

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

January 19, 2012

THE STATE OF TEXAS)

COUNTY OF HARRIS)

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 19th day of January, 2012, at the Crowne Plaza, located at 8686 Kirby Drive, inside the boundaries of Harris County in the City of Houston, Texas. Chairman Wallace called the meeting to order at 1:50 p.m. and the roll was taken of the duly constituted officers and members of the Board:

Casey T. Wallace	Chairman	Present
Walter Jones	Vice Chairman	Present
Beto Cardenas	Commissioner	Present
Peggy Kruckemeyer	Commissioner	Present
Graciela Martinez	Commissioner	Present

Attending for all or portions of the meeting was Michael Fleming representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Guy Rankin, David Gunter, Melissa Quijano, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns and Elizabeth Holloway, of the Harris County Housing Authority; Elizabeth Neal was also in attendance.

PRESENTATION AND APPROVAL OF MINUTES FROM November 16, 2012 BOARD MEETING

Chairman Wallace called the meeting to order at 1:50 p.m. The minutes of November 16, 2011 board meeting were presented for approval.

Commissioner Kruckemeyer motioned to accept the minutes for November 16, 2011. Commissioner Cardenas seconded. All were in favor, motioned was carried.

CHAIRMAN'S REVIEW/COMMENTS

Chairman Wallace opened the meeting.

EXECUTIVE SUMMARY & EXECUTIVE DIRECTOR'S REPORT

None

ADMINISTRATIVE AGENDA:

Mr. Rankin began by presenting Humble Lakes, and Fairfield Estates which are two new affordable housing developments.

Chairman Wallace invited a motion to approve resolutions and orders authorizing the execution of a Memorandum of Understanding (MOU) for the development of Humble Lakes. Vice Chairman Jones motioned to approve the execution of a MOU for the development of Humble Lakes. Commissioner Kruckemeyer seconded. All were in favor with the exception of Commissioner Martinez who abstained, motion was carried.

Chairman Wallace invited a motion to approve the resolutions and orders authorizing the execution of a MOU for the development of Fairfield Estates. Commissioner Kruckemeyer motioned. Commissioner Martinez seconded. All were in favor motion was carried.

Chairman Wallace invited a motion to approve resolutions and orders authorizing the execution of an MOU for the development of Sierra Meadows Estates. Commissioner Cardenas motioned. Commissioner Martinez seconded. All were in favor, motion was carried.

Chairman Wallace asked that Mr. Rankin speak regarding the management agreement for Cypresswood Estates. Mr. Rankin stated that the property is in need of permanent property management. Mr. Rankin states, Hettig-Kahn was a management company being considered to fill the permanent property management position. Hettig-Khan successfully managed three of HCHA's other properties and their performance evaluation by internal staff was very positive.

The next item on the agenda for discussion was the interim financing agreement for Cypresswood Estates. Mr. Rankin requested this item be tabled.

Mrs. Quijano, Director of the HCV Program, provided an update on the HCV Division by giving an overview of the status of all managed programs.

Mrs. Burns presented an overview of the status of all current affordable housing division developments including lease up rates.

MONTHLY FINANCIALS

Mr. Graff presented an overview of the monthly financials and answered Commissioners' questions.

EXECUTIVE SESSION

The Board of Commissioners went into executive session at 3:44 p.m.

The Harris County Housing Board of Commissioners may go into executive session, if necessary, pursuant to Chapter 551 of the Texas Government Code, for one or more of the following reasons: (1) consultation with its attorneys to seek or receive legal advice or consultation regarding pending or contemplated litigation; (2) discussion about the value or transfer of real property; (3) discussion about a prospective gift or donation; (4) *consideration of specific personnel matters*; (5) discussion of certain economic development matters or other matters authorized by law. The Housing Authority Board of Commissioners may announce that it will go into executive session on any item listed on this agenda if the subject matter is permitted for a closed session by provisions of chapter 551 of the Texas Government Code.

The Board of Commissioners reconvened in public session at 5:05 p.m.

COMMENTS BY COMMISSIONERS

None


COMMENTS OR ANNOUNCEMENTS BY CHAIR


None

ADJOURNMENT

Chairman Wallace invited a motion to adjourn at 5:06 p.m. Chairman Wallace motioned. Commissioner Kruckemeyer seconded. All were in favor, motioned was carried.

Adopted and approved this 21st day of March, 2012.


Beto Cardenas, Chairman


Tom McCasland, Secretary *as of*
3/21/2012

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

February 7, 2012

THE STATE OF TEXAS)

COUNTY OF HARRIS)

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 7th day of February, 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Chairman Wallace called the meeting to order at 6:12 p.m. and the roll was taken of the duly constituted officers and members of the Board:

Casey T. Wallace	Chairman	Present
Walter Jones	Vice Chairman	Absent
Beto Cardenas	Commissioner	Present
Peggy Kruckemeyer	Commissioner	Present
Graciela Martinez	Commissioner	Present

Attending for all or portions of the meeting was Michael Fleming representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Guy Rankin, David Gunter, Melissa Quijano, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns, Elizabeth Holloway, and Earl Campbell of the Harris County Housing Authority; Kim Boyd, Karen Warren, Elizabeth Neal, Wanda Leblanc, and Mike Morris were also in attendance.

ADMINISTRATIVE AGENDA:

Chairman Wallace opened the meeting.

Chairman Wallace at the request of Commissioner Cardenas ask for a change in the By-laws that would effectively create a new Chairman every two years. Wallace began by inviting a motion to approve an amendment to the By Laws of the Harris County Housing Authority. The motion would include a change to Section 2 to reflect the following: "Term of Office. The officers of the Authority shall hold office for a term of two years."; "Section 7. Election of Officers. The officers of the Authority shall be elected by majority of the whole Board present in even numbered years prior to the commencement of the new fiscal year." Commissioner Cardenas motioned to approve the change to the By Laws as stated. Commissioner Kruckemeyer seconded. Motion carried.

Commissioner Cardenas asked to speak pertaining to existing contractual agreements relating to communications. Commissioner Cardenas requested an overview of the current contract relating to communications in order for the Board to provide input. Mr. Rankin informed the Board that there is an active RFP for Public Relation Services that opened January 24, 2012 and will close February 24, 2012, Mr. Rankin stated we needed to review all RFP's first. Commissioner Cardenas requested budget information regarding this issue. Mr. Wallace stated we would provide this information after the close of the RFP.

Chairman Wallace asked Rankin to discuss the progress of Humble Lakes. Rankin presented the Board with an overview of the Patriots by the Lake site and the location of Humble Lakes which was a part of the original intent for Patriots by the Lake. The CORPs provided a permit to build on November 30, 2011 and the Board approved Humble Lakes' development on January 19, 2012. The timeline Rankin presented included utilities and wetland mitigation issues to be approved by the Board. .

EXECUTIVE SESSION

The Board of Commissioners went into executive session at 6:20 p.m.

The Harris County Housing Board of Commissioners may go into executive session, if necessary, pursuant to Chapter 551 of the Texas Government Code, for one or more of the following reasons: (1) consultation with its attorneys to seek or receive legal advice or consultation regarding pending or contemplated litigation; (2) discussion about the value or transfer of real property; (3) discussion about a prospective gift or donation; (4) consideration of specific personnel matters; (5) discussion of certain economic development matters or other matters authorized by law. The Housing Authority Board of Commissioners may announce that it will go into executive session on any item listed on this agenda if the subject matter is permitted for a closed session by provisions of chapter 551 of the Texas Government Code.

The Board of Commissioners reconvened into public session at 8:20 p.m.

Chairman Wallace invited a motion to table the agenda item discussed in the executive session. Commissioner Kruckemeyer made a motion to table the agenda item. Commissioner Cardenas seconded. Motion carried.

Chairman Wallace invited a motion to direct the General Counsel to work with the CEO's Counsel and come to a resolution regarding the employment contract. Commissioner Cardenas made a motion. Commissioner Martinez seconded. Motion carried.

Chairman Wallace requested Mr. Fleming work with Mr. Rankin and his legal counsel and return before the Board when all members are present.

COMMENTS BY COMMISSIONERS

None

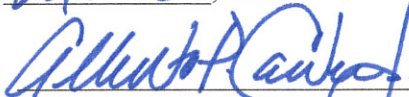
COMMENTS OR ANNOUNCEMENTS BY CHAIR

None

ADJOURNMENT

Chairman Wallace invited a motion to adjourn at 8:25 p.m. Commissioner Kruckemeyer motioned. Commissioner Martinez seconded. All were in favor, motioned was carried.

Adopted and approved this 21st day of March, 2012.


Beto Cardenas, Chairman


Tom McCasland, Secretary

as of
3/21/2012

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

March 21, 2012

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 21st day of March 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Commissioner Cardenas called the meeting to order at 11:45 a.m. and the roll was taken of the duly constituted officers and members of the Board:

Beto Cardenas	Chairman	Present
Peggy Kruckemeyer	Vice Chairwoman	Present
Joe Ellis	Commissioner	Present
Graciela Martinez	Commissioner	Present
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was Michael Fleming representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Guy Rankin, David Gunter, Melissa Quijano, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns, Elizabeth Holloway, Earl Campbell, Adam Minchberg, Anna Hinojosa, Nereyda Vega, Adeline Benoit, Katherine Escamilla, Anita Williams, Jannet Johnson, Doris Warford, Tammy Richard, Frank Warford, Debra McCray, and Beverly Burroughs of the Harris County Housing Authority; Kim Boyd, Wanda Leblanc, Benjamin Hall, Joe Stinebaker, Darryl Jones, Carolyn Scantlebury, Ted Olberg, Charles Fisher, Tom Shea, Elizabeth Neal, Mike Morris, Laolu Davies, Pat Hernandez, and Tom McCasland were also in attendance.

ELECTION OF OFFICERS:

Michael Fleming opened the meeting by swearing in Joe Ellis and Gerald Womack, the two newly appointed Board members.

Commissioner Kruckemeyer announced the board would bypass the second item on the agenda and go to the third which was the election of officers. Commissioner Cardenas paid homage to the work and dedication of the former officers of the Board, Chairman Casey Wallace and Vice Chairman Walter Jones. He also stated that due to their replacement as commissioners new officers need to be elected to the Board.

Commissioner Womack made a motion to go into an executive session prior to the election of officers regarding the Executive Director's contract. There was not a second to the motion; therefore, the Board proceeded with the election of officers. Commissioner Martinez nominated Commissioner Cardenas for the position of Board Chair. He accepted and seconded the nomination. Running unopposed the nomination carried, and he was elected to the office of Chairman of the Board.

Commissioner Womack nominated Commissioner Kruckemeyer for the position of Vice Chair. Accepting, she seconded the nomination. Running unopposed the nomination carried, and she was elected to the position of Vice Chairwoman of the Board.

Chairman Cardenas presided over the remainder of the meeting as the elected Chairman of the Board.

Chairman Cardenas suggested suspending the agenda as posted and moving to agenda item number seven of the executive session which was a discussion and update from General Counsel regarding negotiation with the CEO and his attorney as well as the discussion and possible action regarding the contract with the CEO. He noted that one of the items to be discussed in executive session will remain in regular order which was a discussion and update regarding property known as Patriots by the Lake. All board members agreed.

EXECUTIVE SESSION

The Board of Commissioners went into executive session at 11:55 a.m. to discuss and receive an update from General Counsel regarding negotiation with the CEO and his attorney and to discuss the contract with the CEO with the possibility of an action following the discussion.

The Board reconvened in public session at 3:02 p.m.

Chairman Cardenas invited a motion to address the contract for Mr. Rankin. Vice Chairwoman Kruckemeyer moved to approve a settlement that calls for a reduced buyout provision regarding Mr. Rankin's contract effective March 21, 2012, including indemnification by Mr. Rankin, in the amount of \$137,000. Commissioner Cardenas seconded the motion. The vote was unanimous and the motion carried. Commissioner Cardenas on behalf of the Board thanked Mr. Rankin for his service.

PRESENTATION AND APPROVAL OF MINUTES FROM JANUARY 19, 2012 and FEBRUARY 7, 2012 BOARD MEETINGS

Chairman Cardenas proceeded with the regular agenda as printed. The minutes of the January 19, 2012 and the February 7, 2012 board meetings were presented for approval.

Commissioner Kruckemeyer moved to accept the minutes for January 19, 2012 and February 7, 2012. Commissioner Womack seconded. All were in favor, and the motion carried.

ADMINISTRATIVE AGENDA:

Todd Graff presented the FY2013 budget beginning with the end of the FY2012 moving into the FY2013 Budget. He started by giving a brief overview of how the FY 2012 was ending with a slight deficit; however, the funds were expected to be recouped by outstanding developer fees owed to the HCHA for the two newest developments. He also indicated there were no major changes in the new fiscal year budget aside from the conclusion of the DHAP Ike program.

Chairman Cardenas invited a motion to accept the FY2013 budget as presented. Vice Chairwoman Kruckemeyer so moved. Commissioner Womack seconded. All were in favor, and the motion carried.

Chairman Cardenas requested to table the review and possible approval of policies and procedures to allow the board to appoint a committee to review the policies and procedures. The committee would return in no less than 90 days for presentation and approval of recommended policies and procedures. Commissioner Womack moved to table the item as indicated. Commissioner Martinez seconded. All were in favor, and the motion carried.

Melissa Quijano presented an overview of the 2012 PHA Annual Plan, 2012 Utility Allowance Charts, and 2012 HCV Administrative Plan and stated that there were not any changes from the version for the previous year. Chairman Cardenas invited a motion to approve the 2012 PHA Plan, 2012 Utility Allowance Charts and the 2012 HCV Administrative Plan. Vice Chairwoman Kruckemeyer so moved. Commissioner Martinez seconded. All were in favor, and the motion carried.

Chairman Cardenas explained that with the change in Authority leadership there must be a replacement of signatories on all bank accounts. He then invited a motion to approve the replacement of the current signatories and replace them with the newly appointed Chair and Vice Chair as signatories on all HCHA accounts. Commissioner Martinez so moved. Commissioner Womack seconded. All were in favor, and the motion carried.

Mr. Allison presented an overview of the new affordable housing developments. He began by explaining the current status and progress being made on the Sierra Meadows Estates project. He answered Commissioners' questions relating to the status of the project and concluded stating there are plans to break ground in about three months. Chairman Cardenas invited a motion to approve up to 600 vouchers for the Sierra Meadows Estates and Humble Lakes developments and 200 VASH vouchers for these developments, pending financing and development plans. Commissioner Womack so moved. Commissioner Martinez seconded. All were in favor, and the motion carried.

Mr. Allison provided details regarding a request to enter into a Memorandum of Agreements with the Bayou Land Conservancy and answered Commissioners' questions. Chairman Cardenas invited a motion to approve the resolution to enter into a MOA's with the Bayou Land Conservancy. Vice Chairwoman Kruckemeyer so moved. Commissioner Womack seconded. Three Commissioners voted in favor and two abstained. The motion carried.

Mr. Gunter presented the investment policy stating that no changes have been made to the previous year's policy. Chairman Cardenas invited a motion to approve the investment policy as presented. Commissioner Martinez so moved. Vice Chairwoman Kruckemeyer seconded. All were in favor, and the motion carried.

Mr. Graff reviewed the monthly financials and answered Commissioners' questions. Chairman Cardenas moved to accept the monthly financials as presented. Vice Chairman Kruckemeyer seconded. All were in favor, and the motion carried.

Chairman Cardenas requested the cooperation of the Board to allow a committee of two members to work with the Interim CEO to provide a method for consideration and approval to begin approving all financial transactions. The agenda item of approving all financial transactions beginning April 1, 2012 was tabled to be addressed at the next Board meeting.

EXECUTIVE SESSION

The Board went in to executive session at 4:06 p.m. to discuss and receive an update regarding the property known as Patriots by the Lake.

The Board of Commissioners reconvened into public session at 5:00 p.m.

DISCUSSION AND POSSIBLE ACTION REGARDING THE NAMING OF AN INTERIM CEO

Chairman Cardenas invited a motion to name Tom McCasland as the Interim CEO to serve on a temporary basis as the CEO of the HCHA with compensation in compliance with HUD provision PIH 2012-14. Commissioner Martinez so moved. Commissioner Ellis seconded. Three Commissioners were in favor and two abstained. Motion carried.

COMMENTS BY COMMISSIONERS

Commissioner Womack and Commissioner Ellis thanked the staff for their hard work and offered words of encouragement.

