TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2007 STATE OF TEXAS
CONSOLIDATED PUBLIC HEARING

El Paso City Council Chambers
2 Civic Center Plaza
El Paso, Texas

September 24, 2007
6:00 p.m.

PRESIDING: BRENDA HULL

ALSO PRESENT:

DAVID BROWN, ORCA
SANDY GARCIA, TDHCA
TOM GOURIS, TDHCA
ROBBYE MEYER, TDHCA

A G E N D A

P R O C E E D I N G S

MS. HULL: Good evening, everybody. Welcome to the 2007 State of Texas Consolidated Public Hearing in El Paso. These hearings are an opportunity to comment on a significant portion of the Texas Department of Housing and Community Affairs, Office of Rural Community Affairs, and Texas Department of State Health Services annual policy rule and planning documents.

If you haven't already done so, please take this opportunity to silence all your communication devices, and for anyone interested in speaking, we need you to fill out a witness affirmation form. They're located outside on the table.

Also, as you speak, please provide your name and tell us who you represent. And as a reminder, we're here to accept public comment, and we won't be answering any questions about the rules that are out for public comment.

The comment period is September 10 through October 10 for all documents, with the exception of the HOME Program rule and the accessibility requirements rule. The comment period for those rules are September 24 through October 29.

Written comment is encouraged, and it may be provided at anytime during the public comment period. You can send your comments to the rules to an e-mail address: 2008rulecomments@tdhca.state.tx.us or by mail to TDHCA, 2008 Rule Comments, PO Box 13941, Austin, Texas 78711-3941. You can also fax it to 512-475-3978.

Any written comments on the one-year action plan, regional allocation formula, or affordable housing need score should be sent to Brenda.Hull@tdhca.state.tx.us or the same mailing address, to Brenda Hull.

The first document that we're going to accept public comment for is the 2007 [sic] State of Texas Consolidated Plan One-Year Action Plan. TDHCA, ORCA, and the Department of State Health Services, we've prepared this 2008 State of Texas Consolidated Plan One-Year Action Plan according to the U.S. Department of Housing and Urban Development's reporting guidelines.

This plan reports on the intended use of funds received by the State of Texas from the U.S. Department of Housing and Urban Development for the program year 2008. The plan illustrates the State's strategies in addressing the priority needs and specific goals and objectives identified in the 2005-2009 State of Texas Consolidated Plan.

The plan covers the State's administration of the Community Development Block Grant program, the Emergency Shelter Grants program, the HOME Investment Partnership program, and the Housing Opportunities for Persons with AIDS program.

And from the Office of Rural Community Affairs we have David Brown.

MR. BROWN: Good evening. My name is David Brown. I'm from the Office of Rural Community Affairs. I'll be making just a couple of brief comments on the 2008 Action Plan.

Like was previously mentioned, I won't be answering any questions, but I will be taking your public comment today, and obtaining contact information so that any questions that you might have can be responded to.

Because the 2008 fiscal year is the second year of a two-year biennial selection process for the Community Development Fund, Community Development Supplemental Fund, and Colonia Construction Fund, no changes were made to these or other smaller beneficial biennial fund categories.

However, there are some noted proposed changes that could be coming in the works. The Microenterprise Loan Fund proposes a few adjustments to the scoring factors and semiannual competition.

The Small Business Loan Fund proposes a few adjustments to the scoring factors. The STEP program proposes a few refinements to the scoring factors, and the Renewable Energy Demonstration Pilot Program proposes a renewable energy pilot program funded through deobligated funds and program income.

I also need to note that currently we're also proposing to the executive committee a revision in the 2008 action plan related to HUD funding on the RRC process. This proposed revision will be covered in the 2009 action plan public hearings and any consolidated plan hearings.

If you have any further questions, please contact me. I'll be glad to take your question and get back to you with an answer. Thank you.

MS. HULL: Now, I don't have any witness affirmation forms for the CDBG program. Is there anybody who would like to speak?

(No response.)

MS. HULL: The next program covered by the One-Year Action Plan is the HOME Investment Partnerships Program, and we have Sandy Garcia.

MS. GARCIA: Hello. I'm Sandy Garcia with the Department of Housing and Community Affairs HOME Division, and the HOME Investment Partnership Program referred to as the HOME program awards funding to various entities for the purpose of providing safe, decent, affordable housing across the state of Texas.

The provide this type of support to the communities, HUD awards the department approximately $41 million dollars per year. Under the HOME program awards -- under the HOME program, TDHCA awards funds to applicants for the administration of the following activities: homebuyer assistance, which provides down payment, closing cost assistance for up to $10,000 for eligible households; contract-for-deed conversion, which is categorized under the homebuyer assistance program to convert single-family contract-for-deeds into warranty deeds, and it also provides funds for the rehabilitation and reconstruction of the unit to bring that unit up to standards.

Under the Owner-Occupied Housing Assistance Program, it provides funds for eligible homeowners for the rehabilitation or reconstruction of the single-family home. Under the Tenant-Based Rental Assistance Program, it provides rental subsidies for up to 24 months.

Also under the HOME program is the Rental Housing Development Program, which provides funds to build, acquire and/or rehabilitate affordable multifamily housing.

This activity also includes the Community Housing Development Organization set-aside, which is 50 percent of the HOME allocation.

MS. HULL: I do not have any witness affirmation forms for the HOME program. Is there anybody who would like to give public comment on the HOME program?

(No response.)

MS. HULL: The Housing Opportunities for Persons with AIDS Program is also covered under the One-Year Action Plan. The Texas Department of State Health Services addresses the housing needs of people with HIV and AIDS through the HOPWA program and provides emergency housing assistance in the form of short-term rent, mortgage, and utility payments to prevent homelessness; tenant-based rental assistance, which enables low-income individuals to pay rent and utilities; supportive services, which provides case management, basic telephone assistance, and smoke detectors; and permanent housing placement.

If you have any questions regard HOPWA, you can contact the Department of State Health Services, 512-533-3000.

The next item that is up for public comment is the Regional Allocation Formula. TDHCA is legislatively required to use a formula to regionally allocate its HOME, Housing Tax Credit, and Housing Trust Fund Program funding.

The resulting formula measure the affordable housing need and available resources in the 13 uniform state service regions across the state. The formula also allocates funding to urban and rural areas within each region.

The formula is updated annually to reflect current demographic and other resource-available data and also response to public comment.

I do have one witness affirmation form for the Regional Allocation Formula: Bobby Bowling.

MR. BOWLING: Thank you. And thank you for coming to El Paso; we appreciate you all coming to take public comment.

Mine is more -- and I understand there's not going to be any dialog back and forth, and I'll provide my comments in writing, but the thing that I wanted to draw attention to most while you all are here is I'm confused as to the $500,000 ceiling for rural set-asides in each of the 13 regions around the state.

The way that I understood the statute and the way that I understood it passed from the legislature was it was put at the end of the Regional Allocation Formula statute, which was after all the need-based criterion and poverty-based criterion are met, if you don't come to a number of $500,000, then that should be the ceiling for each region.

But when I look on the website, I'm confused as to like Table 1 in Appendix A, where it seems like you have started with a $500,000 floor and then, with the proposed rule, have added need-based multipliers into the rural set-asides.

I highlighted eight different regions that I believe should be a $500,000 funding amount from the regions, and when you go to the Table 9, I believe it is -- I'm sorry -- Table 10, when it shows if you have those eight areas with $500,000 in this spreadsheet, you still get to the 22.6 percent of the State's funding amount going to rural, which was the other criterion passed by the legislature, the 20 percent -- minimum of 20 percent of the State's housing tax credit money, for example, should go to rural projects.

So I'm a little confused. Again, I'll be addressing that in written comments, but, you know, if anybody would be willing to shed some light on my misunderstanding, I think that would be great; otherwise maybe I can get some feedback from somebody after this public hearing.

MS. HULL: Thank you.

MR. BOWLING: Thank you.

MS. HULL: The next item up for public comment is the Affordable Housing Need Score. It's the scoring criteria used to evaluate HOME, Housing Tax Credit, and Trust Fund applications. It's not specifically legislated by the State, but it helps address need-based funding allocation requirements by responding to the Section 42 requirement that the selection criteria used awarding the housing tax credit funding must include housing needs characteristics, and also the State Auditor's Office and sunset findings that call for the use of objective need-based criteria to award TDHCA's funding amounts.

I have no public -- witness affirmation forms for the Affordable Housing Need Score. Is there anybody who'd like to comment on this?

(No response.)

MS. HULL: The next item up for public comment is the Housing Tax Credit Qualified Allocation Plan and rules, and we have Robbye Meyer, from the multifamily program staff.

MS. MEYER: Robbye Meyer, director of Multifamily Finance. The Qualified Allocation Plan document establishes the rules for the 2008 Housing Tax Credit Program, and this program uses federal tax credits to finance the development of high-quality rental housing for income-eligible households and is available statewide.

Do we have any --

MS. HULL: We do have one person signed up to speak: Bobby Bowling. I'm sorry; there's two people. Bobby Bowling first.

MR. BOWLING: I have more comments that I'll put in writing also, Ms. Meyer, but I think just generally I wanted to say I appreciate that you have limited the amount of changes from one year to the next in the QAP; I think it's so much easier for us to deal with as developers, when we don't have to go -- undergo some massive changes that we have to relearn all over again from year to year.

The only thing -- and, again, I've only looked at this since Friday and over the weekend, but on the selection criteria items -- and they're new numbers, but 17, 18, and 19, the new numbers, all three of those items last year were eligible for seven points, and they've been changed to six points.

And I'm just a little, again, confused as to why that happened. I thought the legislative mandate kind of ceiling for non-legislatively mandated items was eight points, so I thought seven was good for all three of those items.

One of them I'm not even eligible for, but I just -- you know, I was going to put that comment in writing, and maybe I could talk to you afterwards.

MS. MEYER: Sure.

MR. BOWLING: But by and large I just -- I want to applaud that, again, there's not a whole lot of changes; I think it's a good QAP. It's fair and objective, and that's all we can ask for, as private developers, of our state agency. So thank you.

MS. HULL: The next witness is Bill Lilly.

MR. LILLY: Good evening. Bill Lilly. I'm with the City of El Paso, Department of Community Development. My comments really aren't very specific on this particular QAP, but I'd just like to make some comments about how we go forward in the future.

I'm going to talk about some of the things that are happening currently in El Paso, which, again, I don't think you had new information; therefore, it was not able to be reflected in this QAP, but I do think it will have a significant impact in the future.

El Paso, as you know, was awarded, as a part of a base realignment, 20,000 new troops that will be coming to El Paso over the next five years. In fact now they're talking possibly about 30,000 troops. That does not include the family members.

That's potentially another 50- to 60,000 individuals who are going to be moving to El Paso. We actually had an analysis that was done that indicated that most of those new troops that are coming in, they can't afford the rents currently in El Paso. But I think what that's going to do is have a -- put what I call downward pressure on the housing market in El Paso.

I think the property owners will become aware that individuals are coming to El Paso who can't afford the rents, and we're going to see those rents increase [sic], but I think that's going to have a devastating impact on our existing low-, moderate-income families, and it's going to have a severe -- cause a severe shortage, in my opinion, of affordable housing.

I will be making some written comments on that in terms of how we go forward in the future, because I do think that's going to have a huge impact on affordability in El Paso in the next several years.

I'd just like to mention something else. I've been in El Paso for a little more than a year, and looking at the QAP I really didn't see a lot of set-asides. In a couple of the states I've been in before, one of the things that we're currently doing, or working on, or targeting very distressed neighborhoods, doing neighborhood revitalization strategy areas, neighborhood revitalization areas, and I do think it will be appropriate for communities that have approved revitalization strategy areas whereby they are targeting funding, addressing items such as crime, education, things of that nature, that funds be set aside for housing, because housing is in fact one of the items or elements that assist in revitalizing distressed neighborhoods.

So with those very general comments, and I'll put something in writing. Thank you.

MS. MEYER: Thank you.

MS. HULL: The next item up for public comment is the Bond Program rules.

MS. MEYER: The Multifamily Bond Program rules establish the rules for the TDHCA 2008 Multifamily Bond program, and this program issues tax-exempt and taxable bonds to fund loans to nonprofit and for-profit developers.

MS. HULL: I do not have any witness affirmation forms for the Multifamily Bond Program rules.

Anybody like to speak on that item?

(No response.)

MS. HULL: The next item up for public comment is the TDHCA HOME Program rule.

MS. GARCIA: The HOME Program rule this year -- for 2008 was significantly updated, and we welcome any comments regarding the new rule.

MS. HULL: I did not receive any witness affirmation forms for the HOME rule either, surprisingly.

The next item up for comment are the Housing Trust Fund Program rules.

Sandy Garcia.

MS. GARCIA: This document establishes the 2008 rules for the Housing Trust Fund, which is the only state-funded housing program. It's available statewide and currently finances 3 million per year for the Texas Bootstrap Loan Program for low-income families.

The proposed changes maintain the flexibility of the program and streamline processes to ensure the policies are consistent with other department programs.

MS. HULL: I have one witness affirmation form from Mr. Bill Lilly.

Would you like to speak to the Housing Trust Fund rules?

MR. LILLY: Again, Bill Lilly, Community Development. Again, as I indicate, I really have not had any experience with the Texas Housing Trust Fund, but from what I understand -- I know it's limited in funding, 100-and-some-odd thousand dollars committed for Region 13, but it's my understanding that the experience has been that it really has not been accessible inside of the urban area.

One of the things I would like to comment is that I think there are pressing housing needs in the City of El Paso; we would really like to work with our existing funds, attempting to leverage -- because there is a tremendous need, so -- and, again, I know these funds are increasing, so, again, we'd like to identify opportunities to work with the State of Texas on Housing Trust Fund to make housing opportunities available for residents in the state. Thank you.

MS. HULL: The next item up for public comment is the Texas First-Time Homebuyer Program Rules.

These rules utilize -- the program utilizes funding from tax-exempt and taxable mortgage revenue bonds. The program offers 30-year fixed-rate mortgage financing at below-market rates for very-low-, low-, and moderate-income residents purchasing their first home, for residents who have not owned a home in the preceding three years.

Qualified applicants access funds by contacting any participating lender, who is then responsible for the loan application process and loan approval.

Would anybody like to comment on the Texas First-Time Homebuyer Program Rules?

(No response.)

MS. HULL: The Compliance Monitoring, Accessibility Requirements, and Administrative Penalties rules: These documents establish the policies and procedures related to TDHCA's monitoring of multifamily developments that are financed through the department.

Any public comment on the compliance rules?

(No response.)

MS. HULL: The TDHCA Underwriting, Market Analysis Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement rules and guidelines are the next item up for public comment. We have Tom Gouris, Real Estate Analysis Division.

MR. GOURIS: This document outlines the rules and guidelines related to TDHCA's evaluation of proposed affordable housing developments' financial feasibility and economic viability.

Are there any comments?

MS. HULL: I don't have any witness affirmation forms. Anybody like to comment?

Bobby Bowling?

MR. BOWLING: I didn't know we were going to have Tom here, so I just want to take the opportunity to properly suck up and tell him --

(General laughter.)

MR. GOURIS: What did you say?

MR. BOWLING: I think there were a lot of grief that I had with the underwriting rules from '06, and I sent in a lot of written comments, and I very much appreciate you took a lot of the input that I gave you and, I think, incorporated a lot of the comments and the concerns that I had, specifically in a project in Santa Rosalia, where it was so poor it was hard to reach those people.

But I applaud you for the changes that you made in the underwriting rules back then, and again, a general comment that I appreciate that there's not wholesale changes again to the underwriting rules; it makes it easier for us to follow. Thanks.

MS. HULL: The Legal Services Division Rules: The following proposed rules have been reviewed by the TDHCA Legal Services Division and are being presented for public comment.

These include the Providing Current Contact Information to the Department rule and the Asset Resolution and Enforcement rules.

Would anybody like to comment on these rules?

(No response.)

MS. HULL: Is there anybody else who would like to provide public comment on any of these items?

Yes?

MS. AUSTIN: Excuse me. Are all the rules now open for comment?

MS. HULL: Yes.

MS. AUSTIN: Great. Good evening. My name is Susan Austin. I'm with the El Paso Coalition for the Homeless. I'll finish filling that out in a moment.

I haven't gotten a chance to review all these in near the detail that I would like, and so I must admit I'm very confused about them, but there were a couple of things that I did want to comment on.

One is I understand about the at-risk pool for the QAP. I'm not sure that that's intended to include the Section 8 vouchers or the SRO SHP ten-year -- the ten-year Section 8 vouchers that are awarded under SHP, the special needs program of HUD.

