

MINUTES OF THE SPECIAL CALLED MEETING OF THE CITY COUNCIL OF THE CITY OF LUFKIN, TEXAS HELD ON THE 24TH DAY OF FEBRUARY, 2009

On the 24th day of February, 2009, the City Council of the City of Lufkin, Texas convened in a Special Called Meeting in the Council Chambers of City Hall with the following members, thereof to wit:

Jack Gorden, Jr.
Rose Faine Boyd
R. L. Kuykendall
Don Langston
Rufus Duncan
Phil Medford
Paul L. Parker
Keith Wright
Renee Thompson
Bob Flournoy
Doug Wood
Belinda Southern
Jim Wehmeier
Sid Munlin
Bill Cameron
Mike Byrd

Mayor
Mayor Pro Tem
Councilmember, Ward No. 1
Councilmember, Ward No. 4
Councilmember, Ward No. 5
Councilmember, Ward No. 6
City Manager
Assistant City Manager
City Secretary
City Attorney
Finance Director
Finance Manager
Economic Development Director
IT Director
City Webmaster
First Southwest

being present, and

Lynn Torres

Councilmember, Ward No. 3

being absent, when the following business was transacted:

1. The meeting was opened with prayer by Councilmember Don Langston.
2. Mayor Jack Gorden welcomed visitors present.

3. RESOLUTION OF THE CITY OF LUFKIN, TEXAS, - DENIED - DECLARING SUPPORT FOR PIONEER CROSSING OF LUFKIN II, LP TAX CREDIT AND HOME INVESTMENT PARTNERSHIP PROGRAM APPLICATION TO THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS FOR THE YEAR 2009, FOR THE PROPERTY LOCATED AT 303 PONDEROSA DRIVE, LUFKIN, TEXAS

Mayor Jack Gorden stated that the next item for consideration was a Resolution of the City of Lufkin, Texas, declaring support for Pioneer Crossing of Lufkin II, LP Tax Credit and Home Investment Partnership Program application to the Texas Department of Housing and Community Affairs for the year 2009, for the property located at 303 Ponderosa Drive, Lufkin, Texas.

Mayor Gorden stated that the Planning and Zoning Commission met on Monday, February 23, 2009 and unanimously denied the zone change needed for this Resolution.

Mayor Gorden asked for questions or comments from the Council.

Councilmember Don Langston moved to deny action on the Resolution of the City of Lufkin, Texas, declaring support for Pioneer Crossing of Lufkin II, LP Tax Credit and Home Investment Partnership Program application to the Texas Department of Housing and Community Affairs for the year 2009, for the property located at 303 Ponderosa Drive, Lufkin, Texas, due to the Planning and Zoning Commission's action in their meeting on Monday, February 23, 2009. Councilmember Phil Medford seconded the motion. A unanimous affirmative vote was recorded.

4. RESOLUTION OF THE CITY OF LUFKIN, TEXAS, - APPROVED - DECLARING SUPPORT FOR PIONEER CROSSING OF LUFKIN II, LP TAX CREDIT AND HOME INVESTMENT PARTNERSHIP PROGRAM APPLICATION TO THE TEXAS

**DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS FOR THE YEAR 2009,
FOR THE PROPERTY LOCATED AT 1404 OLD GOBBLERS KNOB ROAD, LUFKIN,
TEXAS**

Mayor Jack Gorden stated that the next item for consideration was a Resolution of the City of Lufkin, Texas, declaring support for pioneer Crossing of Lufkin II, LP Tax Credit and Home Investment Partnership Program application to the Texas Department of Housing and Community Affairs for the year 2009, for the property located at 1404 Old Gobblers Knob Road, Lufkin, Texas.

City Manager Paul Parker stated that the 5.8 acre tract was located at 1404 Gobblers Knob Road. City Manager Parker added that unlike the previous property on the agenda, this property was zoned for apartment development. City Manager Parker stated that the applicant was anticipating development of apartment units designed for the elderly under the tax credit program. City Manager Parker added that the Council had included in their packets the information related to the request, and that the deadline for the letter of support for the application to be eligible for the additional points was February 27, 2009. City Manager Parker explained that this was why the item was on the agenda of the Special Called City Council Meeting. City Manager Parker stated that the Resolution was very similar to the one (1) that the Council approved at the February 17, 2009, Council Meeting for the old Walker Mobile Home Park on North Timberland in Lufkin. City Manager added that the two (2) Resolutions were identical, with the exception of the names of the applicants and the property descriptions. City Manager Parker stated that Staff recommended that the Council approve the Resolution supporting an application to TDHCA for award of 2009 Housing Tax Credit and HOME Investment Partnership (HOME) Program Funds for the Lufkin Pioneer Crossing for Seniors to be developed at 1404 Gobblers Knob.

