also ask that you look at the other information that is submitted, which is our exhibits, and the fact that there's 600 -- I believe there's 600 units already within this immediate area.

And to allow this project to go forward is going to be an increase in taxes, as well as the -- the cost -- the tax cost will not cover the requested services that this unit is going to have -- this project is going to recover.

And therefore, we would urge the board to vote against this project and use the discretionary authority that the board has. Thank you.

MS. ANDERSON: Thank you, sir.

State Representative Jim Pitts. The next witness will be Wayne Wright.

MR. PITTS: Thank you, Madam Chair, and thank you, members, for letting me come today. This is a really important project in my district. And frankly, I did not decide to come until Friday, because I had gone to a social event in Waxahachie on Thursday night, and all these people came up to me and said, What can you do to save this project?

And I went to a TxDOT meeting on the high-speed rail. And the city manager and some of the city council people came up to me and said, More important, what can you do to save this project -- the senior citizens?

And so on Friday, I decided I would come and throw in my two cents and express to you my full support for the Country Lane Seniors project in Waxahachie and ask the board to take into consideration the impact this project will have on my community.

This project will provide senior citizens the opportunity to live independently and ultimately provide facilities for more specialized care. This project has the full support of the Waxahachie city council and will meet a clearly identified need in our community, as we currently do not have a similar residential facility for senior citizens.

In addition, the developer has agreed to donate land to provide for a new senior citizens activity center, something the city desperately needs.

I'm aware that Country Lane Senior's application did not score as well as it should have, due to a letter of support from the Bullard Heights Neighborhood Association not being received by the agency timely.

The president of that association, Sandy Wilkerson, is one that has been contacting me by e-mail, by telephone, by every way she can contact me -- seek my help and be here today. Because for some reason, her letter was lost in the mail.

But I would ask that the board recognize that this project has the support of the neighborhood association, as well as the rest of the community, and consider this in making your final decision on this project.

Again, I would ask you to reexamine this application, and hopefully your decision will be favorable for this project in Waxahachie. Thank you very much. Thank you.

MS. ANDERSON: Mr. Wright. The next witness is Randy Lawson.

MR. WRIGHT: Hi.

MS. ANDERSON: Good morning.

MR. WRIGHT: Thank you all for serving. I'm Wayne Wright, and I'm the past president of the Bayou Park Homeowners Association. I was president for about eight years -- a neighborhood of about 50 houses. I've been in the house since 1979, raised my family there. We moved out of the city of Houston to get a bedroom community, a small area.

I have -- I'm in opposition, as well as the rest of the neighborhood, all of the residents, whom I've known since they moved there, since I was one of the first houses in the neighborhood.

We have submitted a document opposing -- a hundred percent of the neighborhood is opposed to this project. I'd like for you to review and look at the cost associated with the additional crime that a facility like that -- not all of the people that are going to live there are going to be problems to the police or the community, but typically it usually is.

And it's going to be a strain on the system, the police, the fire, the streets, the schools. Mr. Schwartz talked about the schools. I just would like for you all to, as he said, use your discretion. This is a project that is not wanted by the majority of the people in the area. I haven't talked to anybody in the city who is in favor of this project.

I think that we're already -- have our numbers of trailer houses, low-income groups that are there. It's diverse. And it will only serve to pull those people that are going to be moving into that area down. They need to be pulled up. And I think that another area would be better served to help those people. Thank you.

MS. ANDERSON: Thank you, sir.

VOICE: Which project?

MS. ANDERSON: This is the Rosenberg --

VOICE: Oh, same. Rosenberg? Okay.

MS. ANDERSON: Mr. Randy Lawson. And then the next witness is John Brandenburg.

MR. LAWSON: I yield my time.

MS. ANDERSON: Okay. Mr. Brandenburg.

MR. BRANDENBURG: Good morning, Madam Chair and chairmen -- members. I am John Brandenburg. I live at 2628 Trophy Drive, Bryan, Texas. And I'm the president of the homeowners association there. When I got first notice from you all concerning the Mansion at Briar Creek, the apartment buildings that are about to go in, I wrote you and let you know of my approval then.

I have been in constant contact with my members, and let me say that we are restating our association's continuing support for the project. The apartment complex will add the final step to the development of a housing project designed and being constructed immediately adjacent to our homeowner association.

Inasmuch as our homeowner's association is age and deed restricted, we provide an elderly person's living situation that is almost unique in Bryan. Both the new individual housing and the apartment complex are following the same deed and age restrictions that we have established, thereby creating an entire neighborhood dedicated to providing to the elderly a desirable and dignified atmosphere in which to spend their retirement years.

You will hear opposition from some residents of other neighborhoods that have no homeowners association but feel that the apartment complex is a threat to their property values. It is also interesting to note that these neighborhoods do not adjoin the apartment development area, and as a result, their objections have little validity.

The main concern of the other neighborhoods is that the apartment will go HUD. But that possibility is remote and virtually nonexistent based on the apartment developer's record and history in the past.

The apartment complex will provide a viable option for dignified elderly living as incomes diminish and capability to live in individual homes lessens. When completed, this entire area will be a showplace for elderly living, not only in Bryan, but in all of Texas. We urge you to grant the tax relief requested. Thank you very much.

MS. ANDERSON: Thank you, sir.

That is the conclusion of the public comment for this portion of the meeting, unless --

Okay. Ms. Shelton.

MS. SHELTON: Madam Chair and members of the board, I'm Linda Shelton. I'm with the city council, city of Bowie. I'm here to speak on behalf of the housing tax-credit application 060104, the Grove at Brushy Creek, that we want to be located in Bowie.

The Grove at Brushy Creek is not currently identified as a priority application on the list released by your staff. However, this development is a big priority for the city of Bowie.

The Grove at Brushy Creek has a final score of 176, which ties it with Campus View Apartments in Vernon. It is my understanding that the tiebreaker factor used to decide which project receives tax credit is based on a per-capita formula which measures how many tax-credit units a city has received relative to the state of Texas a whole.

There is only a very small margin separating the cities of Bowie and Vernon in this tiebreaker. We have a 1.23, and Vernon has a 1.08 score. I understand this formula treats the rehabilitation of existing housing the same as building new units.

The only tax credit Bowie has ever received in was in 1997 to rehab an existing USDA development. Although this improved the housing for the people living there, it did not create any new housing units. Vernon has received two awards in the past, one for rehab, and then more recently in 2003, one for 60 units of new construction.

If this formula treated new construction and rehab differently, clearly Bowie would be favored in a tiebreaker. In fact, our housing needs score is 6, while Vernon's is 4.

The city of Bowie is so committed to this development that we are granting $170,000 to the Grove at Brushy Creek. We are contributing six acres of land valued at $75,000 and $95,000 in in-kind labor, equipment usage and materials or other services. I want to emphasize this is a grant. It's not a loan from the city.

From what I understand, this level of this involvement and commitment of hard-earned tax dollars by the city of Bowie is unique and very rare in rural Texas. It's frustrating to us, because this development is losing to another application whose commitment of funding from the local government is just a short-term loan of $155,000 from a housing finance corporation, and they get the same number of points that we do.

We have done everything that we can to support this project. We still support it. We would like for you to consider funding Bowie. We have a tremendous need for this housing, and we've never received any new-construction tax-credits housing before. Thank you for your time.

MS. ANDERSON: Thank you.

Ms. McIver.

MS. McIVER: I was just going to yield. Thank you.

MS. ANDERSON: Okay. So I believe that concludes the public comment for the opening portion of the agenda, so we now will proceed with the agenda itself.

And Mr. Gerber, do you have an announcement you'd like to make before we get started?

MR. GERBER: Madam Chair, members of the board, good morning. I'm pleased to report to the board and to our -- and to the clients that we serve that Brooke Boston has accepted the position of deputy executive director for programs at TDHCA. Brooke has --

(Applause.)

MR. GERBER: I thought we were going to save that for the end.

She's brought tremendous skill and intellect and creativity and integrity to everything that she's done for the department. I'm excited that she's going to be part of our leadership team, continues to be a part of our leadership team. And I know you all obviously join me in wishing her the very best as she embarks on this new role at the department.

But welcome in this new assignment, and thank you for accepting.

MS. ANDERSON: Okay. That's a great way to start the meeting.

Item 1 is a series of awards that we're very pleased to be able to make today. Mr. Gerber.

MR. GERBER: Members, as part of June celebration of home-ownership month, the staff and the TDHCA governing board would like to recognize the lending community for their contributions to affordable housing and their effort to increase the home-ownership rate in Texas.

Through the issuance of low interest rate mortgage revenue bond loans, the first -- Texas First Time Homebuyer Program, in conjunction with its network of participating lenders, originated over $200 million in mortgage loans in 2005 and enabled approximately 1,900 individuals and families to experience the benefits of home ownership.

Through the Mortgage Credit Certificate Program, a dollar-for-dollar tax reduction up to $2,000 is offered to first-time homebuyers. In 2005, TDHCA's network of participating lenders issued over 480 credits through this program.

Today we're recognizing two lending institutions under the Texas First Time Homebuyer Program and one lending institution under the Mortgage Credit Certificate Program. The lenders were selected from the current group of 40-plus participating lending institutions.

The selection criteria included the dollar volume and number of loans -- number of loan originations, borrower income level served, the percentage of minority homebuyer loans originated, and the number of participating branch offices and overall program performance.

The following lenders have been selected for recognition of their achievements. DHI Mortgage Company is the mortgage subsidiary of DR Horton. Founded in 1975 in Fort Worth, Texas, DR Horton has expanded its presence to include 77 markets in 26 states in the Mid-Atlantic, Midwest, Southeast and Southwest and Western regions of the United States.

DHI Mortgage has continuously demonstrated a true commitment in participating in various affordable-housing programs that have been offered both in the state of Texas and nationwide. Their concern for the low- to moderate-income client is evident in the quick response to any new programs that are offered and in the exacting standards by which their loan officers are trained, both initially and with continuing education.

Updates and changes are always communicated to the various branches in order to guarantee that their clients can participate in a program that will benefit them in attaining their first home.

In 2005, DHI originated 386 loans totaling over $54 million. Their homebuyers' area median family income was 69 percent, and 42 percent of the loans originated were made to minority homebuyers. They also had branch offices located in 12 counties across Texas to serve a broader range of Texans.

We're delighted to recognize DHI Mortgage Company's contributions. And Mr. Kirby Lukower is here to accept the award on their behalf.

(Applause.)

MS. ANDERSON: Thank you very much.

MR. LUKOWER: Thank you very much.

MS. ANDERSON: Excellent work on you all's part, and we -- you are a terrific partner with the department. We're privileged to be a partner of yours.

MR. LUKOWER: Well, that's -- it's all our pleasure. And it's my honor to accept this award on behalf of DHI Mortgage Company. And I wanted to thank TDHCA for their efforts in making homes more affordable in the state and honoring us with the distinct -- with this distinction of being the lender of the year.

(Applause.)

MR. LUKOWER: And if you wouldn't mind, I just wanted to introduce the folks who really do all the work at DHI Mortgage.

MS. ANDERSON: Speak -- step down and just speak --

MR. LUKOWER: Oh, okay.

MS. ANDERSON: -- into the microphone, so we get this on the record.

MR. LUKOWER: I just wanted to take a moment and make sure the proper people were recognized, the ones who actually do the work and deserve all the credit for our affordable-housing effort at DHI mortgage.

Angela Hernandez, assistant vice-president. Go ahead and stand up, Angela.

(Applause.)

MR. LUKOWER: She's been with the company a long time and has worked with TDHCA for 13, 14 years in process loans and then actually have -- oversees the area that manages the affordable-housing department.

And we also have -- I guess I'll go by who's next to you -- is Patricia Wagner. She is a branch manager in Austin and originates many affordable-housing home loans.

And Dana Wilson.

(Applause.)

MR. LUKOWER: Dana is a branch manager in Killeen.

And next is Pat Daffin, who is now a sales manager -- correct -- in Austin. And she works very diligently with affordable-housing programs.

(Applause.)

MR. LUKOWER: And then we have our affordable-housing specialist in the back, Allan Rodnick.

(Applause.)

MR. LUKOWER: Just stay up, Allan.

And Paige Clark.

(Applause.)

MR. LUKOWER: Now, these two people devote all of their time to affordable housing. They're affordable-housing specialists, and they work with financing corporations all over the United States. And they told me that --

You know, I was asking, Well, how does TDHCA compare to other states? Are they, you know, top, low? And fortunately, because I'm saying this now, TDHCA comes out very tops of all the programs. So thank you all for your effort.

And Chad Wells, who manages the product-development department and oversees --

(Applause.)

MR. LUKOWER: And of course, we have a lot of other people that couldn't attend here today. But this is the core group right here that makes it happen. Thank you.

(Applause.)

MR. GERBER: Thank you, Mr. Lukower, and your time at DHI for the great service you provide.

Our second -- the second lender that we've selected for recognition is our First Time Homebuyer Program rookie of the year. Premier Nationwide Lending is one of the nation's largest mortgage lenders. Premier's branch offices have the ability to originate, underwrite and close loans without going to a centralized-processing center.

Premier's lending strategy is their commitment to excellent customer service with great emphasis on the Texas First Time Homebuyer Program and with great emphasis on the first-time homebuyer. Last year Premier originated over $1 billion in production.

Premier Nationwide Lending became a participant in the Texas First Time Homebuyer Program in May 2005. They originated 64 loans totaling over $8.4 million. Their homebuyers' area median family income was 75 percent, and 36 percent of the loans originated were made to minority homebuyers.

Dana Martinez is here to accept their recognition. And again, congratulations.

(Applause.)

MR. GERBER: Thank you, Dana, and your team at Premier.

(Applause.)

MR. GERBER: Last but not least is the Judith O. Smith Mortgage Group, our mortgage certificate -- mortgage credit certificate lender of the year. Judith O. Smith Mortgage Group specializes in home-mortgage loans and has been serving the Fort Worth/Dallas Metroplex area for many years.

Their professional personnel are highly trained and are leaders in the mortgage industry. They participate in many first-time homebuyer programs, housing bonds, mortgage-credit certificates, city; county; state, and other down-payment assistance programs.

This organization issued 41 mortgage-credit certificates and served borrowers with an area median family income of 79 percent. Approximately 30 percent of the mortgage-credit certificates issued were to minority homebuyers.