If so, we would like for those to be included as ones that may be expiring and that are in need of further extension.

I have a question that arose this morning when asking about a qualified nonprofit organization -- nonprofit project, I believe. In the definitions I believe it says that that is controlling interest -- I'm sorry; I don't have my glasses -- controlling interest, material participation, and other items. And I wasn't clear whether that was supposed to be "and" or "or." So perhaps you could look at that.

The item this morning that was presented in training about the concentration of properties within a certain area, I don't know if that is included in your rules in your proposals, but one thing, it seems to me, is that -- I heard a mention that that might be coming from Houston. Houston, I understand, doesn't have zoning; that's its -- I won't say its problem, but that's its issue.

For communities that do have zoning, it would seem to me that if an area is zoned for something like this, then that ought to be the end of it, and so I don't believe we should take what -- the fact that Houston doesn't have zoning issue and make that an issue that comes around to the rest of the state.

You all aren't zoning people; you all are TDHCA, something very different.

I do think that supportive services are a very important component of a housing project, especially when you get to the -- to people that may be more financially in need, and I see that you've got points that are awarded to the supportive services. I hope you have a mechanism for determining or following up on whether people do perform those supportive services the way they say they're going to perform them.

And of course one of the things that -- we're from the El Paso Coalition for the Homeless; we're part of groups that are very much in favor of a lot of supportive services in these projects, so that you can bring homeless and very needy people out of homelessness and also avoid some of the costs on the public infrastructure for everything from emergency rooms to jails to pressures on the public systems, and that happens by getting people stabilized in housing; that takes a lot of services.

So if you all are not the mechanism for funding and ensuring that those services are provided, we need to find some entity that is the mechanism for that.

Let me just see one last comment that I had.

(Pause.)

MS. AUSTIN: I believe that's it. But we'll follow up with an e-mail. Thank you very much.

MS. HULL: Thank you.

Is there anybody else who would like to provide public comment?

(No response.)

MS. HULL: Seeing that there nobody -- nobody else would like to comment, I'm going to go ahead and conclude the meeting. Thank you very much for attending this TDHCA public hearing.

(Whereupon, at 6:30 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: State of Texas Consolidated Public Hearing

LOCATION: El Paso, Texas

DATE: September 24, 2007

I do hereby certify that the foregoing pages, numbers 1 through 24, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Stacey Harris before the Texas Department of Housing and Community Affairs.

9/28/2007
(Transcriber) (Date)

On the Record Reporting
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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2007 STATE OF TEXAS
CONSOLIDATED PUBLIC HEARING

Council Chambers
Houston City Hall Annex
901 Bagby Street
Houston, Texas

September 26, 2007
6:00 p.m.

PRESIDING: BRENDA HULL

ALSO PRESENT:

TINA LEWIS, ORCA
SANDY GARCIA, HOME Division
MIKE GERBER, TDHCA Executive Director

A G E N D A

P R O C E E D I N G S

MS. HULL: I think we'll go ahead and get started. Good evening, everyone. My name is Brenda Hull. Welcome to the 2007 State of Texas Consolidated Public Hearing in Houston.

These hearings are an opportunity to comment on a significant portion of the Texas Department of Housing and Community Affairs, Office of Rural Community Affairs, and Texas Department of State Health Services Annual Policy, Rule and Planning documents. And all documents under review are available on the TDHCA website.

If you haven't already done so, please take this opportunity to silence any communication devices, and for anyone interested in speaking, we ask that you fill out a witness affirmation form. That's located on the front table.

And as you speak, please provide your name and who you represent. And as a reminder, we're here to accept public comment on the Rules, and, we're not able to respond to questions at this time.

The public comment period is September 10 through October 10 for all documents, with the exception of the TDHCA HOME Program Rule and the Accessibilities Requirements Rule. The public comment period for the HOME

Rule and the Accessibility Requirements Rule those rules is September 24 through October 29.

Written comment is encouraged, and it may be provided at any time during the public comment period. You can send comments on the rules by e-mail to: 2008rulecomments@tdhca.state.tx.us or by mail to TDHCA, 2008 Rule Comments, PO Box 13941, Austin, Texas 78711-3941. Or you could also fax it to 512-475-3978.

Any written comments on the One-year Action Plan, Regional Allocation Formula, or Affordable Housing Needs Score can be sent to Brenda.Hull@tdhca.state.tx.us.

The first document out for public comment that we're going to discuss this evening is the 2007 [sic] State of Texas Consolidated Plan One-Year Action Plan. TDHCA, ORCA, and the Department of State Health Services, we've prepared the 2008 State of Texas Consolidated Plan One-Year Action Plan according to the U.S. Department of Housing and Urban Development's reporting guidelines.

The plan reports on the intended use of funds for the Program Year 2008, which begins February 1, 2008 and ends January 31, 2009. The plan illustrates the State's strategies in addressing the priority needs and specific goals and objectives, and the plan also covers the State's administration of the Community Development

Block Grant Program, the Emergency Shelter Grants Program, and the HOME Investment Partnership Program, as well as the Housing Opportunities for Persons with AIDS Program.

The Community Development Block Grant program, we have a member of ORCA Staff representing. Her name is Tina Lewis.

MS. LEWIS: Because Fiscal Year 2008 is the second year of the two-year biennial selection process for the Community Development Fund, Community Development Supplement Fund, and the Colonia Construction Fund, no changes were made to these, or the smaller biennial fund categories.

Micro Enterprise Loan Fund, proposes a few adjustments to the scoring factors in a semi-annual competition. The Small Business Loan Fund proposes a few adjustments to the scoring factors.

Texas Small Towns Environmental Programs STEP Process proposes a few refinements to the scoring factors. Renewable Energy Demonstration Pilot Program proposes a renewable energy pilot program funded through de-obligated funds program income; $500,000 in de-obligated funds program income will be available initially, with a maximum award of $500,000 and a minimum of $50,000.

Selection factors, (a) type of project, 15 points, (b) innovation technology methods, 10 points; (c) duplication in the other rural areas, 10 points; (d) long-term cost benefit and Texas Renewable Energy goals, 10 points; partnership collaboration, 10 points; leveraging, 10 points; location in rural areas 5 points; and that's how that's -- the 2008 Texas CBG Action Plan.

MS. HULL: Is there anybody who would like to comment on the CBG Action Plan?

(No response.)

MS. HULL: If not, we'll move on to the next item, which is the Action Plan for the HOME Investment Partnerships Program.

MS. GARCIA: Hello. I'm Sandy Garcia with the HOME Division. The HOME Investment Partnership Program, referred to as the HOME program, awards funding to various entities for the purpose of providing safe, decent, affordable housing across the State of Texas.

To provide this type of support to our -- to the communities in Texas, HUD awards an annual allocation of approximately $41 million to the Department.

Under the HOME program, there are five programs that the HOME programs awards funds to applicants who apply.

First is the Homebuyer Assistance Program, which provides down payment and closing cost assistance for up to $10,000 for eligible households; Contract-for-Deed Conversion Program, which is categorized under the Homebuyer Assistance activity provides funds to convert single-family contract-for-deeds into a warranty deed, and it also provides funds for the rehabilitation or reconstruction of the unit. There's a $2 million set-aside each year from the HOME Program.

The Owner-Occupied Housing Assistance Program provides funds for eligible homeowners for the rehabilitation or reconstruction of their single-family home.

The Tenant-Based Rental Assistance Program provides rental subsidies, which may include security deposits to eligible tenants for a period of up to 24 months.

The Rental Housing Development Program provides funds to build, acquire and/or rehabilitate affordable multifamily housing. This activity also includes the Community Housing Development Organizations, or CHDOs, which is 15 percent of the total HOME allocation set-aside.

MS. HULL: Is there anybody here that would like to speak on the HOME Action Plan?

(No response.)

MS. HULL: If not, we'll move on to the next item, which is the Housing Opportunities for Persons with AIDS Program. The Texas Department of State Health Services addresses the housing needs of people with HIV and AIDS through the HOPWA program, which provides emergency housing assistance in the form of short-term rent, mortgage, and utility payments; tenant-based rental assistance; supportive services -- and permanent housing placement.

If there's anybody -- I did not receive any witness affirmation forms for the HOPWA Program. Is there anybody here who'd like to comment on that?

(No response.)

MS. HULL: The next item up for public comment is the Regional Allocation Formula. TDHCA is legislatively required to use a formula to regionally allocate its HOME, Housing Tax Credit, and Housing Trust Fund Program funding.

The resulting formula objectively measure the affordable housing need and available resources in the 13 state service regions that use this for planning purposes. The formula allocates funding to rural and urban areas within each region.

As a dynamic measure of need, the formula is updated annually to reflect the most current demographic and available resource information. This also responds to public comment on the formula, and includes other factors as required, to better assess regional affordable housing needs.

Is there anybody who would like to comment on the Regional Allocation Formula?

(No response.)

MS. HULL: The next item up for public comment is the Affordable Housing Need Score. It's a scoring criteria used to evaluate the HOME, Housing Tax Credit, and Housing Trust Fund applications.

It's not specifically legislated by the State, however it helps to address other need-based funding requirements. The score provides a comparative assessment of each place's level of need relative to the other places within the State Service Region.

The score encourages applicants to request funding to serve communities that have a high level of need. Anybody who would like to comment on the Affordable Housing Needs Score?

MS. ZOLLINGER: I'm not sure what -- I think, I'm not sure what area we're --

MR. GERBER: Ma'am, could you come to the microphone.

MS. ZOLLINGER: Sorry. I'm not sure what area --

MR. GERBER: Wait until you get to the microphone.

MS. ZOLLINGER: Okay. I'm not sure what area, either that one or the last one, that we're trying to comment on, so --

MS. HULL: Okay. Did you submit a witness affirmation form?

MS. ZOLLINGER: We did.

MS. HULL: Did you want to comment on the Tax Credit Program?

MS. ZOLLINGER: Correct.

MS. HULL: And is it the Qualified Allocation Plan? This is the Regional Allocation Formula, which tells how many dollars go in each region. Is that what you're interested in speaking about, or --

MS. ZOLLINGER: It's kind of an application -- you know, the application program in general. The --

MS. HULL: Okay.

MS. ZOLLINGER: -- ideas towards the whole program in general. So I guess I'm not clear which part.

MS. HULL: When we get to the Qualified Allocation Plan, I'll call you up. Thank you.

MS. ZOLLINGER: Okay. Sorry.

MS. HULL: I'm sorry, it's the next thing. You could have stayed --

(Laughter.)

MS. HULL: Okay. If there's nobody that wants to comment on Affordable Housing Needs Score -- the next topic is the Housing Tax Credit Qualified Allocation Plan and Rules. This document establishes the 2008 rules for the Housing Tax Credit Program.

The Housing Tax Credit Program uses federal tax credits to finance the development of high-quality rental housing for income-eligible houses, and it's available statewide.

I have two witness affirmation forms. Kathi Zollinger?

MS. ZOLLINGER: My name is Kathi Zollinger, and I'm with Harris County MUD 71 and Bridgewater Community Association.

And I'm not going to get through this because you guys are probably going to cut me off, so I'll try not to read.

I was involved with the Elrod Place Project, I guess opposition if you will, and I came to Austin to testify. Unfortunately, since the Staff did not recommend allocation, and the hours got late we were kind of cut off and not -- the Chair kind of got to us and said that they would ask us at the end of the process to come back later at the end of the day, and -- if we still wanted to testify.

That never happened, and, you know, our -- the homeowners that came and the Association kind of went to a lot of expense. We rented a bus, and so they felt, you know, those people took days off work, which was expense to them.

So I guess what I would like to, you know, say, that they -- I just want you all to know or the Staff to know and the Board members to know that they didn't feel like they got to participate the way that they should have. Even though we won, so to speak, or they felt, you know, that they did prevail, that they didn't feel like they got to participate in the process.

And so, first of all, I'm a little nervous, so -- I appreciate you guys coming and spending your time, and coming to do this, and one thing I didn't say in the paper is, I'm not -- I know you can't answer questions, but I'm not sure if this was -- I get an email for these things, so that's how I knew, but I'm kind of sad to see there's not a lot of people here.

So I don't know if it's advertised or not, so it would be great if it was better advertised.

And, let me see, sorry.

(Pause.)

MS. ZOLLINGER: One of the big things that I would like to see happen that maybe, I don't know if this can happen, but if there's any way to streamline the application process more, I know that thing is 400 pages long.

I spent my Easter weekend reading that thing, and I don't know if you're the ones that do that, but it's an ugly document (laughs), and I know that there's -- there is a -- there was a lot of things that were concealed, and some ugly things, and I think that's why we did prevail, that were concealed from our community.

And if there's any way to streamline that thing in a better way, I know that we certainly would like to see that done.

So --

MR. GERBER: Are -- Ma'am, are you specifically talking about the tax credit application --

MS. ZOLLINGER: Correct.

MR. GERBER: -- that a developer submits to the Department?

MS. ZOLLINGER: Correct.

MR. GERBER: Okay. Just wanted to make sure I've got --

MS. ZOLLINGER: There's -- seems like there's a lot of repetitive things in there, and, that he submitted a number of times for a number of things, and some of the things that he submitted were, well. I don't know how they got through.

I -- we found them to be fraudulent. I mean, frankly, they were fraudulent. They were -- you know, they were not -- he said he was in one MUD, they were -- he was in another MUD, and the MUD that he said he was in, ended up at the end of the day that he was not in that MUD.

And so that was a big reason why they didn't annex him, and when you guys responded to me, you said that you found nothing wrong. And I still don't understand that to this day, because at the end of the day, they did not annex him. So that's one reason why the project didn't happen.

So, another thing, our community had a meeting where there were 700 people strong, and that's how interested our community was in this project. And because the other -- the public hearing was down here, you know, at the time that it was, there was maybe 30 people.

You know, it's hard for working people to get to this location. And I understand one of the other tax credit programs -- and this is all new to me this year, but I put hundreds of hours into it, and I understand they had one at Clay Road, and Highway Six.

So I don't know why they're different, and why some of them can be there and some of them have to be here, but I'd like to see or we would like to see that -- changed, so that people can, you know, can be -- where people can get to it. So the, you know, it's just, it's difficult. And we -- that's what -- the homeowners said this.

And one thing I would say, that we didn't just do this, you know, we were accused of the whole NIMBY thing, and when people come to both boards that I sit on, I want to come with a solution. I just don't want to do this, not here.

I -- when I went to that meeting and they said, you know, Tell us where. I went back home and I said, What is the solution to this? And I do have some. I'm not going to tell everything here today, but it's in here, the -- some of the solutions that I did.

And I've talked to the school district, and I've talked to Mr. Callegari, and I've talked to some other people from the Katy Economic Development Council, and we're talking about a task force.

And I actually have asked you guys to meet with me, and I never got a response. So --

MR. GERBER: Who did you ask?

MS. ZOLLINGER: I sent emails to all of the Board members.

MS. ZOLLINGER: Did you contact Staff, and ask for a meeting with the Staff?

MS. ZOLLINGER: I think they were included in that.

MR. GERBER: Okay. If -- let me ask you to write to me, and my name is Michael Gerber, and I'm the --

MS. ZOLLINGER: I think I -- you were on that --

MR. GERBER: -- Executive Director of the Department --

MS. ZOLLINGER: -- I think you were on that.

MR. GERBER: Okay. I never got that letter. But afterwards, if you would meet with me, I'd be glad to give you that information on how to reach me, and if you call my office I'd be glad to set up a meeting, either next time I'm here, or the next time you're in Austin.

Because we very much value what constituents have to say, especially in a community like Katy, where frankly, we know there's a need for affordable housing.

But we also want to work with the community to try to fit into -- and our rules can be adapted work within how a community envisions its multifamily affordable housing development going.

So I'd be delighted to meet with you.

MS. ZOLLINGER: Okay. Okay, so -- okay, I think --

MR. GERBER: And are you on the Department's listserv?

MS. ZOLLINGER: I get all of the little, whatever the things are --

MR. GERBER: You get the updates that come, about all our activities and opportunities for public comment?

MS. ZOLLINGER: Well, I got this. I don't know if that means I get everything. But --

MR. GERBER: But you get an email from the Department, a ListServ that sends you regular updates on when there are opportunities to contribute, in a public setting like this?

MS. ZOLLINGER: Whatever this was, I got. So I don't know if that means everything --

MR. GERBER: Okay. Okay.

MS. ZOLLINGER: And then, I don't know if you guys have any impact on this, but legislatively the other light bulb moment I had the other day was, on MUD boards, and I serve on one so I probably am digging a hole here, but on developer MUD boards, to have, you know, they pick, you know, it's a hand-picked thing of friendly folk.