Mayor Gorden clarified that the Resolution required no zone change. Mayor Gorden then asked for questions or comments from the Council.

Councilmember Rufus Duncan stated that the area in question was located on a substandard street. Councilmember Duncan added that whenever Wal-Mart was built in Lufkin, there wasn't infrastructure in that part of town to handle it. Councilmember Duncan stated that the City and State came through and put in a street that brought the infrastructure up to date, but that it concerned him whenever there was development in areas that had substandard infrastructure. Councilmember Duncan added that he was concerned about the City's responsibility if someone built a four million dollar (\$4,000,000) apartment complex on a street such as the one at 1404 Gobblers Knob. Councilmember Duncan asked if there had been any discussion with Planning and Zoning concerning about the City upgrading that street.

City Manager Parker stated that there had not been any discussion, due to the area already being zoned for apartments, and that theoretically the same number of apartments, or even more apartments, could be built by someone not needing tax credits without them having to come before the Council. City Manager Parker explained that in the past, when the Council zoned the area for apartments, the determination was also made that the infrastructure supported that type of development.

Councilmember Don Langston stated that the thought process was that if the Council supported the site, it would add to the burden of the City to improve infrastructure to that site, which would also include adequate access to an ingress/egress. Councilmember Langston added that he didn't know where the true ingress/egress to the site was. Councilmember Langston asked if the City was assuming more responsibility by a Resolution of support for that particular site.

Mayor Gorden asked if this was something that the building permits would deal with, at some future date.

City Manager Parker stated that the only way the City would assume more support would be the fact that the Council was supporting the tax credit, which might make the likelihood of more development more prevalent. City Manager Parker added that theoretically the current owner of the property could develop numerous units and be in accordance with all of the City's rules and regulations.

Councilmember Duncan stated that he wanted to point out that this was a tract of land that included more than was in the proposed application, and the applicant had carved off the back property that didn't have access to the Loop. Councilmember Duncan added that the applicant had also turned the property so that the focal point was down the small undeveloped road.

City Manager Parker stated that there was "split zoning" with some of it zoned "Apartment" and some zoned for "Neighborhood Development", and then zoned "Residential" near the major street. City Manager Parker explained that there was a "split zoning" pattern in that area.

Mayor Gorden asked if the applicant would have to access the property through the back road. Assistant City Manager Keith Wright stated that the only access to the property was off Old Gobblers Knob.

Councilmember Duncan stated that he was in favor of housing, but that it concerned him when someone bought the cheapest piece of real estate and then developed it and expected the City to improve the infrastructure.

Mayor Gorden stated that there were people in the audience that were representing the development, and asked if any of them wanted to speak on the subject.

Mr. Noorallah Joorna stated that he wanted to clarify that the property in question was not 5.6 acres, but was eight (8) acres.

Monique Allen stated that the traffic diminished substantially when dealing with senior adults. Ms. Allen added that typically the people that would be attracted to the development would be in their seventies (70s). Ms. Allen explained that there would not be the kind of traffic that would be found in a multi-family development. Ms. Allen explained that the matter was one to consider, but that she did not believe that the City would be incurring any liability. Ms. Allen stated that people in their seventies (70s) didn't typically run around a lot, and that this was not a very big project to begin with. Ms. Allen added that they had developed others in similar communities such as Rosenberg, and that it was conceivable as time went on that they might have to go to the State and ask for additional funds to work on the road. Ms. Allen stated that she just didn't anticipate that much traffic coming in to the development. Ms. Allen added that this was a gorgeous location, was peaceful, and near all of the amenities that one would want for seniors. Ms. Allen stated that the residents were generally people who were moving out of the current housing that they were in because they needed help along the way and needed companionship. Ms. Allen added that basically some of the issues with seniors were different than they were with those in a family apartment. Ms. Allen stated that she was open to any questions from the City Council.