The Judith O. Smith Mortgage Group has also participated in many -- for many years, of course, in the Texas First Time Homebuyer Program. And the organization's program knowledge and final documentation has been superior.

Accepting the award is Judith Smith, the president of Judith O. Smith Mortgage Group. Welcome and congratulations.

(Applause.)

MS. SMITH: You all, I have worked with first-time homebuyer programs forever. Somebody the other day called me a dinosaur, if that gives you any indication. But anyway, we are very privileged to be here today and accept this award on behalf of all my company. It's kind of like the biggest and the baby. And I am the baby of these companies here.

But we get such a thrill out of working with first-time homebuyer people from the day we first hear their voice on the phone, when they come into our office, and when we get to work with these families.

A lot of our families qualify very easily for their home loans, and a lot of them do not qualify very easily for their home loans. But we have in progress our program whereby we visit with all these folks. And many times they do not get their home approval the first time, but we put them through what is called a plan of action, meaning they get kind of a hint list, a to-do list.

And it goes through the items that they need to do, to work on, whether -- if it's a credit issue or debt preparation -- just learning about how to handle a home on their own. And the plan of action will take three, six, nine, sometimes 12 months for them to complete.

But you would be amazed how many of these folks actually do complete all the items. And they're so excited when they come back to our office. They -- they're ready to buy then, and we are ready to loan them the money.

The other thing that I want to do is to compliment the state of Texas with the TDHCA. It is a great agency. You have a wonderful director of finance and single family with Eric and his staff. And you have these wonderful programs, and more importantly, they are workable programs. And it's a great combination, and I thank you so much.

(Applause.)

MS. ANDERSON: Congratulations to all of our winners. And I -- we have not done these announcements in the board meeting before, and it is so gratifying to do that.

Eric, we must make this an annual tradition, because I think it's very gratifying for the board to hear first hand from the lenders and our partners with whom this single-family money would not end up helping people buy homes -- very important for us to hear first hand and to hear the personal stories.

So congratulations to you all, and thank you all so much for your support of the TDHCA single-family programs.

(Applause.)

MS. ANDERSON: Moving on then to item 2 on the agenda, which is the consent agenda.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion.

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Item number 3 then is presentation, discussion and possible approval of audit items.

MR. GERBER: Thank you, Madam Chair. Mr. Gaines will lead this part of the discussion.

MR. GAINES: Good morning, Madam Chair, board members. Good morning, Mr. Gerber.

MR. GERBER: Good morning.

MR. GAINES: If you'll turn to tab 3 in your materials, the first agenda item is approval of the prior minutes. And since we just have one audit-committee member present today, we pulled that item from the agenda.

If you'll turn to tab 3b, you'll find proposed amendments to the fiscal year 2006 audit plan. And if you'll refer to the column slightly in the middle, proposed amendments, I'll discuss those briefly.

On the first page, there's two audits being proposed to roll over into the fiscal year 2007 audit plan, and that's to be completed the first quarter of that fiscal year. These projects relate to portfolio management compliance onsite field monitoring and PMC portfolio management compliance draw processes.

These delays relate primarily to one of my senior staff auditors, who's assumed the acting role of director of portfolio management and compliance division. That's Kelly Crawford, who just happens to be here today. And we've also had some delays relating to implementation of some new automated software that we've implemented, working-paper software, as well as new strategies we're pursuing, really focusing on risk-based auditing.

I believe both these -- the software and the new strategies are making us become more effective and efficient. There has been some startup time with those, however.

On the second page of the amendments, you'll see two client-assistance projects that internal audit plans on taking a lesser role in going forward. These are really more management functions, and management's assuming these roles.

The first one relates to internal audit no longer taking a leadership role facilitating the department's risk-management program. The director of information systems has assumed the management role of the department's risk-management coordinator, and internal audit will continue to provide assistance and input into that program.

The second client-assistance project relates to me no longer serving as chair of the central database steering committee, which again is more of a management role. The director of multifamily finance and production division is -- or has assumed that role. And again, I'll continue to participate in that and provide whatever input I might be able to.

I'll be glad to discuss any of these amendments further if you so please. Otherwise, it requires action of the board to approve these.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion.

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. GAINES: If you'll turn to item 3c, this is an audit recently completed by the division of the official of colonia initiatives' draw processing and subrecipient monitoring functions for the contract for deed conversion program.

The OCI division assumed the draw processing and subrecipient monitoring responsibilities for the contract for deed program in January 2005. However, since that time, the roles and responsibilities have not been clearly established. And the necessary control systems, policies and procedures to ensure an effective draw processing and monitoring function have not been developed.

Additionally, the monitoring function is being fulfilled by the same staff as the staff fulfilling the grants management technical assistance functions. And we consider this a problem relating to appropriate separation of duties.

We've recommended to management that they clearly define their monitoring objectives and goals and develop formalized roles and responsibilities and control systems to achieve their objectives. We also recommended that the staff assigned responsibilities for the monitoring function be separate from the staff responsible for grants management and technical assistance.

Or alternatively, we recommended that the department transfer the program-monitoring responsibilities to PMC's existing program-monitoring function of the HOME funds in order to separate these functions as well as to capitalize on existing systems of control. And department management was receptive to our recommendations and have agreed to move these monitoring responsibilities back to PMC.

If you will, on page 8, there were several compliance exceptions we also noted -- page 8 of your report. The first issue relates to the requirement the department convert 400 contracts for deed into warranty deeds for biennium.

And the second one relates to the department not having implemented a guaranteed contract for deed conversion program required by the department's enabling legislation.

Management responds that the resource limitations really preclude the 400 conversions, and limitations of the HOME funds as well as hesitation in the private sector -- precluding implementation of the guaranteed contract for deed conversion program.

The last compliance issue relates to one of the department's subrecipients that's been servicing contract for deeds that it converted to first-lien notes and -- rather than sending money to the department for servicing.

Additionally, these mortgage liens are in the name of the subrecipient rather than the department. And the department is working on both these issues, to transfer the notes and the servicing of those back into the department and to get the liens transferred back to -- under the name of TDHCA.

I'll be glad to address any questions you might have in these respects.

MR. CONINE: Could we get a -- I guess a comment from Mr. Gerber on management following up on some of these suggestions by internal audit.

MR. GERBER: Absolutely, Mr. Conine. We've had a chance to review these audit findings. I'm concerned about them. We've had a chance to sit down with staff. And we will be setting about over the course of the summer to implement most, if not all, of the recommendations contained in this audit.

We take these findings seriously. We know the great work that our staff does in OCI. There's some fine-tuning and some improvements that need to be made and separation of function as well. And the department has a broad capacity to address these issues, and we will.

MR. CONINE: Could we expect a report back on this overall initiative say September sometime? Would that be an appropriate time frame?

MR. GERBER: Yes, sir.

MR. CONINE: Would you make sure?

MR. GAINES: I'll carry these issues forward in our prior-issue reports that I bring. I would like to say that the management and staff of the division OCI was very helpful in this project, brought a lot of the issues to the table, were helpful in writing the report. And we certainly appreciate that very much.

MS. ANDERSON: I have one specific question, Mr. Gerber -- or for whoever you'd like to direct it to. Because both here and in the subsequent section of Mr. Gaine's report, there's reference to this environmental review guide that's required by HUD, and we submitted it to HUD.

And it doesn't sound to me like we can get this -- these contract for deed things moving until we get that done. So I'm asking what the status is of the environmental review guide's approval.

MR. CABELLO: Homer Cabello with office of colonia initiatives. Your specific question is with the environmental-guide approval that was submitted to HUD.

MS. ANDERSON: Yes. Because it -- the way this report reads, that's tying up progress on the money that was committed in August and October of last year.

MR. CABELLO: That was one of the obstacles that we were trying to address. And until the environmental review guide is approved, we're moving forward in utilizing the current environmental-approval process that was in place.

Now, we are in communication with the HUD environmental specialists in Fort Worth to make sure that it's meeting their recommendation. But in reference to the actual environmental guide, that was from the PMC division.

MS. ANDERSON: Well, this audit report says the progress on those contracts is pending approval of an environmental review guide. So is that an accurate wording of the current status?

MR. CABELLO: Yes. We were -- I guess we were venting frustrations some because we were ready to move forward with our contracts September, October, November, and we were on a holding pattern waiting for the environmental guide to be approved.

MS. ANDERSON: Okay. So Mr. Gerber, I come back to my original question. What is the status approval of the environmental review guide?

Thank you, Mr. Cabello.

MS. CRAWFORD: Good morning. Kelly Crawford, acting director of PMC. We are currently working with HUD right now to get an approval for the environmental guide that we're working on. We have a very good draft in to them and are pending some comments from them. They give us comments; we send them back, and we're still in that exercise right now.

MR. GERBER: Madam Chair, members of the board, I'll touch base with Cindy Leon, the regional director for HUD, and find out the status of our approval, and we'll report back to you.

MS. ANDERSON: Great.

MS. CRAWFORD: Thank you.

MS. ANDERSON: Thank you.

MR. GAINES: The next agenda item, 3d, relates to a recent technical assistance and monitoring review of the HOME program conducted by the HUD Fort Worth office. The actual review was conducted in February of this year, and HUD's recently released their report. It contained five findings and several concerns. I believe there are several -- seven concerns.

And although there was several findings and concerns, HUD has indicated that the department's made substantial progress in the administration of the program. The department's provided HUD with a response to this audit or this monitoring review and is hopeful it will be accepted by HUD.

There are a couple of issues that the department anticipates further discussion with HUD on for the -- knowing we have a fairly full agenda item -- or agenda today, I was suggesting any outstanding issues that are not accepted by HUD and their response to our response I'll carry forward to prior audit issues during our next meeting.

MS. ANDERSON: Mr. Gaines, I --

Are there questions of the board on this report?

(No response.)

MS. ANDERSON: I have one question on page 13 of the report. It's finding number 4. And it -- at the very bottom of page 13, it indicates -- it makes reference to reimbursing local HOME trust account from some -- for some subsidy provided for purchase of some units from non-federal funds. What is -- we know what the amount of that repayment is?

MR. GAINES: I'm not sure if management knows that amount or not.

MS. ANDERSON: Any volunteers to take that question?

MS. MAURO: On page 13?

MS. ANDERSON: Yes, ma'am. It's the very bottom of page 13.

MS. MAURO: I'm Sandy Mauro, manager of portfolio management. Basically, what they're requesting is that as part of our down payment-assistance program, we also have a rehabilitation program, and that when they purchase the home, if there are any activities that they feel like are going to break down -- like if the air conditioner is 18 years old, then we go ahead and replace the air conditioner with those funds.

And what HUD is recommending is that it not be at any cost to the homeowner. So they're asking for more money being put into the down payment, so it would not only be down payment, but it would also be rehabilitation.

MS. ANDERSON: Okay.

MS. MAURO: Did that answer your question?

MS. ANDERSON: Well, not exactly, but I'll -- it's interesting to know. But I'm on page 13 and the required corrective action. It's on finding number 4. It's the very last sentence on page 13. The statement's immediately reimburse its local HOME trust account from non-federal funds. And I just am asking about what's the extent of that liability.

MS. MAURO: You're talking about 30, $40,000. I'm sorry; my -- I thought you were talking about the monitoring letter. I apologize.

MS. ANDERSON: Oh, okay.

MS. MAURO: I mean, the worst-case scenario would be for the state to reimburse HUD for the three homes that we provided assistance to --

MS. ANDERSON: Right.

MS. MAURO: -- which would be $30,000.

MS. ANDERSON: Okay.

MS. MAURO: You know, it's a touchy situation, because the house is pulled away from the foundation. It wasn't that way when the house was -- when the loan was closed. But it's been over a year now.

MS. ANDERSON: And so the remedy then is to increase the HOME award so that it covers this needed rehabilitation so that we're not in a position in the future of having to reimburse the cost from a -- from non-federal funds.

MS. MAURO: That's what HUD's --

MS. ANDERSON: We don't have any non-federal funds.

MS. MAURO: Right. That's what HUD's proposing.

MS. ANDERSON: Okay. Thank you.

MR. CONINE: Madam Chair, could we, I guess, add this to the September list where we get some feedback on this particular report as well?

MR. GAINES: Madam Chair, there's a couple of issues related that you might be interested in that respect. That was the last option or the worst case. HUD's asked for documentation of the original inspections, or we can reinspect those.

You'll notice a couple of conditions related to an addition pulling away, as Ms. Mauro mentioned, as well as an air-conditioning unit that went out. At the time of the inspection, the unit, I believe, was 17 years or something like that. And at the time of the inspection, the pull away on the addition wasn't obvious.

So what was HUD was suggesting was to make rehabs available in case they had a match. It doesn't come to mind. But in case events shortly after occur that could not be detected during inspection -- and federal funds would be okay with that.

MS. ANDERSON: Okay. Thank you.

MR. GAINES: Let's see. Tab 3e is where we're at, status of prior audit issues. There's 14 issues being reported to you today. Ten of them are being reported as implemented. The remaining four are targeted for full implementation by the end of the month.

To the extent that they aren't fully implemented by the end of the month, they'll roll forward to you in the next report. So I'd suggest to the extent we need to, we discuss those at that time.

And finally, the last agenda item, 3f, is the status of internal/external audits. This is primarily for your information. We're aggressive in trying to meet our plan for the year. It's eased up a little bit with you all's amendment to the plan earlier today.

We currently have KPMG onsite doing their federal single audit. Deloitte and Touche will be starting their interim work in July. And both of those audits will be completed in the fall. And I'll be glad to address any comments, questions, anything on the audit-committee agenda today.

MR. CONINE: I'm good.

MR. GAINES: Thank you very much.

MS. ANDERSON: Thank you.

Now we turn our attention to agenda item number 4, presentation, discussion and possible approval of multifamily division items, specifically housing tax credit appeals -- housing tax credit items. 4a is appeals.

Mr. Gerber.

MR. GERBER: Madam Chair, members of the board, on item 4a -- it's regarding housing tax-credit appeals. However, these appeals have been postponed until the July 12, 2006, board meetings -- board meeting. The appeals were postponed to allow the applicant to respond to a deficiency notice relating to the item.