COMMENTS OR ANNOUNCEMENTS BY CHAIR

Chairman Cardenas started by thanking his predecessor on the Board. He went on to say that the Board looks forward to working with the staff and encouraged them to continue doing the good work they are doing on behalf of all Americans.

PUBLIC COMMENT

None

ADJOURNMENT

Chairman Cardenas invited a motion to adjourn at 5:04 p.m. Commissioner Womack so moved. Commissioner Martinez seconded. All were in favor, and the motion carried.

Adopted and approved this 18th day of April, 2012.


Beto Cardenas, Chairman


Tom McCasland, Secretary

as of
3/21/2013

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

April 18, 2012

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 18th day of April 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Commissioner Cardenas called the meeting to order at 1:05 p.m. and the roll was taken of the duly constituted officers and members of the Board:

Beto Cardenas	Chairman	Present
Peggy Kruckemeyer	Vice Chairwoman	Present
Joe Ellis	Commissioner	Present
Graciela Martinez	Commissioner	Present
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was Michael Fleming representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Tom McCasland, Melissa Quijano, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns, Elizabeth Holloway, Earl Campbell, and Paul Curry of the Harris County Housing Authority; Wanda Leblanc, Steve Bowens, Douglas Ray, Dan Rodriguez, Scott Hudman, Mike Morris, Ted Olberg, and David Aguillar were also in attendance.

PRESENTATION AND APPROVAL OF MINUTES FROM MARCH 21, 2012 BOARD MEETINGS

Chairman Cardenas opened the meeting by inviting a motion to discuss the minutes of the March 21, 2012 board meetings.

Commissioner Ellis moved to approve the minutes for March 21, 2012. Vice Chairwoman Kruckemeyer seconded. All were in favor, and the motion carried.

CHIEF EXECUTIVE OFFICER'S REPORT

Chairman Cardenas invited the Interim CEO to present the Chief Executive Officer's report. Mr. McCasland began by explaining his activities at HCHA from March 21, - April 17, 2012. He's met with all of HCHA's staff, HUD officials from the HCV and OIG divisions, current and previous members of HCHA's Board of Commissioners, touched basis with nearly all of the HCHA's current vendors, property managers, banks and consultants. He proceeded to provide an outline of the topics he would be providing the status on. He discussed the following eight issues during his status report: 1) HUD's interaction with HCHA; 2) Other federal investigators; 3) HCHA's 90 day cash flow; 4) Issues regarding personnel; 5) Monthly financials; 6) Sale of personal property; 7) Status of current projects; and 8) Outstanding consultant invoices.

On March 20, 2012 HUD requested an on-site review which began March 27, 2012. During the review's entrance meeting, Mr. McCasland advised HUD that the cash position of HCHA was approximately four hundred thousand dollars to address demand letters HCHA received from HUD for \$3.8 million dollars. After learning this information the nature of the review changed. On Friday, April 13 auditors from HUD's OIG arrived to perform a survey audit, which is expected to continue for approximately 1-2 months. At the end of the review HUD's OIG will determine whether to proceed with a full audit. Based on conversations with officials that full audit will take six to nine additional months to complete. Upon completion HUD will issue a public report of its findings.

Mr. McCasland notified the Board that, as of the morning of the meeting, he was notified that an additional investigation has been launched by a federal agency. He expressed HCHA staff's intent to fully comply with all federal investigations.

Mr. McCasland began to explain in detail HCHA's 90 day cash flow. As of March 28, 2012, the cash balance was approximately \$350,000. He went on to say an immediate concern of his was meeting monthly obligations to the landlords, clients, and staff and explained how the HAP (housing assistance payments) to the landlords works. In his explanation, he advised the Commissioners that for nine of the last twelve months HCHA's HAP was more than the amount provided by HUD. He went on to provide three reasons this would occur. 1) To sweep funds made from former months that were not expended to draw down the amount that is sitting in a restricted cash account; 2) HAP payment expenditures that were incurred in a previous month but paid in a later month; or 3) Authorization of vouchers that exceed the number available to HCHA. The Board was advised that for six of those nine months, HUD was sweeping back funds they provided in former months that were not expended and they believed to be in a restricted cash account, and for the last three months the latter two reasons were the issue.

Mr. McCasland explained the status of certain personnel issues. He stated that three resignations were received, and went on to say that a job announcement for an executive assistant and case manager had had been issued. He expressed his confidence in the staff's ability to resolve current issues and focus on moving HCHA forward.

Mr. McCasland presented documents and spreadsheets that outlined HCHA's financial status and answered Commissioners' questions accordingly. Commissioners took special notice of the 2 million dollars spent on leasehold improvements for a property that was not leased by HCHA for the month it was included as a fixed asset on the previous month's financials.

First he presented a report which showed the present state of the financials and receivables. This report reflected only the receivables with a payee attached. Mr. McCasland presented a spreadsheet that showed total accounts receivables and the amounts that will and will not likely be recovered. The estimated amount of the funds that would likely be recovered was listed as \$669,298.07 which was 32% of the total amount. Commissioner Martinez inquired about the criteria used to update the account receivable report. In particular a question was raised about a construction loan that was listed as a receivable. This item was removed because there was only a possibility that the loan would be secured; therefore, it was not an actual receivable. There were other items that did not fit the criteria to be listed as a receivable on this report. The total difference from the previous months A/R report was \$5,058,268.99.

Mr. McCasland shared the plans to rectify the current financial issues. One of the more immediate steps included plans to sell some of HCHA's personal property.

Mr. McCasland presented a document that showed the constructions in progress. Among the projects listed was University Place. According to the current Board members, this was the first time this project was mentioned to them. They inquired how there was over \$81,000.00 worth of invoices for this project that hadn't been brought before the Board, according to recorded Minutes, until this meeting. Finally, Mr. McCasland presented approximately 200,000 in invoices that had been received for non-HCV related expenses.

ADMINISTRATIVE AGENDA:

Ms. Quijano presented an overview of the HCV Program and answered Commissioners' questions.

Ms. Burns presented an overview of the current affordable housing developments and answered Commissioners' questions.

Mr. Allison presented an overview of the new affordable housing developments and answered Commissioners' questions. At the request of the Board Mr. Allison explained his knowledge of what the University Place project was and why he believed the project should have been pursued by HCHA. Commissioner Martinez acknowledged her openness to new ideas, but also expressed her desire to be informed about a project prior to expenditures being acquired for the project.

FINANCIAL AGENDA:

Mr. Graff presented the monthly financials and answered Commissioners' questions.

Chairman Cardenas brought up two items tabled at previous meetings which were policies and procedures and financial audits. He then stated there were committees assigned to each of these items. Vice Chairwoman Kruckemeyer and Commissioner Womack would assist in crafting the policies and procedures. Commissioners Martinez and Ellis would work on the financial side looking at auditing recommendations. He went on to say that given the requirement that HCHA

improve its restricted accounts he would like to make a motion to direct and authorize the interim CEO, subject to concurrence with the U.S. department of Housing and Urban Development, to issue and review proposals relating to professional auditing services and work with Commissioners Ellis and Martinez to recommend for decision to the Board at the next regularly scheduled meeting as an action item. Commissioner Martinez seconded. All were in favor, and the motion carried.

PUBLIC COMMENT:

Chairman Cardenas opened the floor to any public comments. Dan Rodriguez, Director of HUD's Public Housing in Houston's field office, took the opportunity to speak. He spoke of HUD's appreciation of HCHA's CEO and the staff's cooperation with their investigation. He also requested the Board's consideration to keep the interim CEO in place because of the outstanding job he's doing and to maintain stability throughout their investigation. Chairman Cardenas asked him what changed HUD's view of HCHA from their initial conversation on March 23rd, two days after he took office, and now. Mr. Rodriguez explained that his initial assessment was based on HCHA being one of the highest performing housing authorities in the country. He went on to say that given its ability to administer the program, HUD did not have any reason to suspect that anything was going on of concern. Subsequent to that, their initial investigation found that the financial condition of the Housing Authority is very serious. There is a substantial amount of money that has been expended which was money to be used by the housing authority specifically for rent payments and no other purpose. These funds were supposed to be accumulating and given the current economic conditions of the country, HUD has recently began a new process. They would receive the monthly needs for rent payments from the housing authority, but would not fund the entire amount. They would instead ask the housing authorities to supplement their needs from the reserves that have been accumulated in the restricted accounts. This was done in efforts to minimize the reserves that were accumulating and not being used. This brought about the concern of the ability to be able to make the rent payment if there aren't enough restricted funds available. This is why the nature of HUD's concern changed.

EXECUTIVE SESSION

The Board went into executive session at 3:15 p.m. to discuss with the Authority's attorney regarding matters involving the contract of the former CEO and claim related thereto.

The Board of Commissioners reconvened into public session at 4:23 p.m.

No action following executive session.

COMMENTS BY COMMISSIONERS

None

COMMENTS OR ANNOUNCEMENTS BY CHAIR

Chairman Cardenas stated his appreciation of the staff and the forthright communication under the new leadership. He went on to say HCHA will meet its financial obligations to clients, landlords, and those with which HCHA has agreements. He expressed HCHA's commitment to fully cooperate with law enforcement, HUD's and any other entity we are required to comply with. We intend to gain back the public trust and keep it by having full transparency.

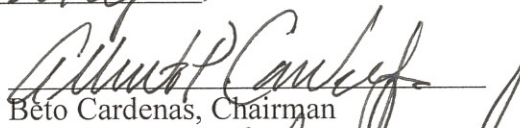
PUBLIC COMMENT

None

ADJOURNMENT

Chairman Cardenas invited a motion to adjourn at 4:30 p.m. Commissioner Kruckemeyer so moved. Commissioner Martinez seconded. All were in favor, and the motion carried.

Adopted and approved this 16th day of May, 2012.


Beto Cardenas, Chairman


Tom McCasland, Secretary

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

May 16, 2012

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 16th day of May 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Commissioner Cardenas called the meeting to order at 1:34 p.m., and the roll was taken of the duly constituted officers and members of the Board:

Beto Cardenas	Chairman	Present
Peggy Kruckemeyer	Vice Chairwoman	Present
Joe Ellis	Commissioner	Present
Graciela Martinez	Commissioner	Present
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was Michael Fleming representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Tom McCasland, Melissa Quijano, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns, Elizabeth Holloway, Beverly Burroughs and Earl Campbell of the Harris County Housing Authority; Nick Lykos, Mary Baker, Willie Jones, Max Miller, Fredrick Hunter, Laurie Robinson, James Dixon, Howard Jefferson, William Lawson, Charlie Jones, E.A. Deckard, Wanda Leblanc, Steve Bowens, and Mike Morris were also in attendance.

PRESENTATION AND APPROVAL OF MINUTES FROM April 18, 2012 BOARD MEETING

Chairman Cardenas opened the meeting by inviting a motion to discuss the minutes of the April 18, 2012 board meeting.

Vice Chairwoman Kruckemeyer moved to approve the minutes for April 18, 2012. Commissioner Martinez seconded. All were in favor, and the motion carried.

PUBLIC COMMENT:

Chairman Cardenas opened the floor to any public comments. James Dixon, Pastor of The Community of Faith Church in Houston, Texas, and Founder of the Dominion Community Development Corporation, took the opportunity to speak. He began by expressing his purpose, namely specific interests pertaining to the continuing of the core mission of the Harris County Housing Authority. Lauding the Authority's successes, he was expressly concerned with the organization's involvement with the media and portrayal within it. Because the Authority is responsible for providing housing directly to the public, he asked if the Board was ready to proclaim the positive aspects and successes of the Authority to keep the public sector supportive of the Authority's mission. His concluding remarks included a brief discussion of the high standard set by the Authority and the precedent set for this standard. Expressing his pride in Harris County's assistance in providing housing, he sought to understand the Board's position on continuing to operate on such a high level without politics. Pastor Dixon also expressed an interest in working with the Commissioners towards a common goal within the Authority. Requesting a meeting to further discuss this, he expressed his desire in helping ensure that the Authority remains on track in pursuing their goal of assisting people.

William Lawson, Pastor Emeritus of Wheeler Avenue Baptist Church, spoke about the recent media exposure. He expressed a desire for the Authority to focus on the mission of the organization in fulfilling its responsibility to those involved in the programs the Authority houses.

Commissioner Womack addressed the public comments, expressed his gratitude to the pastors for their input and upheld the mission of the HCHA going forward.

Chairman Cardenas was amenable to the desire of the pastors' request to meet with the Commissioners to address the voiced concerns and answer questions posed.

EXECUTIVE SESSION

The Board went into executive session at 1:53 p.m. to discuss with the authority's attorney(s) regarding matters involving the contract of the former CEO and pending litigation related thereto.

The Board of Commissioners reconvened into public session at 3:39 p.m.

Chairman Cardenas moved to direct and ask the Authority's General Counsel to enter into an inter-local agreement with the Harris County Attorney to assist HCHA in responding to pending litigation. Commissioner Martinez seconded the motion. Four Commissioners voted in favor, Commissioner Womack opposed, and the motion was carried.

CHIEF EXECUTIVE OFFICER'S REPORT

Tom McCasland began his report with the examination of the 90 day cash flow. He said that the projection from the months of April, May, and June indicates that HCHA will end the first 90-days with an \$83,879 positive cash flow. This is an improvement of nearly \$400,000 from the projection a month ago. The largest changes are due to increased revenues, both from HUD's administrative fees and HCHA properties, and a reduction of expenses. A check register was provided starting on March 23 and going through the end of March. The second check register

encompassed April 1 through the end of April. Mr. McCasland said that the check register will be regularly included in the future.

Mr. McCasland updated the Board on the Public Information requests made during his appointment to office.

He then discussed the lease of the office space of HCHA. He requested a 50% reduction of the rent from the landlord for the months of May, June, and July, and in accordance with this request sent a check reflecting this new amount. The landlord's agent is currently in discussion with the investors to discuss this as a possibility. An update will be given to the Board in the next month's meeting.

Payroll and Contract Workers were discussed in regards to bi-weekly expenditures, with the payroll reduction of \$26, 512 being emphasized. Mr. McCasland stated that the reduction is in large part due to the resignations of employees, a buy-out, and a decrease in Security Officer work hours.

Addressing the Outstanding Invoices that accrued prior to his arrival as Interim CEO, Mr. McCasland stated that it is his intention to pay them provided he is able to identify the work product and services for which HCHA is invoiced, that the invoices do not exceed his authority of \$25,000, and that paying the invoices will not jeopardize monthly non-HCV expenses such as payroll and office rent. Members of the Board expressed concern over the type of expenses that were included in the list of Outstanding Invoices. Emphasizing that HCHA will pay vendors who have provided valuable services, Mr. McCasland stated that certain expenditures such as trophies would not occur under his tenure. He made clear his desire to cut costs moving forward.

Asked about the status of the University Place project, Mr. McCasland stated that no funds would be paid without the Board's approval of the expenses for the University Place project.

Mr. McCasland continued his report with a discussion of the federal investigation. The initial OIG review that was projected to last between 1-2 months is now projected to last the entire two months. The full audit that will likely occur after this initial review is expected to last 6-7 months. HCHA staff have cooperated fully with these investigations, and they will continue to do so. HUD's OIG has issued a subpoena, and HCHA has been fully cooperative with working under.

An Interlocal Agreement between Harris County and HCHA was discussed by Mr. McCasland. The agreement specified that HCHA can use Harris County's Purchasing Department to dispose of unneeded property. One percent of the net money received by HCHA for each piece of property sold is to be paid to Harris County to cover the expense in selling the property. Excess property including the fleet of Tahoes bought by HCHA will be sold. Commissioner Womack expressed his concern about selling the Tahoes through Harris County given his desire that HCHA receive the actual value of the vehicles once the Interlocal Agreement is signed, Chairman Cardenas moved to allow the CEO to enter into Interlocal Agreement with Harris County for the disposal of excess vehicles owned by HCHA subject to providing the Board with an update as to a registry of said vehicles. Commissioner Martinez seconded the motion. Three voted in favor of the motion, Commissioner Womack opposed, and Chairwoman Kruckemeyer abstained. The motion carried.

