

**LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY
MINUTES OF THE BOARD MEETING
HOUSTON, TEXAS**

May 18, 2007

A meeting of the Board Of Directors (the "Board") of the Land Assemblage Redevelopment Authority ("LARA" or the "Authority"), a Texas non-profit corporation created and organized by the City of Houston as a local government corporation pursuant to the Texas Transportation Code Annotated, Section 431.101, et seq., and the Texas Local Government Code Annotated, Section 394.001 et seq., was held in the Houston City Hall Annex Council Chambers, Public Level, 900 Bagby Street, Houston, Harris County, Texas, on Friday, May 18, 2007. Written notice of the meeting, which included the date, hour, place and agenda for the meeting, was posted in accordance with the Texas Open Meetings Act.

Board members in attendance were:

David Collins, Chairman of the Board
Jolanda Jones
Yolanda Black-Navarro
Teresa Morales
Tyrone Dorian
Jeremy Ratcliff
Reverend John W. Bowie
James Harrison III, and Antoinette Jackson

Board Members absent were:

Reginald Adams, President; Ray Fisher; and Craig Presley

Others in attendance included: Steve Tinnermon, Pat McFarland, and Agatha Collins of the Neighborhoods and Housing Division of the Mayor's Office (the "NHD"); Jim Lemond and Tonja King of Winstead PC, the Authority's General Counsel; Leah Stolar of Linebarger, Goggan, Blair and Sampson, L.L.P.; Chris Butler, special assistant to the Mayor of Houston for property construction; and Lynn Henson of the City of Houston's Planning and Development Department.

I. Call to Order

Mr. Collins, Chairman, called the Board Meeting to order at 2:23 p.m.

II. Review and Approval of Minutes from the April 27, 2007 Board Meeting

Upon a motion by Ms. Morales, seconded by Mr. Ratcliff, the Board unanimously approved the Minutes of the April 27, 2007 Board meeting.

III. Old Business

A. Treasurer's Report.

Ms. Morales reported that the April financial statements were not available as of the commencement of this meeting, but that they would be presented at the June board meeting.

B. Auction Update by Linebarger, Goggan, Blair and Sampson, L.L.P.

Ms. Stolar distributed the monthly Auction Report as prepared by her firm and pointed out that 28 properties were acquired by LARA at the May auction. She added that 38 properties are available for the next auction and are identified on the last page of the report.

IV. Committee Reports

A. Executive Committee Reports.

Mr. Ratcliff reported that the Executive Committee met prior to the scheduled board meeting and discussed the prospective approval of the RFP for Houston Habitat for Humanity.

B. RFP Committee Report.

Ms. Morales reported that the RFP Committee had met and discussed the Houston Habitat for Humanity ("Habitat") proposal. She said that Habitat proposed immediate construction on 20 new units, and construction for an additional 14 units as soon as those units cleared public works and the required environmental reviews, and satisfied the redemption statute requirements. Ms. Morales distributed copies of Habitat's Offer to Purchase, Building Specifications, and Housing Construction Qualifications to each of the Board members.

Mr. Butler stated that Habitat has been building residences in Harris and the surrounding counties for more than 20 years. He explained that Habitat has agreed to build homes with attached garages on units with 50 feet or more of available space. Units that do not meet the 50 feet of space requirement will be constructed with carports, he said.

V. LARA Administrative Report by Stephen Tinnermon.

Mr. Tinnermon indicated that he had no report to present separate from the posted Agenda Items to be considered by the Board.

VI. New Business

A. Discussion and Approval of Authorization to Enter into Contract with Houston Habitat for Humanity.

Mr. Collins recused himself from participation in the discussion of this matter and left the room. Ms. Morales, acting in Mr. Collins' absence, invited discussion regarding the authorization to enter into contract with the Houston Habitat for Humanity.

Ms. Black-Navarro inquired as to whether purchasers of Habitat-constructed homes would be held to the same qualifying standards and requirements as other applicants for LARA homes.

Mr. Tinnermon responded that the Habitat standards require prospective purchasers to invest what is commonly referred to as "sweat equity" in the homes they intend to purchase, meaning they are required to expend manual labor on the actual construction of the home. This affords the homebuyers a set-off against the purchase price when the home is financed. Mr. Tinnermon stated that the Habitat purchasers are selected from a pool of applicants who fall within specified income guidelines.