Councilmember Langston asked if Ms. Allen was saying that the complex would require a minimum age of seventy (70). Ms. Allen stated that was not what she was saying. Councilmember Langston asked Ms. Allen what the minimum age would be for the development. Ms. Allen stated that usually the minimum age was sixty-two (62), but that her experience had been that typically they didn't usually get many people in their sixties (60s). Ms. Allen added that the age typically started around seventy-two (72). Ms. Allen stated that she had developed nine hundred (900) units of seniors in independent living arrangements. Councilmember Langston stated that the previous night he heard that the state required the minimum age to be fifty-five (55), and asked Ms. Allen what the age actually was. Ms. Allen stated that they could put down that the age was fifty-five (55), but they would not get anyone in their fifties (50s), but would get people in their seventies (70s). Ms. Allen stated that this was her "on the ground" experience, because at fifty-five (55) years of age a person could mow their lawn or take care of their apartment. Ms. Allen added that when a person got to be in their seventies (70s), they were much more mature. Ms. Allen stated that they generally found that it was people in their seventies (70s) that made the move.

Mayor Gorden asked if the proposed application used the age of sixty-two (62). Ms. Allen stated that this was what was required by the State. Ms. Allen stated that she was explaining the "on the ground" experience. Ms. Allen explained that usually the reason that some of the older adults came to the development was because their families were not comfortable leaving them by themselves in their homes or apartments.

Mayor Gorden asked Ms. Allen if he understood her correctly to say that if it was necessary, the applicant would seek funding from the State for improvements to the road. Ms. Allen stated that there was no reason that they shouldn't be talking to the State about the issue. Ms. Allen added that they could see what was available, and added that there may be some fund available from the stimulus package.

Councilmember Langston stated that he was now doubly confused. Councilmember Langston explained that on the previous night he heard a statement by the developer that there was no funding available from the State for outside the boundaries of the property. Ms. Allen stated that she was confusing Councilmember Langston because they would have to go through another channel, not directly related to the proposed development. Ms. Allen stated that one (1) of the things in dealing with any kind of Federal, State, County, or a local jurisdiction was it was like putting a puzzle together. Ms. Allen explained that this was very narrow and that she understood that the Council expected her to follow up.

Mayor Gorden asked if it were possible for the Council to support the senior housing in Lufkin, and specifically the proposed development, and then deal with the issue of the road through some other mechanism of the City.

City Manager Parker stated that there was another issue besides this one (1) to deal with. City Manager Parker explained that the original plan was 5.56 acres and the area was zoned "Apartment". City Manager Parker added that the plan that was submitted by Mr. Jooma included an area that was zoned "Local Business", and therefore the area was not all zoned "Apartment". City Manager Parker stated that if the area was 8.1 acres, it would include the area that zoned "Local Business". City Manager Parker inquired if the plan had been expanded, and did not just include the area zoned "Apartment". Mayor Gorden then requested that Sarah Holland come to the podium. City Manager Parker stated that the area in question was split into two (2) different zones. Mayor Gorden asked if apartments could go in areas zoned as "Local Business".

Sarah Holland, with Century 21, stated that the reason that two (2) acres were added to the site was because more property was needed for senior housing than was needed for multi-family housing. Ms. Holland added that they had to flip it from Joyce Lane to Gobblers Knob because they couldn't add to or take away from the development on Ponderosa, because they did not have enough time. Ms. Holland stated that they were not able to get on the Planning and Zoning Meeting's agenda the previous night.

Mayor Gorden asked City Manager Paul Parker to clarify the issue. City Manager Parker stated that Staff was working to find the Planning Director Dorothy Wilson. City Manager Parker added that when he had visited with the applicant the previous week, the property was only zoned "Apartment", and now it was expanded to include the area zoned "Local Business".

Planning Director Dorothy Wilson stated that the last discussion that she had with the applicant, and what was referred to in her memo, was there was 5.8 acres out of the entire parcel, which included areas zoned "Residential Large", "Local Business", and "Apartment". Ms. Wilson stated that apartments were allowed in the area zoned "Local Business", but that she didn't have that information in her materials. City Manager Parker asked Ms. Wilson if areas zoned "Local Business" did allow apartments. Ms. Wilson stated that it did.