Mr. McCasland then addressed the next agenda item, namely proposals to the Board, one for

auditing services and one for website services. The request for auditing services has been delayed, but Mr. McCasland did confirm with HUD that they would like for him to go ahead with forensic auditing services. Mr. McCasland suggested the year-end auditing and the forensic auditing services be combined into a single RFP to get the best value. The RFP would be posted once it had been edited by the subcommittee. Questions arose from the Board regarding auditing services from the 2012 fiscal year. Mr. McCasland stated that at the current time he had not received performed by the auditors for FY2012 but that would follow up to ensure that HCHA did receive all services for which it had paid.

ADMINISTRATIVE AGENDA:

HCV Director Quijano presented the information on Section 8 and SEMAP Certification and answered Commissioners' questions. Chairwoman Kruckemeyer moved to accept and approve the SEMAP Certification as submitted. Commissioner Womack seconded, all voted in favor, and the motion carried.

At this time Mr. McCasland clarified the seeming contradiction between the high marks that HCHA receives from HUD while contemporaneously facing financial issues. Mr. McCasland stated that through the diligent work of Ms. Quijano and her staff, HCHA has regularly received high SEMAP marks. However, SEMAP does not grade financial performance, which is where HCHA has recently encountered difficulty. He emphasized that none of the financial issues that he had encountered related to the programmatic work by Ms. Quijano and her staff.

Paula Burns, Director of Development, updated the Board on the current Affordable Housing Developments. The revenue received from the AH properties between March 21, 2012 and May 14, 2012 totaled \$192,462.01. The bulk of this amount was generated from the Waterside Court Property, the only single-family property that HCHA has. Paula said that this combined with the full occupancy of the property and a waiting list for said property suggests that the demand for this type of housing is high.

Horace Allison, Chief Development Officer, gave an update on the projects that have not yet been developed. Questions from the Board arose regarding Humble Lakes. Currently Mr. Allison has tabled the project. Mr. McCasland clarified by stating that all of the projects that are in progress have been put on hold. Since putting the projects on hold Mr. McCasland and Mr. Allison met with the GLO and asked them about the level of flexibility that they had in returning to the Board where the desire for other projects was expressed. The GLO said that Mr. McCasland could go back to the Board within 60 days and present options other than Humble Lakes and Sierra Meadows Estates which were the two that were originally presented to the Board. The GLO had allocated 13.2 million dollars to the projects through the Hurricane Ike Fund. They requested a letter from HCHA withdrawing those two projects which Mr. McCasland submitted to them subject to Board approval. Mr. McCasland stated that these are the steps that have been taken to preserve the option of the Board to proceed given the current financial state. Chairman Cardenas raised a question about the procedure that would occur if HCHA wanted to use the allotted 13.2 million dollars for another project other than Humble Lakes or Sierra Meadows Estates. (Mr. Womack was excused at 5:15p.m.). Mr. Allison stated that the original application would have to be revised to pursue any alternative projects. The GLO would need a letter, a timeline, and a predevelopment budget from HCHA for the new project. Mr. McCasland stated that this is a non-competitive application so the funds have been reserved for HCHA. The GLO does require that the housing that HCHA builds replaces the

housing that was destroyed during Hurricane Dolly or Ike. Mr. McCasland sought guidance on a decision to ratify the withdrawal of the application because it was subject to Board approval. He also sought direction on whether or not HCHA should bring back proposals for options to present to the Board to use the \$13.2 million if the Board decides to not use the allocated funds for Sierra Meadows Estates and/or Humble Lakes. Mr. McCasland also sought guidance on whether the Board would like HCHA staff to explore options for building or selling the Patriots by the Lake property.

Chairman Cardenas moved to direct staff to look at the best opportunities to amend our existing application with GLO to be able to expand our abilities as a Board, to address the \$13.2 million in grant funding that is available to HCHA. The intent on that is to keep Sierra Meadows and to look at alternatives for the \$10 million that had been allocated for Humble Lakes. Commissioner Ellis seconded. Chairman Cardenas and Commissioner Ellis voted in favor, and Commissioners Martinez and Kruckemeyer abstained. Chairman Cardenas tabled the issue.

Chairman Cardenas requested the staff to compile for the Board more detail regarding the Patriots by the Lake property, providing a timeline of Patriots by the Lake, including the past, present, and projected status of the property; the action taken to assemble the experts that will provide the Board with guidance in regards to the project; and a cost analysis so that the Board will be better informed to address remediation issues or alternative options at the next Board meeting.

FINANCIAL AGENDA:

Mr. Graff gave an overview of the financial state of HCHA. He first went over Revenue and Expenditures for April. The total expenses were in line with the budget allocated for April.

Chairman Cardenas questioned the amount of money put into lease-hold improvements, approximately \$1 million. He asked what portion of these upgrades is a fixed asset. Mr. Graff responded acknowledging the lack of movability of the improvements to the property. Discussion over the possibility of writing off said improvements occurred without any definitive resolution.

Chairman Cardenas raised questions regarding travel line item, and discussion ensued, resulting in the Chairman requesting information regarding training for the new Commissioners.

The occupancy report was then given by Mr. Graff. He said that there was a slight deficit of \$27,000 for the HCV program. However, the Finance and HCV Departments intend to ensure that going forward funds are in line with expenditures. Mr. Graff announced that the VASH program had been awarded an additional 50 units for VASH vouchers, for a total of 250 vouchers. He reported on the lease-up totals for Jackson Hinds SRO, and MOD REHAB.

Discussing the loans, Mr. Graff stated that the construction loan with Comerica for Cypresswood Estates includes the Credit Support and Funding Agreement and the Promissory Note that specifies that HCHA is able to convert to a permanent loan up to \$1.975 million at a rate of 6.3% as a 15 year loan that is amortized in 30 years. The annual principle and interest payment is \$146,700. One of the requirements is that HCHA has over 90% occupancy for three months. The debt-cover ratio would have to be 1.25 or greater. Commissioner Martinez asked if HCHA was getting the greatest loan for the value of the property. Mr. Graff responded, saying that if the loan

with Comerica goes through, that is the most we can ask for based on the restriction included in the original agreement.

Chairman Cardenas asked of Mr. McCasland what the options were for repayment of the funds that are owed to HUD, questioning if the funds that HUD is requesting are the same as the funds that we have identified as owing to HUD, and also requesting a timeline of repayment. Mr. McCasland stated that HUD is requesting the funds as soon as they are available but that there is not a set date for repayment. HUD is aware of the Patriots by the Lake property, and Mr. McCasland says that contingent upon sale of said property, HUD would likely request repayment.

PUBLIC COMMENT:

None

COMMENTS BY COMMISSIONERS

None

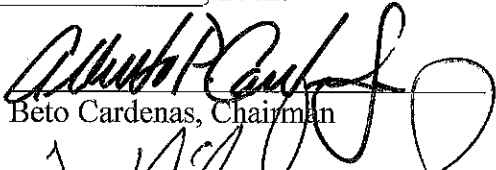
COMMENTS OR ANNOUNCEMENTS BY CHAIR

Chairman Cardenas stated that in an effort to work in cooperation with the city, he met with the new Chairman Gilliam and discussed pooling resources so that HCHA is not just restricted to the areas outside of the city limits of Houston. Asking staff to have an open mind to this, the Chairman believes that cooperative efforts would prove to be very beneficial to the city and county. He urged the staff to keep an earnest eye toward the public tax dollar to ensure keeping our obligation to the public's trust.

ADJOURNMENT

Chairman Cardenas invited a motion to adjourn at 5:54 p.m. Commissioner Kruckemeyer so moved. Commissioner Martinez seconded. All were in favor, and the motion carried.

Adopted and approved this _____ day of _____, 2012.


Beto Cardenas, Chairman


Tom McCasland, Secretary

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

June 20, 2012

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 20th day of June 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Commissioner Cardenas called the meeting to order at 1:25 p.m., and the roll was taken of the duly constituted officers and members of the Board:

Beto Cardenas	Chairman	Present
Peggy Kruckemeyer	Vice Chairwoman	Present
Joe Ellis	Commissioner	Present
Graciela Martinez	Commissioner	Present
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was David Tang representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Tom McCasland, Melissa Quijano, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns, Elizabeth Holloway, Julia Nations, and Earl Campbell of the Harris County Housing Authority; Mary Baker, Wanda Leblanc, Steve Bowens, Kenneth Puncerelli, Dan Rodriguez, and James Pinkerton were also in attendance.

PRESENTATION AND APPROVAL OF MINUTES FROM May 16, 2012 BOARD MEETING

Chairman Cardenas opened the meeting by inviting a motion to accept and approve the minutes of the May 16th, 2012 board meeting.

Vice Chairwoman Kruckemeyer moved to accept and approve the minutes for May 16, 2012. Commissioner Martinez seconded. All were in favor, and the motion carried.

PUBLIC COMMENT:

None

CHIEF EXECUTIVE OFFICER'S REPORT

Tom McCasland began his report by addressing the HUD reviews. He stated that OIG is about to wrap up its initial review audit. The review was to be finalized within the week and they expect to move into a full audit that is expected to take 6-7 months. HCHA is fully cooperating with the requests for documents under the criminal investigation. Mr. McCasland emphasized the difference between the programmatic side and the financial side of HCHA. The SEMAP review was completed on June 19th and Ms. Quijano expects that the review will confirm the High Performance status on the programmatic side.

Mr. McCasland then discussed the Cash Projection, providing the Board members with the details of the Cash Projection for the year. For the Fiscal Year 2013 \$3.1 million in revenue is projected which is \$1.2 million less than 2012 and \$1.4 million less than the accrued budget for fiscal year 2013. The reason for this difference is the approval of \$1.3 million for developer fees. We expect that these fees will not affect the budget until a year from now if HCHA continues with development. \$3.6 million in expenses is projected for fiscal year 2013 which is about \$3.4 million lower than the actual fiscal year 2012 and about \$850,000 lower than the current budget for fiscal year 2013. The biggest reductions are due to salaries, office rent, and office supplies. Mr. McCasland expects to end the year \$443,000 lower on cash flow than where HCHA began on March 31, 2012. Mr. McCasland expects that more expenses can be cut by the end of the year and that there is a possibility of getting to \$0 lost.

Commissioner Kruckemeyer asked whether consultant fees would increase if HCHA had developments. Mr. McCasland said that the funds for those fees would come out of the budget for the developments, so they would not affect the General Operating Budget.

Mr. McCasland then discussed the funds for HAP payments. For 2012 \$33 million has been assigned for the HAP payments and out of 4100 vouchers 250 are VASH vouchers. Currently HCHA properties are overleased due to the movement of DHAP clients to the HCV Program and action prior taken to April. Before April HCHA was absorbing clients who had moved to Harris County from other Housing Authorities. HCHA is now billing the housing authorities that the clients came from. This will limit the number of additional vouchers and through attrition HCHA will bring its numbers down to where they should be.

Commissioner Kruckemeyer asked about funds paid to HUD in 2011. She said that the funds to HUD were almost \$4 million less than what HCHA paid out and that came out of a cushion that HCHA had built up over a period of time from HUD. Commissioner Kruckemeyer asked if that cushion was gone. Mr. McCasland stated that the incoming money from HUD is in line with the outgoing money.

Chairman Cardenas asked what the cash balance is that HCHA has to maintain. Mr. McCasland said that HUD would like to see an amount that would enable HCHA to pay a month's worth of HAP payments if something were to happen. Currently HCHA is not in a position to do this. Additional cash is in the account, about twice the amount that was in the account at the beginning of the fiscal year.

Mr.McCasland said that there was potential revenue due to HCHA's absorption of 550 tenants from the DHAP Ike program without receiving any new additional vouchers. Mr.McCasland has asked HUD to explore the possibility of providing additional vouchers to use for the HCV program. If HCHA received those vouchers HCHA could begin leasing during the current calendar year. Mr.McCasland said that if HCHA was to receive new vouchers from HUD we would be able to start taking people off of the waiting list.

Mr.Cardenas questioned the size of the waiting list and how HCHA has addressed the waiting list. He also asked about the capability of HCHA's internal structure to address the potential new vouchers. Mr.McCasland said that the waitlist is 21,000 people long and as of yet none of the people have been taken off the waitlist. He also said that he is working with HUD to address the length of the waiting list. Mr.Cardenas asked about the staffing issues that would arise if HCHA was given the new vouchers from HUD. Mr.McCasland stated that the current case managers manage about 300 cases each, so if we did receive the additional vouchers HCHA would need to hire one more caseworker. That expense and the additional expense for inspection would be new expenses, but with each voucher HCHA receives administrative fees.

Commissioner Womack asked if people can both be on our waiting list and on Houston Housing Authority's waiting list. He further asked if any of the people on our waiting list might be a duplication from their list. Mr.McCasland said that was a definite possibility and that we could run the numbers to see if that is in fact the case.

Mr.McCasland spoke about the vehicles that were discussed in the previous Board Meeting. HCHA is going to be reimbursed for those vehicles by the County. The four vehicles that are in HCHA's possession are going to be going to auction through Harris County.

Mr. McCasland then addressed the lease. The landlord has approved a 50% reduction in rent for May, June, and July, and if HCHA approves the lease extension for the next three years the landlord has agreed to a 20 cent reduction per square foot. The landlord also approved to let HCHA sublet some of the office space. Mr.McCasland suggested that no action is yet taken on this because other courses of action are currently being explored.

Chairman Cardenas requested information on whether or not the reduced lease amount is in line with what other office realty goes for in this area. Mr.McCasland stated that at the rate at which the landlord agreed to, HCHA would be paying less per square foot than the average for the area.

Mr.McCasland then discussed the GLO and the \$13.2 million allocated to replacing homes damaged by Ike. The GLO's requirements to prove that we are replacing housing damaged by Ike are ultimately dependent upon which proposals HCHA puts forward. The deadline for spending these funds is the middle of 2015. Once the requirements are specified, the matter will be brought to the Board.

Mr.McCasland then went into details about Patriots by the Lake per the Board's request. \$8.4 million spent on the project was presented, broken down into specific costs. Mr.Cardenas asked in terms of the breakdown of the expenditures spent on the project what the money was specifically spent on for Utilities. Mr.McCasland said that the money spent on Utilities was used for planning of a wastewater treatment facility. If the land was developed out HCHA would need to start over on the engineering plans and there would be need for more expenditures to be paid. Chairman Cardenas asked where this money would come from, questioning the possibility of

mortgaging assets to have a cash infusion. Mr. McCasland said that if that was the will of the Board then that could be addressed. Mr. Cardenas also asked whether there was any legal obligation to the MUD if HCHA chooses to not move forward with this project. Mr. McCasland stated that that was generally correct, but that there is a cash call for \$14,000 for general MUD operations. Commissioner Martinez asked about the expenditures on Planning and how the expenses were approved. Mr. McCasland said that he could look again at the contracts. Commissioner Kruckemeyer said that Patriots was funded by two separate Board approvals, one for the purchase of the land, and the other for development costs.

The last item that Mr. McCasland spoke about was the outstanding invoices. The largest of these is a \$68,000 invoice to LAI and Smash. Mr. McCasland requested direction on how he should proceed with this invoice and said that he was going to do the will of the Board on these invoices. Chairman Cardenas tabled the matter in order to discuss it during Executive Session. Commissioner Kruckemeyer invited Ken Puncerelli, CEO of LAI, who was present for the meeting, to speak to the Board. He introduced himself to the Board and proceeded to give background on University Place, the property for which the invoice that Mr. McCasland is asking for direction on is regarding. Mr. Puncerelli expressed his gratitude for Mr. McCasland's cooperation in paying other invoices. Chairman Cardenas questioned whether there were any more outstanding invoices related to what Mr. Puncerelli had discussed. Mr. Puncerelli said that he was not aware of any other invoices to date. Mr. Cardenas also asked whether HCHA had ever been given any write-offs or discounts on the work done by LAI and Smash. Mr. Puncerelli said that there had been things along the way that were not charged to HCHA. Commissioner Womack questioned Mr. Puncerelli's awareness of any type of procurement process that HCHA had in place. He also asked if Mr. Puncerelli had been to the Board before where his contracts were being voted on. Mr. Puncerelli expressed that he had been given a contract from Guy Rankin. Mr. Womack wanted to know the policy by which HCHA was billed \$68,000 from LAI. Mr. Puncerelli said that he had submitted proposals for work and they would either be approved or not. Commissioner Womack suggested that the Board allow Mr. McCasland to negotiate with LAI. Again, Mr. Cardenas said he would table the matter. Mr. Puncerelli offered to give contracts over to the Board for review.

ADMINISTRATIVE AGENDA:

HCV Director Quijano presented the information on the lease-up rates for the HCV program and the current status of the properties.