Ms. Black-Navarro asked if the differences in application processes would result in a situation where one homeowner might end up paying less for his/her home than her neighbor.

Mr. Tinnermon invited Ms. Algenita Scott Davis of Habitat to the microphone to address Ms. Black-Navarro's question.

Ms. Davis, Executive Director of Houston Habitat for Humanity, explained that the qualification process for Habitat consists of a prospective homebuyer submitting an application for approval to participate as a family partner. Once approval is obtained and that applicant is selected, the applicant begins accumulating "sweat equity" hours by providing manual labor in the construction of their own home, or even someone else's. Once the applicant accumulates 300 hours of "sweat equity" he or she becomes eligible to purchase a home and can select an area of Houston to reside in from among those available in the Habitat lots inventory. A purchase price is assigned to the home, which usually will not include a garage. The average purchase price of a Habitat home in the Houston area ranges from \$81,000 - \$84,000 for a 3 or 4 bedroom home. Ms. Davis noted, however, that the projected cost of Habitat/LARA homes would be higher, because they will include garages or carports. After a home is selected, she continued, the individual signs a contract for a home purchase and provides a required down payment, usually obtained from programs offering down payment assistance to eligible participants. The down payment is deducted from the purchase price, after which Habitat applies \$10,000.00 in forgiveness for the "sweat equity." This usually results in the homeowner having a mortgage on the new home for approximately \$50,000.00. The greatest benefit to the homeowner is that Habitat does not charge interest on the mortgage loan for the home. The average homeowner has a payment due of approximately \$471.00 - \$531.00 per month, which includes an escrow for taxes. Habitat intends to maintain that practice with the lots that LARA would award Habitat.

Ms. Jones inquired as to whether there is a time requirement within which the owner must occupy the home as his or her residence.

Ms. Davis stated that the individual family must remain in the home for a period of 10 years or otherwise forfeit the down-payment assistance, as well as the \$10,000.00 "sweat equity" forgiveness.

Ms. Black-Navarro explained that she believed it is important to maintain somewhat uniform standards, and that everyone who is eligible should have the same opportunity to qualify.

Mr. Harrison commented that he is in favor of the Habitat program and that the "sweat equity" should be regarded as highly as any investment that neighbors of a Habitat homeowner might make.

Ms. Davis stated that Habitat provides housing for individuals who are at 50% of the recognized area median income levels. In Houston, applicants at 80% of the recognized median income level are eligible for affordable housing. Habitat's policy insures that families at the lower income levels can qualify for homeownership. Ms. Morales commented that it was important for the Board to recognize that no other interest had been expressed in the neighborhoods where Habitat proposed to contract because of the cost associated with the infrastructure improvements.

Ms. Jones asserted her belief that it is important to bring homeownership opportunities to those in lower income brackets, and to historically economically disadvantaged neighborhoods. She stated that, to the extent there was a disparity in money actually spent, the sweat equity should be considered as a valuable investment by the potential homebuyer.

Mr. Harrison, in reviewing the Housing Construction Qualifications, asked whether Habitat had procedures in place to address substandard soil conditions which commonly exist in the Houston area.

Ms. Davis responded that Habitat's 20 years of construction experience in the Houston area was a unique advantage that would allow them to succeed if such conditions were a factor, and that each construction site was evaluated and tested for various soil conditions by licensed professional engineers. She stated that when soil conditions on a particular site warrant special treatment, or require differently-engineered foundations, the engineers simply come up with a different design. She stated that the foundations are modified based on the engineering requirements dictated as a result of the tests.

Ms. Morales called for questions or further discussion. No additional comments or questions were raised. Mr. Harrison moved to approve the 20-parcel contract with Habitat and Mrs. Black-Navarro seconded the motion. The motion carried.

(Mr. Collins at this point re-entered the room and, from this point, again chaired the meeting.)

B. Discussion And Approval Of Authorization To Add Jeremy Ratcliff As An Authorized Signatory On All LARA Bank Accounts.

Ms. Morales requested the Board's authorization to add Jeremy Ratcliff as an authorized signatory on all LARA Bank Accounts.

Mr. Collins called for questions, or remarks, and none were asserted. Upon motion by Ms. Jones, seconded by Mr. Harrison, the board unanimously voted to add Mr. Ratcliff as an authorized signatory.