MS. ANDERSON: Okay. I do have public comment on this item. These witnesses may or may not wish to testify.

Mr. Robert Joy.

MR. JOY: I'd like to go ahead and testify. Good morning. I'm Bob Joy representing the NCS [phonetic] group of Texas. I would like to give you three reasons that the appeals by Centerpoint Home Ownership, Orchard Valley Homes, and Sun Valley Homes should be denied.

First, the 2006 QAP clearly states the neighborhood organizations include resident councils only for rehabilitation or demolition with new-construction applications in which the council is commenting on the rehabilitation or demolition/new construction of property occupied by the residents.

The key phrase here is demolition with new construction. Despite the decision made by the board at the last meeting, this language does not allow for resident councils to comment on new construction unless there is also demolition. This application does not include the demolition of any existing units.

Second, unlike the Sunset Haven's appeal from last month, the housing authority does not own all of the lots in the boundaries of the resident council or even the Centerpoint subdivision.

For the -- excuse me. Per the membership section of the bylaws, membership in the organization shall include any person whose name appears on the lease via -- unit in the public-housing developments represented by the organization who is at least 18 years of age.

This section does not allow membership for all of the other people that live or own residences within the stated boundaries of the resident's council.

Third, and most important I believe, I believe that the developer has exerted inappropriate influence over the resident council. I have handed you a map showing in blue the boundaries of the resident council submitted with the support letters in 2005.

In yellow is the additional area that was added to the boundaries when they submitted their 2006 support letters. The resident council letter states the boundaries were amended to make them more easily identifiable to all members of the organization and community.

The real beneficiary of this boundary amendment was the developer principals Celine Jaffar and James R. Bill Fisher, who were able to get a letter of support for two new applications to be submitted in 2006.

These applications were Orchard Valley Homes and Sun Valley Homes. They are shown as the circled number 1 in the upper right-hand corner of the yellow part of the map I handed you.

Thank you for your time, and I'll answer any questions the board may have regarding the information I have provided.

MR. SALINAS: Aren't these supposed to be tabled for later?

MR. CONINE: Well, the item was.

MR. SALINAS: The item was.

MR. CONINE: But his public comment wasn't.

MR. SALINAS: This is just public comment.

MR. CONINE: Yes.

MS. ANDERSON: Questions.

(No response.)

MS. ANDERSON: Thank you, sir.

Mr. Bill Walter.

MR. WALTER: I'll go ahead and yield.

MS. ANDERSON: Okay. Thank you.

VOICE: Madam Chairman --

MS. ANDERSON: Yes, sir.

VOICE: -- what action, if any, is required of the board regarding these appeals?

MS. ANDERSON: It's my understanding that they go on the July 12 agenda when we'll -- this would be -- the developer deferred them last time, and he has now deferred them -- he's pulled them from the agenda a second time.

Item number 4b is discussion, possible action regarding report of the housing tax-credit challenges pursuant to Section 50.17© of the 2006 QAP.

MR. GERBER: Board members, as you recall from the June 9 board meeting, the 2006 QAP provides process for handling and evaluating challenges received by the department, which last year were called allegations. The 2006 QAP language is provided in the write-up before you.

To summarize it, once the department receives a challenge, we post a copy of the challenge received to our website and also provide it to the applicant relating to the challenge. The applicant is then provided an opportunity to respond to the challenge.

To the extent that the applicant related to the challenge responds to the eligible challenge or challenges, staff will evaluate all the evidence received, and point reductions and/or terminations could possibly be made administratively.

In these cases, the applicant will be given an opportunity to appeal, as is the case with all point reductions and terminations. To the extent that the evidence does not confirm a challenge, a memo will be written to the file for that application related to the challenge. The department will post all determinations to the TDHCA website.

Staff has provided a table behind this action item, which reflects a summary of all challenges posted to the department's website on or before June 12, 2006. At the time the board book went up last week, all challenges received were either ineligible or pending.

We did post the department's updated determinations on all pending challenges on Friday, June 23, and those determinations will be presented to you at the July 12 meeting for discussion or possible action.

MS. ANDERSON: But you can't tell us now. I mean, if they're up on the website --

MR. GERBER: Ms. Joyce, would you want to touch on that?

MR. CONINE: I'd rather focus on them all when I can focus on them all.

MS. JOYCE: I could update you if you'd like, but in terms of what you have in your board book for consideration, you don't have any of the actual challenges received nor the applicant responses for your consideration.

And the applicants also knew that going into this meeting and are pretty much anticipating the discussion being on July 12. But I'm happy to update you if you'd like.

MS. ANDERSON: No. I just -- the timing's unfortunate, that you put something on the website two days before a board meeting, and the -- you know, instead of -- and I know you're using your best efforts, Ms. Joyce, but the timing's just awkward to have it posted on the website and not have it available to the board for -- you know, for review, so --

MS. JOYCE: Yes, ma'am.

MS. ANDERSON: Agenda item 4c is presentation, discussion and possible action on release of LURA regarding property on Fitzhugh Avenue in Dallas.

MR. GERBER: Mr. Hamby, would you like to lead the discussion?

MR. HAMBY: Madam Chair, members of the board, Kevin Hamby, general counsel. This item is actually --

MS. ANDERSON: I'm sorry to interrupt.

And I apologize to Mr. Fulenchek and Mr. Herrington. And I -- we will come back to you.

MR. HAMBY: I can certainly wait if you'd like to go --

MS. ANDERSON: I had public comment on this challenges item that I --

MR. HAMBY: I'm certainly happy to wait.

MS. ANDERSON: So I'm happy that I can't hear the resolution of the challenges that I -- didn't mean to be rude to our witnesses.

Mr. Fulenchek. And then next will be Mr.

Herrington.

VOICE: You can't hear them, but you can go to the website and see them.

MR. FULENCHEK: Hi. I'm Jeff Fulenchek, director of affordable housing for Carlton Residential Properties. And I guess I -- wait and you can see the website. I haven't had a chance to look at it yet. But I'm here to speak in favor of Renaissance Plaza, 060050. We are the codeveloper on that project, along with the Texarkana housing authority.

I just wanted to address some of the issues Mr. Sherman has raised. I appreciate his input. This development is widely supported in the city of Texarkana. The housing authority is a part of it. The neighborhood supports it. The city council, mayor, city staff support it. We have a resolution from the city council in full support.

The market study shows a highly occupied area. In fact, Mr. Sherman's development, you may note, is 97 percent occupied currently. We do feel like the market study was done according to the rules of the QAP.

And I really -- I'm going to leave Mr. Herrington to speak about the mind frame of a Texarkana resident, because I, like Mr. Sherman, am a Dallas developer. So I don't know that I can speak to that appropriate, but -- appropriately.

But I would say that everyone from Texarkana I've spoke to seems to feel that someone living in Texarkana, Arkansas, would make an affordable-housing choice of moving across the border if that was the right thing for their family budget, so --

Just like to point out that the market study does show an expected lease-up period of nine months, which is really fast for a senior development. Even if it were to be a little slower than that, we think that's within our financial -- we do feel like that is a very financially viable project.

Charlie Bissell, who did the market study for this, has been doing market studies for us for over ten years. We've done just a ton of tax-credit development, and we've not had one fail at any level, but certainly not due to lack of occupancy or demand.

So we trust Integra. We feel like they've done a good job on this market study, and we feel like the market for Texarkana is there. Again, we feel like the neighborhood is really waiting -- eagerly anticipating this development.

And while I appreciate Mr. Sherman looking out for our financial well-being, we've been doing this awhile, and we feel like we have a good project and hope that you will find in our favor on this challenge. Thank you.

MR. CONINE: Does it bother you that he's only had 96 pieces of traffic over the last 12 months?

MR. FULENCHEK: I guess it bothers me, Mr. Conine, but you probably know as well as I do, traffic sometimes doesn't get counted the way you would hope it would get counted. I don't know the management company that he's using or the techniques they're using for attracting traffic or the marketing they're using.

But if they're 97 percent occupied, there probably tends to be -- Texarkana's not that big a town. People probably know that there's not a lot of availability there. So I would think that would tend to limit traffic.

Again, I don't know the specifics of his development. But sure, it's something -- we're concerned about traffic. We're concerned about lease-up on any project we do. But we just feel like there's adequate market here.

MR. CONINE: Okay. Thank you.

MR. FULENCHEK: Sure.

MS. ANDERSON: Mr. Herrington.

MR. HERRINGTON: Madam Chair, commissioners, Mr. Gerber, if I may, could I ask one question before I offer any comment, please, if it would be appropriate? May I ask a question, please? It's -- because I want to make -- am I to understand this will not be done until the July 12 meeting for the challenges?

MS. ANDERSON: You -- I don't know if this one's been resolved or not.

Ms. Joyce.

MS. JOYCE: I didn't know if it was appropriate to clarify earlier. The QAP requires within 14 days that we post our determinations to the website, which is why it was done on Friday prior to the board meeting. We apologize about the timing of that.

But this particular determination was made within that time line, and it has been determined that the market study -- that -- excuse me -- that the comment will be considered public comment. REA has reviewed the challenge as well, and there will be no recommendations made to the application in question based on the challenge received.

MR. HERRINGTON: Thank you. I have some written comments, but since it's public -- they'll be part of the record, I'll leave it to that point when it comes up. But I would like to just -- just a couple of issues that -- things that Mr. Sherman made.

I live in Texarkana, unlike Mr. Sherman, who lives in Dallas. Texarkana does consider itself a total city on both sides of the state line, Arkansas and for Texas. I live on the Texas side and do my business on the Texas side, but I have associates and coworkers on the -- on the Arkansas side also that we also work with.

And they have had no problem with our proposal, no problem with our project. In fact, they watched it and they wished us the best of luck in actually making sure that this thing goes through.

Our city council has awarded us -- in the process, really, of awarding us and giving us approximately $2 million of 108 funding for this project. That shows a city that's very determined to put its money where its mouth is. Anybody who does -- makes a large donation like that -- actually, they're -- they have to be very serious.

Our city manager was here last week -- or two weeks ago; pardon me. And we pulled our comments at that time, because there was nothing presented in front of you, so we decided to be here and not make comment.

The city of Texarkana, county of Bowie and Miller County in the city of Texarkana, Arkansas, came together over a year ago to put together what is called Vision 20/20 for Bowie and Miller County. Inside that record, they talk about expanding affordable housing for seniors.

And that was done in conjunction with the -- with both counties, both cities, and all the cities that make up both counties. So we're talking about somewhere in the neighborhood of around about 90 -- over -- 90 to over a 100,000 people between both counties saying that they really would like to see more affordable housing for seniors.

So for Mr. Sherman to say that there is -- we don't work together, that there is no cross-section or cross-covering of people going across the state line -- I find it somewhat laughable, and it has to be erroneous.

But I will tell you this also. Mr. Sherman made a couple comments as far as distance. Our project happens to be, from Mr. Sherman's project, 2.8 miles. The nearest store -- grocery store -- full-service grocery store to Mr. Sherman's project happens to be an Albertson's, which is 2.1 miles. The nearest grocery store to our project happens to be less than a mile.

Winfield Estates to the nearest emergency room which is in a hospital happens to be 4.2 miles. Renaissance happens to be 2.5 miles. Winfield to St. Michael's, which is another hospital in Texarkana -- 6.5 miles. Renaissance to St. Michael's is 3.2 miles.

We happen -- Winfield happens to be -- if you don't know Texarkana, it happens to be in the far southeast end of the city, almost -- you're almost out of town. And I live back -- I live toward that direction myself.

Our site is in -- closer to the center of the city, and so we're closer to all the amenities, closer to everything that you could possibly think of for somebody who was a senior, particularly, you know, banking. He happens to be right across the street, maybe less than a quarter of a mile, from the nearest bank.

We don't have that fortunate luck. We happen to be maybe around about -- maybe another mile away from Renaissance. But --

MS. ANDERSON: Sir, I need to ask you to conclude, please.

MR. HERRINGTON: I am, ma'am. But I just wanted to let you know that our project, we believe, is a better -- substantially better project, because it confides within the nature of the QAP as it was written right now.

And then for Mr. -- and if Winfield had to apply for this year, they would never have been funded. I want to thank you.

MS. ANDERSON: Okay. Mr. Hamby, thank you for your indulgence. And we're now back to you on item 4c.

MR. HAMBY: Kevin Hamby, general counsel. Madam Chairman, members of the board, Mr. Gerber. This issue is a question about a tax-credit LURA. And in my time since September 2005 that I've been at the department, this issue comes up periodically. And I think we have about 20 or so folks who have some level of claim of release for LURA.

It is a very difficult issue. As you are familiar, a land-use restriction agreement limits the uses of the property once they accept tax credits under the property, and it includes the affordability periods. It includes things along the lines of the income limits and what type of property they're going to select.

In this particular case, the tax credits were given some time ago. I think in 2000 is when they actually went into service, or in the 2000 time frame. I'm not sure exactly when. The property was to be rehabbed. It was never commercially viable.

They took one year of tax credits for a total of about $2,000. The person who applied for the credits also received the tax credits and used them on their personal income taxes. The property fell into disrepair. The city of Dallas eventually condemned and then demolished the property.

And so what we have is a piece of property at Fitzhugh Avenue in Dallas that is bare. There's nothing on the property. There is no affordability being granted by the property. But there is the LURA that still stands there, and I believe it has another 15 years left on the LURA.

So what we end up with is we are tying up a piece of dirt in Texas that has no affordability on it. Given the city of Dallas's desire to limit the amount of affordable housing that's being developed within the city, the chances of receiving a permit to rebuild affordable housing there may be very slim.

But the flip side of this, to make it equally fun, is that in the federal laws, there is no particular commercial viability reason to release a LURA. There are only three reasons that you may release a LURA. One is the finish of the LURA time period. A second is the qualified contract termination. And a third is foreclosure.

In this particular piece of property, the person who is -- who paid off the debts to the city of Dallas for the -- all the past fees and past taxes was a family member, so there was no foreclosure on the property.

And so we are in a state where they have requested a -- they have requested a release of a LURA, and at the same time, there is no legal grounds for granting a release of a LURA. But we are tying up a piece of property in the state of Texas.

And we have -- I know of at least two others like this that are sitting out there that have contacted our department asking for release of a LURA based on commercial viability.