And if, you know, two of those people were actually those type of people and three of them came from, for example, maybe a mile and a half circumference around that new district, so that it was more fair.

And this is probably way outside of your thing, but --

MR. GERBER: It is.

MS. ZOLLINGER: -- you know people in Austin, so, you know.

MR. GERBER: We'll refer you to Representative Callegari.

MS. ZOLLINGER: Yes. And she's right there, so -- it's been conveyed. But anyway, so I'm going to stop, and hopefully somebody, you guys will read this because there's a lot more in there, and thank you for coming here today.

MS. HULL: Thank you.

MR. GERBER: Sure, let me just remark to you that, you know, I think the intent of our Board was not to prevent anyone from an opportunity to speak. It was just that the Board meeting was already destined to be about eight hours long, and we knew, our Board members knew that Elrod Place, as well as some other properties, were not going to get tax credits.

And that was just very clear from the list that had been made available to the public, seven days before. And so even the folks that had come, and we want people to have an opportunity to give public comment, one of the things that I think our Board has said that's important, is that -- because they're a volunteer board as well, and, you know, they're taking time, as you are in your MUD Board, you know, they're -- it's important that, public comment where possible; which, as well-organized as it was in the case of Elrod Place, you know, that it be coordinated so that each speaker is not necessarily saying the same thing; that their comments are really value-added.

And so I think that was -- the intent was I think to try to get through a very challenging day, to distribute $42 million in tax credits, which really have a value of about $420 million, you know, and get that done in a reasonable period.

And I'm sorry that folks that, in Katy who were associated with that development, felt like they weren't heard, because we very much try to -- and I think we're the only department that, if you go to other agencies, as I know you probably have.

You know, we spend literally a couple of hours at the beginning of every Board meeting, and really listening to what neighborhoods and others, neighborhood groups and nonprofit organizations and, you know, interested folks who, you know, look after tenants and care about low-income Texans, what they have to, you know, what they have to say.

And those views are very important to our Board, we have a couple of Board members who come from, you know, from the Houston area, and Houston development is in particular a challenge, you know, it's a very different kind of development model that's challenging, you know, in comparison to other parts of the State.

So we really do value that public input. So I just, let me say I apologize, if anyone felt like they didn't have their fair share, their fair opportunity to be heard. And I'd be -- I'd welcome the chance to, you know, to listen --

MS. ZOLLINGER: Well, let me just say --

MR. GERBER: -- if that would be helpful.

MS. ZOLLINGER: -- just say one more thing and then I'll go. But the people that came, I think the perception perhaps of all of Katy is that we all have money, and we don't. And especially those people that came, you know, Bridgewater is not, or MUD 71 is not Cinco Ranch by any means.

MR. GERBER: Sure.

MS. ZOLLINGER: And so those people that took those -- that day off to come and speak, I mean, it was hard to get five people to take that day off and get up there.

So I think when -- they didn't really understand what was going on, and when that happened to them it was probably the worst five people that could have happened to. So -- not your fault, you didn't know, and I don't think that we all until later really understood that when the whole -- that it was really a dead deal.

As -- I mean it was like, we were told, Well it's on a waiting list so it really could happen. And then we kind of understood for reasons later, when we heard that they got sent back their earnest money, that it was -- so, that's kind of. Anyway, so --

MR. GERBER: Sure. Well, I'd be glad to meet with you all, and I'm sorry --

MS. ZOLLINGER: Thank you --

MR. GERBER: -- and pass it on to those folks.

MS. ZOLLINGER: -- thank you.

MS. HULL: The next witness is Gracie Espinoza.

MS. ESPINOZA: I've got a letter here, actually addressed to Mr. Gerber, but I guess it's to everybody.

It's from Representative Bill Callegari, House District 132, it's, "Thank you for providing me with the opportunity to comment on the proposed 2008 Qualified Allocation Plan and Rules for the Housing Tax Credit Program.

"I have two suggestions for the proposed Rules. Both suggestions are possible solutions to problems that I have encountered with previously proposed tax credit developments in my District.

"The current rules limit notice to, and entitle input from only State Representatives, Senators and certain county and city officials. These rules do not require that notice be provided to directors of Municipal

Utility Districts, or that district directors be given meaningful standing when providing input on their proposed development.

"I think this omission hurts areas that are not only located within -- that are not located within the corporate boundaries of a municipality, but are located within a MUD.

"I think the proposed Rules should be amended to include MUD directors among the list of officials eligible to receive notice regarding a proposed project, and to provide weighted input on that project.

"Like State representatives, senators, mayors, and county commissioners, MUD directors are elected officials. In addition, MUD directors represent smaller constituencies than city, county and state officials. This allows them to be much more in touch with the needs and interests of the communities.

"Given this close connection, I believe that they are in an excellent position to provide meaningful input with regard to a proposed housing development.

"Towards that end, I recommend that you amend the proposed Rules to facilitate the notice and involvement of MUD directors.

"The second issue relates to those neighborhood organizations eligible to provide meaningful comment on a proposed application. The proposed Rules require that only neighborhood organizations whose boundaries include the proposed development be given standing.

"This requirement excludes those organizations that may be in the surrounding areas, or even border the proposed development site.

"I believe that these neighborhoods would be just as affected by a proposed development as the one in which the project is to be located. To be sure, the placement of a multifamily development may affect the factors controlling the quality of life for communities located miles from the site.

"I recommend that the proposed Rules be amended to allow neighborhood organizations located at least two to three miles from the proposed development site, standing when providing measurable community input. I believe that this change would give other potentially affected communities a needed opportunity to provide input on a proposed development.

"Thank you for providing me with the opportunity to provide input on the proposed Rules. I would welcome the opportunity to discuss my suggestions with you in further detail. Representative Bill

Callegari."

MS. HULL: Thank you.

MS. ESPINOZA: And do you all need a copy of this?

MS. HULL: Yes. Could we have a copy of that?

MS. ESPINOZA: Yes. Who do I give it to? Oh --

MS. HULL: Thank you.

MR. GERBER: Yes. Please thank the Representative for his comments, and we would -- very much would welcome discussing them. I would just mention also, to our last speaker as well as to you, Ma'am, that one of the things that did come up at the Board meeting was the question, where in Katy has the City determined that affordable housing can go?

And where can tax credit properties appropriately be situated, because I think those who do developments, you know, in the greater Houston-Katy metropolitan area, I think would -- you know, would obviously choose to go where a community has set aside property and would like to, you know, to do -- you know, would like to fit into a community's strategy.

At the same time, it is hard, as I think we heard with -- in the case of Elrod Place, you know, when someone goes on the market, identifies property, says, This property is zoned properly for commercial or multifamily use, and they choose to build a tax credit property, and things erupt.

And so I think you heard several Board members who said, very clearly to Katy, the City of Katy, the leadership in Katy, Tell us where affordable housing can be developed in that community.

Because there are clearly people who have workforce housing needs. And so I --

MS. ZOLLINGER: If you read that thing, there's a good idea in there. On --

MS. ESPINOZA: And I think an issue in the Katy area especially is, this lack of -- as working with the State Representative, we get notification of these projects --

MR. GERBER: Sure.

MS. ESPINOZA: -- but there are a lot of people, you know, for instance Kathi's, you know, HOA are very involved in what goes on, but there are other HOAs that are not.

And so residents go without notification, and they take offense when they do find out that this happened, and it's much more of an objection to the Rules, versus --

MR. GERBER: Sure.

MS. ESPINOZA: -- to the proposed project. And they take that personally, and I think hopefully if these suggestions are, you know, taken into consideration, that would help to ease some of the tension that there is for the Katy area for low-income housing projects.

MR. GERBER: Well, I think we certainly can and should do more in terms of neighborhood notification --

MS. ESPINOZA: Uh-huh.

MR. GERBER: -- and I respect, certainly respect what you're saying, and we'll have -- and we'll take those comments to heart and give them every consideration, and continue the dialogue with the -- Representative.

It gets to the larger question though of, when you're -- you know, Houston doesn't zone. Much to the chagrin of some of our Board members. Katy does. And where is it zoned for affordable housing to go.

And that's not necessarily a State Representative issue, or a homeowner association issue. That squarely lies within the purview of your Mayor and Council.

So I guess you can go back to the question of, Mayor of Katy and City Council of Katy, where do low-income working people who benefit from the tax credit developments all across the State of Texas, go to live in Katy?

MS. ESPINOZA: Yes, and that's what you'll see is, they don't get involved, it's always State Representative and KISD. And they're not there, so it's just kind of, how do we get them involved then --

MR. GERBER: Sure.

MS. ESPINOZA: -- with this? This is a suggestion, I guess.

MR. GERBER: We welcome the homeowner associations' leadership, the MUDs Districts' leadership, and the Representative's leadership in motivating the elected Mayor and City Council members to tell --

MS. ESPINOZA: Katy, it's okay --

MR. GERBER: -- the Department specifically where they've zoned and would feel would be an appropriate place for development of low-income, workforce housing using tax credit -- using the tax credit program that every other city in the State is able to take advantage of --

MS. ESPINOZA: And that -- okay. Thank you.

MR. GERBER: Sure.

MS. HULL: Thank you. Is there anybody else who would like to comment on the Qualified Allocation Plan?

(No response.)

MS. HULL: The next topic up for discussion are the Multifamily Bond Program Rules. This document establishes the 2008 rules for the Multifamily Bond program. The program issues tax-exempt and taxable bonds to fund loans to nonprofit and for-profit developers.

Would anybody like to comment on the Multifamily Bond Rules?

(No response.)

MS. HULL: The next topic up for public comment is the TDHCA HOME Program rule.

MS. GARCIA: This year, the HOME Division significantly updated the HOME Program Rule, primarily, the restructure of the Owner-Occupied Housing Assistance Program, which defines the loan process and the general administration of the Owner-Occupied program. Are there any comments on the HOME Rule?

(No response.)

MS. GARCIA: The next item is the Housing Trust Fund Program rules. This document establishes the 2008 Rules for the Housing Trust Fund, which is the only state-funded housing program. It is available statewide and currently finances $3 million per year to the Texas Bootstrap Loan Program for low-income families.

The proposed changes maintain the flexibility of the program, and streamline processes to ensure the policies are consistent with other department programs.

Are there any comments on the Housing Trust Fund Program Rules?

(No response.)

MS. HULL: The Texas First-Time Homebuyer Program Rules. This program utilizes funding from tax-exempt and taxable mortgage revenue bonds; offers 30-year fixed-rate mortgage financing at below-market rates for very-low-, low-, and moderate-income residents purchasing their first home, or for residents who have not owned a home in the preceding three years.

Qualified applicants access funds by contacting any participating lender, who is then responsible for the loan application process.

(No response.)

MS. HULL: The next item up for public comment are the Compliance Monitoring, Accessibility Requirements, and Administrative Penalties Rules. This document establishes the policies and procedures related to TDHCA's monitoring of multifamily developments financed through the Department.

Ms. Zollinger, you had mentioned, or in the written public comment, you mentioned the Compliance Monitoring Accessibility Requirements and Administrative Penalties Rules. Is there anything you'd like to add at this time?

MS. ZOLLINGER: Maybe just one thing.

(Pause.)

MS. ZOLLINGER: Just -- if there is found to be, you know, misdeeds on the part of the developers and their applications, that there be some severe banking sanctions or whatever you want to call it, so that they don't feel that they can do that in their applications, and that maybe that will end. That's all.

MR. GERBER: And thanks for that. And I would just add that that's one of the things we really take very seriously, at the Department, and that's why applications get terminated, and why people are no longer allowed to play in certain programs, if they intentionally provide fraudulent information to the Department, for their advantage.

It happens, but you know, one of the things you've mentioned is, sort the size of the application, and, you know, I think that, you know, we certainly are trying to streamline our processes as well, to make them more readily understandable.

But they're large, complex deals; I mean, you're building major apartment complexes of, you know, 250 units, and, you know, we're talking about giving a taxpayer paid-for benefit, a federal benefit of tax credits. You know, oftentimes totaling up to, you know, to $12 million.

So there's a lot of information that comes out, and things do change in the course of the construction of a property, on the edges; they don't necessarily, you know, you know, change in the big concept, but they do change.

One of the things that these new rules do are -- is that they impose heavy penalties of, we want people to do what they say they're going to do.

And so from -- from, really from beginning to end, in this process. And, you know, we make folks certify. If they fail to, you know, if they say something that's inaccurate, you know, we, you know, we have a pretty heavy hand in terminating applications that -- where people submit wrongful information, and if they go too far, you know, we take the matter, you know, further and disqualify them from participating in our process in future years.

Once they've built the developments, if they fail to live up to their commitments to the Department, and to the taxpayers who are paying -- providing them with a benefit, to serve low-income Texans, we now have the ability, thanks to some new State -- a new State law, that allows us to impose heavy penalties, up to $1,000 a day, on property owners and managers for failing to maintain properties, to maintain proper certifications, to -- for failing to do what they said that they were going to do.

And that extends over the life of their obligation to the Department, which can be, you know, 30 years.

So it's a significant penalty that we're imposing to prevent people from doing many of the things that I think, you know, many of us are most concerned about, which is, you know, having, you know, additional dilapidated apartment properties in communities, and doing that on the backs of low-income Texans.

I would just say that, you know, our product, one of the things that speaks well to -- TDHCA's product is in fact that compliance regime.

No one else is being -- you know, you go to an apartment property, you know, you might pay -- you know, there's, you know, oftentimes not a criminal background check. T

here's oftentimes not a -- you know, an inspector that comes in, and is going to review, you know, your financial records, you know, on a yearly basis and do a desk review, and then come -- you know, and then is going to send actually send a physical inspector out to that property, to look at that property at least every three years, and more often if necessary if the property has been poorly maintained or there's some other circumstance that requires a more frequent inspection.

And so we -- you know, we're -- that just does not happen in general in the marketplace. And so we think that that speaks well of how we are trying to hold people accountable, and to make communities feel confident in the product that we're putting -- you know, putting out there to -- again, serve, you know, the workforce housing needs of the State.

MS. ZOLLINGER: But the most -- I think the most -- and I appreciate all that, and I think that's great, all that stuff's great.

But the most serious things that we brought to you that were so concrete, three separate attorneys who are not in the same firm looked at, and the one attorney that wrote the paperwork that we sent to you --

MR. GERBER: Uh-huh.

MS. ZOLLINGER: -- you sent back and said, Not even whatever, and you have no recourse. We were just like, in awe.

MR. GERBER: I sent it back to you?

MS. ZOLLINGER: That was the stuff we brought at the hearing.

MR. GERBER: Well, let's talk afterwards --

MS. ZOLLINGER: Yes.

MR. GERBER: -- but I will tell you, as you know, they -- you know, they did not get tax credits --

MS. ZOLLINGER: Yes. No, I know --

MR. GERBER: -- and they're --

MS. ZOLLINGER: -- I mean, at the end of the day, it was --

MR. GERBER: -- you know, I think a collection of things --

MS. ZOLLINGER: -- but --

MR. GERBER: -- led to them not getting tax credits.

MS. ZOLLINGER: -- no, at the end of the day, it's great. But that's why I'm here. I just, you know --

MR. GERBER: Sure.

MS. ZOLLINGER: -- the process is, you know, we thought it was important enough to come back and --

MR. GERBER: Sure. And we're --

MS. ZOLLINGER: -- we're --

MR. GERBER: -- we'd like to work --

MS. ZOLLINGER: -- but --

MR. GERBER: -- and try to improve the process, if we can. I mean, that's important to us, because we, you know, we need neighborhoods to tell us, neighbors to tell us, you know, how a property is either not -- is properly being represented and where there is, you know, where there might be opportunity for improvements on amenities or other things that they've worked on with a developer, or likewise where things are not working well.

And our Board and our Staff and I, you know, I've been guilty of doing it myself. I mean, we tell developers to go back to working with neighborhoods to try to see if they can figure out a way to work through -- work through those issues.

The ast thing the Department wants to do is put property, you know, in a community that, you know, just does not want it. Unless you're dealing with just NIMBY issues. But --

MS. ZOLLINGER: Right.

MR. GERBER: -- in general, that's not the case.

MS. ZOLLINGER: And I appreciate that.

MR. GERBER: Yes. And --

MS. ZOLLINGER: And we told the homeowners that came with those complaints, We're not -- we will not put those things before -- you know.

MR. GERBER: And I appreciate that, and we'd love to work with you, and talk, you know, afterwards about, you know, what strategies we could employ as a Department, which is outside of the Rules, but in making sure that neighborhoods are, you know, the neighborhood's views are being better handled by Staff, so that your needs are met.