C. Other Miscellaneous/New Business.

Mr. Collins introduced Reverend John W. Bowie as the newest LARA Board member.

Reverend Bowie told the Board that he is a native Houstonian who had returned to Houston from California several years ago to become the pastor of the church that his father led for 54 years. Reverend Bowie further advised the Board that he has been actively involved in development and quality of life issues in the Independent Heights neighborhood for most of his life. He voiced his interest promoting the emphasis on community development corporation participation in LARA's affordable housing program and said that he and his church have been very active in community redevelopment efforts in his neighborhood. Mr. Bowie is a graduate of Texas Southern University, and the University of Denver. He said that he was honored to have been invited to participate on the board.

Mr. Lemond addressed the board and reported that over the past few days, the Mayor has indicated that he would like to see a wholesale expansion of the LARA program to encompass additional prospective homeowners. He explained that, at inception, LARA adopted the customary HUD guidelines governing participant eligibility in the LARA homeownership program. The HUD guidelines, he said, restrict participation to persons earning not more than 80% of the area median income. He noted that there is no statute, regulation, or city ordinance which requires LARA to restrict participation in its program to the 80% of area median income standard. He stated that if the LARA Board wished to expand the eligibility criteria to accommodate the Mayor's request, LARA can vote to change that criteria. A change of policy to expand eligibility to persons earning not more than 120%, for instance, of the area median income would create a greater pool of qualified persons interested in purchasing LARA homes. He reminded the Board that the mission of LARA was to create homeownership opportunities for deserving citizens and that many City Counsel members were also interested in having LARA expand its program to reach more potential homebuyers. Mr. Lemond stated that the Mayor had asked Winstead to investigate whether there were legal impediments to LARA expanding its eligibility criteria. Mr. Lemond reported that he had advised the Mayor that a preliminary evaluation determined there were no such apparent legal impediments. He recommended that the Board members consider the Mayor's request and address the expansion of the eligibility criteria for prospective LARA homebuyers at the next meeting.

Ms. Jones asked Mr. Lemond to explain, in layman's terms, what it means to be at 80% of the median income level. She asked Mr. Lemond if expanding the guidelines would make it more difficult for those at lower income levels to qualify.

Mr. Lemond responded that by modifying the income guidelines, LARA would not be changing the parameters for any of those who might otherwise currently qualify. Instead, more people, at higher income levels, would potentially qualify for assistance from LARA. He also noted that there were currently 650 lots available for new construction and that such a change would immediately create a larger group of eligible homebuyers for those lots.

Mr. Butler commented that there were 76 lots currently contracted; that Burghli has sold 7 homes in Acres and is expecting to close on two of those homes in July. Pedraza Construction

is pouring its fifth slab next week, and a CDC in Trinity Gardens has purchased 2 lots and will begin pouring slabs next week.

Mr. Lemond reiterated that if Mr. Butler's numbers are correct, there are still over 500 lots available for new construction. He stated that expansion of the income guidelines would allow LARA to speed up the process of selling the lots and would potentially allow LARA to serve a greater number of people. Mr. Lemond advised the board that he believes it is in the program's best interest to consider expansion of the eligibility criteria to potential purchasers earning as much as 120% of the area median income.

Mr. Tinnermon provided an illustration for the board to consider. He stated that in the event a family of four applied through LARA at the 80% level, the income limit would be \$48,000.00. He stated that this makes it difficult for families with two income earners to qualify for the program, and that if the income limits were raised, even slightly, a larger number of families would qualify, which would in turn diversify the socio-economic composition of the neighborhoods.

Ms. Jones recited the income guidelines for down-payment assistance eligibility.

V. Chairman's Report

Mr. Collins stated that there would be no Chairman's Report.

VI. Public Comments

Mr. Collins invited public comment or discussion. No members of the public addressed the board.

VII. Executive Session

Mr. Collins noted that there were no matters requiring an Executive Session.

VIII. Adjournment

On a motion by Ms. Black-Navarro, seconded by Mr. Dorian, the meeting was adjourned at 3:10 p.m.

Minutes prepared by:

**Jim Lemond and Tonja King
Winstead PC**

Signed on the _____ day of _____, 20__.

Reginald Adams, President

Jolanda Jones, Secretary