We have many other things that pop up similar to it where people just stop participating in the program. We remove their tax credits. The compliance division sends in notification to the IRS that they're no longer participating in the program. The LURA is still in place, but the project is not really providing anybody affordability, and so we're stuck in a limbo land, if you will.

We bring this mainly to the board today to start a discussion about what you'd like for us to do. We're kind of in a catch 22, as I said, because we can't really -- there are no legal grounds on the basis of what we've seen to release the LURA.

And even if we do release the LURA -- even if the board said we should release this LURA, there is a third-party right of action that's contained in the LURAs for any future -- any potential future tenant.

And so we might be -- we might end up in a title-insurance game, if you will, whether or not a person who's going to do any future funding would know whether or not there was any cause of action still out there for the term of the LURA.

Because what we'd end up with is that third-party group that has a right to have the affordability be enforced by the state of Texas could potentially sue. So there would be an ongoing potential liability that we can't release.

So I bring to you this problem that has almost no answer and say, Answer it, please.

MR. CONINE: I can answer it.

MR. HAMBY: Within the law, Mr. Conine.

MR. CONINE: That's no fun.

You had stated that this particular -- these credits were granted around -- in 2000, yet the write-up says 1991, the 8609 --

MR. HAMBY: Oh, I'm sorry. I probably misspoke. And I'm getting a nod from Patricia that it's -- it is 1991.

MR. CONINE: Yes. I just wanted to get that on the record --

MR. HAMBY: Sorry.

MR. CONINE: -- that you misspoke. Okay. Anytime I can get an attorney to misspeak, it's a wonderful thing.

You know, I think a degree of common sense needs to come in here. If it's a -- if it's -- if -- granted, anytime you deed restrict something in the state of Texas, you're the only one that can then remove that deed restriction. Therefore, we have that right, if you will.

And if it's not serving the public by having a -- either a dilapidated or demolished or whatever -- just raw piece of land sitting there -- I haven't been by the site and don't know what it looks like currently.

But I'm especially sensitive to the fact that the original 15-year time frame for tax credits -- if the award was granted in 1991 and this is 2006, the original period would have been expired by now. And probably our LURAs have the 30 -- or 30-year -- 15 and 15 making 30.

But as we all know, the code -- Section 42 code provides for a qualified contract termination. And because we have probably an inexperienced person dealing with these particular -- this particular project, you can easily create a qualified contract exercise, which we do have policy on, or you could throw debt on it right quick and foreclose yourself out on it, which -- you know, all this discussion then would be a moot point.

So I -- you know, I would yield to a degree of common sense here in that we're certainly not getting any benefit for any of the residents of Dallas with this property sitting like it is. And whether we gain anything in the future by keeping it on there -- I just don't see it being beneficial to the department at all.

And again, I'm back to -- the original 15-year period is over. And with a little bit of coaching, I could show this individual how to get out of this thing without having a board, you know, making an out-of-the-box sort of decision.

MR. HAMBY: That's presuming, of course, that there's not a qualified person who seeks to -- who would want to buy it.

MR. CONINE: That's correct.

MR. HAMBY: And I will just for a moment play devil's advocate on your position. Because one of the problems that you have whenever you start talking about an economic waste -- which is in essence what your argument is, that there's nothing here so what are we getting -- you also don't want to do anything that would be an incentive to have a property slowly deteriorate so that over that period of time -- that you would then say this is no longer a viable property.

And while we always talk in terms of those two 15-year periods, it is true that first 15-year period has the -- more focus on it, because it's tied to the actual tax-credit time period when people can use them. So many of the developer -- development community is very interested in that.

But Congress also added on that extra 15 years. It's not something that was made up. I mean, it -- well, it's made up by Congress, but it's still a federal law.

MR. CONINE: Well, they also provide a get-out clause of a qualified contract.

MR. HAMBY: Well, they did, but you have to follow -- actually, it's not an easy system to do. And the reason they did the get-out clause is because they wanted to make sure that the property was sufficiently marketed to nonprofit organizations that are other -- that could actually take the property and keep the affordability. The goal is to keep the affordability as long as it's possible.

MR. CONINE: But I also know how the qualified contract works and what the dollar amount has to be. And my argument would be that number generally exceeds, in most cases I've individually reviewed, the affordable market value for the property. And if you just take it to conventional market forces, it's generally a higher number than that.

So anyway, I just -- I vote for an element of common sense here, especially, again, given the first 15-year period is over with.

MR. HAMBY: And one of the things that we're looking for, Mr. Conine, if we can get it from the board, is a general discussion. Because as I say, we probably have 20 of these properties that are willing to come up and make a variety of claims.

And we had one where we have a title company that now owns two pieces of property in Amarillo where they missed the LURA. And whenever our compliance division went out to enforce the affordability periods, the new owners were somewhat surprised that they had any affordability questions.

And the title company was gracious enough to pay off the amount of money that the owners paid because of an error in their omission in not seeing the LURA.

So it is an ongoing problem, so I'm glad this one -- you know, we have -- I know we have another one in Flower Mound. We had one in Collin County where the entire -- it was a single-family residence. And again, a lot of it is this time frame when the tax-credit program was new.

But we had another in Collin County where it was a single-family residence that was being surrounded by commercial property. And they couldn't sell their property, obviously, because they couldn't -- they could not -- nobody will want it with the LURA, because they couldn't build the commercial property that was being built around it. And so it was being surrounded.

All of them are very logical --

MR. CONINE: Do we as a staff suggest -- if most of these are over 15 years old, which -- I kind of hear what you're saying. The stuff that's less than 15 years old -- my contention is, you know, our portfolio-compliance folks, along with the syndicators and lenders, ought to be looking after them, making sure they're kept up and not -- an incentive for running them down, as you eloquently stated earlier.

But if something's over 15 years old, do we share with the particular concerns -- folks with LURAs on their properties, the qualified-contract concept and what it really means and what the policy and procedures are?

Because I would suspect that 99 percent of the cases, the 20 or so cases you have floating around, could be resolved by going through that qualified-contract process.

MR. HAMBY: Unfortunately, I get these after probably the tenth or fifteenth call to compliance. And they refer them to me to start working with them. And I believe Patricia is right behind me, who --

MR. CONINE: Well, let's --

MR. HAMBY: -- who actually handles this, and --

MR. CONINE: You shouldn't get -- you shouldn't be the first call for sure.

MR. HAMBY: No. And no one should ever call me first. That's a good idea.

MS. MURPHY: Hi. Patricia Murphy, manager of compliance monitoring. Typically what happens is it is a second owner, so it is not the owner that applied for the tax credits. And they are not claiming any tax credits and not receiving any program.

And they quite simply say, No, we will not comply with this program. We will not submit annual reports. We will not allow your staff on our property. This sort of thing.

MR. CONINE: Right.

MS. MURPHY: So we take the proper action to inform the Internal Revenue Service that this is no longer a housing tax-credit property and remove it from the department's list of active properties.

We also, in our material non-compliance database -- for this as -- so that if they ever come forward and request more funding, that this would be an issue. It would be a stumbling block for them.

But as Mr. Hamby said, we are looking for some guidance for -- I did hear your remark that if it's within the first 15 years, that PMC should enforce this. And I think we need a little bit more guidance on -- should we do a referral to the attorney general's office? Should we --

MR. HAMBY: Now we're talking enforcement. I get to play in that.

One of the things we did have a question about -- I mean, currently there is no -- other than specific performance on a LURA, there is limited enforcement time. And so it becomes a balancing question of state resources as to how much time should the compliance division spend chasing this period of time -- or these -- this affordability period.

I mean, one of the things that we'd probably like to at least start a discussion on is should we seek administrative penalties on LURAs. Should we seek legislation on that question? I mean, we have no particular way to enforce it, other than specific performance.

We could build in some sort of penalty structure to the LURAs, if that would be the board's direction. But I mean, at some point it becomes a challenge of exactly what do you want us to do next. And that --

MR. SALINAS: You mean release it? Do we have the power to release the LURA?

MR. HAMBY: Mayor, you -- there is no legal reason to release this LURA. However, if you are looking for what happens if you do release it, if you made a quick policy of it and did it frequently, the IRS could issue any sort of determination. They've not issued a determination on these matters, and there are no letter rulings on it, because to them, the code is clear, and there's no release.

The -- that would, you know, give further direction from the IRS. The other thing that could happen, of course -- very draconian -- looking at the worst possible circumstances -- Mr. Conine likes to say I always do -- would be to remove Texas from the program, you know, because we're not following the guidelines of the program.

I mean, obviously, that's doubtful if you release 20 LURAs that they're going to take Texas out of the program. But, you know, just like I never try to second-guess HUD, I would certainly never try to second-guess the IRS and tell you what they're going to do.

MR. SALINAS: Oh, we don't want to do that.

MR. FLORES: Mr. Hamby --

MR. HAMBY: Because they have my number, but --

MR. FLORES: Mr. Hamby, what's the effect of postponing this for 30 days?

MR. HAMBY: There is -- I mean, I'm -- you know, this property owner had postponed it. I mean, is he even here -- I didn't --

Did he sign up to speak today, Mr. Holmes?

I think it's -- you know, it's just in limbo. And some of these properties are now eight, nine months old where they have been -- they're just in a holding pattern. Nobody will purchase them, because they have this land-use restriction on them, and they can't put affordable housing on them.

So I mean, it's just a -- you know, it's how long can -- how long do you want to wait? I mean, that's kind of the question. It's a 30-year period, and so they can't go anywhere until we do something.

MR. FLORES: Okay. Madam Chair, I'd like to move on this meeting. And perhaps Mr. Conine will take this suggestion as a constructive, well, approach. And what I'm suggesting is postpone this issue for 30 days or until the next board meeting.

And then perhaps there could be a group, Mr. Conine and others, to take care of resolving the -- what appears to be a Supreme Court type of decision. You're -- essentially a pretty substantial policy on this LURA.

So I don't know if that's acceptable, Ken, but I'd like to --

MR. CONINE: No. I'm okay with tabling it for

30 days. I'll second --

MR. FLORES: Okay. I --

MR. CONINE: If that's your motion, I'll second it.

MR. FLORES: Yes. I'll move to postpone for -- until the next board meeting, not 30 days, but the next board meeting.

MR. CONINE: Okay.

MS. ANDERSON: Well, that board book has to go up on Monday, so let's put it out 30 days. The next board meeting's in two weeks, and that board book has to go up on Monday. Let's not --

MR. FLORES: Do it until the August meeting.

MS. ANDERSON: Yes.

MR. FLORES: Okay.

MR. CONINE: Yes. The August --

MR. FLORES: Until the August --

MS. ANDERSON: -- second that amendment.

MR. FLORES: -- regularly scheduled August meeting.

MR. CONINE: There's two meetings between now and then. So I'll accept the amendment for the August meeting.

MR. FLORES: Okay.

MS. ANDERSON: Discussion.

(No comment.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion, say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Agenda item 4d, which is presentation, discussion and possible approval of extension of the deadlines for closing of the commencement of substantial construction for the Commons of Grace Senior Estates.

MR. GERBER: Members of the board, this application came before the board in March 2006 for an extension of commencement of substantial construction. The board granted the extension with the assurance from the applicant that they would receive the city of Houston HOME funds and they would be able to meet the placement and service date of December 31, 2006.

The day after the board meeting, the syndicator and construction lender rescinded their commitment of funds due to the delays with receipt of the HOME funds. The applicant has not engaged another syndicator and construction lender who are committed to the development.

However, they do have enough time to complete their due diligence in order to meet the commencement of substantial construction and the placement and service dates. The applicant is again requesting to extend the commencement of substantial construction due to having to engage a new lender and syndicator.

The applicant is also requesting an extension of the placement and service date due to the impact of the hurricanes of September 2005 on the city of Houston staff. They were unable to complete the HOME loan process and therefore could not commit the funds until now.

This is a 2004 housing tax-credit allocation that has received five previous extensions, three for construction loan closing and two for commencement of substantial construction.

Staff is recommending both extensions subject to the applicant receiving the city of Houston's HOME commitment at the very next Houston City Council meeting where placement on their agenda is possible.

MR. CONINE: Move for approval.

MR. SALINAS: Second.

MS. ANDERSON: I have public comment on this item.

Mr. Charles Taylor.

Ms. Bast.

MS. BAST: Cynthia Bast of Locke, Liddell & Sapp. Just one brief item of clarification for this board, because I believe that this is an item of first impression for the board.

Revenue procedure 9528 permits a one-year extension of the placement and service deadline for projects that have obtained carryover and have been in a federal disaster area and have been impacted by that federal disaster.

Specifically, it says that the agency may approve the carryover allocation relief, which is the one-year extension, for projects whose owners cannot reasonably satisfy the deadlines because of a disaster that caused a major disaster declaration under the Stafford Act.

We have been using this extension provided for under this revenue procedure for projects in Harris County that have been impacted. And we've been doing it on an administrative basis with approval by the executive director based on the direction that was given to the executive director by this board back in September.

But of course, this one needs to come before the board for several reasons, one, because they're requesting the extension for the commencement of substantial construction, and, two, because there were representations made at the prior board meeting as to the completion.

But I simply wanted this board to be aware of this revenue procedure and its use in these disaster areas for future reference. Thank you.

MS. ANDERSON: Discussion.

(No response.)

MS. ANDERSON: I have one comment, of course. I vividly remember the representations made in March 2006 by this developer, and I find it just an amazing coincidence that the day after those representations were made, that the syndicator and the lender fell out and that the city of Houston, you know --

So -- you know, just so the board is clear on what we're voting on, we are voting -- we're voting to approve these extensions subject to -- because the city of Houston would not give HOME funds unless we first voted the extension.

So we're in sort of a chicken-and-egg situation. But we're voting these subject to pretty imminent approval by the Houston City Council of these HOME funds.

And I just, you know, ask developers not to come in here and make misrepresentations. It's not fair to this industry. It's not fair to your colleagues. And frankly, it's not fair to the board and staff of this department.

Any other discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Item number 4e is presentations, discussion and issuance of a list of approved applications for the 2006 tax-credit competitive cycle.

MR. GERBER: Let's call upon our deputy executive director for programs, Ms. Boston.