MS. ZOLLINGER: Thank you.

MR. GERBER: Sure.

MS. HULL: The TDHCA Underwriting, Market Analysis Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines, outlines the rules and guidelines related to TDHCA's evaluation of proposed affordable housing developments' financial feasibility and economic viability.

Any public comment on this item?

(No response.)

MS. HULL: Under the Legal Services Division, there are two Rules that have been proposed for public comment: The Providing Current Contact Information to the Department, and the Asset Resolution and Enforcement Rules.

I haven't received any witness affirmation forms for any public comment. Is there anybody who would like to state public comment at this time?

(No response.)

MS. HULL: Is there any public comment that I have missed, that you would like to comment? Any general comments?

(No response.)

MS. HULL: Seeing as how there are no -- there's no more official public comment, I'll go ahead and conclude the meeting. Thank you for coming out. And we'll be around to answer questions.

(Whereupon, at 6:44 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: State of Texas Consolidated Public Hearing

LOCATION: Houston, Texas

DATE: September 26, 2007

I do hereby certify that the foregoing pages, numbers 1 through 39, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Leslie Berridge before the Texas Department of Housing and Community Affairs.

10/2/2007
(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2007 STATE OF TEXAS
CONSOLIDATED PUBLIC HEARING

South Plains Association of Governments
1323 58th Street
Lubbock, Texas

September 28, 2007
11:09 a.m.

PRESIDING: ERIC CLENNON

ALSO PRESENT:

JODI CONTRERAS, TDHCA
SKIP BEAIRD, TDHCA

P R O C E E D I N G S

MR. CLENNON: Good evening, everybody. Welcome to the 2007 State of Texas Consolidated Public Hearing in Lubbock. These hearings are an opportunity to comment on a significant portion of the Texas Department of Housing and Community Affairs, Office of Rural Community Affairs, and the Texas Department of State Health Services annual policy rule and planning documents.

Is there anybody who would like to give public comment at this hearing?

(No response.)

MR. CLENNON: Seeing there is none, this meeting is concluded.

(Whereupon, at 11:09 a.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: State of Texas Consolidated Public Hearing

LOCATION: Lubbock, Texas

DATE: September 28, 2007

I do hereby certify that the foregoing pages, numbers 1 through 3, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Peggy Brown before the Texas Department of Housing and Community Affairs.

10/1/2007
(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2007 STATE OF TEXAS
CONSOLIDATED PUBLIC HEARING

Dallas Public Library
1515 Young Street
Dallas, Texas

October 1, 2007
10:30 a.m.

PRESIDING: BRENDA HULL

ALSO PRESENT:

WILLIAM GUDEMAN, ORCA
VERONICA CHAPA, TDHCA

A G E N D A

P R O C E E D I N G S

MS. HULL: Good morning, everyone. Welcome to the 2007 State of Texas Consolidated Public Hearing in Dallas.

These hearings are an opportunity to comment on a significant portion of the Texas Department of Housing and Community Affairs, Office of Rural Community Affairs, and Texas Department of State Health Services Annual Policy, Rule and Planning documents. All documents under review are available on the TDHCA website.

If you haven't already done so, please silence any communication devices, and for anyone interested in speaking, you'll need to fill out a witness affirmation form and note the topic you wish to discuss. They are located over here on the front table.

Also as you speak, please provide your name and who you represent. As a reminder, we're here to accept public comment, and we will not be able to respond to any questions at this time.

The comment period is September 10 through October 10 for all documents, with the exception of the TDHCA HOME Program Rule and the Accessibilities Requirements Rule.

The public comment periods for the HOME Rule and the Accessibility Requirements Rule is September 24 through October 29.

Written comment is encouraged, and may be provided at any time during the public comment period. You can send comments on the rules by e-mail to: 2008rulecomments@tdhca.state.tx.us or by mail to TDHCA, 2008 Rule Comments, PO Box 13941, Austin, Texas 78711-3941. You can also fax your comments to 512-475-3978.

The first document up for public comment that we're going to discuss this evening is the 2007 [sic] State of Texas Consolidated Plan One-Year Action Plan.

TDHCA, ORCA, and the Department of State Health Services, we've prepared the 2008 State of Texas Consolidated Plan One-Year Action Plan according to the U.S. Department of Housing and Urban Development's reporting guidelines.

The plan reports on the intended use of funds received from the State of Texas for Program Year 2008, which begins February 1, 2008 and ends January 31, 2009.

The plan illustrates the State's strategies in addressing the priority needs and specific goals and objectives identified in the 2005 to 2009 State of Texas Consolidated Plan. The plan covers the State's administration of the Community Development Block Grant

Program, the Emergency Shelter Grants Program, the HOME Investment Partnership Program, and the Housing Opportunities for Persons with AIDS Program.

And from the Office of Rural Community Affairs, we have Will Gudeman.

MR. GUDEMAN: Good morning, my name is Will Gudeman, Office of Rural Community Affairs.

Because Fiscal Year 2008 is the second year of our two-year biennial selection process for the Community Development Fund, and the Community Development Supplemental Fund, these -- there will be no changes made to the '08 action plan.

However, for the Micro Enterprise Loan Fund, Small Business Loan Fund and the STEP program, there will be small changes in the scoring factors.

Also new will be -- is the Renewable Energy Demonstration Pilot Program, that proposes a renewable energy pilot program funded through de-obligated funds and program income; these will be a maximum award of $500,000 and a minimum award of $50,000.

The selection factors include the type of the project, 15 points, innovation technology or methods, duplication in the other rural areas, long-term cost benefit, and Texas -- Renewable Energy goals; partnership and collaboration; leveraging; and location in rural areas.

MS. HULL: For the HOME Investment Partnership, we have Veronica Chapa.

MS. CHAPA: The HOME Investment Partnerships Program, referred to as the HOME program, awards funding to various entities for the purpose of providing safe, decent, and affordable housing across the State of Texas.

To provide this kind of support to communities, HUD awards an annual allocation of approximately $41 million to the TDHCA. Under the HOME program, TDHCA awards funds to applicants for the administration of:

Homebuyer Assistance Program, which provides down payment and closing cost assistance for up to $10,000 to eligible households;

Contract-for-Deed Conversion Program, which is categorized under the Homebuyer Assistance activity. This provides funding to convert single-family contract-for-deed into a warranty deed, and also provides funds for the rehabilitation or reconstruction of the unit; $2 million set aside each year from the HOME Program from the annual allocation;

Three, the Owner-Occupied Housing Assistance Program, provides funds to eligible homeowners for the rehabilitation or the reconstruction of single-family homes;

Four is, the Tenant-Based Rental Assistance Program, which provides rental subsidies, which may include security deposits to eligible tenants for a period of up to 24 months;

And Five, Rental Housing Development Programs, which provides funds to build, acquire and/or rehabilitate affordable multifamily housing. This activity also includes the Community Housing Development Organization, or CHDO, set-aside, which is 15 percent of the total HOME allocation.

Are there any comments on the HOME Action Plan at this time?

(No response.)

MS. HULL: The Housing Opportunities for Persons with AIDS Program is administered by the Texas Department of State Health Services and addresses the housing needs of people with HIV-AIDS through the HOPWA program.

And it provides emergency housing assistance in the form of short-term rent, mortgage, and utility payments to prevent homelessness; tenant-based rental assistance; supportive services; basic telephone assistance and smoke detectors; and permanent housing placement.

If you have any questions regarding the HOPWA Program you can contact DSHS at 512-533-3000.

Are there any comments on the Consolidated Plan, One-Year Action Plan?

(No response.)

MS. HULL: The next item up for public comment is the Regional Allocation Formula. TDHCA is legislatively required to provide a formula to regionally allocate its HOME, Housing Tax Credit, and Housing Trust Fund Program funding.

The resulting formula objectively measures the affordable housing need and available resources in the 13 state service regions. Additionally, the formula allocates funding to rural and urban areas within each region.

As a dynamic measure of need, the formula is updated annually.

Are there any comments on this, the Regional Allocation Formula?

(No response.)

MS. HULL: The Affordable Housing Need Score. It's a scoring criteria used to evaluate HOME, Housing Tax Credit and Housing Trust Fund applications.

While not specifically legislated by the State, the score helps address need-based funding allocation requirements. The score provides a comparative assessment of each place's level of need relative to the other places within the State Service Region.

The score encourages applicants to request funding to serve communities that have a high level of need.

Are there any comments on the Affordable Housing Needs Score?

(No response.)

MS. HULL: Next, we will go on to the Housing Program Rules. The Housing Tax Credit Qualified Allocation Plan and Rules establishes the 2008 rules for the HTC Program.

The HTC Program uses federal tax credits to finance the development of high-quality rental housing for income-eligible households, and it's available statewide.

Mr. Price? Please.

MR. PRICE: My name is Charlie Price. I'm a housing program manager for the City of Fort Worth, and I'm here on behalf of the Mayor and City Council members of the City of Fort Worth. Thanks for giving me this opportunity to give some comments about the QAP.

I'm here to address two issues here today, address two issues. First, changes in the QAP regarding point allocation for low-income housing tax credit applications. And second, possible alternative methods for allocating low-income housing tax credits involving mixed income applications, involving a majority of units being above the 60 percent of area median income.

Regarding the first issue, a majority of the new changes in the QAP are detrimental to the production of affordable housing in the City of Fort Worth, and it would be harmful to the citizens of Forth Worth, and particularly our city's low-income residents.

I would like to present some information to you about the nature and extent of our city's need for affordable housing. I'll tell you about these issues that the Fort Worth leaders believe are important for you to consider as you deliberate and when you change the QAP.

Fort Worth has a large number of households and needs. There are over 55,000 low-income house renters families in Fort Worth. At least 11,000 of these families are paying far in excess of reasonable costs for housing; 50 percent or more of their income.

Of Fort Worth's low-income renter households, at least 11 percent are elderly; 17 percent are disabled;

and 53 percent are members of minority populations.

This data is from 2000 census data and as you know, the City of Fort Worth's population has grown nearly 6 percent in the past five years. So we believe that the actual need for affordable housing -- rental housing is greater than this amount.

The persons that would be most affected by the limitations on construction of quality affordable rental housing are for the most part the vulnerable segments of our society: the disabled, the elderly, the minority families.

Data from the census also includes many of the housing units that might otherwise be affordable to families at lower incomes are occupied by households at higher incomes.

For example, there are approximately 12,000 rental housing units in Fort Worth, actually affordable to working poor families at 30 percent of median or less; but 5400 of those units are rented by households above the 30 percent level. This in effect displaces the lower income families and forces them to pay higher rent.

In Fort Worth, 60 percent of the rental housing was built before 1980, and 42 percent was built prior to 1970. Because age directly affects housing conditions, older housing will be of poorer quality than newer housing.

Older housing is more likely to be affordable and occupied by low-income families. New affordable housing constructed through the LITCH program ensures that there is at least some replacement of the supply of quality housing stock for lower-income households.

Fort Worth needs to continue to receive low-income housing tax breaks in order to keep replenishing the supply of quality affordable housing.

As we all know, interest rates and particularly mortgage interest rates are on the way back up. The ability of renters to move into these home ownerships is decreasing.

Also, the affordability of homes purchased in Fort Worth has decreased significantly in the past five years. According to data from Texas A&M Real Estate Center, average home prices in Fort Worth have gone up 27 percent, to $133,600 since 2000. Therefore, many working families that might have left rental housing are having to stay in rental housing.

For all these reasons, the City of Fort Worth strongly opposes any changes to the QAP Low-Income Housing Tax Credit Program. Our citizens need this resource to continue to meet their needs for quality affordable rental housing.

And I also have some comments on Mixed-Income Applications regarding possible alternative approaches for allocation of low-income housing tax credits.

The State's current procedures for allocation of low-income housing tax credits sometimes has unintended consequences; consequences that conflict with local jurisdictions' affordable housing needs and goals in particular.

TDHCA should be aware that many local jurisdictions would prefer mixed-income projects rather than 100 percent low-income projects.

The current application rating system used by TDHCA grants more points to projects that serve 100 percent low-income tenants, rather than projects that promote a mixed-income approach.

Therefore, 100 percent low-income projects are the norm. This is in effect a concentration of lower income populations in one area, rather than encouraging disparate distribution of low-income residents across a greater number and a wider variety of local neighborhoods. The larger the project and the greater the number of units, the more pronounced the effect.

Mixed-income housing projects are more acceptable to local communities, because low-income populations are not concentrated. We're not talking about properties that mix it for points with serving families that earn less than 50 percent of area median income.

The fact that the current point rating system used by TDHCA encourages only 100 percent low-income housing projects, makes it more difficult to utilize low-income housing tax credits, as a tool to encourage revitalization and redevelopment in central city areas.

Fort Worth is not alone in our efforts to redevelop their downtown. But develop-able real estate in downtown areas commands a premium price, as everybody knows.

Due to this high cost of real estate, it is not economically feasible to downtown developers to decide -- dedicate 100 percent of their housing projects to low-income purposes.

However, local political leadership is often very sensitive to the needs for workforce housing in the Central City.

Affordable rental units are needed for retail and restaurant workers, for office workers and for many other low-paid hourly workers working in downtown.

Local political leaders are often asked to provide incentives to developers willing to take the risk of investing in downtown and Central City areas. But they also would like to ensure that a wide spectrum of their constituents are served by this development.

The inflexibility resulting from a system that only allows for 100 percent low-income projects has a negative consequences for a local communities' ability to encourage balanced redevelopment in downtown Central City areas.

Another factor that affects local communities' building encouraged redevelopment in downtown and Central City areas is the current one-mile rule for Texas counties over one million in population.

Basically this rule does not allow us to do one project downtown, and expect to even be able to apply for another one next year without coming back to us for a lengthy type of discussion on that.

These neighborhoods are in need of reconstruction and redevelopment, and we think that rule should be basically waived for inner-city type areas.

For the reasons stated, the City of Fort Worth would like to recommend the following changes to the current for allocating low-income tax credits:

Design a raise system that achieves the following: rewards proposed mixed income projects, and allows them to point-score on an even basis with the 100 percent low-income housing projects. Thank you.

MS. HULL: Thank you. Is there anybody else who would like to comment on the QAP?

(No response.)

MS. HULL: The Multifamily Bond Program Rules establishes the 2008 rules for the Multifamily Bond program. The program issues tax-exempt and taxable bonds to fund loans to nonprofit and for-profit developers.

Is there anybody who wished to comment on the Bond Program Rules?

(No response.)

MS. HULL: The TDHCA HOME Program Rules. Veronica?

MS. CHAPA: Sure. This year, the HOME Division has significantly updated the TDHCA HOME Program Rules, with -- primarily with the restructuring for the OCC Program, defining the loan process, and general administrative changes.

We would like to welcome any comments regarding the HOME Program and Rules in general at this time. Does anyone have any comment on the HOME Program Rules?

(No response.)

MS. CHAPA: Okay, and with that I'd like to proceed to the Housing Trust Fund Program rules. This document establishes the 2008 Rules for the Housing Trust Fund, which is the only state-funded housing program. It is available statewide, and currently finances $3 million per year for the Texas Bootstrap Loan Program for low-income families.

The proposed changes maintain the flexibility of the program, and streamline current processes, to ensure that the policies are consistent with other department programs.

Are there any comments on the Housing Trust Fund Rules at this time?

(No response.)

MS. HULL: The Texas First-Time Homebuyer Program Rules. The Homebuyer Program utilizes funding from tax-exempt and taxable mortgage revenue bonds.

This program offers 30-year fixed-rate mortgage financing at below-market interest rates for very-low-, low-, and moderate-income residents purchasing their first home, or residents who have not owned a home in the preceding three years.

Qualified applicants access funds by contacting any participating lender, who is then responsible for the loan application process and the subsequent loan approval.

(No response.)

MS. HULL: The Compliance Monitoring, Accessibility Requirements, and Administrative Penalties Rules. This document establishes the policies and procedures related to the TDHCA's monitoring of multifamily developments that are financed through the Department.

(No response.)

MS. HULL: The TDHCA Underwriting, Market Analysis Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines.

This document outlines the rules and guidelines related to TDHCA's evaluation of proposed affordable housing developments' financial feasibility and economic viability.

Are there any comments for any of these Rules?

(No response.)

MS. HULL: The Legal Services Division Rules.

The following Proposed Rules have been reviewed by the TDHCA Legal Services Division, and are being presented for public comment:

This includes the Providing Current Contact Information to the Department Rule, and the Asset Resolution and Enforcement Rules.

Are there any -- is there anyone who would like to comment on these rules?

(No response.)