Paula Burns spoke about the occupancy rates of the properties.

Mr. Allison, the Director of Affordable Housing, gave an update on future developments. Questions arose about transportation to and from the developments. Chairman Cardenas asked about the price per square foot on the developments and Mr. Allison said he was budgeting \$65/sq. ft. Commissioner Womack asked about buying property within the city. Mr. McCasland said that options on location would be presented to the Board for approval. Previously the developments had focused on senior housing, but HCHA could focus on other priorities if that was the will of the Board. Mr. Allison discussed with the Board an RFP and would like to have the Board's approval for a low income tax credit developer by September. Mr. Cardenas asked what the specifics of the approval would entail. By September HCHA would have to enter into an MOU with the developer to go forward with the pre-application. Mr. Cardenas moved to approve to post Request for Proposals for competitive 9% Low Income Housing Tax Credit

Projects. Commissioner Womack seconded, all voted in favor, and the motion carried.

FINANCIAL AGENDA:

Mr. Graff gave an overview of the financial state of HCHA. He first went over Revenue and Expenditures for May. There was an operating surplus for the month. Some fees were higher than expected due to the fact that HCHA had to pay outstanding invoices prior to March. Mr. Graff answered questions about the bank accounts that HCHA currently has.

EXECUTIVE SESSION

The Board went into executive session at 3:25 p.m. to discuss with the authority's attorney(s) regarding matters involving Patriots by the Lake.

The Board of Commissioners reconvened into public session at 4:41 p.m.

Chairman Cardenas moved to allow the CEO to negotiate a payment with LAI for an amount within his authority. Commissioner Womack seconded, all voted in favor, and the motion carried.

Chairman Cardenas moved to direct HCHA staff to cease all plans for Humble Lakes and Patriots by the Lakes and proceed with application to GLO to keep Sierra Meadows land extension as applied for but allow for a new project therein with that application. Commissioner Kruckemeyer seconded, all voted in favor, and the motion carried.

PUBLIC COMMENT:

None

COMMENTS BY COMMISSIONERS

None

COMMENTS OR ANNOUNCEMENTS BY CHAIR

Chairman Cardenas stated that comments by the Commissioners can be made at any time and asked if the Commissioners did at this time have any comments to make.

Chairman Cardenas said that there would be no July meeting. There will be a regularly scheduled Board Meeting in August, but Mr. Cardenas would like to have a working dinner to better understand the direction that the Board wants to go in.

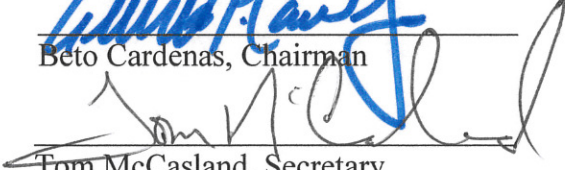
He also stated that he had asked for a review of salaries of personnel and he said that the financial sub-committee and policies committee continue working on the audit and that he will continue working with them.

ADJOURNMENT

Chairman Cardenas invited a motion to adjourn at 4:47 p.m. Commissioner Womack so moved. Commissioner Kruckemeyer seconded. All were in favor, and the motion carried.

Adopted and approved this 15th day of August, 2012.


Beto Cardenas, Chairman


Tom McCasland, Secretary

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

August 15, 2012

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 15th day of August 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Commissioner Cardenas called the meeting to order at 1:37 p.m., and the roll was taken of the duly constituted officers and members of the Board:

Beto Cardenas	Chairman	Present
Peggy Kruckemeyer	Vice Chairwoman	Present
Joe Ellis	Commissioner	Present
Kerry Wright	Commissioner	Present
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was David Tang representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Tom McCasland, Melissa Quijano, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns, Beverly Burroughs, Julia Nations, and Earl Campbell of the Harris County Housing Authority; Mary Baker, Wanda Leblanc, Steve Bowers, Mike Morris, Douglas Ray, C. Luis, Gwen Findley, and J.R. Harris were also in attendance.

ADMINISTRATION OF THE OATH OF OFFICE TO KERRY WRIGHT

Chairman Cardenas opened the meeting by thanking Graciela Martinez for the diligent work that she had done for the Board for the last three years of service.

He then read the Conflict of Interest Statement that Commissioner Wright signed. Commissioner Wright then read his Oath of Office and proceeded to present some background information about his company and business mentality.

PRESENTATION AND APPROVAL OF MINUTES FROM June 20, 2012 BOARD MEETING

Chairman Cardenas then invited a motion to accept and approve the minutes of the June 20, 2012 board meeting.

Vice Chairwoman Kruckemeyer moved to accept the minutes for June 20, 2012. Commissioner Ellis seconded. All were in favor, and the motion carried.

PUBLIC COMMENT:

None

CHIEF EXECUTIVE OFFICER'S REPORT

Tom McCasland began his report by addressing the ongoing financial review. He stated that discussions are continuing with HUD relating to the funds owed to them. There is continued discussion with vendors regarding outstanding invoices for an entire fiscal year. This amount was about \$200,000 in April. It is now at about \$61,000. The request for an additional 550 vouchers has been given to HUD and since then, that request has been sent to D.C. with local and regional directors' support.

Commissioner Kruckemeyer asked whether people just come off the top of the waiting list if the additional vouchers are approved. Mr. McCasland said that would be something that we will address. One item on the agenda for September will be a request to approve new local preferences. The first three local preferences that we currently have involve taking individuals off of disaster programs and moving them to HCV. Because we no longer have tenants in disaster programs, these local preferences will have to be changed.

Mr. McCasland then addressed the cash projection for HCHA. In March 2012 HCHA had \$350,000 in cash and cash equivalents. On July 31, 2012 HCHA's cash balance was just over \$2.1 million in cash and cash equivalents. HCHA has moved past the crisis management requiring 90 day cash flow projections to being able to forecast the entire fiscal year projection. The forecasted deficit is \$114,000. This amount is a significant improvement over HCHA's actual deficit for FY2012 totaling \$2,723,824. Mr. McCasland expects that the projected deficit for FY2012 will be able to be reduced to \$0 by the end of the fiscal year.

Mr. McCasland then discussed HUD OIG. HCHA continues to cooperate with the ongoing criminal investigation. The initial audit review is completed and they will now move into a full audit review as they had forecasted. A written report will be issued once the audit is finished. The report will be written for the HUD administrators who are responsible for overseeing HCHA. They predict that they will issue findings in the report. These findings will likely include the following two issues: (1) HCHA's lack of a procurement policy, and (2) HCHA's lack of a contract administration procedure.

Mr. McCasland updated the Board on vehicles. HCHA received the \$192,000 check for reimbursement of the five Tahoes. HCHA has also auctioned off four additional HCHA-owned vehicles and has received a total sale price of \$129,900.

Last month Mr. McCasland settled the disputed invoices, \$68,000 settled for \$25,000. The entirety of the \$68,000 was related to University Place, a project that the Board had not approved.

The next item that Mr. McCasland discussed was the cost of health insurance. The actual cost for insurance for FY 2012 was \$220,593. For reasons unknown to Mr. McCasland, the FY2013 approved budget was for only \$179,061. The actual cost for FY2013 is forecasted to be \$250,953. Board members raised questions about the increase in the cost of health insurance, and Ms. Sklavos addressed them accordingly. Commissioner Kruckemeyer asked if the contract needed to be approved, and Chairman Cardenas said that he would entertain an addendum to the modified budget that would be addressed later in the meeting.

Mr. McCasland then discussed the cost of living adjustment given to all 9 HCHA employees making under \$45,000 not currently on probation due to poor work performance. These employees had not received a raise or cost of living adjustment in over three years. The 3% cost of living adjustment will help offset the increase in the cost of insurance. Mr. McCasland stated that compared to FY2012, the budgeted amount for salaries for FY2013 had decreased by \$590,000 even after accounting for the \$10,166 raises due to the 3% cost of living adjustment.

Mr. McCasland then discussed the revised budget and the changes in budgeted amounts. The auditing fees were raised because the cost for forensic services is not exact since it is being done on an hourly basis. Another item that has been changed from last year is computer software. The estimated cost has been increased, but it is not really representative of an increase. Instead the bulk of these expenses were shown in the Office Supplies Cost, where they are now being put under the correct label.

Mr. McCasland addressed the writing off of bad or inappropriate Account Receivable items and stated that as of March 31, 2012 \$5 million had been written off. Of that amount, \$2.8 million related to unreimbursable items for Cypresswood Estates, \$2 million for an expected loan, \$100,000 for an amount already paid by Mir, Fox and Rodriguez, and \$16,572 for seriously aged portability expenses. As of March 31, 2012, about \$2 million was left on Accounts Receivable. After review with the Finance team, nearly \$1.3 million in additional items have been removed from Accounts Receivable as of July 31, 2012. Of this amount, \$338,038 related to startup expenses for Cypresswood Estates, \$294,798 related to Administration Fees for HCV that were not due from HUD, \$294,218 related to conversion fees for DHAP for tenants that did not actually convert and thus the money was not due from HUD, \$160,000 related to a developer fee for Cornerstone that had been applied to cost overruns, \$131,190 was for a developer fee for Louetta Village that had been applied to cost overruns, \$51,757 was security and utility deposits for DHAP and DVP programs, \$26,900 was for two security cameras installed by HCHA at Louetta Village and Cornerstone, and \$13,967 was for a miscellaneous group of small items. As of today, \$7,283,161 has been removed from Accounts Receivable leaving a total of \$810,623 of Accounts Receivable that finance staff will continue to either attempt to collect or remove if the items are uncollectible.

Mr. McCasland gave an update on the permanent loan for Cypresswood Estates. The construction loan has been extended for six months. HCHA has also received two draft sheets for a Fannie Mae loan and HCHA is also exploring an FHA loan with the same lenders. Final term sheets should be available about a week before the next Board meeting.

The final item that Mr. McCasland addressed was the Disaster Voucher Program review. HUD found 251 ineligible families totaling nearly \$300,000 of ineligible expenses based on families that HUD believed should have been moved to HCV. HCHA identified 218 of these families as eligible expenses so the total ineligible families were reduced to just 33 and about \$40,000.

HCHA is waiting for the final closeout report to come from HUD.

FINANCIAL AGENDA:

Mr. Graff gave an overview of the financial state of HCHA. He first went over Revenue and Expenditures for June. There was an operating deficit for the month of about \$76,330. HCHA received cash flow distribution from Primrose of about \$14,509. There was a quarterly insurance payment of about \$8,818. HCHA also had some expenses from prior to March that were paid out, about \$9,330. There were additional computer equipment and software expenses for June. Mr. Graff then discussed July's financials. There was an operating deficit of \$1,144,024 for July which is attributed to the prior year's adjustments. Discussion ensued regarding the Account Receivable. The majority of the remaining Account Receivables are from the DHAP program. Chairman Cardenas asked how likely it is for HCHA to collect this revenue. Mr. Graff said that we had been in communication with Mir, Fox & Rodriguez and that we hadn't received much response or feedback from them. HCHA is continuing to contact them. Chairman Cardenas requested that a meeting be set up with MFR and some of the Board members. Chairman Cardenas also asked about Breedlove and the expenses that populated regarding the fiscal year 2011 audit. Mr. Graff stated that in January Breedlove came and did a mid-year review but that HCHA has not received anything from Breedlove. Mr. Graff confirmed that any future work paid for by HCHA will result in actual product. Questions arose about other expenses listed on the check register and were answered accordingly.

ADMINISTRATIVE AGENDA:

HCV Director Quijano presented the information on the lease-up rates for the HCV program and the current status of the properties. Lease-up for the month of July is at 101% for the HCV program, at 75.6% for the VASH program, at 96% for Jackson Hinds SRO, at 88% for the MOD rehab development. Ms. Quijano stated that in the event that additional vouchers are allocated to the program, we would require an additional HCV case manager. Currently the case managers manage 384 clients. On July 9, 2012 HCHA received HUD's SEMAP Performatory Audit Report. HCHA was rated as a High Performer PHA for the fiscal year ending March 31, 2012.

Paula Burns spoke about the occupancy rates of the properties.

Mr. Allison, the Director of Affordable Housing, gave an update on future developments. He stated that he expected proposals to be in by the end of the day for the development Sierra Meadows Estates. He also stated that HCHA had received awards for Cypresswood from NAHRO. For the development activity as it relates to GLO, he was happy to report that HCHA picked up an extra \$250,000 from the GLO. He then discussed Sierra Meadows Estates which will be a 12 unit development that will be next door to Sierra Meadows. 2 of these units are market. The total budget with the increase in GLO funding is \$3.8 million. If approval is given, he can put the application together. Chairman Cardenas asked how much money HCHA has already spent on Sierra Meadows land. Mr. Allison said that he thought that amount was about \$50-60,000. Commissioner Womack asked what the total cost would be including that. Mr. Allison said that he is trying to get the application revised to go back to the GLO. In order to do that he has to redo the market study, the environmental, and the plans because the units are now smaller than the original plan and the GLO wants dimension plans. Mr. Allison is asking the Board for permission to spend up to \$82,000 which includes tying up the land so that the owner of the land doesn't sell it from under us. Commissioner Wright asked what Mr. Allison felt that

we should spend per square foot. Mr. Allison gave the breakdown of the property and said that right now we are looking at \$55/sq. ft. Mr. Allison stated that the numbers are skewed because land costs are nearly 1.7 million. Addressing Commissioner Kruckemeyer, he said that if the Board approves it, they could later build on more acres. Chairman Cardenas asked about the timeline that HCHA would need to complete with the GLO. Mr. Allison confirmed that the date would be March or May of 2015. Commissioner Wright asked how many more units HCHA would be able to build on the remaining land. Mr. Allison also went over the cost breakdowns of two other possible developments. If either of the developments got approved, he would look at getting a revised application to the GLO in November and starting construction sometime next summer. Mr. Allison answered any remaining questions about the developments. Chairman Cardenas stated that he would like the Board members to visit the developments that Mr. Allison has presented to the Board so that the Board can move forward with getting some more of the developments on track.

FINANCIAL COMMITTEE REVIEW

Commissioner Ellis discussed the RFP's for financial auditing services. He stated that numerous questions were asked of the firms to help narrow down whom the committee would recommend.

ACTION ITEMS

Chairman Cardenas addressed Action Item 2, the request to approve HCHA to participate in the Texas Comptroller of Public Accounts Cooperative Purchasing Program. This would help in terms of cost saving. Chairman Cardenas motioned to accept this. Commissioner Wright seconded, all were in favor, and the motion carried unanimously.

Chairman Cardenas then asked for clarification about Action Item 3. Mr. McCasland stated that the request is to approve the extension of the office lease through August, 2015. Mr. Cardenas asked if Mr. McCasland could provide the Board with details on what other options for a lease would be and what the cost or savings would be. Mr. McCasland reviewed this information and recommended that the lease be extended until a permanent CEO was in place. Chairman Cardenas motioned to authorize the interim CEO to enter into a lease extension through August, 2015, amending the current lease to reflect a \$.75/sq. ft. cost and to direct the CEO to bring back to the Board options to sublease the second floor. Commissioner Womack seconded, all were in favor, and the motion carried unanimously.

Chairman Cardenas then addressed the next action item, the request to approve revised budget for Fiscal Year 2013 for the Authority. Chairman Cardenas deferred to another Commissioner to motion for the approval of the Budget. Commissioner Wright motioned to approve the revised Budget, taking into consideration the renewal of the budget and the cost of living expense. Commissioner Womack seconded, all voted in favor, and the motion carried unanimously.

Mr. Cardenas proceeded to address the request to approve contract for Auditing Services and Forensic Auditing Services. Commissioner Ellis said that the decision had been narrowed down to the Reznick Group and Clifton, Larsen, and Allen. He said that experience of the two groups in dealing with housing authorities was one of the priorities when they were considering who to recommend. Locations of firms were also taken into consideration. Chairman Cardenas went over the cost breakdown of the different firms' proposals. Questions were answered accordingly and Mr. Cardenas also stated that HUD recommends that housing authorities change auditors every few years so the previous auditor, though they sent in a strong proposal, would not be chosen. Chairman Cardenas motioned to authorize the Interim CEO to negotiate and engage services on an auditing and forensic auditing firm with the first finalist being Clifton, Larsen, and Allen, and the runner-up being Reznick Group, making certain that the timeframe could be met with the first elected firm. Mr. Cardenas asked that if the first firm is not able to perform the audit within the timeline given that every Board member be given an update as to the progress of the engagement so that the Board knows the progress of the engagement. Commissioner Wright seconded the motion, all voted in favor, and the motion carried unanimously.