MS. BOSTON: My name is Brooke Boston, and I'm here for the item that most people usually come out in full force -- for this meeting. And we're discussing the requirement under Chapter 2306.6724 of Texas Government Code, which requires for our 2006 housing tax-credit allocation cycle that we approve a list of applications.

And in the past, we have actually had that list further broken down into what we call the As and Ns, or preliminary recommendations.

And after further discussing this with our council this year and thoroughly reviewing the language in the statute, it indicates that we are -- the board is required to review the recommendations of department staff regarding applications and shall issue a list of approved applications each year in accordance with the QAP no later than June 30.

Staff is recommending to the board today, based on input from our council, that the board's list of existing applications -- excuse me -- that the board's list of approved applications that you're approving today is essentially the list of all existing applications which are active, which would include -- it excludes any that have been withdrawn or terminated but includes any that currently are active, even if those are not currently designated as priority for any particular purpose.

I want to note that independently of this and pursuant to the QAP, we have posted what we call a priority list. As you all were drafting the QAP last year, we added a step where after we've done a scoring analysis and some basic eligibility criteria, we identify applications as priority.

That dictates which applications move on to the portfolio management for compliance review and also dictates which applications move on for a review by our real-estate analysis division. That does not assure them of getting an award. It's not considered a preliminary award. It's just a stage of kind of passing a threshold test and looking fairly competitive at a certain point in time.

That list is on the web and probably is the equivalent of what the board might have looked at at this time in a year -- years in the past.

At the same time, in response to feedback from the application community, we have also posted a list of item 5, which is the item for local political subdivision points. And a lot of times that's kind of the breaker around this time of year. Is someone going to get their points from the local political subdivision?

As you may recall, we give those points out in advance if we just have a proof that someone applied. But then they're going to have to bear that up later. And so people's firm commitments on those have been trickling in.

So we've released a list for the public letting everyone know these are the ones who still have a commitment outstanding, and these are the ones who have a firm commitment already. Again, that just helps people get a gauge of what's going on right now.

All that being said, you will be looking at a list that you're used to seeing, where the list is divided into As and Ns and is an actual award list, at the July -- the late July meeting.

The list you're approving today is a list of 114 applications. Not all of the 114 approved applications will receive a commitment of tax credits. It merely reflects the -- a pool from which awarded applications will be selected.

I just also want to emphasize the credit amounts on the current list as well as the fact that they appear to currently be active could change. Obviously, if something comes to light that we would need to terminate an application, we still have that ability.

If someone who's not on this list somehow were to request an appeal and have that granted, either at the executive director or board level, someone could be put back on this list. Another reason someone might come back off of this list would be if during the material noncompliance review, they are found to be in material noncompliance.

So all that said, we recommend that the board issue the attached list that was in your book to meet the requirement of 2306.6724.

MR. FLORES: Brooke -- Ms. Boston, you used the word "approved" a while ago. I don't think you meant that. You said we're just issuing the list. Are we not -- that we're not approving the list.

MS. BOSTON: Well, you are issuing a list of approved applications, but our interpretation of approved applications just means they're approved to proceed and continue to be evaluated. But you're not recommending -- you're not making final -- I guess the difference would be approved applications just means they continue to be eligible for consideration, and it's not an allocation.

MR. FLORES: I just want to make that perfectly clear. I don't anybody walking out of here, going to the bank on this one. Okay.

MS. BOSTON: Definitely not. This is not a go-to-the-bank list.

MR. FLORES: Thank you.

MS. ANDERSON: I have a quick question. You said that the local subdivision points are being posted on the web. A number of people applied at the department for

HOME funds to qualify for -- have those been posted, I mean, likewise?

MS. BOSTON: No. The -- if someone applied for TDHCA HOME funds to be eligible for their points, they're preliminary granted -- preliminarily granted the points, as would anyone else who indicates they've applied for funding of any sort. The allocation decisions for those HOME funds will go forward at the July meeting simultaneous with this list of actual deals.

To the extent -- and of course, it's a chicken-and-an-egg thing, similar to what you all were just describing. It's a little hard to say at this point that anyone would be in a boat of losing their points by not getting the HOME funds and then therefore causing them to not get the credits, because we don't know how many of the 9 percent deals that are layered with HOME are kind of on the money.

And so that dictates how much HOME money we have. So it's hard to say at this point. But at this point, they are considered to still be competitive and have the points.

And it will -- for sure every recommendation that we make to you all at the late-July meeting -- we'll discuss this whole process, and we'll have a clear recommendation for every application. That's probably the best I can say.

MR. CONINE: Madam Chair, I move approval of the list and on item 4e.

MR. SALINAS: Second.

MS. ANDERSON: Okay. We have a motion on the floor. I do have public comment on this item.

Mr. Paul Leventis.

MR. LEVENTIS: My name is Paul Leventis. I live in College Station, Texas. I'm the land developer and -- for Burton Creek Development. And what I have here -- I want to present today -- I have the Mansions at Briar Creek. I think the number is 060070.

I wanted to kind of discuss what our project here overall is and how the Mansions at Briar Creek plays a key role in our development. As you can see here on our mobile easel here -- Lee helping us out -- we have this whole area in gray right here. It's kind of the area that we're using as a senior-living destination in Bryan.

Right now we currently have this subdivision of 58 lots completed, and those lots are all deed restricted for 55 and older. And this whole area in here in the bottom is going to also be a residential 55-and-older subdivision.

We have the U.S. Post Office here, St. Joseph Hospital down here, which is within a mile. We also even have the Social Security office over here within a half a mile. So this whole area is just kind of set up for the senior area.

And the Mansions at Briar Creek will provide another step for people living in the subdivision that's already age restricted and go to another level with the apartments. Okay. So if one elderly person would pass away, then that person can possibly still live in these apartments and still live in the area where all their friends are.

In addition to that, you can see we're doing walking trails throughout this whole area. And we're trying to do a sense of community for this area. We're going to have retail up front. We're going to do assisted living and nursing home over here in this area.

And also, we're getting with the city right now. We're looking at doing a senior living center right -- either in this area or back here by the park.

But I just wanted to present my support for the Mansions at Briar Creek, because it gives us the final situation here where people can just stay in one area and live with the convenience of Bryan and all the hospitals and everything else that's already there. Thank you.

MS. ANDERSON: Thank you.

Mr. Robert Birchfield.

MR. BIRCHFIELD: I'd just like to really pass but say thank you for your choice of Ms. Boston and thank you for the services of Ms. Carrington. The development community really appreciates the talents of those fine people.

One other thing. Thank you for the services of public affairs. Mr. Lydels [phonetic] -- as you know, we are as developers required to do a lot more service in the community talking about what we're doing. It gets us down from $1.50 to 75 cents an hour in terms of our time.

But what we really find is that the public affairs, Mr. Lydels and that group, has been -- I will tell you -- and in the case of the Bryan project, we've had many -- because we started way back in the middle of last year talking about the project.

And their -- that section of TDHCA has been absolutely indispensable, and we are very thankful for their services. And I say thank you to the board for having it.

MS. ANDERSON: Thank you, sir.

Mr. Gary Driggers. And then the next witness will be David Marquez.

MR. DRIGGERS: Madam Chair, members of the board, my name's Gary Driggers, developer of Fenner Square, application 060124. Thank you for the time to speak about our incremental tax request again of $41,000. I provided a handout for your review, if you would care to take a look at some of the data we have.

This 32-unit project is over 70 percent complete, and scheduled completion is August of this year. Fenner Square has 100 percent masonry, underground utilities, single-story accessible construction, high-speed internet access in all of our units, and concrete parking lots.

We experienced unforeseen increases in commodity prices due to the rising demand created by Hurricane Katrina. The shortfall was funded internally and has not affected our schedule in any way.

We are now requesting the additional credits to generate the necessary equity funding to repay this loan to which our partners are previously committed. Despite this additional request, our use of tax credit is extremely efficient.

Our original award ranks no lower than fifteenth in tax credits per unit during the past three years, with all the winners in front of us being larger. Projects of our size are usually awarded credits in excess of $7,500 per unit, even in years where there was no crisis such as Hurricane Katrina. With this added request, we will have a total allocation of $7,379 per unit, still low below the norm for projects of this size.

Thank you for your time, and we would be grateful for your favorable consideration.

MS. ANDERSON: Thank you.

MR. MARQUEZ: Hello. My name is David Marquez. I'm here in support of Las Palmas Gardens in San Antonio, which is the second largest city in Texas and now the seventh largest city in the U.S. It's project number 060122.

This is our third time here. And even though I'm not bitter, it's been a long haul. So what we have is a commitment in front of you from the city of San Antonio. I know Ms. Boston talked about the ones that are outstanding as of Friday, and I'm sure they'll all come in eventually.

But this is a project that the city of San Antonio wants to do. That's why the commitment was issued. And we are one hundred units. We have scored with the at-risk at 197 points. It's the maximum in which we can score.

We did a pretty good job putting the application together. The residents have fulfilled their end in going and getting the support of the school district, of the city, of the elected officials. And it's hard to go back to them after three years and say that we didn't make it because we have fell short.

And so we look to the board, particularly you, Mr. Conine, who last year awarded perseverance, and Mr. Granger in New Braunfels. I don't know how many more times we can come to this board and keep the residents encouraged.

But we've also had a second fire. I think we reported last time we were here we had a fire of 14 units. We've had another fire of 12 units. So we have 26 units down. They still have no AC and heat. It's not getting any cooler.

And so we would definitely appreciate your assistance on this, putting it on the priority list and letting us move forward. So thank you very much.

MS. ANDERSON: That completes the public comment for this item. There is a motion, and it has been seconded. Any further discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

We're going to take about a ten-minute break. We're not planning to take a lunch break today. We're just going to try to skate on through. So we'll stand in recess for about ten minutes.

(Whereupon, a short recess was taken.)

MS. ANDERSON: If I can ask you to take your seats, we'll come back to order, please.

And I want to welcome Christine Gibson with the House urban affairs committee who's with us today. Thank you for being here, Christine. Thank you for your work on the committee.

We are now ready for agenda item 4f, which is presentation, discussion, possible approval of housing tax-credit amendments, Mr. Gerber.

MR. GERBER: Members of the board, item 4f has been pulled.

MS. ANDERSON: Then we proceed on to item 5, which is presentation, discussion, possible approval of multifamily division items, private activity bond program items.

MR. GERBER: Ms. Meyer, would you lead this part of the discussion?

MS. MEYER: Robbye Meyer, acting director for multifamily. We have four items for -- or applications for inducement for this month. One is Riverside Villas in Fort Worth. Once -- if the board approves all of these for inducement, there'll be $4 million left in our account until August 15 at the collapse.

Riverside Villas is in Fort Worth. We originally planned to induce this in -- at the May board meeting. However, we had some zoning unit mix issues that had to be resolved, and so we delayed it to have those resolved.

We had already scheduled the public hearing at that time, and so therefore the public hearing was held previous to inducement, which is not our normal process. But I just wanted the board to be aware that the public hearing has already been held for that particular transaction, and a copy of the transcript was left in your book.

The other one is East Texas Pines Apartment.

It's going to be a sister property to Green Pines that we did back in 2000.

And then Havens of Mansfield and Generations of Mansfield. Havens at Mansfield is an elderly development, and then Generations will be for families. And that is in Mansfield.

If you remember, back in the March board meeting, we had a development that came in front of you for -- it was the Mansfield deal also, but it was intergenerational. And he has now divided those two into two separate applications, one elderly and one family.

MS. ANDERSON: I have public comment. Do we want a motion now, or you want public comment first?

MR. GERBER: Let's hear it.

MS. ANDERSON: Mike Clark. The next witness will be Mark Wolcott.

MR. GERBER: Mark's going to go first.

MS. ANDERSON: Okay.

MR. WOLCOTT: Madam Chair, board members, my name is Mark Wolcott, and I'm part of the development team that's proposing to construct Riverside Villa Apartments. We're aware that the department has received a number of e-mails as well as letters with regards to opposition to this property, and we thought we'd bring some information to let the board review with respect to our proposed development.

To get a flavor for what has caused most of the opposition is this flyer that has been presented to the neighborhoods. Not only is it filled with bad information with regards to the size of the property, but it's also -- has a lot of inflammatory language with regards to asking any policeman if low-income housing brings crime to a neighborhood. If you would read that, I think anybody would be concerned.

In addition, we have -- other signs have been put up by the neighborhood about protecting property values.

MS. ANDERSON: I have a question. Was that flyer -- was there any disclaimer on it indicating where it came from?

MR. WOLCOTT: No.

MS. ANDERSON: Anonymous.

MR. WOLCOTT: As of -- yes. As of right now, it's anonymous. I mean, we don't have no -- we don't have any information with regards to who -- we don't have any information with regards to what the information that was on the flyer -- where it came from, because it's not consistent with our public-notice sign and certainly is inconsistent with the information provided to the neighborhoods at the public hearing.

At the public hearing, the -- there were two individuals that came up with -- and presented reasons for opposition to the project.

At that time, we addressed all those issues that the residents had with regards to public transportation, overcrowding in the school district, no local jobs available so that the residents that would live there would not be well-served, lack of emergency services, lack of road infrastructure issues, as well as the zoning being inconsistent with the city of Fort Worth's comprehensive plan.

As it relates to public transportation, we indicated that approximately a mile and a half away was a bus stop, but our residents aren't really going to be dependent upon public transportation in this -- as we have seen from development of a sister property that we have down the street at North Tarrant Parkway.

As to the school district, all of the schools these students will go to have substantial excess capacity. We provided information with current enrollment. We provided information as it related to the functional capacity.

Therefore, the -- although this is a very high-growth school district, and we think that there will be issues in the future if the school district does not plan adequately to provide additional classrooms. There could in the future -- this be an issue, because there a substantial amount of single-family housing being developed in this area.

I think almost in excess of 50 percent of the growth in the last couple of years in Fort Worth has been at this corridor of I-35.

As it relates to the zoning is inconsistent with the comprehensive plan, the property's been zoned for 20 years as multifamily. There's been a sign to the public with regards to the fact that it was zoned for multifamily out on the property -- and I know personally for at least four years.

Part of the city's comprehensive land-use plan has to do with -- they want to promote multiple-growth center development patterns by encouraging higher intensity residential and commercial uses within a mixed-use growth center.