Noorallah Jooma stated that the senior housing could be built one story or more. Mr. Jooma stated that if they built one story structures, which was preferred by seniors, they would need more property than 5.6 acres to build an eighty (80) unit development. Mr. Jooma stated that this was the reason that 2.4 acres was added to the 5.56 acres, to make it an eight (8) acre development. Mr. Jooma stated that before the engineer and architect laid the site plan, they checked with Planning and Zoning and was told that apartments could be built on the additional 2.4 acres. Mr. Jooma explained that in order to fit eighty (80) single story units in the development, it had to include the entire eight (8) acres. Mr. Jooma added that they did this instead of building multi-story units, because the seniors didn't like the multi-story units. Mr. Jooma stated that he thought that they had turned everything in with the site plan depicting the eighty (80) units on the eight (8) acres, with a community center and leasing office.

Mayor Gorden stated that it appeared that the City Staff did not receive the changes in the site plan. Mayor Gorden added that he did not know how that would affect the possibility of passing the Resolution.

City Attorney Bob Flournoy stated that this should not affect the Resolution. City Attorney Flournoy stated that if there were no zoning issues, and the applicant met all of the other building requirements, then it wouldn't affect the Resolution.

Councilmember Phil Medford stated that as long as a person complies with the existing building codes, they could go and get a permit and build apartments that afternoon. Councilmember Medford added that the status of the Gobblers Knob road was an issue, and was the only access to the site, and even with eighty (80) units and a limited number of drivers, it was clear that the road would have to be rebuilt.

Mayor Gorden asked if the City Council passed the Resolution, was there a vehicle with which the City could use to deal with the issue of the road later. Mayor Gorden agreed that the condition of the road was an issue.

Councilmember Rufus Duncan stated that if the City added to the Resolution a little clause that stated that the City was not committing to any infrastructure improvements for access to the development, he would agree to the Resolution.

Mr. Jooma stated that he just wanted to show that the additional 2.4 acres was depicted on the site plan. Mayor asked if the suggestion by Councilmember Duncan was an acceptable solution. Mayor Gorden added that the intent of the Council was not to obligate the City for any improved infrastructure anyway. Mayor Gorden asked if the Council could just pass the Resolution.

City Manager Parker stated that the applicant would have to return for a subdivision plat, and that the streets could be addressed at that time. City Manager Parker added that Staff could add the language that Councilmember Duncan wanted on the Resolution, but that he thought that it was already covered. City Manager Parker stated that the Resolution stated that the applicant had to comply with all of the zoning and building regulations.

Councilmember Duncan stated that whenever Wal-Mart was constructed, there was nothing against any building regulations or codes, but it was clearly not a site for high traffic. Councilmember Duncan added that he saw that same thing in this instance. Councilmember Duncan stated that in the 1980's whenever "the Settlement" was built, they stated that they would not comply with the City of Lufkin's construction standards, because they were outside of the City limits, and that the City would never have to deal with them. Councilmember Duncan stated that now, future planning was looking at redoing their roads because the City of Lufkin had them now. Councilmember Duncan explained that whenever this type of issue was initialized, one never envisioned how quickly things changed. Councilmember Duncan stated that there were very good apartment tracts around Lufkin that were for sale, but they may not be as inexpensive as this one. Councilmember Duncan added that it concerned him whenever someone took the cheapest piece of property, and then the City ended up having to bail them out later on.

Mayor Gorden stated that the Council needed to find a way that would not obligate the City of Lufkin further. Councilmember Duncan suggested that the Resolution needed a sentence that stated that the City had concerns about the access to this tract, and under no circumstances was the City committing to improve the infrastructure getting to it. City Attorney Bob Flournoy stated that the Resolution had a provision that said that Pioneer Crossing of Lufkin II, LP, agreed to hold the City of Lufkin, including the Lufkin City Council, Lufkin City Staff, and any unnamed employees and instrumentalities of the City of Lufkin harmless from any civil, legal, and/or financial liabilities for any actions taken which were related to the proposed development known as Lufkin Pioneer Crossing for Seniors to be located in the City of Lufkin, and the proposed application to the Texas Department of Housing and Community Affairs (TDHCA) for 2009 Housing Tax Credits and HOME Investment Partnership (HOME) Program Funds. City Attorney Flournoy explained that Lufkin Pioneer Crossing would hold the City harmless from any financial responsibility that might come to the City.