Commissioner Cardenas then addressed the next action item, the approval of policies. Chairman Cardenas asked for Mr. McCasland to go over any interactions with staff regarding policies that he has had. Mr. McCasland said that the drafts that are being presented to the Board are the same policies that have previously been presented with a few more edits. The primary changes have been made to the Travel Policy and a few have been made to the Ethics policy since the Board members were sent them the previous week. Mr. McCasland emphasized that HCHA knows that this is not a final process and that the policies are adaptable. Commissioner Womack stated that he had questions regarding the policies and that he hopes that he would be given the opportunity to meet to go over the policies. Stating that he has been very busy these last few months, he would like more time to address certain issues before the policies are brought before the Board. Chairman Cardenas welcomed that discussion now and stated that the policies have been in review for the last two months and that policies need to be put in place so that when the rules of the Authority are questioned there is something to go back to. Mr. McCasland clarified that the Procurement Policy that the Commissioners have before them now is the same policy that was distributed in the May Board Meeting. Commissioner Womack asked for the existing policies, and Chairman Cardenas stated that there is not a policy currently in place. Commissioner Kruckemeyer asked about the engagement with Winstead wherein policies were supposed to be written for HCHA. Chairman Cardenas stated that some of these policies were written using those as a policy. Commissioner Kruckemeyer expressed her desire for Winstead to supply us with the policies that we paid for. Mr. Cardenas said that he agreed but that the policies Winstead wrote were not necessarily applicable to Board actions like the Ethics policy or the disclosure statement. Mr. Cardenas stated that he has seen Winstead's product and that it was more to update a Personnel Policy Manual. Commissioner Wright motioned to accept and adopt the policies, and Commissioner Ellis seconded. Commissioner Womack stated his displeasure with a lack of Committee Meeting before the Board Meeting. He expressed his desire to see what Winstead had produced and questioned whether or not the policies were in line with HUD's policies and stated that he did not want to be voting on something just to vote on it. Three voted in favor and Commissioners Womack and Kruckemeyer voted against. The motion carried.

Mr. Cardenas then addressed the next item on the agenda, the request to approve the pre-development expenses for Sierra Meadows Estates in preparation for final submission to the General Land Office. Chairman Cardenas clarified that all expenses would be in line with the Procurement Policy that was just approved. Chairman Cardenas moved to approve the pre-development expenses for Sierra Meadows Estates, Commissioner Womack seconded, all voted in favor, and the motion passed unanimously.

EXECUTIVE SESSION

The Board went into executive session at 4:07 p.m. to discuss with the authority's attorney(s) regarding matters involving Patriots by the Lake.

The Board of Commissioners reconvened into public session at 5:20 p.m.

Chairman Cardenas

PUBLIC COMMENT:

None

COMMENTS BY COMMISSIONERS

None

COMMENTS OR ANNOUNCEMENTS BY CHAIR

Chairman Cardenas requested that staff come to the Board with a date for Board Orientation from HUD so that certifications are in order. Mr. Cardenas also requested that the Board members comply with the legal education courses that Mr. McCasland had requested they complete. He also asked that Mr. McCasland provide the Board with a quarterly focus and that at the Board Orientation the Board be presented with a timeline with deadlines. He also asked that the staff prepare some local preferences for the HCV program. Commissioner Cardenas also asked Commissioner Ellis to chair a committee to evaluate the Interim CEO and to come back to the Board with recommendations on what the Board would need to do to prepare for the search of a full CEO. He also asked that Commissioner Wright serve on the Audit and Finance Committee. He also said that he would be working with the Commissioners so that the week before or after labor day their schedules would allow for that Orientation so that the Board can collectively come together on their visions and bring those together to work with Mr. Allison on future developments

ADJOURNMENT

Chairman Cardenas motioned to adjourn at 5:25 pm. Commissioner Kruckemeyer seconded. All were in favor, and the motion carried.

Adopted and approved this 19th day of September, 2012.


Roberto Cardenas, Chairman


Tom McCasland, Secretary

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

September 19, 2012

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 19th day of September 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Chairman Cardenas called the meeting to order at 1:32 p.m., and the roll was taken of the duly constituted officers and members of the Board:

Beto Cardenas	Chairman	Present
Joe Ellis	Commissioner	Present
David Riddle	Commissioner	Present
Kerry Wright	Commissioner	Present
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was Michael Fleming representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Tom McCasland, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns, Beverly Burroughs, Julia Nations, and Earl Campbell of the Harris County Housing Authority; Wanda Leblanc, Steve Bowers, Mike Morris, Larry Freeman, Adam Williams, Greg Lewis, and J.R. Harris were also in attendance.

ADMINISTRATION OF THE OATH OF OFFICE TO DAVID RIDDLE

Chairman Cardenas opened the meeting by having Commissioner Riddle read his Oath of Office and sign the disclosure form. Commissioner Riddle then introduced himself followed by Chairman Cardenas thanking Commissioner Kruckemeyer for her work as a Commissioner.

ELECTION OF HARRIS COUNTY HOUSING AUTHORITY BOARD OF COMMISSIONERS VICE CHAIRPERSON

Chairman Cardenas gave a description of the duties of the Vice Chair and Commissioner Womack nominated Commissioner Kerry Wright for the position of Vice Chairman. Commissioner Ellis seconded the motion and Chairman Cardenas asked if Commissioner Wright

would accept the nomination. After asking for additional nominations and receiving none, Chairman Cardenas called for a vote, and Commissioner Wright was unanimously elected as Vice Chair.

PRESENTATION AND APPROVAL OF MINUTES FROM AUGUST 15 AND AUGUST 30, 2012 BOARD MEETING

Chairman Cardenas then invited a motion to accept and approve the minutes of the August 15, 2012 board meeting and the August 30, 2012 board meeting.

Vice Chairman Wright moved to accept the minutes for the two meetings. Commissioner Womack seconded. All were in favor, and the motion carried.

PUBLIC COMMENT:

None

PRESENTATION OF NAHRO AWARDS

Horace Allison, Chief Development Officer, presented an overview of the awards that HCHA has received.

CHIEF EXECUTIVE OFFICER'S REPORT

Tom McCasland began his report by discussing Patriots by the Lake and the contract with Greg Lewis Properties. Greg Lewis is to present to the Board an overview of the property later in the Board meeting.

Mr. McCasland then discussed the internal audit, for which HCHA has signed a contract with Clifton, Larson & Allen. Both the Finance and the HCV staff are presenting requested documents to the auditor. The auditors are scheduled to be on-site in the beginning of October, and the audit is scheduled to end on time. Commissioner Womack requested that any findings be presented to the Commissioners. Mr. McCasland assured Commissioner Womack that the auditors will be reporting directly back to the Board.

Nothing new regarding the HUD OIG audit was reported.

Mr. McCasland next addressed the discrepancy in the Net Restricted Account (NRA). In March 2012, HCHA was reporting two different NRA numbers. The number reported to HUD was about \$500,000 greater than the number being reported internally. The discrepancy has been reported since 2010 and Mr. McCasland was told that the discrepancy was due to an active dispute with HUD. HCHA has been underreporting the NRA which makes the unrestricted account look larger than it actually is. It appears that HCHA has more available cash than it actually has. Chairman Cardenas asked if this discrepancy was caught by the auditors. Mr. McCasland said that this is one of the issues that has been flagged to discuss with the new auditors.

Mr. Todd Graff answered questions regarding what he knew about the discrepancy.

Mr. McCasland presented commissioners with a copy of a signed letter from Mr. Guy Rankin to HUD, dated September 9, 2010, affirming a correct Net Restrict Account reported to HUD.

Based upon this letter, Mr. McCasland directed finance staff to use the NRA amount reported to HUD and has concluded that there are no current or past disputes with HUD regarding this matter. The impact of misreporting a \$500,000 variance in the NRA was the appearance of additional funds for use on non-HAP expenses.

Mr. McCasland continued his presentation with a discussion of federal regulations imposing a cap of \$155,500 on salaries derived from affordable housing funding. Two retroactive "status change" forms were signed by Mr. McCasland reducing the CEO salary from \$242,000 to \$155,500 and the CAO salary from \$220,000 to \$155,500 effective March 17, 2012. While HCHA has submitted all requested documents to HUD on this matter, the source of funding for the prior salary of the CEO could be in dispute as 100% was derived from affordable housing, an account that ran a deficit and utilized HUD-sourced funds to cover its costs. Mr. McCasland has alerted HUD officials to this issue and has kept HCHA in compliance with HUD regulations pertaining to the salary cap.

Mr. McCasland discussed the sublease of office space within HCHA. Mr. McCasland plans to speak with Commissioner Womack on this issue within the upcoming weeks, but he does intend to put a price on the lease that at a minimum covers the lease, the cleaning costs, and the utility bill. He also recommends that we advertise the space according to the state laws and our procurement policy and that we negotiate a contract for a term running no longer than August 31, 2015. He would bring this back to the Board for consideration and approval.

The next item that Mr. McCasland went over was housing homeless veterans. HCHA collaborated with the Houston Housing Authority, the VA, and other groups to house 100 homeless veterans in 100 days. HCHA used available VASH vouchers, which operate similar to HCV vouchers but are for veterans. HCHA leased up 24 veterans in these 100 days.

The annual calendar was the next item that Mr. McCasland discussed. The dates presented on this calendar are those that were submitted by the various departments. Those items that the Board needs to consider will also be put on this calendar to be presented. With regard to quarterly focus that Chairman Cardenas requested at the August Board Meeting, as quarterly goals are set, they will be reported back to the Board.

Mr. McCasland then said that the emergency plan is of high importance and Dan Rodriguez from HUD has asked that client/ tenant data be protected in the event of an emergency. This is the primary obligation. Currently HCHA's IT department is looking into the best way to preserve this data.

Mr. McCasland next addressed a list of items that need to be sold. None of the items on the list are needed in day to day activity at HCHA.

Tom McCasland then went over the resignation of former HCV Director, Melissa Quijano, effective September 14, 2012. Effective September 10, 2012 Beverly Burroughs was promoted to HCV Director. Tammy Richard was also promoted to Inspection Supervisor and Adeline Benoit was made Senior Case Manager. A new inspector was hired and there was an internal move of one employee from the Call Center to the Inspections team. HCHA will be at 36 full time employees and one part time employee once this is done.

FINANCIAL AGENDA:

Mr. Graff gave an overview of the financial state of HCHA. He first went over Revenue and Expenditures for August. There was an operating deficit for the month of August of about \$107,757. The deficit is due to three pay periods for the month of August. Questions were raised about what was remaining on the Accounts Receivable, and both Mr. Graff and Mr. McCasland answered them.

ADMINISTRATIVE AGENDA:

HCV Director Burroughs presented the information on the lease-up rates for the HCV program and the current status of the properties.

Paula Burns spoke about the occupancy rates of the properties and answered questions raised by the Commissioners accordingly.

Mr. Allison, the Director of Affordable Housing, gave an update on future developments. He said that the only RFP received was from Hettig & Khan for a property called the Retreat at Westlock. The next development would need to be approved no later than October which would allow the developer about a month and a half to prepare a tax credit application. HCHA will be informed of an award by next summer and construction would begin thereafter.

Chairman Cardenas asked about Sierra Meadows and the status of the project. Mr. Allison said that they had met and they he has documents prepared to give them next week. He answered questions about developer fees and other questions raised by the Board members. Mr. Allison recommended that the Board give staff the go-ahead to proceed with two of the remaining three projects. Questions were answered accordingly. Commissioner Womack and Chairman Cardenas asked about the possibility of an interlocal agreement with Houston Housing Authority that would allow for HCHA to build closer into the city. Mr. McCasland said that HCHA is ready to explore those options with Houston Housing Authority at the direction of the Board but that guidance from the Board regarding what type of projects and locations for the projects would be needed.

Chairman Cardenas then discussed Action Item 4. Chairman Cardenas motioned for staff to set up a separate HCHA checking account for the Affordable Housing Program. Vice Chairman Wright seconded, all voted in favor, and the motion carried unanimously.

Chairman Cardenas then discussed Action Item 5. Chairman Cardenas requested for the approval to add Kerry Wright as a signer to the HCHA bank accounts. Commissioner Riddle seconded, all voted in favor, and the motion carried.

Action Item 7 was discussed by Vice Chairman Wright. He went over the changes that he made to HCHA policies. There was discussion about the change to the cost of contracts that would need to be brought to the Board for approval. Chairman Cardenas suggested that the action item be tabled until the next board meeting once the cost differentiation is figured out between the change in contract.

Action Item 3 was then discussed. Mr. McCasland gave some background regarding local preferences for the waitlist. Usually applicants are taken off the waitlist based upon their place on the list, however HUD allows public housing authorities (PHA's) to set local preferences

which are based on local housing needs and priorities as determined by the PHA's staff. Currently the local preferences are for those who were on the emergency programs. HCHA no longer has those programs so the local preferences need to be revised for vouchers issued starting in January. The first local preference would be for families that are homeless that have school age children. The first local preference would be limited to 100 vouchers annually. The second local preference, for 20 vouchers annually, would be for referrals from the Shelter Plus Care program administered by Harris County, and would allow formerly homeless and now stabilized individuals to roll off the Shelter Plus Care program into HCHA's HCV program. This would open a new position on the County's program to house a chronically homeless individual who needed intensive case management. The third and final local preference would be for working families with annual income at 30% or lower of the area median income. This final voucher included seniors and disabled individuals in its definition of working families. Vice Chairman Wright moved to approve the posting of the notice and to accept the draft local preferences. Commissioner Womack seconded, all voted in favor, and the motion carried unanimously.

The next item discussed was Action Item 6, the request to enter into a long term agreement with an Electricity provider. Mr. McCasland asked that this item be tabled until the next Board meeting, saying that he believed that they had found an alternative that would more readily meet the public bidding requirements on this.

Chairman Cardenas invited Greg Lewis to give a presentation on the overview of the Patriots by the Lake property before going into Executive Session. Greg Lewis gave a brief overview of the Patriots by the Lake property. Mr. Lewis said that there were really two options, either holding onto the property to sell when the market gets better or selling today. Mr. Lewis' recommendation was to put the property on the market on a sealed bid basis with a set time limit. He also suggested putting all the data that we have online so that potential buyers will have access to it.

EXECUTIVE SESSION

The Board went into executive session at 4:30 p.m. to discuss with the authority's attorney(s) regarding matters involving Patriots by the Lake.

The Board of Commissioners reconvened into public session at 5:30 p.m.

Action Item 8 addressing negotiation of a permanent loan was discussed and Chairman Cardenas recommended that one of the Commissioners should make a motion to approve staff to negotiate an offer for permanent loan for Cypresswood Estates. Vice Chairman Wright moved and Commissioner Riddle seconded, all voted in favor, and the motion carried.

COMMENTS BY COMMISSIONERS

None

COMMENTS OR ANNOUNCEMENTS BY CHAIR

Chairman Cardenas announced that the select committee charged with evaluating the interim CEO and providing a recommendation regarding a process for selection of a permanent CEO will meet during the coming weeks. The Committee will work with legal counsel and provide a

report to the board of commissioners at their next regularly scheduled meeting. Board vice chairman Kerry Wright volunteered to join Commissioner Joe Ellis on the select committee and all commissioners were encouraged to individually help participate in the evaluation process.

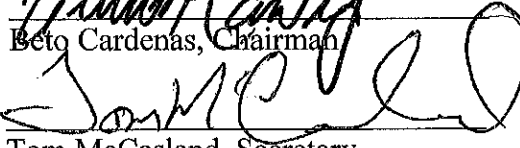
Chairman Cardenas asked HCHA staff to prepare a contract for professional services addressing the disposition of the property known as Patriots by the Lake. The board of commissioners will take staff recommendations on this matter into consideration at a future date.

ADJOURNMENT

Chairman Cardenas moved to adjourn at 5:35p.m. Commissioner Riddle seconded. All were in favor, and the motion carried.

Adopted and approved this 24th day of October 2012.


