

EMERGENCY MEETING

OF THE

CITY COUNCIL

TO BE HELD IN

CITY COUNCIL CHAMBERS

CITY HALL, ABILENE, TEXAS

On MONDAY, MARCH 28, 1983, at 2:00 P.M.

WHEREAS, there is an urgent public necessity that the City Council consider giving authorization for the issuance of bonds by the Abilene Housing Finance Corporation as soon as possible, otherwise a worthwhile project under consideration will be prevented or nullified by legislative changes to be possibly acted upon by the United States House of Representatives on April 14, 1983.

1. INVOCATION: Councilman Julian Bridges.
2. Discussion and possible approval of Abilene Housing Finance Corporation Bonds.

CERTIFICATE

I hereby certify that the above notice of meeting was posted on the bulletin board at the City Hall of the City of Abilene, Texas, on the 25th day of March, 1983, at 10:00 a.m.

Shelley Beard  
Assistant City Secretary

The City Council of the City of Abilene, Texas, met in a special session on Monday, March 28, 1983 at 10:00 a.m., in the City Basement Council Chambers of City Hall. Mayor Elbert E. Hall was present and presiding with Councilman A. E. Fogle, Jr., Councilwoman Billye Proctor, Councilwoman Kathy Webster, Councilman Julian Bridges and Councilman L. D. Hilton. Absent was Councilman Juan C. Rodriguez. City Manager, Ed Seegmiller, and Assistant City Secretary Kelly Beard were also present.

Councilman Julian Bridges lead the invocation.

Mayor Hall told the Council that the matter to be taken up today was an item that was tabled at the last Council meeting. That item was "Mayor's Consideration of Issuance of Bonds for the Abilene Housing Finance Corporation." Councilwoman Proctor made the motion that the item be lifted from the table and consider it at this time. Councilman Hilton seconded the motion.

AYES: Councilman Bridges  
Councilwoman Proctor  
Councilman Fogle  
Councilman Hilton  
Councilwoman Webster  
Mayor Hall

NAYS: None

Mr. Roy McDaniel, Assistant City Manager, told the City Council that the item before us involves the Abilene Housing Finance Corporation's issuance of \$7.1 million worth of tax exempt bonds to finance a 171 unit apartment complex, of which twenty percent of that complex has to be rented to low and moderate income folks, which by our definition involves any income less than \$19,100 per year. The only real additional information he had to add was that he had the financial statements that were given to the staff last Thursday. As he read the application, the project applicant is a general partnership of which Brink Craft, Inc., is one of the partners. Brink Craft, Inc., is a wholly owned subsidiary of LDB Corporation. The LDB Corporation is a very large corporation listed on the New York Stock Exchange and there is certainly nothing that can be said against their numbers. However, in the case of Brink Craft, Inc., the state of their finances are as of July, 1982, so they are nine months old. He did not really know what had transpired since that time. If we take the balance sheet and add this proposed \$7.1 million issue to it, then their debt to equity ratio becomes a moderate financing situation. He would not call it real strong, but he certainly could not call it real weak. A lot of that depends on what has happened since these statements were put out. The other factor is the guarantee from LDB. It is not stated in writing that he had been able to find. There is some implied guarantee by simply the fact that LDB owns Brink Craft, but at this point, all it is is an implied guarantee.

HOUSING  
FINANCE COI  
BRINKCRAFT  
PROJECT  
APPROVED

Mayor Hall asked Mr. McDaniel if he had asked any of the proponents if there is a guarantee that exists.

Delbert McDougal stated that the LDB Corporation is a parent of Brink Craft, Inc., which is a wholly owned subsidiary of the LDB Corporation. As far as records show, the gander in this particular transaction would be that Brink Craft, Inc. is backed by the LDB Corporation. To carry it one step further, it is one hundred percent guaranteed by CD's to the total amount which would be guaranteed by Stokey Savings and Loan out of Dallas, Texas. As the bonds are sold, these funds are put into CD's which are one hundred percent federally guaranteed. As well as Brink Craft, Inc. and LDB Corporation, they are also tatally guaranteed by the savings and loan through federally insured certificates of deposit.

Mayor Hall said that the only thing he wanted to quarrel with is that Brink Craft is wholly owned, it is therefore guaranteed by or backed by. That does not necessarily mean that the holding company guarantees the obligation of its subsidiary.

Mayor Hall asked Mr. McDaniel if Mr. Smith had looked at these or given him a comment.

Mr. McDaniel replied that Mr. Smith had not seen these. Mr. Smith had had to leave town early Friday morning. He is not back yet. Mr. McDaniel did send them to Dallas to the home office of First Southwest. They got them at 1:14 today so they have a very brief time to look at them and basically their comments were as he reported a few minutes ago.