MS. HULL: Is there anybody who would like to provide any public comment at this time?

(No response.)

MS. HULL: Seeing as there's none, I'll go ahead and conclude the meeting today. Thank you very much for coming.

(Whereupon, at 11:47 a.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: State of Texas Consolidated Public Hearing

LOCATION: Dallas, Texas

DATE: October 1, 2007

I do hereby certify that the foregoing pages, numbers 1 through 20, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Judy Farnsworth before the Texas Department of Housing and Community Affairs.

10/3/2007
(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2007 STATE OF TEXAS
CONSOLIDATED PUBLIC HEARING

Courtroom/Council Chambers
U.S. Post Office
1001 E. Elizabeth Street
Brownsville, Texas

Wednesday,
October 3, 2007
10:58 a.m.

PRESIDING: JODI CONTRERAS, TDHCA

ALSO PRESENT:

MICHAEL GERBER, Executive Director, TDHCA
MIKE KU, ORCA

A G E N D A

P R O C E E D I N G S

MS. CONTRERAS: I am Jodi Contreras, with the Texas Department of Housing and Community Affairs. Welcome to the 2007 State of Texas Consolidated Public Hearing in Brownsville.

These hearings are an opportunity to comment on a significant portion of the Texas Department of Housing and Community Affairs, Office of Rural and Community Affairs, and Texas Department of State Health Services annual policy, rule, and planning documents.

If you have not already done so, please take this opportunity to silence any communication devices.

For anyone interested in speaking, we need you to fill out a witness affirmation form and note the topic you wish to discuss. If you haven't already completed one, they're located on the table in the back. Also, if you speak, please provide your name and who you represent. As a reminder, we are here to accept public comment and will not be able to respond to questions about the rules or documents.

The comment period is September 10 through October 10 for all documents with the exception of the TDHCA HOME program rule, and the accessibility requirements rule. The public comment period for the

TDHCA HOME program rule and accessibility requirements rule is September 24 through October 29.

Written comment is encouraged, and may be provided at any time during the public comment period. Send comments on the rules by e-mail to 2008rulecomments@tdhca.state.tx.us or by mail to TDHCA, 2008 Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941.

Any written comments on the one-year action plan, regional allocation formula, and affordable housing needs scores should be sent to brenda.hall@tdhca.state.tx.us or by mail to Brenda Hull, TDHCA, P.O. Box 13941, Austin, Texas 78711-3941, or by fax to 512-469-9606.

Planning documents, the 2007 State of Texas Consolidated Plan One-Year Action Plan. TDHCA, ORCA, and the Department of State Health Services prepare the 2008 State of Texas Consolidated Plan One Year Action Plan according to the U.S. Department of Housing and Urban Development's reporting guidelines.

This plan reports on intended use of funds received by the State of Texas from the U.S. Department of Housing and Urban Development for program year 2008, which begins on February 1, 2008 and ends on January 31, 2009.

The plan illustrates the state's strategies in addressing the priority needs and specific goals and objectives identified in the 2005 to 2009 State of Texas Consolidated Plan.

The plan covers the state administration of the Community Development Block Grant program, Emergency Shelter Grants program, the HOME Investment Partnerships program, and the Housing Opportunities for Persons with Aids program.

The Community Development Block Grant program, we have Mike Ku with ORCA.

MR. KU: I'm Mike Ku from the Office of Rural Community Affairs, ORCA. Because the 2008 is the second year of a two-year biennium selection process for the Community Development funds, and the Community Development supplemental funds, and the Colonia Construction funds, no changes were made to these, or other smaller biennium funded categories.

However, for Microenterprise Loan funds, ORCA proposes a few adjustments to the scoring factors, and on a semi-annual competition basis. For the Small Business Loan fund, ORCA proposes a few adjustments to the scoring factors.

For STEP programs ORCA proposes a few

refinements to the scoring factors. And for the Renewable Energy Demonstration pilot program, ORCA proposed a Renewable Energy pilot program funded the deobligated funds and other program incomes. The funds will be $500,00 in deobligated funds program incomes will be available initially with a maximum award of $500,000 and a minimum of $50,000.

The selection factor for the program is based on type of projects, is 15 points; innovative technology methods will be 10 points; duplication in other rural areas will be 10 points; long term costs, benefits and Texas renewable energy goals will be 10 points; partnership collaboration will be 10 points; and location in rural areas will be worth 5 points.

MS. CONTRERAS: Are there any comments on this?

(No response.)

MS. CONTRERAS: Okay. The HOME Investment Partnerships program. The HOME Investment Partnerships program, referred to as the HOME program, awards funding to various entities for the purpose of providing safe, decent, affordable housing across the state of Texas. To provide this kind of support to communities, HUD awards an annual allocation of approximately $41 million to TDHCA.

Under the HOME program, TDHCA awards funds to applicants for the administration of the following activities: Homebuyer Assistance program provides down payment and closing cost assistance up to $10,000 for eligible households.

The Contract-for-Deed Conversion program, which falls under the Homebuyer Assistance activity, provides funds to convert single-family contract-for-deed into a warranty deed, and also provides funds for the rehabilitation or reconstruction of the unit. Two million is set aside each year for the HOME program annual allocation.

Owner Occupied Housing Assistance program funds to eligible homeowners for the rehabilitation or reconstruction of single-family11 homes. The Tenant Based Rental Assistance provides rental subsidies which may include security deposits to eligible tenants for a period of up to 24 months.

The Rental Housing Development programs provides funds to build, acquire, and/or rehabilitate affordable multifamily housing. This activity also includes the Community Housing Development Organization set aside, which is 15 percent of the total HOME allocation.

Are there any comments on the HOME action plan?

MS. CONTRERAS: The Housing Opportunities for Persons with Aids program. The Texas Department of State Health Services addresses the housing needs of people with HIV and Aids through the HOPWA program, which provides energy -- emergency housing assistance in the form of short term rent, mortgage, and utility payments to prevent homelessness.

Tenant Based Rental Assistance, which enables low income individuals to pay rent and utilities until there is no longer a need or until they're able to secure other housing; supportive Service, which provides case management, basic telephone assistance, and smoke detectors; and permanent housing placement, which allows assistance for reasonable security deposits, related application fees, and credit checks.

If you have any questions regarding HOPWA, please contact DSHS at 512-533-3000.

Are there any comments on this item?

(No response.)

MS. CONTRERAS: Are there any other general comments on the consolidated plan?

(No response.)

MS. CONTRERAS: Hearing none, we will proceed to the next item.

The Regional Allocation Formula. TDHCA is legislatively required to use a formula to regionally allocate its HOME, Housing Tax Credit, and Housing Trust Fund program funding. The resulting formula objectively measures the affordable housing need and available resources in the 13 state services regions it uses for planning purposes.

Additionally, the formula allocates funding to rural and urban areas within each region. As a dynamic measure of need, the formula is updated annually to reflect the most current demographic and available resource information, responding to public comment on the formula, and include other factors as required to better assess regional affordable housing needs.

Are there any comments on this item?

(No response.)

MS. CONTRERAS: The Affordable Housing Needs Score. The Affordable Housing Needs Score is the scoring criteria used to evaluate HOME, Housing Tax Credit, and Housing Trust Fund applications.

While not specifically legislated by the state, the score helps address other need based funding allocation requirements by responding to an IRS Section 42 requirement that the selection criteria used to award the

Housing Tax Credit funding must include housing needs characteristics, the State Auditor's Office and sunset findings that call for the use of objective need based criteria to award TDHCA's funding.

The score provides a comparative assessment of each place's level of need relative to the other places within the state service region. The score encourages applicants to request funding to serve communities that have a high level of need.

Are there any comments on this item?

(No response.)

MS. CONTRERAS: Hearing none, we'll proceed to the next item.

Housing program rules. The Housing Tax Credit Qualified Allocation Plan and Rule, this document establishes the 2008 rules for HTC program. The HTC program uses federal tax credits to finance the development of high quality rental housing for income eligible households and is available statewide.

Are there any comments on this item?

(No response.)

MS. CONTRERAS: Hearing none -- oh, sir? Ma'am?

MS. GARZA: Hi. My name is Lucy Garza. I'm with the City of Brownsville Planning Department. And my question would be -- or statement would be on the Housing Tax Credits. When we do -- we've been doing multifamily projects, layer with HOME funds and TDHCA tax credits.

When a project is being qualified to be awarded -- to see how many points they're going to be awarded, and you receive a letter from the city, or the agency, and in this example it would be from the city, is a QAP analysis -- well, I would suggest that the QAP analysis be figured out first before considering the commitment from the city.

Do I -- I mean, did I make myself clear?

MR. GERBER: Ma'am, could you clarify that just a little bit more?

MS. GARZA: Oh. When awarding the tax credits, there's a gap analysis, and we had one instance where the gap analysis was figured out according -- based on the letter of commitment that was received from the city.

So we -- from our point of view, in order for us to spend our HOME funds more efficiently, we would like for TDHCA to consider making the gap first before putting that other component, which is the HOME funds, into the analysis for the gap.

MR. MEDINA: I may add too -- my name is Ben

Medina, I'm the Planning Committee Development Director for the City of Brownsville.

And what Ms. Garza is alluding to is that we're a city that is first engaging in tax credits using HOME dollars. We've had two of our first projects done, and we're really thankful for TDHCA of awarding those credits to the City of Brownsville.

But what we learned in this new business is that we lacked some tax credits on the table, your tax credits, and we utilized more HOME dollars, that we could have utilized locally for other projects. And that was done because when the application for -- by the developer was that he needed to score enough points, so we issued a letter of commitment for a certain amount of HOME dollars, city HOME dollars.

And you all took that HOME dollars and utilized that, and that discounting the credits to the developer. So that's what happened. And what we would like is that maybe it could be a better working relationship where we can -- when the applicant submits an application, that we say we know how much the maximum credit is, and then we develop the gap after that.

If the application could be changed to where the scoring is different, where the gap comes in second.

That's what we're trying to explain.

MR. GERBER: I appreciate that. And that clarifies. And what we'll do is we'll take your comment back and share that with the staff that work in those respective areas and then we'll report back to you with an answer from the Department.

But if afterwards you see me and give me your business cards --

MR. MEDINA: Yes, we will.

MR. GERBER: -- we'll try to get a response to you quickly. But thank you --

MS. GARZA: Thank you.

MR. GERBER: -- for those comments.

MS. CONTRERAS: Are there any other comments on this issue?

(No response.)

MS. CONTRERAS: Hearing none, we'll proceed to the next issue, Multifamily Bond program rules. This document establishes the 2008 rules for the multifamily bond program. This program issues tax exempt and taxable bonds to fund loans to non-profit and for-profit developers.

Are there any comments on this item?

(No response.)

MS. CONTRERAS: Hearing none, we proceed to the next item, the TDHCA HOME program rules. This year, the HOME Division has significantly updated the TDHCA HOME program rules and welcomes any comments regarding the rules and the HOME program in general.

Are there any comments on this item?

(No response.)

MS. CONTRERAS: Hearing none, we will proceed to the Housing Trust Fund program rules. This document establishes the 2008 rules for the Housing Trust Fund, which is the only state funded housing program.

It is available statewide and currently finances three million per year for the Texas Bootstrap Loan program for low income families. The proposed changes maintain the flexibility of the program, and streamlines processes to ensure policies are consistent with other Department programs.

Are there any comments on this item?

(No response.)

MS. CONTRERAS: Hearing none, we'll proceed to the Texas First Time Homebuyer program rules. The First Time Homebuyer program utilizes funding from tax exempt and taxable mortgage revenue bonds.

The program offers 30-year fixed-rate mortgage financing at below rate for very low, low, and moderate income residents purchasing their first home or residence who have not owned a home within the preceding three years.

Qualified applicants access funds by contacting any particular lender which is then responsible for the loan application and subsequent loan approval.

Are there any comments on this item?

MR. GERBER: If I could just interject for those in our audience, as well as others who might be listening, that right now the First Time Homebuyer -- the rules are what we're considering here at this hearing, but the Department currently has $160 million in available First Time Homebuyer funds at very low interest rates of 5.75 percent for an unassisted mortgage, or for 6.50 if you require up to 5 percent down payment assistance. And those are well below market rates and are intended to get low income Texans who are ready to meet the challenge of home ownership, into their own home.

And we would welcome and encourage community leaders in this community and in South Texas generally to encourage additional lender participation and realtor participation so that we can up home ownership rates in this part of Texas, which unfortunately have been lagging behind the state average.

But we would -- I just wanted to make folks aware that that $160 million is out, it's available now, an we hope more people in South Texas will take advantage of it.

MS. CONTRERAS: Are there any other comments?

(No response.)

MS. CONTRERAS: Hearing none, we'll proceed to the next item. Compliance Monitoring, Accessibility Requirements, and Administrative Penalty rules. This document establishes the policies and procedures related to TDHCA's monitoring of multifamily developments financed through the Department.

Are there any comments on this item?

MS. CUEVAS: Going back -- excuse me -- my name is Blanca Cuevas -- my name is Blanca Cuevas, and I'm with the City of Brownsville. Going back to the homeowners, I just have a question in reference to the assistance for the down payment for first time homebuyers.

Do you happen to have a listing of the lenders that are available?

MR. GERBER: We could sure provide that to you, and you can find that on our website, which is www.myfirsttexashome.com. But if you leave me card afterwards, I'll be glad to make sure you get that information sent to you by e-mail today.

We do have a number of lenders I know that includes CDC Brownsville and a number of the larger banks that are here --

MS. CUEVAS: Well, is it --

MR. GERBER: -- in the region.

MS. CUEVAS: -- the same lenders -- I do have a listing, if it hasn't changed.

MR. GERBER: I don't believe that it's changed significantly. We'd like to have more lenders participate in the program, and, of course it's not just the individual lenders -- it's not just the lending institution, but it's also those branches as well.

MS. CUEVAS: Right.

MR. GERBER: And actually getting those mortgage bankers who are dealing with the community, who are dealing with the family that comes, getting them more engaged in the program and aware that it's available to assist that low income family.

MS. CUEVAS: All right.

MR. GERBER: We'd be glad to talk afterwards.

MS. CUEVAS: Thank you.

MR. GERBER: Sure.

MS. CUEVAS: All right.

MR. GERBER: Thanks for your interest in that.

MS. GARZA: Also, going back, those monies that are available that's down payment assistance --

MR. GERBER: Yes, ma'am.

MS. GARZA: -- and -- can those be combined with our city -- local HOME funds?

MR. GERBER: I believe it's for the purchase of a home. I don't believe that it's tied to other programs. If the city were to -- I would need to talk to the program staff on that. I don't know that -- if we were using state HOME funds the answer would be no, but if we were using -- if the city was using their HOME funds, I just don't have an answer for you. But I'll certainly get you one.

MS. GARZA: Okay. Because, yes, we do have a down payment assistance program here in the City of Brownsville, we're using HOME funds for that, and that's why I was interested in knowing whether --

MR. GERBER: Sure.

MS. GARZA: -- if a home buyer goes to one of those approved lenders, can they qualify for both.

MR. GERBER: And we have a down payment assistance through our HOME program as well. And these are really, you know, different in the same programs. Let me get you sort of a listing of the differences of the program and which category of individual or family be best suited for which program.

MS. GARZA: Okay. And then just to I guess confirm. They can be used not only in the rural areas, but also here in the city?

MR. GERBER: HOME funds or down --

MS. GARZA: Those funds that you were talking about it.

MR. GERBER: The Texas First Time Homebuyer funds are available statewide. Any Texan, any part of the state they will use them.

MS. GARZA: Okay.

MR. GERBER: The only thing about them is that they're first come first served. So when the money runs out, then they're gone.

MR. BARRERA: Hello. Yes, I'm Frank Barrera from Brazos Affordable Homeownership. I wanted to ask, is that money just available for down payment assistance, or does it provide gap financing as well.

MR. GERBER: No, it's only for down payment assistance, and for --

MR. BARRERA: It's only for down payment,.

MR. GERBER: -- and it's -- of the 160 million that's available, 112 million is for unassisted loans, so that's at the 5.75 percent interest rate. If you need 5 percent assistance, you have to qualify and be at 60 percent of the area median income for -- I forget the family size, but there's an income limit at 60 percent for a specific family size, and that would allow a 5 percent down payment assistance to be provided, but it would be at the higher interest rate of 6-1/2.

MR. BARRERA: Okay. Can I get a list of the lenders as well?

MR. GERBER: Sure, I'll be glad to provide that to you.

MR. BARRERA: Because the lenders -- they'd be like, for instance, let's say the city gives either down payment assistance or we get like the gap financing from HOME. We would be able to tap in like through bond program with a lender. Right?