Beto Cardenas, Chairman


Tom McCasland, Secretary

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

September 19, 2012

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 19th day of September 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Chairman Cardenas called the meeting to order at 1:32 p.m., and the roll was taken of the duly constituted officers and members of the Board:

Beto Cardenas	Chairman	Present
Joe Ellis	Commissioner	Present
David Riddle	Commissioner	Present
Kerry Wright	Commissioner	Present
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was Michael Fleming representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Tom McCasland, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns, Beverly Burroughs, Julia Nations, and Earl Campbell of the Harris County Housing Authority; Wanda Leblanc, Steve Bowers, Mike Morris, Larry Freeman, Adam Williams, Greg Lewis, and J.R. Harris were also in attendance.

ADMINISTRATION OF THE OATH OF OFFICE TO DAVID RIDDLE

Chairman Cardenas opened the meeting by having Commissioner Riddle read his Oath of Office and sign the disclosure form. Commissioner Riddle then introduced himself followed by Chairman Cardenas thanking Commissioner Kruckemeyer for her work as a Commissioner.

ELECTION OF HARRIS COUNTY HOUSING AUTHORITY BOARD OF COMMISSIONERS VICE CHAIRPERSON

Chairman Cardenas gave a description of the duties of the Vice Chair and Commissioner Womack nominated Commissioner Kerry Wright for the position of Vice Chairman. Commissioner Ellis seconded the motion and Chairman Cardenas asked if Commissioner Wright

would accept the nomination. After asking for additional nominations and receiving none, Chairman Cardenas called for a vote, and Commissioner Wright was unanimously elected as Vice Chair.

PRESENTATION AND APPROVAL OF MINUTES FROM AUGUST 15 AND AUGUST 30, 2012 BOARD MEETING

Chairman Cardenas then invited a motion to accept and approve the minutes of the August 15, 2012 board meeting and the August 30, 2012 board meeting.

Vice Chairman Wright moved to accept the minutes for the two meetings. Commissioner Womack seconded. All were in favor, and the motion carried.

PUBLIC COMMENT:

None

PRESENTATION OF NAHRO AWARDS

Horace Allison, Chief Development Officer, presented an overview of the awards that HCHA has received.

CHIEF EXECUTIVE OFFICER'S REPORT

Tom McCasland began his report by discussing Patriots by the Lake and the contract with Greg Lewis Properties. Greg Lewis is to present to the Board an overview of the property later in the Board meeting.

Mr. McCasland then discussed the internal audit, for which HCHA has signed a contract with Clifton, Larson & Allen. Both the Finance and the HCV staff are presenting requested documents to the auditor. The auditors are scheduled to be on-site in the beginning of October, and the audit is scheduled to end on time. Commissioner Womack requested that any findings be presented to the Commissioners. Mr. McCasland assured Commissioner Womack that the auditors will be reporting directly back to the Board.

Nothing new regarding the HUD OIG audit was reported.

Mr. McCasland next addressed the discrepancy in the Net Restricted Account (NRA). In March 2012, HCHA was reporting two different NRA numbers. The number reported to HUD was about \$500,000 greater than the number being reported internally. The discrepancy has been reported since 2010 and Mr. McCasland was told that the discrepancy was due to an active dispute with HUD. HCHA has been underreporting the NRA which makes the unrestricted account look larger than it actually is. It appears that HCHA has more available cash than it actually has. Chairman Cardenas asked if this discrepancy was caught by the auditors. Mr. McCasland said that this is one of the issues that has been flagged to discuss with the new auditors.

Mr. Todd Graff answered questions regarding what he knew about the discrepancy.

Mr. McCasland presented commissioners with a copy of a signed letter from Mr. Guy Rankin to HUD, dated September 9, 2010, affirming a correct Net Restrict Account reported to HUD.

Based upon this letter, Mr. McCasland directed finance staff to use the NRA amount reported to HUD and has concluded that there are no current or past disputes with HUD regarding this matter. The impact of misreporting a \$500,000 variance in the NRA was the appearance of additional funds for use on non-HAP expenses.

Mr. McCasland continued his presentation with a discussion of federal regulations imposing a cap of \$155,500 on salaries derived from affordable housing funding. Two retroactive "status change" forms were signed by Mr. McCasland reducing the CEO salary from \$242,000 to \$155,500 and the CAO salary from \$220,000 to \$155,500 effective March 17, 2012. While HCHA has submitted all requested documents to HUD on this matter, the source of funding for the prior salary of the CEO could be in dispute as 100% was derived from affordable housing, an account that ran a deficit and utilized HUD-sourced funds to cover its costs. Mr. McCasland has alerted HUD officials to this issue and has kept HCHA in compliance with HUD regulations pertaining to the salary cap.

Mr. McCasland discussed the sublease of office space within HCHA. Mr. McCasland plans to speak with Commissioner Womack on this issue within the upcoming weeks, but he does intend to put a price on the lease that at a minimum covers the lease, the cleaning costs, and the utility bill. He also recommends that we advertise the space according to the state laws and our procurement policy and that we negotiate a contract for a term running no longer than August 31, 2015. He would bring this back to the Board for consideration and approval.

The next item that Mr. McCasland went over was housing homeless veterans. HCHA collaborated with the Houston Housing Authority, the VA, and other groups to house 100 homeless veterans in 100 days. HCHA used available VASH vouchers, which operate similar to HCV vouchers but are for veterans. HCHA leased up 24 veterans in these 100 days.

The annual calendar was the next item that Mr. McCasland discussed. The dates presented on this calendar are those that were submitted by the various departments. Those items that the Board needs to consider will also be put on this calendar to be presented. With regard to quarterly focus that Chairman Cardenas requested at the August Board Meeting, as quarterly goals are set, they will be reported back to the Board.

Mr. McCasland then said that the emergency plan is of high importance and Dan Rodriguez from HUD has asked that client/ tenant data be protected in the event of an emergency. This is the primary obligation. Currently HCHA's IT department is looking into the best way to preserve this data.

Mr. McCasland next addressed a list of items that need to be sold. None of the items on the list are needed in day to day activity at HCHA.

Tom McCasland then went over the resignation of former HCV Director, Melissa Quijano, effective September 14, 2012. Effective September 10, 2012 Beverly Burroughs was promoted to HCV Director. Tammy Richard was also promoted to Inspection Supervisor and Adeline Benoit was made Senior Case Manager. A new inspector was hired and there was an internal move of one employee from the Call Center to the Inspections team. HCHA will be at 36 full time employees and one part time employee once this is done.

FINANCIAL AGENDA:

Mr. Graff gave an overview of the financial state of HCHA. He first went over Revenue and Expenditures for August. There was an operating deficit for the month of August of about \$107,757. The deficit is due to three pay periods for the month of August. Questions were raised about what was remaining on the Accounts Receivable, and both Mr. Graff and Mr. McCasland answered them.

ADMINISTRATIVE AGENDA:

HCV Director Burroughs presented the information on the lease-up rates for the HCV program and the current status of the properties.

Paula Burns spoke about the occupancy rates of the properties and answered questions raised by the Commissioners accordingly.

Mr. Allison, the Director of Affordable Housing, gave an update on future developments. He said that the only RFP received was from Hettig & Khan for a property called the Retreat at Westlock. The next development would need to be approved no later than October which would allow the developer about a month and a half to prepare a tax credit application. HCHA will be informed of an award by next summer and construction would begin thereafter.

Chairman Cardenas asked about Sierra Meadows and the status of the project. Mr. Allison said that they had met and they he has documents prepared to give them next week. He answered questions about developer fees and other questions raised by the Board members. Mr. Allison recommended that the Board give staff the go-ahead to proceed with two of the remaining three projects. Questions were answered accordingly. Commissioner Womack and Chairman Cardenas asked about the possibility of an interlocal agreement with Houston Housing Authority that would allow for HCHA to build closer into the city. Mr. McCasland said that HCHA is ready to explore those options with Houston Housing Authority at the direction of the Board but that guidance from the Board regarding what type of projects and locations for the projects would be needed.

Chairman Cardenas then discussed Action Item 4. Chairman Cardenas motioned for staff to set up a separate HCHA checking account for the Affordable Housing Program. Vice Chairman Wright seconded, all voted in favor, and the motion carried unanimously.

Chairman Cardenas then discussed Action Item 5. Chairman Cardenas requested for the approval to add Kerry Wright as a signer to the HCHA bank accounts. Commissioner Riddle seconded, all voted in favor, and the motion carried.

Action Item 7 was discussed by Vice Chairman Wright. He went over the changes that he made to HCHA policies. There was discussion about the change to the cost of contracts that would need to be brought to the Board for approval. Chairman Cardenas suggested that the action item be tabled until the next board meeting once the cost differentiation is figured out between the change in contract.

Action Item 3 was then discussed. Mr. McCasland gave some background regarding local preferences for the waitlist. Usually applicants are taken off the waitlist based upon their place on the list, however HUD allows public housing authorities (PHA's) to set local preferences

which are based on local housing needs and priorities as determined by the PHA's staff. Currently the local preferences are for those who were on the emergency programs. HCHA no longer has those programs so the local preferences need to be revised for vouchers issued starting in January. The first local preference would be for families that are homeless that have school age children. The first local preference would be limited to 100 vouchers annually. The second local preference, for 20 vouchers annually, would be for referrals from the Shelter Plus Care program administered by Harris County, and would allow formerly homeless and now stabilized individuals to roll off the Shelter Plus Care program into HCHA's HCV program. This would open a new position on the County's program to house a chronically homeless individual who needed intensive case management. The third and final local preference would be for working families with annual income at 30% or lower of the area median income. This final voucher included seniors and disabled individuals in its definition of working families. Vice Chairman Wright moved to approve the posting of the notice and to accept the draft local preferences. Commissioner Womack seconded, all voted in favor, and the motion carried unanimously.

The next item discussed was Action Item 6, the request to enter into a long term agreement with an Electricity provider. Mr. McCasland asked that this item be tabled until the next Board meeting, saying that he believed that they had found an alternative that would more readily meet the public bidding requirements on this.

Chairman Cardenas invited Greg Lewis to give a presentation on the overview of the Patriots by the Lake property before going into Executive Session. Greg Lewis gave a brief overview of the Patriots by the Lake property. Mr. Lewis said that there were really two options, either holding onto the property to sell when the market gets better or selling today. Mr. Lewis' recommendation was to put the property on the market on a sealed bid basis with a set time limit. He also suggested putting all the data that we have online so that potential buyers will have access to it.

EXECUTIVE SESSION

The Board went into executive session at 4:30 p.m. to discuss with the authority's attorney(s) regarding matters involving Patriots by the Lake.

The Board of Commissioners reconvened into public session at 5:30 p.m.

Action Item 8 addressing negotiation of a permanent loan was discussed and Chairman Cardenas recommended that one of the Commissioners should make a motion to approve staff to negotiate an offer for permanent loan for Cypresswood Estates. Vice Chairman Wright moved and Commissioner Riddle seconded, all voted in favor, and the motion carried.

COMMENTS BY COMMISSIONERS

None

COMMENTS OR ANNOUNCEMENTS BY CHAIR

Chairman Cardenas announced that the select committee charged with evaluating the interim CEO and providing a recommendation regarding a process for selection of a permanent CEO will meet during the coming weeks. The Committee will work with legal counsel and provide a

report to the board of commissioners at their next regularly scheduled meeting. Board vice chairman Kerry Wright volunteered to join Commissioner Joe Ellis on the select committee and all commissioners were encouraged to individually help participate in the evaluation process.

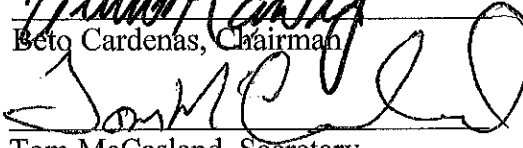
Chairman Cardenas asked HCHA staff to prepare a contract for professional services addressing the disposition of the property known as Patriots by the Lake. The board of commissioners will take staff recommendations on this matter into consideration at a future date.

ADJOURNMENT

Chairman Cardenas moved to adjourn at 5:35p.m. Commissioner Riddle seconded. All were in favor, and the motion carried.

Adopted and approved this 24th day of October 2012.


Beto Cardenas, Chairman


Tom McCasland, Secretary

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

October 24, 2012

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 24th day of October 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Chairman Cardenas called the meeting to order at 1:35 p.m., and the roll was taken of the duly constituted officers and members of the Board:

Beto Cardenas	Chairman	Present
Joe Ellis	Commissioner	Present
David Riddle	Commissioner	Present
Kerry Wright	Vice Chairman	Present
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was Michael Fleming representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Tom McCasland, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns, Beverly Burroughs, Julia Nations, and Earl Campbell of the Harris County Housing Authority; Wanda Leblanc, Steve Bowers, Mike Morris, J.R. Harris, Daphne Lemelle, Ella Edmiston, and Ryan Hettig were also in attendance.

**PRESENTATION AND APPROVAL OF MINUTES FROM SEPTEMBER 19, 2012
BOARD MEETING**

Chairman Cardenas invited a motion to accept and approve the minutes of the September 19, 2012 board meeting with amendments.

Commissioner Riddle moved to accept the minutes as amended. Commissioner Womack seconded. All were in favor, and the motion carried.

PUBLIC COMMENT:

None

CHIEF EXECUTIVE OFFICER'S REPORT

Tom McCasland began his report by discussing the onsite external audit. Auditors were at HCHA from October 1st- October 12th. He said that a final draft of the report would be presented to the Board by the auditors at the November Board Meeting prior to the submission to HUD by the December 15th deadline.

Regarding the HUD-OIG audit, the senior OIG auditor has stated that they are completing the audit now and that they expect to issue a final report with findings prior to the end of year. Mr. McCasland stated that there will be at least two findings in that report as he has previously stated. Chairman Cardenas asked what the two findings were, and Mr. McCasland said that they are contract administration and the lack of a procurement policy. Chairman Cardenas also asked if HCHA has protocols currently in place to ensure checks and balances to make sure that HCHA is not in that situation again. Mr. McCasland confirmed this and said that HUD-OIG has received HCHA's procurement policy and the contract log.

Mr. McCasland then discussed the sublease of office space. The main area available to rent is about 2600 square feet, which is about 10% of the total office space. The space can be rented for a total of \$2500/month with all expenses paid. Mr. McCasland recommended that a posting of this space is made to governmental entities in an attempt to rent to a governmental entity through the end of the year. If HCHA is unable to rent to governmental entities by that time, it is Mr. McCasland's recommendation that the space be made available to non-governmental entities in a manner that conforms to the Texas Local Government Code.

HCHA has issued two different Qualification Based Solicitations for Brokerage Services, one for the acquisition of land, the other for the disposition of land, specifically for the Patriots by the Lake property. The deadline for submission is October 31, 2012, and staff will have recommendations for award at the November Board Meeting.

Mr. McCasland next discussed the correspondence relating to wetlands determination for Patriots by the Lake. Noting that there is no single file where these documents are kept, Mr. McCasland did say that HCHA was able to find that on January 15, 2010 the national office of the EPA issued a memorandum asserting jurisdiction over 6 wetlands on the Patriots by the Lake property. The memorandum had an attached Notification of Administrative Appeal Options and Process for Request for Appeal which had to be made within 60 days from January 26, 2010. Despite this notification, there is a letter on the 26th stating, "since final jurisdictional determination for wetlands... were made by the EPA, they are not appealable through the Corps appeal process." Mr. McCasland said that he had discussed with the general counsel, and the remaining question is whether HCHA received notice of the appropriate appeal process from the EPA. HCHA will be seeking an answer to this question prior to the next Board Meeting. Chairman Cardenas raised a question about any correspondence HCHA had sent back to the EPA. Michael Fleming said that he had attended a meeting at which the permitting process for the property was discussed.

The next items discussed were the Annual Plan and the Administrative Plan. At the September

Board Meeting draft local preferences were discussed for which a public hearing would need to be held. Mr. McCasland said that because the Annual PHA Plan sets the local preferences for the Admin Plan, HCHA will wait for the public hearing in January to change the local preferences. Mr. McCasland stated that because the local preferences are part of the annual plan, they would be included once the annual plan is updated in January per HUD's requirements.

The closeout for the DVP Program, a disaster voucher program administered by HCHA from 2/2006 to 12/2011 was discussed. The total eligible DVP HAP was \$17,976,095. HUD did a final review and a closeout of the program at the end of July 2012. HUD determined that HCHA had made nearly \$220,000 in HAP overpayments and nearly \$22,000 in Administrative Fee overpayments. HUD is seeking repayment for these overpayments of \$241,607. The deadline for paying this has passed, but HCHA is in the process of discussing with HUD the payment plan for the \$3.5 million and has asked that this amount be included in that payment plan.