Mayor Hall then read this statement: "Let me report to the Council that following last Thursday's Council meeting at which time this matter was first presented to the Council and tabled, I have been given much material for review, including the minutes since inception of the Abilene Housing Finance Corporation, the files which reflect a history of its creation and its first bond issue, the market study reflecting apartment occupancy rates, feasibility studies on the Brink Craft project and financial information about the developer. I asked Miss Proctor to help me review this material and she and I have supplemented this reading with inquiries of our own to various savings associations, builders, realtors and other developers, and we are prepared to make a recommendation to the Council concerning this matter." He asked if there were any questions from the Council members prior to hearing his recommendation. Here is his recommendation: "First, it must be made very plain to you that we have complete confidence in the members of the board and the Abilene Housing Finance Corporation and we are grateful for the attention that they have given, with reiteration of any sort, to the affairs of the corporation. Indeed it is possible that the decision they have been required to make as members of that board may well have been at times contrary to their own interests. Having said that, let us also remind the Council that the Abilene Housing Finance Corporation was created in haste and without any requirements that the Council be kept informed or any indication that the Council desired to retain for itself any right to approve the board's actions. This was, we feel, a serious oversight, particularly in view of the Council's concern regarding tax-free financing in general and in view of its continuing policy of closely supervising and requiring approval of other similar entities. It is probable, we think, had Council's approval been required, such approval would not have been given to any of the bond issues other than the first one. Be that as it may, the amended legislature requires that the Council now approve bond issues proposed by Abilene Housing Finance Corporation and we have before us for approval or disapproval the Brink Craft Project recommended by the Abilene Housing Financial Operation board, supported by market studies and feasibility surveys and by what appears to be moderate financial strength on the part of the developer, plus some government guarantees, we recommend that the Council give today the necessary approval to this project. We are informed the Abilene Housing Finance Corporation is established six months moratorium on any financing of any sort. We believe the Abilene Housing Finance Corporation's board and Council should meet in a workshop session and develop acceptable guidelines and procedures which should lessen the possibility that Council approval might not be forthcoming on Abilene Abilene Housing Finance Corporation's requests which are presented to it in the future. We suggest that such joint workshop session be scheduled to take place within the next 45 days. In the meantime, I would ask the staff to preapred for Council a list of all entities in the City which have authority to issue tax-exempt bonds so the Council may reflect on the extent to which these bonds are being used and the benefits and disadvantages of such financing. That is our explanation and I will make it in the form of the motion which is that we give the necessary approval for this project. Councilwoman Proctor seconded the motion.

Councilwoman Webster said that she certainly agreed with the Mayor's recommendation that "our getting together not only with this organization, but with the other authorities that are now issuing tax-exempt bonds. This is a typical example of what happens when we have some very broad legislation that has passed and there is one part of it that is very good if brought before the Council for this one specific purpose. But then there are also a lot of other parts that we probably do not necessarily agree with and yet we do not adopt parts we get the whole ball of wax." She thought that it was incumbent upon the Council members to look at these things very, very closely because there are many millions of dollars worth of bonds that are being issued and it seems to her that if this is going to be happening,

that the Council should be responsible for all those issues and not some board that has been appointed by the authority that is not responsible to the voters.

Mayor Hall replied that Councilwoman Webster was absolutely correct and unfortunately, it is the City's responsibility, so it must figure out some way for the Council to exercise the authority of the board, yet have the benefit of the knowledge and skill of the people who work on the board.

Councilman Fogle said it concerned him that the City is forced into a decision on an emergency basis, whereby the Council is not completely satisfied with the financial information that was presented. He said the Council would normally have the information in time for review. He hoped that the proponent would work toward the satisfaction of the requirement given if the City's bond counsel was not completely satisfied with the presented material.

Councilman Bridges said he wished to express his appreciation for the work that the Mayor and Councilwoman Proctor did over the weekend. He said it was very helpful and he planned to vote on their recommendation. He also reiterated the confidence the Council has in the board and mentioned that the board has obviously operated within their guidelines. He hoped that the board felt that it would help in the future for the Council and the board to have better communication. He said he believed that the Council and board could improve on the procedure.

The vote on Mayor Hall's motion carried as follows:

AYES: Councilman Bridges, Councilwoman Proctor, Councilmen Fogle, Hilton, and Mayor Hall.

NAYS: Councilwoman Webster.

Mayor Hall adjourned the meeting at 10:25 a.m.

Kelly Beard  
Assistant City Secretary

[Signature]  
Mayor