MR. GERBER: Again, it's really dependent on the structure of the homeownership opportunity being provided. You know, there are different, certainly, intersections with the program.

MR. BARRERA: If I could get a list of those then.

MR. GERBER: Sure, I'll be glad to provide and give that to you.

MR. BARRERA: Thank you.

MR. GERBER: Thank you. Thanks for you interest.

MS. CONTRERAS: Are there any other comments?

(No response.)

MS. CONTRERAS: TDHCA Underwriting Market Analysis, Appraisal, Environmental Site Assessments, Property Condition Assessments, and Reserve for Replacement Rules and Guidelines. This document outlines rules and guidelines related to TDHCA's evaluation of a proposed affordable housing development, financial feasibility, and economic viability.

Are there any comments on this item?

(No response.)

MS. CONTRERAS: Hearing none, we'll proceed to the Legal Services Division rules. The following proposed rules have been reviewed by the TDHCA Legal Services Division, and are being presented for public comment. Providing current contact information to the Department and assess resolution and enforcement rules.

Are there any comments on this item?

MR. GERBER: Let me also just add for the community leaders here today. The Department has developed a set of enforcement rules that are, frankly, a gift to us from the Texas State Legislature in the form of the ability to impose administrative penalties on those property owner and managers who fail to live up to their commitments within our programs.

The Department will have the ability to assess penalties of up to $1,000 per day per violation on a property that is not being appropriately maintained and meeting the requirements of the program.

The last thing we want to have is developers or property owners or managers who are failing to live up to their commitments to low income Texans, and thank goodness there are not many properties in that category, and most developers and property managers and owners do what they're supposed to do.

But for those few that do not, we now have important enforcement tools that are being proposed in these new rules that will enable us, again, to impose significant fines of up $1,000 per day per violation. So those fines could get quite heavy.

So those members of the development community who might be listening should be warned that the Department is very much interested in working with communities and community leadership where there are problem properties, to get them either in compliance, or get them out of our program.

MS. RODRIGUEZ: This may not be exactly what you're talking about, but I'm interested more about it. My name is Rosie Rodriguez, and I work for the Board of Fair Housing and Economic Justice. It's an organization -- it's FHIP; it's the only FHIP in the Valley, fair housing initiative program.

And we are the organization -- I believe we're the only organization in the Valley that is actually making sure that the Fair Housing Act is being enforced here. And since we've been here -- and the organization's only been here since March, it's an organization that's worked out of El Paso. I'm sure you -- I don't know if you've heard of Board of Housing out of El Paso.

But there are so many organization, contractors, builders, rental places, and people that receive funding, state funding and local funding, that are truly not complying with the law, and they're breaking the Fair Housing Act. And since the inception of the Board of Fair Housing here in the Valley, we've already filed one case, and we've got three others pending.

There is so much discrimination going on in the

Lower Rio Grande Valley because there's never been anyone regulating that. So I'm happy to hear that you are, you know, enforcing your laws, under your funding, and under you organization, because that would really make a difference here to make sure that people understand that whether your get funding, federal funding, state funding, or local funding, that you do have to comply with the law.

MR. GERBER: Thank you.

MS. CONTRERAS: Are there any other comments?

(No response.)

MS. CONTRERAS: Is there anyone else who would like to comment at all on this hearing today?

MR. MALDANADA: My name is Victor Maldanada, and I'm the homeless coordinator for the City of Brownsville. And I'd just like to thank you for the upcoming grant that we got for this new year. I believe it's about 183,000 for our -- some recipients which provide services and funding for the homeless and needy of this community.

MR. GERBER: Is this an Emergency Shelter grant that you received?

MR. MALDANADA: Yes.

MR. GERBER: Great.

MR. MALDANADA: Emergency Shelter --

MR. GERBER: Congratulations.

MR. MALDANADA: -- grant. Thank you.

MR. GERBER: It was a very competitive process, and I'm --

MR. MALDANADA: Yes, very competitive.

MR. GERBER: -- I'm confident you put together a great application. I always like to -- that's great.

MR. MALDANADA: Thank you.

MR. GERBER: Congratulations.

MR. MEDINA: Again, Ben Medina with the Planning Department. I also want to thank you for the ESG monies and we have been getting that for a number of years. But one thing that we do need in the Valley is an HMIS assistance. The HOME -- or, I mean, CDBG dollars is not enough. But we need to get all those agencies together. And the only way of doing that is through HMIS.

And I noticed HUD is pushing that, the state is pushing that, but we need some help down in the Valley to make maybe deobligated funds, or unobligated ESG funds available to the local communities to develop their HMIS assistance. So we would appreciate if you could take that back.

MR. GERBER: We'll take that back. It's a struggle because there's just so few dollars and there's so much need statewide --

MR. MEDINA: Yes.

MR. GERBER: -- and so it's, in terms of putting it into services and putting it -- versus -- it's a hard resource allocation --

MR. MEDINA: Yes, but if --

MR. GERBER: -- so it's that --

MR. MEDINA: -- if you know, HMIS would help everybody, coordinate everybody and --

MR. GERBER: Sure.

MR. MEDINA: -- the limited dollars could probably go a little bit further.

MR. GERBER: Great.

MR. MEDINA: Thank you.

MR. MALDANADA: If I could add something, Ben, it's -- the reason why we worry about that is because I think next year we don't have an HMIS assistance. We're not going to be able to apply for the ESGP funding. I think that's one of the characteristics, or the qualifications is that we need to have an HMIS assistance.

MR. GERBER: Let me take that back as well. I appreciate knowing that, and --

MR. MALDANADA: Thank you.

MR. GERBER: -- we'll respond to that as a public comment.

MS. CONTRERAS: Just a couple of housekeeping issues. For all of those that -- all of you who came in and didn't have a chance to sign in, if you could please sign in. And for those who did speak today, if you could at least fill out one of those witness sheets for me before you leave, that would be great. Thank you.

MR. GERBER: And we'd really like to thank the Mayor of Brownsville and the City Council and leadership here in Brownsville for making -- allowing us to make use of their chambers.

MS. CONTRERAS: And with that, this meeting is concluded.

(Whereupon, at 11:29 a.m., the meeting was concluded.)

C E R T I F I C A T E

IN RE: State of Texas Consolidated Public Hearing

LOCATION: Brownsville, Texas

DATE: October 3, 2007

I do hereby certify that the foregoing pages, numbers 1 through 28, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Leslie Berridge before the Texas Department of Housing and Community Affairs.

10/5/2007
(Transcriber) (Date)

On the Record Reporting
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Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2007 STATE OF TEXAS
CONSOLIDATED PUBLIC HEARING

Room 2.110
Joe C. Thompson Conference Center
2405 Robert Dedman Lane
Austin, Texas

October 4, 2007
6:00 p.m.

PRESIDING: BRENDA HULL

ALSO PRESENT:

VERONICA CHAPA, TDHCA
ROBBYE MEYER, TDHCA
KEVIN SMITH, ORCA

A G E N D A

P R O C E E D I N G S

MS. HULL: Good evening, everyone. Welcome to the 2007 State of Texas Consolidated Public Hearing. These hearings are an opportunity to comment on a significant portion of the Texas Department of Housing and Community Affairs, the Office of Rural and Community Affairs and the Texas Department of State Health Services and rural policy, rural and planning documents.

All the documents under review are viewable at the TDHCA web site. If you haven't already done so, please take this opportunity to silence any communication devices. And for anyone interested in speaking, you will need to fill out an witness affirmation form. They are located on the outside table.

And as you speak, please provide your name and who you represent. And we have a microphone here at this front table, so if anyone wants to give public comment, we ask that you come up to this front table, and it will be recorded for the official record.

The comment period for the rules is September 10 through October 10 for all documents, with the exception of the HOME program rule and the accessibility requirements rule. The public comment period for the HOME program rule and the accessibility requirements rule is

September 24 through October 29.

Written comment is encouraged, and it can be provided any time during the public comment period. You can send your public comments on the rules to an e-mail address: 2008rurecomments@tdhca.state.tx.us or by mail to TDHCA 2008 Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941. You can also fax comments on the rules to 512-475-3978.

The first document under public comment is the 2007 State of Texas Consolidated Plan One Year Action Plan. TDHCA, ORCA, and the Department of State Health Services, we prepared the 2008 State of Texas Consolidated Plan One Year Action Plan according to the U.S. Department of Housing and Urban Development reporting guidelines.

The Plan reports on the intended use of funds received by the State of Texas for the program year 2008, which runs through February 1, 2008 and ends on January 31, 2009. The Plan illustrates the state strategies in addressing the party needs and specific goals and objectives identified in the 2005 to 2009 Consolidated Plan.

The Plan covers administration of the Community Development Block Grant program, the emergency shelter grants program, the Home Investment Partnerships program and the Housing Opportunities for Persons With AIDS program. And from ORCA, we have Kevin Smith to talk about the Community Development Block Grant program.

MR. SMITH: Again, my name is Kevin Smith with ORCA. And this year, since this was actually the second year of the two-year biannual, there wasn't a lot of changes to the community development. And the community development supplemental fund, and as well, as the colonia construction fund. These funds, or any other biannual funds, there were no changes representing those.

Our microenterprises, our small business loans, and our STEP grant though, there are some proposals for the scoring factors. Those are due to the RRC meetings, that is happening right now. Those are being proposed. On our microenterprise loan, there is a proposal to bring that to a semiannual selection, to be able to help add it a little bit.

We have a new program, though. It is the renewable energy pilot program. This is going to be a pilot program from deobligated funds. And there are going to be a 500,000 in deobligated funds, maximum of 500,000 to 50,000 as a minimum.

There is a couple of scoring factors. The type of project is 15 points. The technology method is ten points. The implication in other rural areas is ten points. The long costs, or benefit to the renewable energy goals is ten points. The partnership is ten points. Leveraging is ten points. And relocation in rural areas is ten points.

And that is all that we have actually from ORCA. Like I said, there wasn't a whole lot of changes since this is the two year biannual selection.

MS. HULL: Well, I didn't receive any witness affirmation forms for the CDBG program. Would anybody like to provide public comment?

(No response.)

MS. HULL: The next action plan for public comment is for the Home Investments Partnership program. And we have Veronica Chapa.

MS. CHAPA: Hi. My name is Veronica Chapa, and I am with the Home Investments Partnership program, and I am going to be speaking related to the Action Plan. The Home Investments Partnership program, referred to as the HOME program, awards funding to various entities for the purpose of providing safe, decent, affordable housing across the State of Texas. To provide this kind of support to communities, HUD awards an annual allocation of approximately $41 million to TDHCA.

Under the HOME program, TDHCA awards funds to applications for the administration of the following activities. One, the housing assistance program. Provides down payment and closing cost assistance, up to $10,000 for eligible households.

Two, contract for deed conversion program, which is categorized under the housing assistance activity, provides funds to convert single-family contract for deed into a warranty deed, and also provides funds for the rehabilitation for reconstruction of the units. $2 million is set aside each year from the HOME program in annual allocation.

Three, the owner-occupied housing assistance program provides funds to eligible homeowners for the rehabilitation or reconstruction of single-family houses. Four, tenant-based rental assistance program. Provides rental subsidies which may include security deposits to eligible tenants for a period of up to 24 months.

Five, the rental housing development programs provides the funds to build, acquire and or rehabilitate affordable multifamily housing. This activity also includes the Community Housing Development Organization CHDO set-aside, which is 15 percent of the total HOME allocation. Are there any comments on the HOME Action

Plan at this time?

MS. HULL: The Housing Opportunities for Persons With AIDS program. Oh, I am sorry.

MR. HUNTER: Are you asking for comments on --

MS. HULL: The Action Plan -- there will be opportunity for comment on the rules at a later time.

The Housing Opportunities for Persons With AIDS program. The Texas Department of State Health Services addresses the housing needs of people with HIV AIDS through the HOPWA program, which provides emergency housing assistance in the form of short-term rent, mortgage and utility payments to prevent homelessness; tenant-based rental assistance which enables low income individuals to pay rent and utilities until there is no longer a need, or until they are able to secure other housing; supportive Services, which provides case management, basic telephone assistance and smoke detectors and permanent housing placement, which allows assistance for reasonable security deposits, related application feeds and credit checks.

If you have any questions regarding HOPWA, you can contact the Department of State Health Services at 512-533-3000. Any public comment on this item?

(No response.)

MS. HULL: The next item up for public comment is the Regional Allocation Formula. TDHCA is legislatively required to use a formula to regionally allocate its HOME, Housing Tax Credit and Housing Trust Fund funding. The resulting formula objectively measures the affordable housing need and available resources in the 13 state service regions. The formula allocates funding to urban and rural regions as well.

As a dynamic measure of need, the formula is updated annually. I did not receive any witness affirmation forms for the Regional Allocation Formula. Would anybody like to provide public comment?

(No response.)

MS. HULL: The Affordable Housing Needs Score is the scoring criteria used to evaluate HOME, Housing Tax Credit and Housing Trust Fund applications. It is not specifically legislated, but the score helps address other need based funding allocation requirements. Any comments on the Affordable Housing Needs Score?

(No response.)

MS. HULL: Next we will move on to the program rules, the Housing Tax Credit allocation plan and rules. It establishes the 2008 rules for the Housing Tax Credit program. This program uses federal tax credits to finance the development of high quality rental housing for income eligible households, and is available statewide.

I have several witness affirmation forms for the QAP. The first is Rick Deyoe. Would you please come up here to the font table? Thank you.

MR. DEYOE: Hello. Rick Deyoe with RealTex Development Corporation. And I have got my comments in writing; I just wanted to make a couple of points. One thing I wanted to comment on was the proposed changes to the QAP regarding amendments and the approval of amendments prior to or any change in the project.

I am all for the proposed penalties that are suggested as it relates to negative -- or when I say negative, I guess changes that are detrimental to the project. But in many instances, as a developer, changes occur, come up while the project is under construction; the city may require you to do something different.

And for us to stop construction and have to go to the TDHCA to get an approval of an amendment may cost the project 30 to 60 days of time. And as you know, we as developers are on the hook for delivering tax credits to our syndicators within a certain time frame.

So that having been said, so long as it is not a negative impact or detrimental to the property, I would suggest some language be added to the QAP, that if it is a positive change -- in many instances, we will change projects, such as adding additional amenities that weren't originally in the plan, and yet, under the current QAP. Rules, that is a change that requires an amendment.

Even as a positive change for the development, if we don't come to you all first to get that approved, then we are subject to the penalties. That is the only real change that I would propose to that, as well as the additional information that has been provided in tabs, written responses.

And so what I had suggested is that if the item was not produced as the development was represented in the application and such development changes resulted in negative impact to the project, and then pick back up where the language is.

Other than that, I would also go on to state that Real Tex is also supportive of the proposed changes to the QAP that the developers of the Mueller redevelopment site are proposing as it relates to urban infill sites and trying to do high-density urban infill site and the cost that's related to those.

MS. HULL: Thank you. Mr. Anderson?

MS. ANDERSON: Good evening. My name is Sarah

Anderson, representing S. Anderson Consulting. And I also have my comments in writing, and just want to hit a couple of highlights. Most of mine actually will mirror what TAAHP has already submitted, but I do have a couple of clarifications.

With regard to adaptive reuse, I would like to see in the definition something that actually identifies the adaptive reuses would be the rehabilitation of a nonresidential structure, because there is no definition.

And I know definitions have been thrown around, but I think that it should be a structure and not open land, as I know that -- I am in support of the Robert Mueller redevelopment, but not of the land and calling that adaptive reuse.

Also, if there could be a clarification as to whether or not the original building size can be added to and would still be considered adaptive reuse. We would like to know that.

MS. HULL: New units be added to --

MS. ANDERSON: Whether or not the structure can be added to: If I have a building that I found that is 10,000 square feet and I want to add 2,000 to that, you know, to the external structure, or going up, would that still be considered adaptive reuse, or is it only using the original frame of what's there. So just some clarification.

Let’s see. With regard to the local political subdivision, changing the loan -- the minimum loan terms from one-year to five-year. And TAAHP had mentioned that there were issues with wanting to recycle local government money.

But there is also evidently a statute for public housing authorities, which is one of the entities. And if they are going to do a loan longer than a year, they have to get an Attorney General opinion to do so, which is incredibly difficult to do. So we would like to see the language go back to one year rather than the five.

With regard to the economic development initiatives, we would like to see some clarification about how the geography of that will be determined as we have been doing research. It's hard to say whether or not the location would be the actual head office of the organization that gets the money, their service area, or the individuals that receive the money. So if someone just clarify how we can tell what those areas would be.