Councilmember Don Langston stated that the provision was talking about the property owner, and that the Council was talking about the residents that would live in the apartment units. Councilmember Langston added that his concern was not that this particular property being properly zoned, but was exactly as Councilmember Duncan had spoken of previously. Councilmember Langston stated that he was sitting in the meeting when there was a discussion concerning "The Settlement", and that the City said the residents would have to travel at their own risk and now, years later, the City had assumed that risk on behalf of the remainder of the taxpayers in the City of Lufkin. Councilmember Langston added that the City would do that same thing with this area eventually. Councilmember Langston stated that if the Council was cognizant of that, and were willing to assume that, then the Council should move forward. Councilmember Langston stated that the Council should just not think that the City would not have to come back and address the issue sometime in the future, because it would be an issue, and would be the City's responsibility to address that issue.

Mayor Gorden stated that he agreed with Councilmember Langston, and added that the City would have the same issue, even if it were a non-tax credit development. Mayor Gorden added that the Council Meeting was not the forum to straighten that out, and that perhaps the Council could help assure themselves that the City wouldn't have that future liability unknowingly by putting the wording in the Resolution that was suggested by Councilmember Duncan. Mayor Gorden stated that as the property was re-platted, and as permits were issued, the City could deal with the problem at that time. Mayor Gorden added that whether it was tax credit or non-tax credit, the City would still have to deal with it. Mayor Gorden stated that the City needed to be more aware about getting itself into situations where the City would be liable.

Councilmember Langston stated that this Resolution did not need to be site specific. Councilmember Langston explained that whenever the City made it site specific, it meant that the City was fully cognizant of where the site was, and what the conditions were leading to that site, and that this set a precedent for anyone in the future to come back and say that the City knew what it had for a road, and that now the City needed to come back and repair it. Councilmember Langston reiterated that he didn't have a problem as long as the Council was aware that the City may be repairing that road sometime in the future.

Citizen Dickie Dixon stated that it appeared to him that one (1) thing that the City could do to allow for infrastructure later was to allow the developers to build far enough back on the property that the road could be widened. Mr. Dixon added that by doing this, it might obligate the City in the future, but it would also allow for larger infrastructure and growth. Mr. Dixon stated that this would allow for future growth in that area, and that as everyone knew, the area was growing rapidly.

Councilmember Phil Medford stated that the prior City Council that approved zoning the property "Apartments" took on the obligation of Gobblers Knob Road the day that it was approved. Councilmember Medford added that his only concern was the same as was brought up by Councilmember Duncan, and that the concern was that he wanted to be sure that passing the Resolution supporting the tax credit project, that the City did not automatically obligate itself to immediately have to build a new street. Mayor Gorden agreed with Councilmember Medford. Councilmember Medford added that he thought the obligation was there whenever the property was zoned for apartments. Councilmember Medford stated that the City took it on at that time, and said that the City would let a developer build apartments at this location knowing the condition of the road in the area. Councilmember Medford added that at the time the zoning was passed, it may have fronted on Loop 287 and maybe the Council thought TxDOT would be willing to allow access on the loop. Councilmember Medford stated that the City was stuck with the decision. Mayor Gorden asked if Councilmember Medford had a suggestion to remedy the problem. Councilmember Medford stated that the City already had the language that asked the developer to hold the City harmless, and that the City could insert "included but not limited to improving the existing street".

Planning Director Dorothy Wilson stated that her understanding was the development would include the 5.8 acres and the small strip that was zoned "Local Business". Ms. Wilson added that the area also had a strip that was for sale and was zoned "Residential Large" that was adjacent to the proposed development. Ms. Wilson asked if the proposal was only including the property zoned "Local Business" and "Apartments", but not to purchase the strip that was zoned "Residential Large". Mayor Gorden stated that it appeared that this was the plan.

Assistant City Manager Keith Wright stated that whenever the developer came to the City for a subdivision plat, the City would put the whatever requirements to improve the road that was possible.

City Attorney Bob Flournoy stated that it was not unusual for the City to require the developer to give additional right-of-way. Mayor Gorden requested someone to compile all of the suggestions into an action.