So I thought I'd bring an area with respect to where this property's located -- Riverside Villas is right across the street from a planned development called the

Alliance Town Center. Approximately 2 million square feet of retail, entertainment, office, as well as some mixed-used residential, will be in that development. In addition, HCA has purchased 60 acres for a hospital and medical-office complex.

Therefore, I submitted to the -- that basically -- that this property, which is basically within walking distance of all this planned development which is under construction today, is consistent with the concept that people can walk where they play, walk where they work, walk where they eat -- restaurant -- go to the restaurants, and therefore is not inconsistent with that comprehensive plan.

Job-growth issues, of course, are -- you know, I advise everybody that up here the Alliance Gadarg [phonetic] community is home to 140 businesses, over 24,000 jobs, 24 million square feet of office, industrial-warehouse space, all within a ten-minute commute.

In addition, next to Cabela's, there's another planned retail development that's under construction that will be called the Alliance -- let's see -- I'm sorry; Lone Star Crossing, which is a 500-acre development, going to have 1 million square feet of retail space, in addition to office and hotel.

To the south of this property, Margo Development is planning a 1-million-square-foot retail office development. This is at Interstate 35 West and 287, approximately two miles south of this development.

So the reason for our desire to basically build in this area is basically the anticipated job growth that's going to be created over the next two or three years, which -- our property will come on line sometime first quarter of 2008.

MS. ANDERSON: How's it zoned now?

MR. WOLCOTT: It's zoned multifamily.

MS. ANDERSON: And what are the -- what -- are those single-family homes off to the right of the --

MR. WOLCOTT: Yes. These --

MS. ANDERSON: -- in the north?

MR. WOLCOTT: These -- all these single-family homes --

MS. ANDERSON: Okay.

MR. WOLCOTT: -- have been developed within the last two to three years.

MS. ANDERSON: Okay.

MR. WOLCOTT: The other issue that was brought up and addressed at the public hearing had to do with infrastructure issues. There is adequate water. There's adequate sewer. We've already confirmed that with the city of Fort Worth.

As to road issues, this -- these roads producing secondary arterial road improvements in the city of Fort Worth are financed through commercial development, through impact fees. We will pay our impact fees with regards to the expansion of Old Denton Road.

I confirmed with the city of Fort Worth that this road will -- it will be required to be expanded to a four-lane boulevard in conjunction with this development. So the combination of our development as well as this hospital and the retail will require that the infrastructure be improved.

North Tarrant Parkway has been improved over the last year to a four-lane boulevard. And Heritage Trace -- I think it may be a six-lane boulevard in most places. But it goes all the way through 377 as well as North Tarrant Parkway.

So, I mean, it is an issue that the residents have, and it's a valid issue -- about infrastructure catching up with this type of growth and development. But it's not a question of if; it's a question of just when, which -- we expect that it will occur within the next two or three years.

As to emergency services, Fire Station 31 is located 2.7 miles away. The average response time is five minutes. There is a new station that's going to be constructed up here. Again, that's about four miles away -- where they'll have two companies of fire or emergency-response stations.

And that's under construction and basically will be funded, you know, and companies working out of the fire department -- working out of there this next year.

As to working with the neighborhoods, we notified all the neighborhoods in accordance with the department of neighborhood housing in the city of Fort Worth. We notified, of course, all the public officials. We had our public hearing. And all these items have been addressed as part of what the correspondence department has received.

That's all I have, except if there are any questions.

MS. ANDERSON: Yes. Mr. Clark. Sorry.

MR. CLARK: My name is Mike Clark. I'm with Alfabarns [phonetic] Real Estate Services. We will be the management agent for the proposed property, as we are for the sister property a couple of miles away on -- the same general area.

I'm going to confront four specific issues I think -- that have been -- I suspect are the impetus of many of the letters and communications you've gotten. The first one is the market itself. There are issues relative to whether -- been comments and concerns relative to whether or not we have a sufficient market in that area.

Besides the market study, I can tell you that our traffic right now at the sister property is running at about 40 persons per week. We are leasing 25 -- a net of 25 to 28 units a month on that property. It's a hundred percent restricted 60-percent-of-median-income property.

And we are at a hundred units occupied, 101 units occupied as of today, 142 leased as of today. And we expect to finish up the lease-up on that property in the next three months.

To be candid with you, the market out there is stronger than I've seen in a lot of the areas we have to work with with affordable housing. And by the way, we manage about 70 housing tax-credit projects across the state, many of which are in Tarrant County.

Our -- so I think the market is an easy issue for us. We're excited about having the opportunity to work a property where the demand is as strong as we think it is on this particular property.

Secondly, the type of resident we expect there. We -- as I'm sure you've heard before, we go through extensive screening on residents. Once the application is made, we anticipate that they're qualified to live in the property.

We actually run employment-verification checks, criminal-history checks, credit checks, prior-landlord checks. And we end up rejecting about 20 percent of the applicants on the average in our Dallas/Fort Worth area properties as a result of a failure in one of these particular areas.

So we are screening residents. We're actually screening residents better than the folks surrounding the property get to screen their neighbors. We know there won't be people in our particular property that have serious criminal histories that impact the community.

I would also tell you that the income of the typical resident right now at a property in this particular area, like our sister property up there, has an average income -- family income of somewhere around $30,000 a year.

Our minimum income on the average rent on that property is about $24,000 a year. If a family can't prove up $24,000 a year in income, we don't allow them to live there on the theory that they can't afford to pay the rent anyway. And then we have, of course, the various income limits by family size that comprise the maximum in that category.

I think the reality is our employees right now, even -- we're a little bit further away from the Alliance project. We still have a substantial amount of residents coming from the Alliance project, and all the people who work at the retail Mark just recapped for you, all the people that work at Home Depot and work at Wal-Mart and who work at Burger King or hand you your dry cleaning every day.

These are the residents that are going to live in this particular property. Odds are good -- incidentally, odds are good that some of them -- a substantial portion of them are already there living somewhere or living in other environments.

And then the last thing I want to hit on, I think, is the fact that -- I'm not going to launch into a discussion with you about the -- all the evidence that points to the fact that affordable housing, especially this kind of affordable housing -- I think you saw the type of product we're delivering.

And by the way, 40 percent of the traffic we get at Aventine [phonetic], the sister property, is over income, way over income -- I'm talking about incomes of 80 and a hundred thousand dollars a year -- because the quality of the property attracts that kind of people to walk in the door.

And I think that that's one of the key points here -- is the fact that we're talking about a piece of real estate that will have the appearance of being -- the only thing different between it and a class A apartment property is the clientele we're trying to cater to and the target income we're trying to meet. As a result --

VOICE: [inaudible].

MR. CLARK: Yes. That's actually -- this is Aventine.

The reality is that we're in a circumstance where the -- there's evidence upon evidence upon evidence that development of affordable housing adjacent to residential communities does not impact property values. I'm not going to argue that with you today. You've seen it before.

The reality is, though, we intend in all the properties we manage in Texas to be a good neighbor. We intend to maintain the property, have outstanding curb appeal and visual -- a positive visual aspect. I tell my staff I always want to be ready for inspection.

We intend to maintain the parking lot. We'll have a zero-tolerance policy relative to resident and maintenance issues. And as a result, I think the possibilities of there being property-value issues will be enhanced -- lessened even more by the fact the property isn't going to look like any kind of an affordable property. It won't --

MS. ANDERSON: I need to ask you to conclude, Mr. --

MR. CLARK: I'm done. Thank you.

MS. ANDERSON: Thank you.

Granger McDonald.

MR. McDONALD: I'd like to go last, if possible.

MS. ANDERSON: Justin McDonald.

MR. McDONALD: I'll yield my time right now.

MS. ANDERSON: Ms. Bast.

MS. BAST: I don't think I need to add much more here. But I got to thinking as I was listening to the testimony, the other day I read a story with my seven-year-old daughter called The Invisible Imp. And it was about this little imp that went around and wreaked havoc, but no one could see him wreaking havoc until he fell into a pail of paint.

And it seems that what we have here is an invisible imp. We have opposition that's not identifying itself, making statements that are not true about this property, where we also have a developer who has done all of the notice required, been through all of the processes required, held the public hearing required.

And it's hard to address an invisible imp. And so this development, I think, has a lot going for it and needs to be able to move forward with its inducement so that it can provide the various benefits that Mr. Wolcott and Mr. Clark have outlined.

MS. ANDERSON: Thank you.

Mr. Mark Barnes.

MR. BARNES: Madam Chairman, board members, thank you for having me speak today. I'm here on Riverside Villas, 060021.

My name is Mark Barnes. I am the president of Trace Ridge Homeowners Association representing 455 homeowners within a mile of this project. I am also vice-chairman of the city of Fort Worth planning commission but am not here in an official capacity representing the actual commission.

And I just want to clarify one thing. I think this is irresponsible as far as the flyer goes. I mean, there are a lot of residents within this neighborhood and a lot of people within the Alliance of North Fort Worth that are against this project for several reasons, none of which were addressed -- are these reasons at all.

We're not worried about the crime issue. We're not worried about the property taxes. These are, I think, sympathetic ploys that we're against these affordable-housing projects because of these reasons. That's not the case.

Just to dispel that notion, we're not against affordable housing. We actually looked at Aventine, his sister property, and they actually promoted it. And Park Glen went around and -- turned around and said, We're going to go ahead and support this project. Okay. So there was very little opposition to that particular project.

If you look within our neck of the woods, on one of the maps I showed you, we have within a five-mile radius four affordable-housing projects within five miles. Okay. This will be the fifth. Okay.

And as far as shouldering our responsibility, our share of the responsibility for our fellow residents, we have done that. We probably have more of these affordable-housing projects within our five-miles radius than does combined the city of Southlake, Colleyville, or Keller. So to say that we do not want to help those that need a hand up is irresponsible, I think. And I think that is a mistruth.

Currently our infrastructure is in dire need of upgrades and repairs, as they mentioned. Mainly we're opposed to this for the infrastructure reasons, mainly the road. Mr. Wolcott or -- I'm not sure who mentioned it -- about the impact fees paying for the road construction.

If you look on the attachment I gave you, the improvement for North Riverside Drive is a proposed capital improvement that is unfunded. It is not projected to go until 2011 to 2015. And as -- being on the planning commission, I'm very well aware of this -- as well as being on the capital infrastructure committee as well.

The impact fees will not cover the full length of this road. With pocket developments such as this, they're only responsible to upgrade the portion of the road that's in their right of way up to their property. So they'll have to upgrade the asphalt and maybe put in some gutters, if need be, or sidewalks. They will not have to widen this particular road.

It's a two-lane country road with very little access. You have two -- you have an arterial on North Tarrant Parkway, and you have one on Heritage Park also, Heritage Trace Parkway. But this road that feeds to this particular development does not have any infrastructure in place as far as the roads go.

And that is one of the issues that we're having with this -- in our city -- is that we're struggling with bad zoning. We've had zoning for nearly 60 years that has been inconsistent with our growth as a city.

And we are the nineteenth largest city now in the United States. Between 2001 and 2004, Fort Worth was the fastest growing -- third fastest growing in the nation. And we're one of the largest fastest growing ones in Texas as well.

They are correct that the property is currently zoned C for medium density. But this has been identified as one of the properties that is inconsistent with our comprehensive plan. The city council and city staff are in the process of evaluating the disproportionate number of multifamily projects within this particular area and possibly going forward with the rezoning process.

There are such -- ten such tracts in our district alone, and that's just in the small area that we live in and not in the whole district as itself --

district 2.

Our comprehensive plan -- he is correct -- is to promote a multiple-growth center development pattern by encouraging higher density residential and commercial uses within mixed-use growth centers. His particular project is within a couple hundred feet of this mixed-growth center, but there is no connectivity from his project to the current mixed-used growth center that we have identified in the city.

Also, on the attachment you have there, you will see the mixed-use growth centers that we have identified within the city for these higher density developments. And we definitely need more affordable housing in certain areas, especially within the southeast part of town, Center City, Northside. And we have enough within our own particular area.

I'm also the chairman of the urban village committee, and as such, we take this very seriously. Our communities -- we want to have -- make sure that we have -- our redevelopment is in the urban areas and that where affordable housing goes is where the urban villages would like to see --

To make matters worse, he mentions that there's no mass -- or there's a mass transit or actually a bus stop within, I believe, a mile and a half, he quoted. There is no mass transit within that area. There is no bus, no rail service to this area.

And that's one of our infrastructure problems, and that's something we have to address as a city. But this is not something that's conducive for this particular development. Affordable housing, to be successful, does require some sort of transportation and mass transit. It's what makes these developments successful.

Mixed-use, mixed-income areas provide the following benefits: economic development. We are having some large tracts of development going up in there with retail. Some of those that he mentioned are not for sure. The market development is not -- it's not definitely on the track to go. And we have different mixed-use --

MS. ANDERSON: Sir, I need to ask you --

MR. BARNES: Okay.

MS. ANDERSON: -- to conclude your remarks.

MR. BARNES: Okay. And then development of multifamily housing in appropriate locations, efficiency in the provision of public facilities and services; which is not adequate at this time, reduced reliance on single-occupancy vehicles with mass transit, and like you said, a healthy walkable community.

As you can see, we're not opposed to multifamily units, be they affordable or not. Rather, we are in support of affordable housing and multifamily developments within the designated mixed-use growth centers.

These are large -- there are large portions of our city that need this assistance currently, and this is not one of them. We feel that there's more important areas of our city that needs these developments, and the use of taxpayers' money would be better suited to address their needs.

If the need were so great in our area, we would not have any vacancies, which is not the case. We -- in several of the other developments, there are quite a few vacancies, if I recollect.

Finally, to close, if you take into consideration the philosophy of your own mission statement and -- concerning this application, you guys -- it quotes on your particular statement, The decisions affecting individual Texans are best made by those individuals, their families and the local governments close to the communities.

Our council members oppose this -- as well as the letter you received -- as well as the 685 petitions that you received, signed petitions -- as well as letters.

And this is the last thing I want to quote -- or wanted to say is also that the notification for public hearing was very lacking. I didn't know about it until after the fact. The one they sent to the residents next -- Heritage Trace was sent to someone that was not in that organization anymore, probably six months previous was not there. So that's why you only had two people show up for this meeting.

So being -- having said that, I appreciate your time and allowing me to speak on this subject. Thank you.