Negative site feature on the flight path, we would like to see a definition. And in addition to a definition, something that is readily available so that we all understand what -- how we can identify, based on that definition, what that would be. Right now flight path -- frankly, anyplace in the U.S. would probably technically be within a flight path. So we would just like to see that tightened up a little bit.

In addition to the QAP, I don't think TAAHP has -- has to do with the 1.2 million cap per development. I understand that this is a Board-instituted cap, and the thought initially, I believe, was to be able to spread the 9 percent credits around as much.

I would like to see a delineation to help encourage rehab and adaptive reuse -- would be a delineation for that cap between 9 percent credits and the possible 4 percent credits that we might be eligible for, if we find a property to rehab that has been owned for ten years.

That property would be eligible for 4 percent credits, but the way that it is underwritten right now is that the 4 percent credits would be added to your 9 percent. And what happens is, your rehab -- you max out at the 1.2 very quickly, and you are not able to take advantage of the 4 percent credits. So we would like to see that specifically mentioned, that the 1.2 cap is only on the 9 percent side. I guess I have some comments on REA and compliance.

MS. HULL: Can we take those --

MS. ANDERSON: We can take those later.

MS. HULL: Yes. Okay.

Matt Whelan?

MR. WHELAN: Good evening. My name is Matt Whelan with Catellus Development Group. We are the developers responsible for the redevelopment of the former Robert Mueller Municipal Airport here in Austin. We have some other folks with us who will be talking. I am going to talk briefly about the project and some of the rules and how it affects some of the things that we would like to do.

And then Jim Walker is here, as the chairman of the plan implementation advisory committee for the project; as well as Scott Marks, who is one of our consultants, an attorney who will talk some about more of the details.

But first, this project is unique in a number of ways. First, it was city property; the concepts for it were germinated through literally 25 years of community involvement and community input and crafted with a clear vision of a mixed-income community, the location of the property being two miles from the University of Texas, three miles from downtown. Transit was important. A compact community, walkable, sustainable.

All these things were fundamental keystones of the vision for the project. Catellus was selected not to come in and to impose its vision on the property but rather to execute on the vision that the City of Austin and its residents, through the communities, had crafted. And that is what we are committed to do and are in midstream of doing, as we speak.

Some of the aspects of the project, just that set it apart: Again, 140 acres, or over 20 percent of it will be parks. Every resident in the project will be within about 600 feet of the parks -- of any park. Or each resident will be within a park, I should say. The concept is that it is inclusive. It is mixed income. It is mixed use.

It is compact and walkable. People will be able to walk to retail, to offices, to work environments. It is designed to fold into the existing and future transit opportunities as the mass transit system in Austin grows. In addition, there is extreme attention to the architectural detail and to the quality. There is a third-party review board that oversees every architectural element of the project. And these efforts have culminated in an award-winning plan and what we believe will be an award-winning project.

The commitment to affordable housing was clear from the community and the city, in that 25 percent of the families that call Mueller home, when it is complete, will be at affordable-level incomes.

You know, as we sit currently, as I said, we are well under way. It is home to the Dell Children's Hospital, which is a regional hospital that just opened, serving 47 counties. It's home to the University of Texas academic health campus. Our first homes are under construction as we speak. Apartments and retail are moving forward. So all the -- and the parks are under construction, so it is becoming a reality.

One of the key aspects is -- again, on the affordable side, is some of the tax credit projects that were anticipated to happen in the projects, specifically you know, oriented to just the tax credit projects. And these -- from my understanding, there is certain elements of the rules that basically put Miller at a disadvantage, a pretty severe disadvantage because of the nature of the project from the start, relative to competing for these.

So with that, I was just going to conclude my remarks. And again, let the others with our group that will pick up from there. So thank you very much.

MS. HULL: Next is Scott Marks.

MR. MARKS: My name is Scott Marks, and I am with the law firm of Coats Rose. And Matt just did a great job of summarizing the development concept at Mueller Airport. And what I would like to do is to talk about the details of the QAP and the reasons we think that Mueller will not score well in the QAP as it is currently drafted, and talk with you about some very specific changes that we recommend.

One of the reasons that Mueller is severely disadvantaged is, of course, the exurban points. And it's very likely that because of the seven points for exurban location, that the infill nature of this property and really, very close to downtown, the Central Austin location of it, will put it at a disadvantage. And so we have six changes that we would recommend to the QAP.

The first is in the definition section. Adaptive reuse is used throughout the QAP, but there is no definition in the QAP as drafted. And so that term should be defined, and the definition we recommend is the transformation of an existing nonresidential development; e.g., school, warehouse, airport, into a residential development. And we think that that definition captures the concept of adaptive reuse. It is transforming a use that has been nonresidential in the past into a residential use.

A structure, which was some of the testimony you heard earlier, shouldn’t, I think, be part of the definition, because you have to define structure. A runway, for example, that costs millions of dollars to demolish, environmental cleanup, infrastructure costs, that are required at an airport are exactly the types of costs involved in transforming a nonresidential location or a nonresidential development into a residential development. So that is for a definition we would propose for adaptive reuse.

The second proposed revision to the QAP is the cost of the development by square foot. And that is a big-point item. For a senior development, which would be the first, hopefully 9 percent tax credit development at Mueller, the cost per square foot is $85. And it's -- the parking becomes the big problem when the cost per square foot is $85 in Austin, because, again, this is supposed to be pedestrian friendly, walkable.

And so the design concepts, which are consistent with a new organism philosophy, are that we don’t want huge parking lots separating the housing from the street; that is not walkable. We don’t want -- at Mueller, Catellus doesn’t want to build the sort of suburban sprawling development. They want a very compact type of development.

And to do that, you have to pay a lot of money for parking. And so in my letter, I have given you some cost estimates. A structured parking garage costs $12,000 per space. An underground parking garage costs $20,000 per space.

So we are talking about millions of dollars for parking, and that shouldn’t be included in the formula for costs per square foot of net rentable area. The square footage of net rentable area doesn’t include parking space, and the costs associated with a structured parking garage should not be included in the $85 per square foot.

So our suggested revision is that this calculation does not include indirect construction costs, or structured parking garages, including podium and underground designs, if the costs associated with the structured parking garage are not included in eligible basis.

And what we are proposing there is that the developer cannot claim tax credits for the parking structure, but in exchange, they shouldn't be penalized and not get these points for making their development pedestrian friendly.

The third change that we propose for the QAP is the rehab points. And I think this was just an oversight, because the title of the point category is rehabilitation or adaptive reuse, but then adaptive reuse wasn't included in the description of what counts for the points. So we would like for that to be added to scoring item number eleven.

Then development includes the use of existing housing as part of a community revitalization plan. Again, we would propose that adaptive reuse can just as effectively serve to promote a community revitalization plan as rehabilitation. And so we suggest the revision, The development includes the use of existing housing or adaptive reuse as part of a community revitalization plan.

In the economic development initiatives, there is a zone that is permitted under the Texas statutes of a designated tax increment reinvestment zone that is exactly like the economic development zones, the empowerment zone, the enterprise community zones that you have in the QAP.

And we would like to propose that we add to the economic development initiatives that would qualify for that point designated tax increment reinvestment zone pursuant to Chapter 311 of the Texas Tax Code.

And then finally, in site characteristics this year, for the first time, there is a deduction of one point if you are located in a flight path. And it might be kind of ironic that we are pointing this out, but Mueller Airport is no longer the airport in Austin, as we all know. Bergstrom is.

Bergstrom is ten miles away, and flight path is a really undefined term. Flight path maps aren't commonly available. And so if you are ten miles from Bergstrom, any noise from a plane that might go overhead is negligible and really should not be a reason to deduct a point for a site. Those are our proposed revisions. Thank you.

MS. HULL: Jim Walker?

MR. WALKER: Hello. Thanks for the opportunity. My name is Jim Walker. I am a neighbor of the Mueller Airport redevelopment. The vision for the Mueller Airport has been 20-plus years in the making. I have only been involved for twelve years, but throughout the course of that time, affordability at Mueller has been a key tenet, a key principal.

Matt mentioned the 25 percent affordable goal there, which is in the ownership as well as the rental. It applies to both sides of that equation. I can't stress enough -- and I have been kind of hovering on the outside of housing issues, but to have a neighborhood group that is supporting deep affordability, even pushing past with the initial success of Mueller on the residential, pushing for deeper and broader affordability than just the 25 percent, is a huge benefit to this project on a lot of different fronts.

In the course of bringing the Mueller vision to paper, you know, making it line up with regulations and requirements and all that, over the years, we have had to -- there has been a lot of adaptation of code, whether it is zoning, whether it is parking, street widths, the whole nine yards. And I would see this as in line with that. And to have a very successful, award-winning vision, as should come to pass, you need to try to adapt the rules to support that.

In that though, we have never supported Mueller being -- having rules adapted to it as an exclusion or as an anomaly. The rules should be adapted such that, as Mueller has happened, it could happen again; it could be replicated.

And so I think the rules as proposed -- I am not going to pretend to be an affordable housing expert, but the rules as proposed looked like they are reasonable, to me, to enable the community's vision for Mueller, the surrounding neighborhoods' vision for Mueller, vis-a-vis affordable housing, to come to pass. So I would encourage support of the proposals. Thanks.

MS. HULL: Frank Fernandez.

MR. FERNANDEZ: I have a written statement. I will just hit some of the highlights and give that to you.

My name is Frank Fernandez. I am Executive Director for Community Partnership for the Homeless, and we are a nonprofit organization whose mission is to help end homelessness, providing safe, secure housing and access to support services.

We are basically a nonprofit developer that is focused on supportive housing. And what I wanted to briefly testify today was on some of the issues that would impact developers of supportive housing in Texas as it relates to the QAP.

A couple -- there is three specific recommendations that we are interested in and I think other supportive housing providers in this state are interested in.

One relates to broadening the category of the at-risk set-aside category to include Section 8 rehab, SRO program in that definition. A second would be to -- I think it was alluded to in some of the earlier comments, making an exception to the current credit allocation cap for permanent supportive housing as it was mentioned.

The cap, I think gets you to 1.2 million, and for those who were familiar with supportive housing, it is -- because of the population we are trying to serve, it is very capital intensive in terms of operation of services. So most of our projects we pretty much have to make almost debt free; as you all know, there is not a ton of resources. So if it is possible to get an exception for in terms of that cap, or an increased level form permanent supportive housing that are consistent with their areas' ten-year plan to end homelessness, it is something that our organization and others in this state I think would be very supportive of and would advocate for.

And along the same lines, a third recommendation we would ask folks to consider would be when looking at -- trying to promote mixed income development, it has gone from 18 points to 22 points in terms of some of the allocation. Currently it calls for a set-aside of 5 percent below 30 percent of AMI. And we would urge you to consider increasing that to ten percent, because again, getting folks to serve that lowest, that hardest-to-serve population is difficult, and if you can incent that into the process, we get that much farther into trying to achieve our respective ten-year plans to end chronic homelessness in all the communities across Texas.

So I give them more detail in here, and I will make a very brief note, since all the Mueller folks have been talking -- I don’t work with any of them, but I actually am moving there next year, so I have a personal interest in that.

And I do think, speaking more broadly, because I can’t speak to all the particulars that they did, but as someone who is involved in affordable housing and concerned about mixed-income development, I think, as Jim was saying, anything we can do in terms that's consistent for the community and for the state to promote mixed income is a good thing. Mueller in many ways, I think, is a social experiment.

And if those of us who are in affordable housing want to see deconcentration of poverty, because that is one of, I think, the primary things we are trying to do, making a development like Mueller possible, making it so that they can include a senior housing or housing that serves folks who are lower than, say, 80 percent of median family income, that is an important and great thing. So if you guys can make -- adjust the QAP to allow for that, not only here in Austin but in other communities, I think that is something that should happen. Thank you.

MS. HULL: Thank you. Frances Ferguson?

MS. FERGUSON: My name is Francie Ferguson. I am here in two capacities. One is that I have been the affordable housing consultant to Catellus, and the other is that I have been working as a volunteer advocate for mixed-income development in Austin for years, and first as the founder of Foundation communities, and more recently as volunteer of the Board of Housing Works.

And our goal, with the recommendations we have made, with regards to the ones that Mueller has represented, is not to get a huge point advantage for Mueller. Right now they are at a huge point disadvantage.

So basically if somebody is walking in trying to do senior housing or trying to do -- particularly senior housing, because of the cost-element factor that Scott pointed out, that once you put parking in, you now can't do dense senior housing.

And so it seems to me that this doesn't just benefit Mueller; this benefits any city that is trying to get a higher-density senior-housing facility built using tax credits, so that by taking the parking out of basis, there is not a goal to try to get any more credits than any other senior project would get on a per-unit basis.

But it is to be able to compete with what would otherwise exclude those projects, because once you put the parking in, there is just no way to build the product at $85.

So these recommendations are designed to allow the projects that come into Mueller to simply compete on a level playing field with other projects that might be coming in in the Austin area and over the region. And in many of them, we think would also benefit other kinds of urban redevelopment like this. And of course, until this time, this development wasn't ready to be developed, and therefore it wasn't appropriate to come forward and start commenting on a QAP for something that wasn't going to be relevant.

But now it is relevant. So that seems to be an appropriate time to start bringing these comments forward. The QAP has obviously been a living, breathing document over the years, and so a fairly groundbreaking opportunity like this, then, deserves comment.

I also want to point out that it is a high opportunity area. The average sales prices of the market-rate homes are in the 300- to $350,000 range, with homes ranging up to 600,000. The affordable homes are coming in at 120- to 160-. Half of the project will be home ownership, of about 4,800 units, so 2,400 home ownership units, and another 2,400 rental units.

Twenty-five percent of those will be under 60 percent of median, which means that 75 percent will be at market. So there is going to be a brand-new school, tons of new employment. It will truly be a high-opportunity area.

So just as we wanted exurbs to be a good place to put affordable housing, not just one more low-income area, this will not be a low-income area; this will be a moderate- to high-income area. So it is a high-opportunity area with a brand-new school. And so it is consistent with the kinds of places that we would advocate to have affordable housing put.

And so it then becomes important to look at whether or not our scoring has simply, you know, inadvertently made it impossible to score. So that was the intent behind these scores, is to simply get a level playing field, so that if a project came in here, it could compete effectively with projects someplace else and not be penalized for being in an economic zone that is called a TIRZ and not a whatever else it is allowed to be called, or having structured parking.

And so the things we looked for were places that seemed to be consistent with what was happening here, but where a project like this could not gain any points and therefore couldn't compete. So the goal is a level playing field so that this housing could be located in such a high-opportunity area and so that senior housing doesn't have to all be garden apartments; it could also be more appropriate for living settings all over Texas.

Thank you.

MS. HULL: Thank you. Would anybody else like to comment on the QAP?

(No response.)

MS. HULL: The next topic open for public comment are the Multifamily Bond Program Rules. This document establishes the 2008 rules for the Multifamily Bond Program. The program issues tax exempt and taxable bonds to fund loans to nonprofit and for profit developers. Is there any comment on the bond rules?

(No response.)

MS. HULL: The TDHCA HOME program rules.

MS. CHAPA: Again, my name is Veronica Chapa and I am with the HOME Division. As you know, this year, the HOME Division has significantly updated the TDHCA HOME program rules; primarily the restructuring for the OCC program, defining the loan process and general administration. We welcome any comments regarding the rules of the HOME program in general at this time.

MS. HULL: First we have Sarah Mills.

MS. MILLS: Hi. My name is Sarah Mills, and I am a policy specialist in housing for Advocacy Incorporated. I am also member of the disability advisory workgroup and was part of the HOME advisory task force. I am here to comment on the HOME rules.

And specifically in the definition section 53.2, number 72, I know this was a change from the previous rules, the definition of a people with a disability. The previous definition is that of the Section 504 of the Rehabilitation Act. And my concern is that in the new definition, it says that persons with disabilities means a household composed of one or more persons, at least one of whom is an adult who has a disability.

The problem with that is that the word "adult" is very limiting. There is no inclusion of a parent of a child with a disability, and in the state of Texas there are many households where there are children with disabilities. And that can create financial hardship, and requires homes, whether it is single-family or multifamily, to need accommodations so that the child can also reside in the home.

Also, I reviewed HUD's website, and they used a Section 504 definition of person with a disability as a definition. I guess I am just suggesting that maybe the Department look at that. And I have already spoken with a couple of staff about it, and seeing if there is any way to reword that, so it is not just an adult, but maybe including anyone in the household. Thank you.

MS. HULL: Thank you. Robin Sisco?