Regarding the additional voucher request, the last communication with a staffer in the national office of HUD indicated that all vouchers for special programs are subject to a competitive application and that HCHA is very unlikely to receive any additional vouchers this calendar year. Mr. McCasland did state that HCHA plans to compete aggressively in the upcoming years for special program vouchers.

Mr. McCasland said that demand letters are being processed for security deposits to landlords for ARs totaling \$563,214. HCHA is negotiating with HUD regarding small utility deposits owed by tenants totaling \$96,610. Other AR items are subject to the ongoing review by HCHA's external auditors. Commissioners raised questions regarding the ARs and Mr. McCasland and Mr. Graff answered them accordingly.

The primary concern that Mr. McCasland has had since his arrival into his position is that each month HCHA sends out HAP payments to landlords the same day that HCHA gets a payment back from HUD. The payment received from HUD is based on the annual budget authority. If HCHA exceeds this amount, the only amount that is available for a cushion is the Net Restricted Account which at the beginning of 2012 was at \$892,000. Once the funds from this account are gone, if HCHA continues to pay out HAP payments because HCHA is overleased, that money is paid out of HCHA's own funds and there is no recourse back to HUD to receive reimbursement for them. In March 2012, HCHA was projected to be 107% of ABA or \$2.4 million HCHA's budget authority, and the latest projected HAP is 102.5%. If this projection is accurate, HCHA will end the year having used all the ABA and NRA, but not needing to dip into non NRA funds.

Mr. McCasland then discussed Sierra Meadows Estates, a development planned by HCHA's previous administration. He went over his recommendations for HCHA sponsored developments based upon a few principles. Mr. McCasland specified that HCHA's primary target population should be working families at 30% area median income or lower, seniors and disabled individuals at 30% AMI or lower, homeless individuals, especially homeless veterans, homeless families with children, and chronically homeless. Mr. McCasland also said that he believed HCHA should efficiently and conservatively seek to serve the most families possible within this target population and HCHA should seek to serve target populations where the private market is not already filling a community need. Mr. McCasland said that based on the price per square foot, he did not believe that Sierra Meadows Estates would fulfill the principles he had gone over and that he could not recommend it. Mr. McCasland answered questions raised by the Commissioners regarding Sierra Meadows Estates.

FINANCIAL AGENDA:

Mr. Graff gave an overview of the financial state of HCHA. He first went over Revenue and Expenditures for September. There was an operating deficit for the month of September of about \$27,693. Year to date there is a surplus of \$182,442 excluding any prior year adjustments. Mr. Graff also discussed the net assets, the contract log, and the check register. Mr. Graff answered questions regarding the energy provider used by HCHA. He clarified that HCHA is currently under contract through the end of 2013, so options would be explored for more cost effective service once the contract is up. Commissioners asked questions regarding the AR's, and Mr. Graff and Mr. McCasland answered accordingly.

ADMINISTRATIVE AGENDA:

HCV Director Beverly Burroughs presented the information on the lease-up rates for the HCV program and the current status of the properties.

Paula Burns spoke about the occupancy rates of the properties and answered questions raised by the Commissioners accordingly.

Mr. Allison, the Director of Affordable Housing, gave an overview of the status of the Affordable Housing activities for October. Regarding the RFP for a developer for the tax credit development, Mr. Allison informed the Board that HCHA advertised in the Houston Chronicle, but HCHA only received one response. He emphasized that the QAP had not been finalized and that the comment period had ended October 22nd. Mr. Allison said that he expects somewhere between here and December 1st the TDHC Board will approve the final QAP. The final applications are due in December and the awards will be announced in July of 2013. Mr. Allison said that HCHA is in need of a real estate transaction attorney and a lawyer who would be able to help in construction related matters. An RFP was issued for a legal consultant that could provide real estate transactions. An RFP was also issued for Sierra Meadows, and there were 6 responses. The responses have not been reviewed, pending the Board's decision on how to move forward with Sierra Meadows. Appraisal services were also sought, and HCHA received two quotes back. A quote was also received for a market study. Another RFP will be sent out next week for a bond counselor. Mr. Allison then discussed the Retreat at Westlock. It is roughly one or two bedrooms, averaging at about 700-1100 square feet. There are 98 one bedrooms and 42 two bedrooms. A MOU was drafted by Winstead for presentation to the Board.

Mr. Allison then discussed Sierra Meadows Estates. This is a development for elderly people with units that are two and three bedrooms averaging about 1100-1200 square feet. Phase one consisted of 12 units and the acquisition of land for phase two. The plan called for build out of about 56 units. Mr. Allison provided an LOI to the Board not for action but for their information. Commissioners asked questions about Sierra Meadows Estates regarding the price of the land when it was sold in 2009. Chairman Cardenas asked how the Board's decision about whether or not they would move forward with this development affects the development that is currently there. Mr. Allison said that the existing tax credit deal with Sierra Meadows is a separate deal. Commissioner Womack asked about the cost per square foot of the land that was purchased for the first phase of the Sierra Meadows development. Mr Allison said that it was about \$5/sq. ft. The land as it is currently being offered to HCHA is at \$5/ sq. ft. Commissioner Womack said that he ran some comparables and that was around \$2.30-\$2.80/ sq. ft. He emphasized that he would like HCHA to get the best deal possible. Commissioner Womack also raised the point that bus lines do not run to this area. The overall impression that he conveyed was that the price was

more than the overall value of the land. Chairman Cardenas asked for any additional comments relating to Action Item 7. He then entertained a motion to either approve or deny the resolution authorizing the negotiation and execution of the letter of intent for the purchase of land for the Sierra Meadows Development. Vice Chairman Kerry Wright motioned to deny the resolution. Commissioner Riddle seconded it. All voted in favor, and the motion carried.

The next item on the agenda that Chairman Cardenas went over was the discussion to request to approve a Resolution Removing Construction in Progress Capital Expenditures from HCHA's Balance Sheet. Chairman Cardenas said that this discussion began at the last Board Meeting. There are a total of three different construction projects that are listed. Chairman Cardenas motioned to approve the Resolution that Vice Chairman Wright seconded, all voted in favor, and the motion carried.

Chairman Cardenas then discussed the tabled item from September's Board Meeting regarding edits to the procurement policy. After a discussion regarding expenditures that would be incurred from changes in the policy and after the support from Mr. McCasland of the recommended changes, Vice Chairman Wright moved to approve the changes in the Procurement Policy, Chairman Cardenas seconded, all were in favor, and the motion carried.

Action Item 4, Request to approve Authorization for Treasury Management Services, was next discussed. Mr. Graff explained that the form was needed so that authority to handle general account maintenance was designated to someone internally. The person currently designated for this role is no longer with HCHA, so it is necessary for the Board to approve someone else. Mr. Graff recommended that Mr. McCasland be designated as the one who can handle general account maintenance. Chairman Cardenas suggested that Mr. McCasland be added in so much as he is the Interim CEO, so when a permanent CEO is put in place the form can be changed. Vice Chairman Wright motioned to add Tom McCasland to the Authorization for Treasury Management Services, Commissioner Womack seconded, all were in favor, and the motion carried.

Mr. McCasland discussed Action Item 5, the Request to approve Amendments to HCHA's Administration Plan for the Housing Choice Voucher Program consistent with HCHA's 2012 Annual PHA Plan. He said that the changes that would be made are the policies that determine the unit size given to clients in the HCV program. HCHA has had one of the most lax policies in the area, and Mr. McCasland is suggesting that HCHA revise these policies so that they mirror Houston Housing Authority's policies to prevent future forum shopping among HCV clients. The amendments would provide a consistent policy in this region. Both the former HCHA HCV Director and the current Director approve the changes. Commissioner Riddle motioned to approve the amendments, Commissioner Womack seconded, all voted in favor, and the motion carried.

Action Item 6, the Request to approve Resolution Authorizing the Negotiation and Execution of Memorandum of Understanding for a Developer Partner for 9% Low Income Housing Tax Credit Development, was discussed by Mr. McCasland. He said that because the QAP is not finalized, he suggested that the draft be reviewed this month and that this item be tabled. Mr. McCasland also said that the latest it would need to be approved is the November Board Meeting in order to meet the deadline for filing the application. Chairman Cardenas motioned to table Action Item 6.

EXECUTIVE SESSION

The Board went into executive session at 3:37 p.m. to discuss with the authority's attorney(s) regarding matters involving pending litigation and the 6 month evaluation of the Interim CEO.

The Board of Commissioners reconvened into public session at 4:30 p.m.


COMMENTS BY COMMISSIONERS

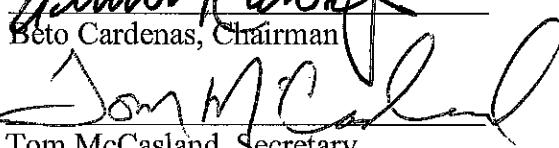
Board Commissioners commended Mr. McCasland for his hard work over the past 6 months and expressed gratitude for everything that he had been able to accomplish. They discussed moving forward to begin searching for a permanent CEO. Commissioner Cardenas motioned to have HR post internally and externally of HCHA a position for a permanent CEO on October 29th. Commissioner Riddle seconded, Commissioners Wright and Ellis voted in favor, Commissioner Womack abstained, and the motion carried.

ADJOURNMENT

Commissioner Riddle moved to adjourn at 4:40p.m. Commissioner Womack seconded. All were in favor, and the motion carried.

Adopted and approved this 28th day of November 2012.


Beto Cardenas, Chairman


Tom McCasland, Secretary

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

November 28, 2012

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 28th day of November 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Chairman Cardenas called the meeting to order at 1:40 p.m., and the roll was taken of the duly constituted officers and members of the Board:

Beto Cardenas	Chairman	Present
Joe Ellis	Commissioner	Present
David Riddle	Commissioner	Present
Kerry Wright	Vice Chairman	Present
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was David Tang representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Tom McCasland, Todd Graff, Angela Sklavos, Horace Allison, Paula Burns, Beverly Burroughs, Julia Nations, and Earl Campbell of the Harris County Housing Authority; Wanda Leblanc, Steve Bowers, Mike Morris, Douglas Ray, David Schwerz, and Ryan Hettig were also in attendance.

PRESENTATION AND APPROVAL OF MINUTES FROM OCTOBER 24, 2012 BOARD MEETING

Chairman Cardenas invited a motion to accept and approve the minutes of the October 24, 2012 board meeting.

Commissioner Riddle moved to accept the minutes, Vice Chairman Wright seconded, all were in favor, and the motion carried.

PUBLIC COMMENT:

None

CHIEF EXECUTIVE OFFICER'S REPORT

Chairman Cardenas invited Tom McCasland to introduce the auditing firm that HCHA engaged with to conduct the annual fiscal audit. Tom McCasland introduced Mike Stephens, the lead auditor from Clifton, Larson, and Allen. Mike Stephens then presented his report on the audit for the period from April 1, 2011 through March 31, 2012. Chairman Cardenas invited Mr. Stephens to finish his report and review of the documents he had presented the Board with towards the end of the meeting after the Board was given a recess in which they could read the draft audit report and prepare questions for discussion.

Mr. McCasland began his report, speaking about the HUD-OIG audit. He said that a report is expected before the end of the year.

He then updated the Board on the Accounts Receivables. Mr. McCasland said that staff has begun sending out demand letters to landlords who owe HCHA utility and security deposits. Mr. McCasland said that Mr. Graff would provide more detail during his presentation.

Regarding the annual plan, a meeting was held with HCHA's resident advisory board. This puts HCHA in place to have a public hearing in January.

Mr. McCasland updated the Board on HCV leasing. The leased units as of November 1, 2012 were at 3961, and the expectation is to be down to 3900 leased units on December 1, 2012. HCHA is currently projecting to be over the annual budget authority plus the net restricted account by about \$127,000.

Regarding the current cash flow estimate, HCHA projects to be in the black by \$33,538. Mr. McCasland stated that by comparison, just five months ago the fiscal year 2013 deficit was expected to be \$443,872. Mr. McCasland said that the actual versus the projected deficit is a tribute to the hard work of the staff. The current projected deficit is \$60,030 for fiscal year 2013, while the actual deficit for fiscal year 2012 was \$2,723,824.

Mr. McCasland then discussed the amount owed to HUD. About \$3.4 million are DHAP-Ike deposits that were in the HCHA account but that were never paid out to landlords or to tenants. \$659,824 are unreturned DHAP-Ike deposits. \$396,200 are DHAP-Ike fees that HUD has determined HCHA owes back to them. Mr. McCasland said that this specific dollar amount could fluctuate because neither of the DHAP-Ike programs have been closed out. The DVP closeout is \$241,607. Together, these amounts total \$4,712,610. Excluding the unreturned deposits, the total is \$4,052,786, and Mr. McCasland said that he believed that if HCHA has to write off the unreturned deposits, HUD would also write them off. Mr. McCasland stated that he is looking at the \$4,052,786 amount as the amount that is immediately owed back to HUD.

Mr. McCasland then discussed HCHA's cash balances. An account has been set up for Affordable Housing in order to track money in and money out that is not HUD related. This account has \$127,000 in it. On the HUD side of the balance there is \$2 million in the restricted HUD account, divided up into the net restricted cash account which can only be used for HAP

payments, and a non-NRA of \$1.1 million that is restricted because HCHA owes HUD \$4 million. Commissioner Cardenas asked questions regarding keeping a cash balance in HCHA accounts to ensure that payroll and other obligatory expenses get met. He wanted to know how much Mr. McCasland would like to keep as a cushion. On the HUD side the absolute minimum would be \$500,000, with a preference for this to be closer to \$1 million.

Mr. McCasland discussed the proposed payment plan with HUD that commits \$5000 monthly payment. The estimate for January 1, 2014 is approximately \$4 million owed to HUD, made in \$60,000 monthly payments, with \$3,992,786 being the remaining amount to be paid from Patriots by the Lake sale and Texas Rebounds reimbursement.

Mr. McCasland discussed the update on HCHA's server backup plan. Previously, the server was backed up locally within the building which isn't beneficial if there is a fire or if both servers were otherwise destroyed. HCHA is in the process of testing out two different providers that provide off-site backup. Once these have been test driven and the better one has been confirmed, the Board will be informed of which one has been chosen as a provider. Mr. McCasland also said that by the next Board Meeting he should have a document retention policy.

FINANCIAL AGENDA:

Mr. Graff gave an overview of the financial state of HCHA. He first went over Revenue and Expenditures for October. There was an operating surplus for the month of October of about \$97,233. Year to date there is a surplus of \$279,675. The total cash position is \$2.2 million. Mr. Graff also informed the Board that DHAP-Ike security deposit demand letters had been mailed out to active landlords. Over 160 of these letters were sent out. Mr. Graff said that the plan moving forward is to issue an RFP for a permanent loan for Cypresswood Estates, and this would need to be done before March 31, 2013. The finance department is also going to finalize the budget for the fiscal year 2014. Another priority that Mr. Graff discussed is the submission of the audit report to REAC, the Real Estate Assessment Center through HUD. Letters will also be mailed out to inactive landlords. The last priority that Mr. Graff mentioned was doing a vehicle analysis to see if money could be saved within this area. He said that updates would be provided as necessary to the Board. Chairman Cardenas asked about office rent, noting that there was a difference between actual and budgeted cost. Mr. Graff explained that as part of the original lease of the building space, there is a clause that states that any incurred operating expenses that are over \$2.00/ sq. ft. will be spread out amongst the tenants. For calendar year 2011, the expense was passed onto HCHA for a total of \$8,600. Chairman Cardenas also asked about the Accounts Receivables which have been brought down to about \$804,000. Some of this was related to deposits that HCHA was expecting to receive. Chairman Cardenas said that there is a difference of about \$100,000 that doesn't reflect out. Mr. Graff said the difference is portability which will fluctuate based on the port-in activity. Chairman Cardenas then asked if the Board needed to be prepared to see another write off. Vice Chairman Wright requested to see the process by which the Finance team tries to recoup delinquent funds. Chairman Cardenas asked Mr. Graff to work with Commissioners to update them on procedures utilized and the time frame that is appropriate.

ADMINISTRATIVE AGENDA:

HCV Director Beverly Burroughs presented the information on the lease-up rates for the HCV program and the current status of the properties.

Paula Burns spoke about the occupancy rates of the properties and answered questions raised by the Commissioners accordingly.