MS. ANDERSON: Thank you.

Mr. Lawson, do you want to address the board?

MR. LAWSON: Thank you. My name's Randy Lawson. I live in Manor Hill adjacent to the proposed site. And the only thing I would like to say about the sign that was posted there -- Riverside Drive or Old Denton Road -- the same road there, I think -- is a real bumpy road, and traveling it is pretty dangerous.

And the billboard sign was sitting just off to the side in between trees. And unless you were directly looking to the right, you could not see it. And I believe that's one of the main reasons that most people didn't know about it and didn't show up at the meeting.

I was -- I'm -- understand that they met the sign requirements, but it just seems awful funny that only five people showed up, and now you all have so many letters of protest and e-mails against this project. That's all. Thank you.

MS. ANDERSON: Thank you, sir.

Mr. McDonald.

MR. McDONALD: We have -- thank you, Madam Chairman. We have pictures of the sign, I think, that shows the location that -- you can see it quite some distances coming down the street. You can -- the flip of that shows the sign itself sitting right next to the site that says it's -- the for-sale sign. I do not know what else we can do to put up a sign any more clearly than that.

As for the notification, the city of Fort Worth handles their own notification. This department sends notification to them. They notify the neighborhood associations. It's not our responsibility to notify them. That's what the city does.

The five-mile radius that the gentleman spoke of. A five-mile radius is 78 and a half square miles. In an urban area, 78 and a half square miles is huge. It's gigantic. And we need -- yes, there may be five projects in 78 and a half square miles, but I'll tell you there may -- there needs to be a lot more in 78 and a half square miles, especially with the impact of what region 3 has received thanks to Katrina and Rita.

We are -- all of our vacancies in the Fort Worth/Dallas area and all of region 3 are skyrocketing. I mean, we just don't have units available. You heard Mike Clark speak about the fact that we're leasing ten units a week. Part of the reason why we're only leasing ten units a week is it takes that much time for us to do criminal-history background checks, credit checks and past-rental checks.

You know, if we didn't do that, we'd lease -- I can't tell you how fast. I mean, there's no way of even knowing. We're getting 40 people a week coming through the door looking for an apartment. That is a staggering number.

Now, I guess I'm a little confused. When we go to look as a developer for something to develop, we first look for the need, and then we look for guidepost. And the guidepost we use in this industry is how a property's already zoned.

If the planning commissioner -- I feel sorry that -- you know, that -- if the zoning was not proper, I wish somebody would have said something. How would we know that? The seller of the land -- if they roll back his zoning, he's going to sue them for an illegal taking and probably would be very successful under Texas law.

We look at the guidepost. Zoned piece of property in an area with tremendous need with tremendous job growth. What else can we do? Thank you.

MS. ANDERSON: I have one question for you, sir. Have you talked with this councilman that the other gentleman says is opposed to the project?

MR. McDONALD: Mr. Wolcott can address that. He's had numerous conversations with him.

MS. ANDERSON: Okay. Mr. Wolcott.

MR. WOLCOTT: Yes, I have. I've had a meeting with Mr. Respino [phonetic], and I have engaged e-mails with him back and forth with regards to all the letters or e-mails that he's received.

MS. ANDERSON: Okay. And what about the state elected officials in the district?

MR. WOLCOTT: I have not had any verbal conversations with any of the state --

MS. ANDERSON: Do you think that might be a good idea?

MR. WOLCOTT: I think so.

MS. ANDERSON: Okay. Thank you.

That's all the public comment.

MR. CONINE: For any of the four?

MS. ANDERSON: For any of the four.

MR. CONINE: Move approval of item 5a.

MR. SALINAS: Second.

MR. CONINE: And let me amend my approval -- my motion.

MR. SALINAS: That's for the four of them?

MR. CONINE: Yes, all four of them. Because there's a resolution number, I think, that goes with it.

MR. HAMBY: 06021.

MR. CONINE: Excuse me?

MR. HAMBY: 06021.

MR. CONINE: 06021. Okay. Thank you.

MS. ANDERSON: Discussion.

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

Next is agenda item 6, which is portfolio management and compliance items. Mr. Gerber.

MR. GERBER: Thank you, members of the board. The 2006 HOME rules in the state that -- state the modifications and/or amendments that increase the dollar amount by more than 25 percent of the original award or $50,000, whichever is greater, or significantly decrease the benefits to be received by the department in the estimation of the executive director will be presented to the board for approval.

Two HOME amendment requests are being presented to the board today. The first is Spectrum Housing and Services, Inc. The first request -- this request is a -- is for a waiver of their match requirement. The originally pledged match as been determined to originate from a federal source, Medicare/Medicaid, and is therefore ineligible to be used as match for this HOME award.

The complete waiver of the original match requirement as requested by the administrator would not have resulted in an award. However, a match reduction of $6,250 would still have resulted in sufficient scoring points to receive an award.

The administrator has attempted to identify alternative sources of match. However, none were identified. The TBRA program traditionally provides minimal amounts of match that is very labor intensive for HOME administrators to document and for department staff to verify.

And Ms. Trevino is here to answer any questions you might have on this amendment.

(No response.)

MR. GERBER: Without questions on the first -- I'm sorry.

MS. ANDERSON: No. I'm going to suggest you take them separately. We do have public comment on the next one.

MR. SALINAS: Can we do the first one first? I'll move that we go ahead.

MR. CONINE: Second.

MS. ANDERSON: Discussion.

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Now we're ready for Laredo-Webb.

MR. GERBER: Thank you, Madam Chair. The second request is from Laredo-Webb Neighborhood Housing Services. The administrator had previously received a six-month extension on this contract. The administrator is now requesting a second extension for an additional year, extending the end date to June 30, 2007.

Laredo-Webb builds their own homes and provides HOME down-payment assistance funds to eligible households for the purchase of these homes. The administrator states that a 12-month extension is necessary due to unforeseen delays in the construction process and significant turnover in key personnel during the last year.

In addition, the bidding process revealed a 50 percent price increase in construction materials and significant increases in labor costs above the amount originally budgeted.

The administrator has indicated to the department that the contract can be successfully completed by the amended ending date of the contract, June 30, 2007.

If the extension were approved by the board, the administrator also would -- has agreed to -- must agree, we would hope, to provide the department with a monthly contract progress report. This report must specify all progress made towards meeting contract performance requirements by the end of the contract term.

MS. ANDERSON: I have a public comment on this item.

Mr. John Puig.

MR. PUIG: Thank you for allowing me to come up. My name is John Puig. Madam Chairman, members of the board, there is a packet I presented before you all, a new packet, a blue packet there.

And we are -- in lack of an administrator right now, of an ED, so I am here as a board chairman, board president for the Laredo-Webb NHS to present this to you. Our executive director has just left, and we are in search of a new one. And we've been through this process just recently. And so we're back there again.

That's not our main problem. Our main problem -- why we're asking for the extension has come based upon the problem we had with a contractor. We had a contractor that was building the homes. We built them in two phases. And he went, in essence, belly-up.

We decided to go against the insurance company and try and receive some money from that. We were unsuccessful or at least have been unsuccessful in gaining that. And it's just delayed us a tremendous length of time in getting the next group of homes built.

We had to go out and get the homes finished from the current contractor that was there. We fired him, hired a new contractor.

You'll see on page 5 there are pictures of the homes that we're completing. Those homes are basically 90, 95 percent complete. There are four of those out of the project. The first ten have already been done and funded. You've taken care of them.

We have the next four that will be done within the next three or four weeks. They will be closed out. We already have the buyers for those homes. What remains, leaves the last six to be built. They have not been built yet. We wish to get them built.

These are special homes. If you'll see in the pictures there, these homes are for people with special needs. They're built with lower light switches. The bathroom counters are different. The kitchen area's different. It's for people with special needs.

So we still have six homes to build. They're for 80 percent median income. We have a lot of need for the homes in Laredo. We'd like your help to give us the time.

We've gotten the board -- the board has absolutely had the direction. We've had no changeover in board really for the last ten or 15 years. I've been the board president since its inception in 1991. We are a strong organization. We've just had a lot of setbacks in the last year. And we're asking for your help to allow us to continue.

We have done nine previous projects with you, and we've completed every one of those prior to our fulfillment time of our contracts. In fact, in many of the cases, we were some six months to nine months ahead of time.

The original letter asked for a one-year extension. My letter to you in the first page there is asking for a nine-month extension. I think we can really get it done in six. But what we need to do is we need to go out and build our contract out for services again on the next six houses. We want to make sure that we take the time to get good contractors this time that will have the financial stability to complete the homes.

If you'll see in tab number 7, I think it is, or number 6, we have the financial strength to carry forward. We've got over a million dollars in the bank as a nonprofit. We've done exceedingly well. We were the number 2 nonprofit for neighborhood works organizations in the entire nation in 2004.

We want to get back to that level, and I think we will soon be as soon as we get a new executive director hired that will be part of our mission. We've been excited about what we're doing. The board has come in and really in the last four months has really run the organization.

We are looking for a very competent executive director to lead us forward. We had one that was with us for 12 years, and we did super well. We now need another. But we ask your help to please allow us to continue. We've got the board, the commitment.

We've also got 15,000 for each of these homes from the city of Laredo that they gave us to purchase the lots. These homes have generally sold for around 90,000. There's $30,000 worth of grant money, which -- 15 is yours; 15 is the city. So that's 30,000 that goes into that.

The people that are purchasing are financing homes at 60,000, unheard of in the Laredo area. We're managing to take care of a very small need. As you all well know, Laredo is one of the lowest per-capita income areas in the entire state.

And, you know, I'm just asking for your help to give us the time. We've proved in the past to you over nine years of successful projects with you all that we've always completed and done our word. We're just asking you, allow us to take our setbacks.

We think we've learned. We're in the process. We have a board meeting scheduled for Wednesday night, and we have on that agenda to hire an executive director, which we've been looking for. We ask for your help to give us the time.

MR. CONINE: Move for approval with the stipulation -- I might add, Madam Chairman, that we're getting monthly reports, I think, as a staff, but the board would like quarterly reports back on this particular project.

MR. PUIG: We'll be glad to give that to you.

MS. ANDERSON: And we need to know when we're going to start seeing those monthly reports, because I think the first one we asked for was over a month ago, so --

I have one question, sir. So you're without an executive director. So has Mr. Arturo Garcia left --

MR. PUIG: Yes, ma'am.

MS. ANDERSON: -- since June 8?

MR. PUIG: Yes, ma'am.

MS. ANDERSON: And so is managing this -- assuming you were to receive the extension today, who is managing this project? Because Mr. Garcia's letter indicates the office has bid out and -- pending to award a contract to start the construction. So --

MR. PUIG: Yes, ma'am. We have a construction specialist that is doing that. We're going to be rebidding the homes out. For the next six homes, we will rebid them out to a list of -- expanded list of contractors, so we get better pricing.

The problem is, as you all well now, the housing costs have gone up substantially. And we're trying to get the contractor to sharpen their pencil.

MS. ANDERSON: So is that Mr. Arnaldo Cervantes --

MR. PUIG: Yes, ma'am.

MS. ANDERSON: -- who's in charge of the project?

MR. PUIG: That's Arnaldo Cervantes.

MS. ANDERSON: Okay. And so since June 8, you have -- the -- your organization has decided not to award what Mr. --

MR. PUIG: No, ma'am.

MS. ANDERSON: -- Garcia said was a pending contract.

MR. PUIG: No, ma'am. Those we chose at our last board meeting. We turned them down because of the bids. They were just absolutely too high. I have given him a list of new contractors to go for. I'm in the banking business, and I know a lot of people that hopefully will come out and help us.

MS. ANDERSON: And so what kind of time frame do you think to get that -- to get a selection made and a contract signed with a new contractor?

MR. PUIG: Two months. That's why I'm asking for a nine-month extension. Two months to do that. We're asking for five months construction and two months to finish out. His -- Mr. Garcia's letter asks for a year. We can do it in nine months.

MS. ANDERSON: Do we have a second?

MR. SALINAS: Yes. I seconded.

MS. ANDERSON: Okay. Other questions.

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. PUIG: Thank you.

MS. ANDERSON: Item 7, housing programmatic items.

MR. GERBER: Members of the board, item 7 deals with the Estates of Bridgeport IV and IVa. Both of these applications were 2005 home awards. The Estates of Bridgeport IV has closed with the department, and the Estates of Bridgeport IVa is scheduled to close at the end of June.

The applicant is requesting an amendment for both developments to eliminate the threshold requirement of installation of disposals due to initial costs and excessive maintenance and repair costs. Staff recommends denying the amendments due to the fact that the applicant knew that the disposals were a threshold requirement and should be required to have them installed in all units.

MR. GONZALEZ: I move for staff's recommendation.

MR. CONINE: Second.

MS. ANDERSON: Discussion.

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Item number 8, fiscal 2007 operating and housing finance budget.

MR. GERBER: Members, today the department is presenting for your initial review the department's draft 2007 operating budget and the draft housing finance budget.

This early consideration of the draft operating budget is to start a discussion with you and to allow sufficient time to address budget questions, input, edits or concerns from the board so that we can begin to finalize this operating budget, hopefully at the next board meeting or the one after that, and then focus on the upcoming submission of the legislative appropriations request.

The internal operating budget is -- this internal operating budget is reflective of the second year of our two-year appropriations, which was passed by the

79th legislature. This draft operating budget is -- of $21 million is derived from the total 155 million of 2007's state appropriations.

However, it does not include federal or state grant funds passed through the subrecipients. It represents our operational expenses distributed among the department's divisions. Once approved by this board, this budget will take effect on September 1, 2006.

Our current draft budget of 21.5 million is 1.7 less than last year's budget. It includes a 3 percent cost-of-living increase, as authorized by the legislature, effective September 1.

This budget will continue to emphasize efforts such as market and foreclosure studies, our statewide homebuyer educator program, and education campaigns targeting contract-for-deed conversions.

This draft does not include CDGB specific positions for disaster recovery, which we are currently working on and is in development and will be included in the next draft.

I'd also like to make clear also that this draft does not include some goals that I've set out, which is that we will hold the line on both in-state and out-of-state travel, except to administer the CDGB disaster recovery efforts, as well as to deal with additional compliance and monitoring activities by the department.