MS. SISCO: Hi. I am Robin Sisco, and I am with Langford Community Management Services. I represent myself and Judy Langford. We were two members of the HOME Advisory Task Force and were also consultants who represent several HOME contract administrators under the OCC program.

Prior to 2006, HOME contracts were 24 months followed by a 60 day grace period to submit final paperwork and draws. In 2006, the contract period was shortened to 18 months, followed by a 60-day grace period.

This was counterintuitive at the time, because changes were made where much additional work had been added to the implementation process by changing the HOME OCC program from a grant program to a loan program.

The HOME task force recommended a return to the 24-month contract length plus the 60-day grace period. However, the 2008 proposed rules set a 22-month contract length, which is really only a 20-month contract length because of a benchmark requiring that work be completed at 20 months.

Essentially, the 60-day grace period has been incorporated into the contract term itself. Regardless, neither 18 months nor 20 months is a realistic contract term, especially considering the additional challenges that have been brought on by the change of the program from a grant to a loan program. So we ask that the Board consider changing the rules to reflect the HOME task force recommendation and change the proposed rules to reflect a 24 month contract term that is more realistic and appropriate for the actual time required to implement a HOME project.

In 2006, benchmarks were set at six months and twelve months. These benchmarks were not realistic reflections of the implementation flow of a HOME contract.

The HOME task force -- because benchmarks that were taken together with the recommendation of a 24-month contract lien would allow the Agency to track appropriate progress on a contract and would more accurately reflect the time and effort required to manage a HOME contract.

However, the 2008 proposed rules include benchmarks that do not take into consideration the task force recommendations. We ask that the Board act to change the specifics, to change the proposed rules to reflect the recommendations of the HOME task force. And those specifics are included in my written comments that I will give you.

Changes to the 2006 HOME program, including shortened timelines and contract terms, ensure that many HOME contracts will require contract extensions. Extensions and other major changes to contract provisions require a contract amendment. If more than one amendment is requested, the Board approval is required.

The 2008 proposed rules state that a failure to meet any benchmark will now require a contract amendment. We ask the Board to replace the contract amendment policy regarding benchmarks with the policy recommended by the HOME task force in dealing with failure to meet benchmarks. And those specifics are also included in my written comments.

For several years, prior to 2006, assistance under the program was made in the form of a grant to all eligible homeowners at the 80 percent of area median family income. In 2006 the program was changed to require assistance to homeowners at or below 50 percent of AMFI be made in the form of a five-year deferred forgivable loan, instead.

Assistance to those homeowners 51 to 80 percent AMFI is now made in the form of a zero-interest 30-year repayable loan. The HOME task force recommended a return to the grant program for those at 30 percent or less AMFI, and those designated by Rider 4, which allows those at 50 percent or less to be assisted if they are at 30 percent or lower, in cases where counties' AMFI is lower than that of the state.

The task force also recommended returning the five-year forgivable loan program for those at 31 to 50 percent AMFI. Finally, under the recommendation, those at 51 to 80 percent would require an amortized direct loan with a monthly payment of principal and interest with a maximum rate of 2 percent per year.

The 2008 proposed rules ignored the task force recommendations maintaining a deferred forgivable loan program for those at 30 percent AMFI or below and changing the repayable loan requirements to start at those at 31 percent and above.

This creates several concerns. Most important, these funds are used to assist very poor people. Any repayment is nearly impossible on their fixed incomes, where payment will take money already designated in their budgets for food and medicine. In addition, even the five-year forgivable loan scenario creates such additional paperwork that it is overwhelming for contract administrators to implement these programs, and for the homeowners themselves.

We asked the Board to adopt the HOME task force recommendations referenced earlier. Prior to 2006, soft costs were allowed at 12 percent of hard costs, and administrative costs were allowed at 4 percent of total contract costs. This remained the same for 2006.

But the new loan procedures introduced many more soft costs, like land surveys, appraisals, and title policies. Therefore, if the cost items were added, additional allowable soft costs did not increase, the direct effect was an actual decrease in the amount of soft costs allowed by the Department in 2006.

Now the 2008 proposed rules reflect further decreases in soft costs, both directly, by reducing the percentage to 10 percent, and indirectly, by limiting the list of allowable soft costs, and capping those that are allowed. In addition, there is no mention at all in the proposed rules of a 4-percent allowance for administration.

The first problem with these limitations is that they were not discussed with the HOME task force at all. Proposed changes of this magnitude should have been presented as a topic of task force discussion. There certainly would have been appropriate comments and recommendations made concerning these limits, if the task force had been aware they were under consideration.

Secondly, this level of detail has previously been published in an implementation manual and not in the Texas Administrative Code Section 10. The delineation of soft costs and caps is not an appropriate level of detail for Section 10 and should be reserved for the implementation manual so that it can be easily revised by the Agency as necessary.

The more important problem is that categories for soft and administrative costs are not at all comprehensive but are presented as if they are. For instance, land surveys are not listed, yet they are considerable soft-cost expense, costing 800 to $1,400 per home in most cases. Also left out are title searches, title commitments and loan closings, usually around 6- to $700 per home; homeowner insurance, 3- to $500; and flood insurance, 4- to $700 dollars, even though all these things are required by the Agency.

It has been suggested verbally by Agency staff that this list is not meant to be comprehensive but rather that things not on the list may count as soft costs and are assumed not to have a cap. This is not made clear in the proposed rules, and if this level of detail is to go into 10 TAC, then it should be made clear that the rule -- in the rule that other uncapped soft costs will be allowed.

The actual caps that are delineated in the rules do not reflect a realistic awareness of the time, effort, and cost involved in implementing a HOME OCC program. In many places, the capped cost is hardly enough to cover the cost of materials and copying of the files, much less the travel and time involved and the many tasks associated with a particular soft-cost item.

Finally, there is a problem of limiting payment for progress inspections to a maximum of four, with suggested logical points of inspection being foundation, framing, rough-in and substantial completion. Normally, we do ten or more inspections on these homes throughout the building process to ensure quality.

Many important steps take place between rough-in and substantial completion, including insulation, sheetrock, cabinetry, roofing, HVAC installation, installation of fixtures, et cetera. It is logical that more inspections are better than fewer when it comes to the quality expected.

These limitations on soft costs and administrative costs will not only seriously compromise the quality of the homes that can be built under this program, these limitations will make the program very difficult or even impossible to implement. This is especially so, considering the challenges presented by the new loan program. All cities and counties, those that use consultants and those that do not, will be hurt by these changes; some will no longer be able to afford to implement HOME OCC, especially those communities that are the poorest.

And this is particularly disturbing because the HOME OCC program is truly one of the best-targeted housing programs serving rural Texas right now. We ask that the Board leave the soft costs and the administrative costs at their current levels of 12 percent and 4 percent. In addition, we ask the Board to consider putting soft costs and administrative costs limitation and cap information in the implementation manual instead of in 10 TAC.

If left intact, we would request the addition of a statement clearly explaining that there are other costs allowable and not capped. And finally, we ask that the list of caps, if not eliminated, be changed to reflect a realistic and comprehensive list of the tasks and costs associated with managing a HOME OCC program contract.

These comments reflect my personal comments and specific recommendations of the HOME Advisory Task Force and comments that we have received from contract administrators in the HOME OCC program. And I would just urge the TDHCA Board to carefully consider these recommendations. Thank you.

MS. HULL: Thank you. Any other comments on the HOME program rules?

(Pause.)

MS. HULL: Have you completed a witness affirmation form?

MR. HUNTER: I have. I will bring it up.

MS. HULL: Thank you.

MR. HUNTER: Hi, my name is Michael Hunter. I am with Hunter and Hunter Consultants, and we have focused primarily on homebuyer assistance programs. And I am representing several clients here in that area. And we also do some owner-occupied, and I have a couple of issues with the owner-occupied. I am not going to repeat what you just heard, because I am in agreement with it. Okay.

I just do want to state that on the last speaker, however, there is one item under owner-occupied which I find to be a little strange, the way it was put in at soft costs. And that is for manufactured housing, and soft costs are capped at 5 percent. And if you run the numbers that's listed on the chart into the document that was presented, you can't pay for the soft costs at 5 percent.

The manufactured housing generally comes in less expensive than stick-built housing; a 1,280-square-foot house we are doing now, manufactured housing, totally complete out, hard costs would cost about $43,000, $44,000 maximum. At 5 percent, that is $2,200.

If you take the two appraisals, the inspections, you have already blown out over $2,200 and you haven't done any of the preconstruction conferences or anything of that nature; there is nothing there to pay for it.

My recommendation would be -- is to move it back -- if you are going to keep it at 10 percent, move it back to 10 percent, and let the fact that those houses are coming in less expensively affect the actual costs that are being presented in soft costs, because that will work out. But at 5 percent, you are basically taking manufactured housing out of the arena, because they are not going to be able to pay for those soft costs.

I also concur with the last speaker, in that there is a lot of things on this chart that are not -- there are a lot of things that are soft costs that are not included in this chart.

And our experience is that on owner-occupied, the title work is running close to 12- t0 $1300 to close and all the title commitments. Our surveys are running right around $1500 apiece in Jasper County. That is the hurricane relief. And our appraisals are running right at $1,000 right now.

So I think in general on the soft costs, it appears that we are talking about a project related to soft costs that maybe the numbers weren't researched well enough as what's actually out there on the ground.

And speaking of soft costs in general, I think some clarifications need to be made to your charts and to your document. I had several clients call me, very confused about it.

I will give you an example. They were saying, we don’t know if the soft costs that are listed -- the maximum amounts are by project, activity or by contract.

And in talking with our staff, they say, whether by project or activity; however, I don't think they all are. For example, if you take procurement of a professional service provider and you have ten projects in your contract and it is 300 each, I am sure you are not expecting the client to spend $3,000 to procure a professional consultant to do that. I think you are looking at $300, which would be about right.

So I think to assist people who are reading this document, if there is an item in here which is more contract based than it is project based, we ought to asterisk that and mention it: This is a contract-wide fee, and that is all you can charge.

In the Section 53.32(e), which is on page 19 of your document, for downpayment closing costs only, it states that for homebuyer assistance that it is $10,000, but if it is a disabled person, then it is $15,000, whichever is less.

I am a little confused by that, because on homebuyer assistance, when you are doing down payment closing costs, that is a mathematical formula. All you are doing is trying to figure out how much money it takes to be able to get the down payment and the closing costs down to where the people can afford the note.

So it has nothing to do with their physical ability; it has to do only with what you have got to do the contract to do. I would suggest that whatever that is, it be the same. If it is $15,000, fine -- maximum. If it is 10,000, fine.

But I think to say, because you have a disabled family member, that they should have more money for down payment assistance, it doesn't make any sense. Now, to have more money to change the house to make it more accessible for them, that is fine. And you have it in there for $25,000. And that is fine; that covers that. So I think that is a little strange.

I am also in agreement on the owner-occupied, that when dealing with people below 30 percent of median income, especially in rural Texas and, more particularly, in areas of natural disaster, that you are talking about having to give them a grant, or they are not going to be able, flat out, to do the deal. And if you are talking from 31 to 50 percent, going on a forgivable loan, we lost people in the last round because they went just slightly over 50 percent and they went to the forgivable loan, and they could not do that. They could not pay the payback; they could not make the payment.

And I think one of the things that we need to remember as we go through this process is that in rural Texas, when you are talking about 30 percent, 50 percent, 60 percent of median income, you are talking about countywide.

In a lot of rural Texas, that is a low number, and we are still having to figure out ways that they have to pay for all their expenses, housing being one of them, as mentioned before; food and medicine being the other.

We have one family that basically has two people on Social Security. The total amount of income is $1,200. They have to make a full payback of the loan to reconstruct their house, and there is no way they can do that, when you figure out all their expenses.

So I think we have to also consider that rural Texans are a little bit more poor than the urban areas and the exurban areas, and we need to maybe make an accounting for that as well. And we will be providing written comments later. Thank you.

MS. HULL: Thank you. Anybody else like to comment on the HOME program rules?

(No response.)

MS. HULL: The next topic up for public comment are the Housing Trust Fund program rules.

MS. CHAPA: Again, Veronica Chapa, also from the Housing Trust Fund program. Regarding the Housing Trust Fund program rules, this document establishes the 2008 rules for the Housing Trust Fund, which is the only state funded housing program.

It is available statewide and currently finances $3 million per year for the Texas Bootstrap loan program for low income families. The proposed changes maintain the flexibility of the program and streamlines the processes to ensure the policies are consistent with other Department of Housing programs. Are there any comments on the Housing Trust Fund program rules at this time?

(No response.)

MS. HULL: Next is the Texas First-Time Homebuyer program rules. This program utilizes funding from tax-exempt and taxable mortgage revenue bonds. It offers 30-year fixed-rate mortgage financing at below-market rates for very-low-, low- and moderate-income residents purchasing their first home, or residents who have not owned a home within the preceding three years.

Qualified applicants access funds by contacting any participating lender, which is then responsible for the loan application process and subsequent loan approval. Any comments on the first-time homebuyer rules?

(No response.)

MS. HULL: Compliance monitoring, accessibility requirements and administrative penalties rules. This document establishes the policies and procedures related to TDHCA's monitoring of multifamily developments financed through the Department. Amy Young.

(No response.)

MS. HULL: Sarah Anderson.

MS. ANDERSON: Again, Sarah Anderson, S. Anderson Consulting. I just have one comment related to the compliance rules, and it has to do with benchmark that was added this last year related to substantial construction. And it specifically has to do with a mention of 80 percent of the framing has to be done to complement the 10 percent of the spending, and 80 percent of framing frankly is almost completely done.

And I think it is a benchmark you are going to find is very difficult to meet this year. I know it is new. I think you are going to find a lot of us are not going to meet that. I don't have a suggestion right now on what is better than 80 percent.

I just know that 80 percent is a problem, at least on our side. So I would like to see some sort of review of a different benchmark that does reflect that somebody has reached their substantial construction but is a little bit less difficult to meet. Thanks.

MS. HULL: The TDHCA underwriting micro-analysis, appraisal, environmental site assessment. Property condition assessment and reserve for replacement rules and guidelines. This document outlines the rules and guidelines related to TDHCA's evaluation of opposed affordable housing developments, financial feasibility and economic viability. Sarah Anderson.

MS. ANDERSON: Okay. Sarah Anderson, S. Anderson Consulting. Two comments related to the REA rules right now.

One specifically is asking for some clarification related to the concentration rate. The rule states that the underwriter will independently verify the number of rental units and multifamily buildings based on the most recent census data, the completion of Department funded or -- and this is where we have issues with --

other known rental developments in the area. It makes me really nervous. I don't know what that means.

And if the REA could please define where that information of other known rental developments are and where our market analysts can find them so that we were -- the capture rates are being -- determine that our analysts actually have the same information so they can come up with the correct capture rate analysis.

Also, this last year there were some issues related to market area and what was considered appropriate market area and not and whether or not properties or the lines and boundaries that were drawn by the market analysts were trying to beat -- were gerrymandered.

And what I would like to suggest is -- this would be a completely voluntary on the part of an applicant, but at the preapplication stage, if we could submit preliminary suggestion with a market area that our analyst is going to look at and get some sort of comment from the real estate analysis group as to whether that would be considered appropriate and includes the properties that they would want to be seen. And they are willing to be a binding item.

But again, what we are finding is that our analysts are drawing lines. The market studies are being submitted and we are being told that there is a potential gerrymandering issue that we don't think is there, but the Department may. So if we could get some assistance when our analysts are determining the market areas, and finding out whether or not could you move this half a mile this direction or this is not considered appropriate by Department standards.

We think we would rather know before the market analyst has moved forward with that than after it has been submitted and there is nothing that can be done. So again, I would want to be voluntary and nonbinding but just asking for a little bit of openness in the way that the Department will be looking at these things.

MS. HULL: Thank you. Any other comments on the REA rules?

(No response.)

MS. HULL: The Legal Services Division rules; the following rules have been reviewed by the TDHCA Legal Services Division and are being presented for public comment, including the providing of current contact information to the Department to the asset resolution enforcement rules.

Any comment on this item? Would anybody like to provide any other public comment at this time?

(No response.)

MS. HULL: If nobody else would like to provide public comment, I am going to go ahead and close the meeting. Thank you for coming.

(Whereupon, at 7:07 p.m., the public hearing was concluded.)

C E R T I F I C A T E

IN RE: State of Texas Consolidated Public Hearing

LOCATION: Austin, Texas

DATE: October 4, 2007

I do hereby certify that the foregoing pages, numbers 1 through 52, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Stacey Harris before the Texas Department of Housing and Community Affairs.

10/10/2007
(Transcriber) (Date)

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