Mr. Allison, the Director of Affordable Housing, gave an overview of the status of the Affordable Housing activities for November. He opened the discussion with the topic of Sierra Meadows' loan which will be extended by the end of this month. He stated that the developers are working on getting an extension for that loan. An RFP for legal services was issued for the Affordable Housing program. Two proposals were received for that RFP. The second RFP that was out was for bond counsel services in the case that HCHA does a bond deal with 4% tax credits. The responses were received yesterday, and they will be evaluated soon.

Chairman Cardenas requested that at this time Action Item 9 be moved up on the agenda. He asked Mr. McCasland to discuss the request to approve or deny the authorization for negotiation for a permanent loan for Cypresswood Estates. Mr. Graff went over the details of the term summary. The loan amount being requested is \$2.5million, and this would be increased by \$500,000 because those funds are needed for the Affordable Housing Division. The Commissioners asked questions regarding the permanent loan and Mr. Graff answered accordingly. Chairman Cardenas moved to approve authorization to negotiate a permanent loan for Cypresswood Estates not to exceed \$3.5 million, all voted in favor, and the motion carried.

Next, the request to approve or deny Resolution Authorizing HCHA to participate in the H-GAC Energy Purchasing Corporation was discussed. Mr. McCasland said that this is a corporation that has been set up for governmental entities to enter into electricity contracts subject to the procurement policies imposed on governmental entities. Rather than HCHA do this directly, the corporation does it on behalf of HCHA. Commissioner Womack moved to adopt the Resolution, Vice Chairman Wright seconded, all were in favor, and the motion carried.

Mr. McCasland then spoke about the request to approve or deny authorization to enter into service with QuestMark for HCHA mail services. The services would replace the current provider at an amount not to exceed \$50,000. The current vendor is 4 cents more expensive than the suggested vendor and has a pickup fee on top of that while the suggested vendor has no pickup fee. Questions that the Commissioners asked were addressed. Commissioner Womack moved to approve the authorization to enter into service with Questmark, Commissioner Riddle seconded, all were in favor, and the motion carried.

The request to approve or deny a resolution authorizing the negotiation and execution of a contract for real estate brokerage services for the acquisition for real property was next discussed along with the request to approve or deny a resolution authorizing the negotiation and execution of a contract for real estate brokerage services for the sale of real property. Mr. McCasland stated that the only proposal received for brokerage services for the acquisition for real property was from Transwestern. Mr. McCasland recommended moving forward with a contract for Transwestern to provide real estate services for the acquisition of property. Commissioner Womack moved to authorize the negotiation and execution of a contract for real estate brokerage services for the acquisition of real property, Commissioner Ellis seconded, all were in favor, and the motion carried unanimously.

Mr. McCasland stated that for the RFP issued for real estate brokerage services for the sale of real property, two proposals were received. Commissioner Riddle motioned to authorize the negotiation and execution of a contract for real estate brokerage services for the sale of real property, Vice Chairman Wright seconded, all voted in favor, and the motion passed

unanimously. The representative from Transwestern thanked the Board for the opportunity to work with Harris County Housing Authority.

Regarding Action Item 7, Mr. McCasland recommended moving forward with the Memorandum of Understanding without committing any HCHA funds or GLO funds to this development. He also said that HCHA will continue looking for outside funds with the attempt of possibly getting HOME funds for this development. He said that because the memorandum does not affect HCHA's funds, he would recommend that the Board authorize its approval. Mr. Allison answered questions regarding the development fees. Mr. Allison said that the fees are better than what HCHA has had in the past. Chairman Cardenas moved to approve the resolution authorizing the negotiation and execution of memorandum of understanding for a developer partner. Commissioner Womack seconded, all voted in favor, and the motion carried.

Mr. McCasland said that HCHA received two responses, one of which was from a Houston based firm. Mr. McCasland recommended that this item be tabled so that more firms can be contacted to ensure that it is a competitive process. Vice Chairman Wright moved that the action item be tabled, and Commissioner Riddle seconded.

The request to approve or deny transfer of \$31,708.71 from Affordable Housing Account to HCHA's Operating Account to reimburse for monthly expenses for the Affordable Housing program. Mr. McCasland said that this would just be the moving of funds for shared expenses like gas, lights, rent, and salary. Chairman Cardenas moved to approve the transfer. Commissioner Womack seconded, all voted in favor, and the motion carried.

Chairman Cardenas said that the last action item would be moved after the Executive Session. A recess was called at 3:30pm for the opportunity for the Commissioners to read the audit report.

The Board reconvened at 3:45 p.m. to have Mr. Mike Stephens from Clifton, Larson, & Allen discuss the audit report. Chairman Cardenas asked for Mr. Stephens to go over the findings within the draft report. Mr. Stephens said that there are five findings that are part of the single audit and that they are all either internal control or compliance issues that the auditors are required to report. Mr. Stephens said that the first one is Material Audit Adjustments which is required under Risk Assessment Standards in the audit process. He explained that the premise from the standard centers when an audit is conducted is that if the auditor identifies a material audit adjustment that is by definition a weakness in internal control. Such adjustments are weaknesses in internal controls because if the internal control is properly functioning, an audit adjustment would not be required because management of HCHA would have identified it since the internal control was in place. The auditors deemed Material Audit Adjustments in the areas of payables and accrued compensated absences. Regarding accounts payable, invoices were not accrued as of year-end so those payables had to be accrued as part of the audit process. There were also adjustments to accrue interest receivable on the notes receivables from component units. Accounts recorded for uncollected tenant rents were written off. Adjustments to record activity of Cypresswood Estates also had to be made, as did adjustment to record accrued interest expense for the construction loan for Cypresswood Estates. The combination of those adjustments resulted in adjustments to the material financial statements to bring them into line with general accounting principles, and because the auditors were booking these adjusted statements they were deemed to be an internal control finding. Mr. Stephens said that this was the only internal control problem that the auditors found and that the rest were compliance issues.

Mr. Stephens then gave some background, stating that every spring HUD puts out a Compliance Supplement which is a notice to the auditors telling them what HUD would like for them to test when they are auditing organizations that receive funds from HUD. He explained that with the internal control there is some judgment call, but with compliance supplement the organization is either doing something correctly or not. Chairman Cardenas pointed out that the draft has a place for a response from management.

Chairman Cardenas then directed the Board's attention to the Federal Awards Finding and Questioned Costs on page 42 of the report. Rather than have separate findings for each noncompliance issue regarding cash balance, this finding is a summation of multiple issues, many of which were touched on by Mr. McCasland's earlier report. Mr. Stephens said that the auditors didn't go in and have separate findings as to why the cash position is what it is. He said that the end result is that HCHA does have a compliance issue with respect to cash because of the deficits that HCHA has. He said that not only is it a solvency issue, but it is a compliance issue because cash was used from other programs to fund activities that it was not intended for. Mr. Stephens said that this was a clear violation in the HUD supplement and the OMB requirement. He stated, "The allocation of that funding to particular programs is a very serious matter." He confirmed that there was an estimated \$6.5 million that were spent where it shouldn't have been.

Chairman Cardenas asked Mr. Stephens if he was confirming that HCHA's cash position was such that HCHA could not have, without making the drastic cuts that it did make in March, kept itself afloat with the payment of a settlement or a buyout. Mr. Stephens confirmed this, stating that the cash that HCHA did have wasn't even where it was supposed to be. He stated, "You were in the hole, in our view to the tune of \$6.5 million, and any additional payouts both would have increased the deficit from a solvency standpoint and would have been an additional non-compliant expense with regard to a HUD program". He said that any payouts would have increased the deficit above \$6.5 million and would have made HCHA further noncompliant. Mr. Stephens then discussed the adjustments made regarding the HCV program.

Chairman Cardenas then directed the Board's attention to the fourth finding that stated that HCHA is in violation of its Annual Contribution Contract (ACC) with HUD. He stated that if you have a deficit in a program because you are pulling money from it, the deficit is either an indication of mismanagement in that program or an indication that you used those funds for something else that you should not have used them for.

Prompted by Chairman Cardenas, Mr. Stephens indicated that the second finding is in his opinion the most serious of the findings, from both a compliance and a financial recording standpoint. Given the amount of time spent by Mr. McCasland on this issue, Mr. Stephens indicated that he was aware that he is not providing new information to the Board at this point. He indicated that the current management is already self-correcting the issues identified. He has seen multiple signs that the current management is taking the necessary steps even though he warned that some issues will not be corrected overnight.

Vice Chairman Wright asked if Mr. Stephens was pleased with the measures that have been taken within HCHA in response to the audit. He confirmed that he was. Commissioner Riddle asked if Mr. Stephens knew if HCHA would be surprised with any consequences. He said that though he could not speak for HUD, all indications that he has seen lead him to believe that HCHA is doing the most important thing by communicating with HUD.

Chairman Cardenas asked what the procedure is now that the draft report has been presented. Mr. Stephens stated that the draft is substantially complete and that he is waiting for only one item that could affect the statements but that should not affect the numbers. He said one of the last things they do before issuing the report is to get a legal letter from counsel to identify any issues. Regarding findings, they have already gone through the review process. He said they would issue this report and submit to the Real Estate Assessment Center (REAC). HUD then reviews this, and Mr. Stephens said his expectation is that HUD will then come back with rejection comments. He said that he would expect more comments in the 2013 audit because of the clean-up nature of that year. Chairman Cardenas asked as a final question whether Mr. Stephens believed HCHA is on the right path. He stated that keeping in mind that as an auditor his focus was on hindsight, he believes that HCHA is definitely on the right path. Chairman Cardenas moved to accept the draft, recognizing that a final version would come back to the Board. Vice Chairman Wright seconded, all were in favor, and the motion carried.

EXECUTIVE SESSION

The Board went into executive session at 4:15 p.m. to discuss with the authority's attorney(s) regarding matters involving pending litigation and consideration of specific personnel matters including the permanent CEO search.

The Board of Commissioners reconvened into public session at 5:32 p.m. Vice Chairman Wright presented the CEO Search Committee report. He stated that HCHA had received 14 applicants for the position, and that after much deliberation the Board would like to extend an offer to Tom McCasland for the permanent position of CEO. Vice Chairman Wright moved to accept the report and name Tom McCasland as the permanent CEO, Commissioner Ellis seconded, Commissioners Riddle and Womack voted in favor, and Chairman Cardenas abstained. The motion carried. Chairman Cardenas motioned to instruct Michael Fleming to prepare an offer letter and conduct further negotiations regarding a compensation and employment agreement for Tom McCasland, Commissioner Riddle seconded, all were in favor, and the motion carried.

Commissioner Riddle motioned to direct HCHA counsel, Michael Fleming, to take all effort including litigation to recover funds in dispute with the lawfirm Haynes and Boone for matters pertaining to the Texas Rebounds project, Vice Chairman Wright seconded, all were in favor, and the motion carried.

Chairman Cardenas directed counsel to work with HCHA to put together a formal payment proposal with the Department of Housing and Urban Development for the funds that are not in dispute that HCHA owes them and to bring that back to the Board.

COMMENTS BY COMMISSIONERS

Chairman Cardenas said that the Board would set the next meeting date with appropriate notice.

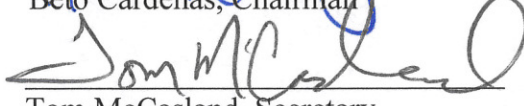
ADJOURNMENT

Commissioner Womack moved to adjourn at 5:25p.m. Commissioner Riddle seconded. All were in favor, and the motion carried.

Adopted and approved this 23rd day of January 2013.



Beto Cardenas, Chairman



Tom McCasland, Secretary

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

December 27, 2012

**THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 27th day of December 2012, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in the City of Houston, Texas. Chairman Cardenas called the meeting to order at 3:02 p.m., and the roll was taken of the duly constituted officers and members of the Board:

Beto Cardenas	Chairman	Present
Joe Ellis	Commissioner	Absent
David Riddle	Commissioner	Present
Kerry Wright	Vice Chairman	Present
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was Michael Fleming representing the law offices of Michael P. Fleming and Associates, the Authority's General Counsel. Present additional attendees included the following:

Angela Sklavos, Julia Nations-Quiroz, and Earl Campbell of the Harris County Housing Authority; Wanda Leblanc, and Ella Edmiston were also in attendance.

PUBLIC COMMENT:

None

AGENDA:

Chairman Cardenas began the meeting by discussing the request to approve or deny ratification of submitted Authorization to maintain TCDRS Plan Provisions for Plan Year 2013. Because of unforeseen deadlines by the Texas County and District Retirement System (TCDRS), HCHA submitted the authorization for Plan Year 2013 on December 17, 2012 to provide for the TCDRS minimum required employer contribution rate of 10.12%. Chairman Cardenas informed the Board that Angela Sklavos, Director of Human Resources, was available to answer questions the

Commissioners might have. Commissioner Womack asked if we knew whether the plan was similar to what other County agencies had in place. Chairman Cardenas confirmed that it was similar with what other county agencies are doing. Chairman Cardenas moved to ratify the submitted Authorization, Commissioner Womack seconded, all were in favor, and the motion carried.

Chairman Cardenas noted for the record that Commissioner Ellis was absent due to a storm that had delayed his flight back into Houston.

Chairman Cardenas began discussing the request to approve or deny final Financial Statements for Harris County Housing Authority dated March 31, 2012 for submission to HUD. He stated that a preliminary report of the audit was submitted at the last Board Meeting. This is the final audit which is required to be submitted to HUD by December 31, 2012, and Chairman Cardenas stated that per his request the auditors had sent directly to the Commissioners copies of the report. Commissioner Womack asked if Harris County Housing Authority management team had submitted all of their responses. Chairman Cardenas confirmed that they had. Vice Chairman Wright moved to approve the final Financial Statements for Harris County Housing Authority dated March 31, 2012 for submission to HUD, Commissioner Womack seconded, all were in favor, and the motion carried.

EXECUTIVE SESSION

The Board went into executive session at 3:10 p.m. to discuss with the authority's attorney(s) regarding matters involving a Mediation Agreement and Settlement between Harris County Housing Authority and Haynes and Boone, LLP, matters regarding potential litigation, and consideration of specific personnel matters involving the contract with the Chief Executive Officer.

The Board of Commissioners reconvened into public session at 4:30 p.m. Chairman Cardenas began discussion with the approval or denial of Settlement Agreement and Release between Harris County Housing Authority and Haynes and Boone, LLP. Commissioner Riddle moved to approve the Mediation Agreement and authorize the Chairman of Harris County Housing Authority to sign the subsequent release, Commissioner Womack seconded, all were in favor, and the motion carried. Commissioner Wright congratulated the Board and General Counsel for a job well done, and he thanked them for their hard work.

Chairman Cardenas then discussed the request to approve or deny a Payment Plan Letter Agreement to HUD. He stated that the settlement agreement that the Commissioners agreed to will render payment from Haynes and Boone to Harris County Housing Authority in the amount of \$773,732 by January 5, 2013. Based on the approximate 4.7 million that is owed to HUD, Chairman Cardenas stated that he is proposing for Harris County Housing Authority to immediately put the payment from Haynes and Boone to HUD before January 15, 2013. Then HCHA would make a pledge to sell the Patriots by the Lake property and take the proceeds from that and make the payments to HUD. Vice Chairman Wright moved to accept the payment plan letter, Commissioner Riddle seconded, all were in favor, and the motion carried.

Next discussed was the Employment Agreement between Harris County Housing Authority and the Chief Executive Officer. Vice Chairman Wright moved to accept the contract with Tom McCasland, Commissioner Riddle seconded, all were in favor, and the motion carried.


COMMENTS BY COMMISSIONERS

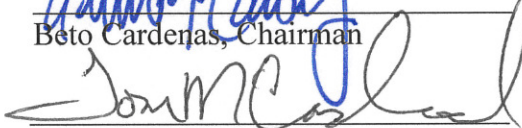
Chairman Cardenas commended the staff on getting Harris County Housing Authority to the point it is at today. Commissioner Riddle expressed his gratitude to Tom McCasland. Vice Chairman Wright expressed both his gratitude to the staff of Harris County Housing Authority and his excitement for the upcoming year.

ADJOURNMENT

Commissioner Riddle moved to adjourn. Vice Chairman Wright seconded. All were in favor, and the motion carried.

Adopted and approved this 23rd day of January 2013.


Beto Cardenas, Chairman


Tom McCasland, Secretary