We will also invest heavily in the professional development of our staff and ensure that our salaries are competitive to retain our highly skilled workforce.

Also included in the board packet for your review is our draft housing finance operating budget. That's item 8b. This budget is submitted in accordance with Government Code Chapter 2306, which requires us to submit an annual budget for the housing finance division to our board.

The housing finance budget is $11,350,401 and is representative of the housing program fee revenue that supports the department.

David Cervantes, our director of financial administration, will present additional budgetary information for you. Thank you.

MR. CERVANTES: Thank you, Mr. Gerber.

Madam Chair, members of the board, I'm David Cervantes, director of financial administration. And as you know, it's usually about this time of the year that we approach the board about presenting our latest draft of the upcoming budget -- internal operating budget for the agency and also the housing finance budget.

And I just want to take a few moments. If I could call your attention to tab 8a and begin there. What I'd like to do this afternoon is just simply walk you through probably items 1 through 7, pages 1 through 7 just very briefly.

And again, the purpose of our being here today is to seek your input, get some feedback, see if there's anything that you would like us to consider as we compile the upcoming draft and the upcoming budget for 2007.

So if I may begin. On page 1, there's a schedule that's a comparison by division. If you look at the left-hand margin of this particular schedule, you'll find the divisions that make up TDHCA at this time. They are the housing programs division, the executive administration division, and the agency administration components.

If you look kind of -- about three-quarters down the schedule, you'll see a total. That indicates the total for the department. And as you can see, we're comparing last year's to this year. And as Mr. Gerber just noted, last year's was running at about 21.9. This one in its current draft is about $21.5 million, which is about 1.7 percent less or about $369,000 under where we were a year ago.

As you look at the far right hand, we give you also just information regarding our full-time equivalents. And we currently have funded 229 positions. And as you can see, there are no variances. So pretty much the personnel and the FTEs remain pretty much in line with where they were a year ago.

The bottom portion of this particular schedule speaks of the method of finance. And along those lines, once again, we have $21.5 million for this upcoming year that we have budgeted.

And this bottom portion of this comparison by division kind of works hand in hand with the chart that you see on the next page, which is page 2. And this kind of gives you an idea, just based on the graph here, where we get our money to basically operate the agency.

And as you can see, we have about $11.3 million in appropriated receipts. We have about 83,000 that comes from an interagency contract that we have with the office of rural community affairs. We have earned federal funds to the tune of about 997,000.

We have general revenue. This is our state funding which -- that we use to support the agency at about 941,000. And then finally -- the federal funds that we get that make it into the department that we use to administer about $7.7 million. So all in all, that makes up about $21.1 million that we use.

There is one additional piece to the method of finance. And if you look at the bottom right, you'll notice that there also is a manufactured housing support component. We do have a memorandum of understanding with the manufactured housing division to provide them support.

And as you can see for 2007 -- at the far bottom right, you can see that we're anticipating about 488,000 coming from the manufactured housing division to provide them support. On --

MR. CONINE: Quick question on that before you move.

MR. CERVANTES: Sure. Yes, sir.

MR. CONINE: What's the expense associated with that? Is it -- I don't -- because I don't see a line item on the expense side.

MR. CERVANTES: On the expense side. I don't have a specific right offhand, but what I can tell you is that when we take a look at the overall budget, you know, we had about 21.9 built in a year ago. We're expecting to be running at about 19.3 for the year.

So I can't give you the breakdown specifically for manufactured housing, but that certainly is something that we can provide you at our next meeting --

MR. CONINE: Okay. Thank you.

MR. CERVANTES: -- if it would be helpful. Okay.

MS. ANDERSON: And if -- then I have another request for the --

MR. CERVANTES: Sure.

MS. ANDERSON: -- next meeting. If we are projecting -- well, first, if the -- when this comes back to us --

MR. CERVANTES: Yes, ma'am.

MS. ANDERSON: -- I would like included in the packet a year -- an actual year to date -- so that probably will be through June -- so we'll be able to see what the actual year to date -- and your best projection on what we'll spend in July and August, so we will see whether we'll finish the year at that -- whether you're estimating we're going to finish the year at approximately 19.3 or --

MR. CERVANTES: Okay.

MS. ANDERSON: -- wherever you think we're going to finish the year.

MR. CERVANTES: Okay.

MS. ANDERSON: And then my question for you is, although 21.5 is a 1.7 percent reduction from last year's budget of 21.9, it is an increase over where you're planning to actually -- where you think you're going to finish the year this year.

So I think we ought to look at where -- and I'm not saying you have to budget, you know, down to the penny and, you know, you don't, you know, have to rub the eagle off the quarter and get it that tight. But if we think we're going to finish the year at 19.3, then I'd like a little more insight in why you propose a budget of 21.6 for next year.

MR. CERVANTES: 21.6. I can give you just a little bit of background as to what I think is going on.

MS. ANDERSON: It would be helpful in the packet to have it in writing --

MR. CERVANTES: Okay.

MS. ANDERSON: -- and let's just see how much of it's related to the 3 percent growth in salaries and other sort of major categories that make up that growth -- from how you expect we'll finish this year --

MR. CERVANTES: Right.

MS. ANDERSON: -- to what you want to budget for next year.

MR. CERVANTES: We certainly will include --

MS. ANDERSON: We need some management information in this package.

MR. CERVANTES: Okay. We can do that. I will say this, that this particular draft -- what's been taking place over the last two years is -- as you well know, we've had -- you know, we've had the 4 percent cost of living increase that took place a year ago. We have the 3 percent that will take effect September 1.

To counter that, keep in mind that we also have the rentals and leases. Because as we moved into our state-owned office space -- that's kind of been going counter. It's been going the other way. Okay. So --

MS. ANDERSON: It would just be helpful to see those offsets on a -- to the difference in the 19.3 and the 21.5.

MR. CERVANTES: Okay. No problem. We can certainly do that.

MS. ANDERSON: It just gives us some context to evaluate these numbers.

MR. CERVANTES: No problem. We can do that.

Any other questions before I turn to the following schedules?

(No response.)

MR. CERVANTES: Okay. Page 3. Once again, this one gives you a little bit of information. It's a comparison by expense object here. It wants, again -- this particular schedule -- as you can see, the line items are the key to this particular schedule, because this points out exactly on -- where we have the funds budgeted, how they will be used by cost category, and it also points out some variances.

And as I've noted, we've had kind of two things kind of going counter, you know, the increases that we built in but yet savings that we're starting to see take effect as we move forward into these upcoming years.

Once again, a reference at the bottom of this schedule to the methods of finance. And that's the gist of this particular schedule.

As we move down to page 4 -- I already mentioned the full-time equivalents. And as you can see, this schedule is just a schedule to -- just to give you an idea of where the equivalents exist within our organization.

The main point of this schedule, as you work your way down, is that we fund 229, but at the very bottom, you'll also note that 64 are within the manufactured housing division. And then we also have five that we are asked to put in reserve for a monitoring and data systems contractor that we work with to do inspections out of our PMC division.

And that takes us to our cap, which again -- as we're working on the LAR, we currently are capped at 298 FTEs. And so this schedule is just pointing out just again the reconciliation moving us back to the 298.

Items 5 -- item number -- or on page 5, what we point out here is another schedule related to out-of-state travel. And this particular schedule -- the main emphasis here is we also have a cap related to our out-of-state funding and how much we use for out-of-state travel.

If you look at the total here, you'll see that we have 100,315. That is the cap for the agency at this time. And this is -- in its current draft, this is the allocation of the funding and how it would be used throughout the agency to travel out of state.

Okay. And then item -- pages 6 and 7 relate to our capital budget. And I think these are straightforward in the sense that we have $500,000 budgeted for our capital budget. And it involves two lines, our professional fees line and capital outlay.

The professional fees. We have two projects that we're undertaking, and that is a PeopleSoft project and a community services energy assistance contract system that we're currently working on. And the professional fees are for us to bring in contractors to just help us do some code work to put these systems in place and implement these systems.

The capital outlay relates to pretty much what they call our normal growth. And that's just -- you know, as we take inventory of the hardware and software that we have at the agency -- we currently got approved for $200,000 to use for our normal growth throughout the agency.

The last page. It just reemphasizes that in terms of our projects and our normal growth there -- of the $500,000 for this upcoming year.

The rest of this packet is there for your information. It is a breakdown of the different divisions of the agency and the sections within it, just for your reference. And that's all I have in relation to the internal operating budget. I'd be happy to take any questions that you may have on item 8a.

Okay. If not, I'll move over to item 8b. And under that tab, as Mr. Gerber mentioned, under Government Code 2306, we're required to also take inventory and prepare and get certification on the housing finance budget.

And this budget is pretty much compiled to give the agency and the board a picture of the housing finance activities and those funded by the fees collected through the housing finance channels.

In this particular case, the schedule is arranged by the divisions of the agency at the top. And this particular budget just is currently drafted at about $11.3 million for 2007. And I'd be happy to take any questions on this particular item.

MR. CONINE: What's the -- I guess the historical guess -- because this is just 2007.

MR. CERVANTES: Yes, sir.

MR. CONINE: But what was the anticipated receipt from the $5,000 per bond deal market research fund that we didn't get appropriated out of the budget? How much -- like in '06, did that --

MR. CERVANTES: How much did we place in there?

MR. CONINE: -- amount to? Yes.

MR. CERVANTES: I don't have an amount in terms of --

MR. CONINE: Or I guess we get 4,000 of it, I think, instead of --

MR. CERVANTES: Yes. I know that at least through the LAR, the estimate had been at about 400,000.

Okay. That was at least the estimation. I don't know --

MR. CONINE: So are those budgeted in the bond -- these are just bond administration fees. They're not the market research fees that --

MR. CERVANTES: These do not include the research fees, but they do include the bond admin fees, the --

MR. CONINE: Right.

MR. CERVANTES: -- the compliance fees, fees that were generated through our tax-credit efforts. Those are some of the avenues that we use. We also have, you know, the -- for example, the contract that we have with FDIC. In fact, MDSI -- we also generate some income through that. And those are the fees that are playing out in this particular --

MR. CONINE: Did we budget the research fees in '06, or did we leave it off knowing that it didn't get appropriated?

MR. CERVANTES: Well, I think our first draft had the admin fees.

MR. CONINE: Right.

MR. CERVANTES: And as we got later in the process, it was determined that we may not have the budget authority to be able to bring those into the agency.

MR. CONINE: Right.

MR. CERVANTES: And therefore, we extracted those. And --

MR. CONINE: Okay.

MR. CERVANTES: -- then we placed some -- just some internal funding for the market studies -- I think it was to the tune of 50,000, if I'm not mistaken.

MR. CONINE: Okay. Thank you.

MR. CERVANTES: Any other questions?

(No response.)

MR. CERVANTES: Okay. Thank you very much.

MS. ANDERSON: Thank you, Mr. Cervantes.

Item 9. Mr. Gerber.

MR. GERBER: Thank you, Madam Chair. Item 9 is -- 9a is dealing with the state of Texas action plan for community-development block-grant funding for disaster assistance under -- for Hurricane Rita.

As you know, the department has been asked by the governor's office to take lead responsibility -- this board has been asked to take lead responsibility for the distribution of $74.5 million of USDA funding for housing, infrastructure, public service, public facility, and business needs in a 29-county area directly impacted by Hurricane Rita.

The action plan was approved by HUD, and the department last Monday signed a grant agreement with HUD that makes it now possible for the state of Texas to draw down these dollars. On Friday -- Friday was the deadline for the four regional councils of government to submit their applications to TDHCA, as well as to --

And we are working in conjunction with the office of rural community affairs, which is taking lead responsibility for the infrastructure piece, the public-infrastructure piece, of this CDBG puzzle, to review -- we're working collectively to review those applications.

And we will have them ready to present to you at the July 12 board meeting for your approval, but wanted to confirm for you that those have been received.

And we are in the process of making sure that all of the costs that the COGs are requesting be covered with these dollars -- that they are either, a, reimbursable, and certainly most importantly, tied directly to meeting those unmet -- critical unmet needs in the regions.

Bill, did you want to -- Mr. Dally, did you want to add anything to that?

MR. DALLY: I think it's a good summation. So I'm here to answer any questions you may have. Just to point out, since we just had the budget, this draft budget that you received over a week ago did not have the CDBG positions necessarily in that. And so that still needs to be done.

And there may be a couple other FTE changes that will have to happen in the final operating budget as we come forward on July l2. We will also be bringing a memorandum of understanding and an administrative budget related to these CDBG funds that will be both an element for the department and one for ORCA too. So that will be coming with the next board meeting.

I did get some verbal input. We had staff looking over those four COG applications, and the initial read is very good, so --

And the other thing I would add is I expect that each and every member of those COGs will be here to both speak on their application and talk about their area and their needs. And having been out there, you know, I certainly encouraged them to come before you and to explain what their process has been and what they plan to do with those funds. Are there any questions?

MS. ANDERSON: Thank you very much.

MR. CONINE: I'm speechless.

MS. ANDERSON: We're certainly looking forward to seeing those.

That is the last item on the agenda. And I am advised there is no reason for an executive session -- oh, except for the executive director's report. Thank you. Sorry.

MR. GERBER: I think we've covered it. The only thing I would just add is that there -- this -- we are expecting supplemental CDBG funding assistance. The Congress has approved and the Senate and the president has signed legislation that would give -- make Texas eligible, along with three other states, for $1 billion.

And we're -- we've been advised by Secretary Jackson and HUD that we will need to work to submit additional information to HUD to basically make our case as to why an additional allocation of dollars is needed by Texas. And we are going to begin that process once we get clarification of exactly what they're looking for.

But we have been assured that Texas will receive a very healthy portion of that $1 billion. And we'll be working to make sure that Washington understands our case.

MS. ANDERSON: Thank you very much in advance for going to work on that on behalf of the people of East Texas.

There is no other official business to come before this board. I'd entertain a motion to adjourn.

MR. SALINAS: So move.

MS. ANDERSON: We stand adjourned.

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

C E R T I F I C A T E

MEETING OF: TDHCA Board

LOCATION: Austin, Texas

DATE: June 26, 2006

I do hereby certify that the foregoing pages, numbers 1 through 152, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Sunny L. Peer before the Texas Department of Housing & Community Affairs.

7/05/2006
(Transcriber) (Date)

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