Councilmember Langston requested that his comments not be taken as negative toward the proposal. Councilmember Langston stated that he just wanted everyone with their eyes wide open, and that the City would deal with that road in the future. Mayor Gorden requested Councilmember Langston to come up with a solution. Councilmember Langston stated that City Attorney Flournoy had already suggested the wording. City Attorney Flournoy stated that the City did have the requirement that whenever the developer submitted their subdivision plat, and the City could address them having to give a certain portion of the road to make certain that the City had adequate right-of-way. City Attorney Flournoy stated that this didn't cover the cost of the road, and that it was his understanding that there was no expectation from Mr. Jooma that the City would be held responsible for any obligations on the roadway, but there would come a time when that would have to be addressed. City Attorney added that the wording should say that Pioneer Crossing of Lufkin II, LP would hold the City of Lufkin harmless from any obligation for infrastructure improvements.

Mr. Noorallah Jooma stated that the Resolution, as presented, was required by TDHCA and that they went through this exercise last year, when City Attorney Flournoy checked with the agency and was told that this was the language that was required. Mr. Jooma added that the Resolution clearly mentioned that the City of Lufkin would not be held financially responsible. Mr. Jooma stated that all the Resolution did was allow them to apply to TDHCA and that there was a process of scoring the applications. Mr. Jooma added that they did not know if they would receive the tax credits and funds, but unless they tried they would never find out.

Mayor Gorden stated that the issue had been discussed thoroughly and that the Council should either add wording to the Resolution as they saw fit, or deny the Resolution. City Attorney Flournoy stated that the wording could say that Pioneer Crossing of Lufkin II, LP would hold the City of Lufkin harmless from any infrastructure obligation.

Monique Allen stated that the Council needed to realize that the wording in the Resolution was not what they picked, but was what the State required for the tax credit. Ms. Allen added that her experience was they would have to look elsewhere if they needed road improvements, because they didn't hold the City responsible and that the Resolution stated very clearly that they didn't. Ms. Allen stated that also some of the issues would be worked out in the permitting and working with Planning and Zoning. Ms. Allen stated that they were cognizant of the issue, and that the City of Lufkin had a high level of concern that Pioneer Crossing of Lufkin II, LP needed to address.

Mayor Gorden asked if it was possible to be sure that the traffic situation would be addressed before the issuance of the building permits. Assistant City Manager Keith Wright stated that the only time that the infrastructure improvements could be addressed was through the platting process. Mayor Gorden asked if the building permit could be denied based on the lack of proper infrastructure. Assistant City Manager Wright stated that he did not think so.

Councilmember Don Langston stated that once again the Council was trying to clarify the issues related to the Resolution. Councilmember Langston added that the City of Lufkin wrote the Resolution, and that the Resolution did not come from the State. Councilmember Langston stated that it came from the City of Lufkin, and that other than being site specific and quoting the statute that supported TDHCA's language, the remainder of the document including the section regarding holding the City of Lufkin harmless was added by the City of Lufkin. Councilmember Langston added that this was very confusing that Ms. Allen would say that the Resolution was dictated word by word by the State.

Ms. Allen stated that in the past, the Resolution had been written by the State. Ms. Allen added that other cities had the same concerns, but that they generally had included it.

Councilmember Rufus Duncan stated that perhaps the way to handle the situation was to let him vote “no” and go forward with the Resolution the way it was written.

Mayor Gorden stated that he thought that there was a way to deal with the problem, and that the issues were not just with this one (1) property. Mayor Gorden added that the issue would be the same with similar instances as they came along. Mayor Gorden stated that there would be the same issues with this particular property, even if there was a different developer. Mayor Gorden added that there would possibly be an even bigger issue with someone wanting to develop a multi-family property and have even more traffic.

Councilmember Langston stated that his only concern was the fact that there was a strip of property left on the front that was zoned “Residential”. Councilmember Langston added that his concern was why Pioneer Crossing of Lufkin II, LP did not seek access on the Loop. Councilmember Langston stated that one (1) access agreement and the issue would be a moot point. Councilmember Langston stated that this had not occurred, and that the strip of property adjacent to the Loop would be worthless, and that obviously the developer hoped that it would be rezoned “Commercial”.

Assistant City Manager Keith Wright asked if a motion could be made that stated that the City Council approved the Resolution as submitted, with the understanding that the City of Lufkin would not be obligated for any infrastructure improvements. Councilmember Duncan stated that he agreed with that motion.

Councilmember Rose Faine Boyd moved to approve the Resolution of the City of Lufkin, Texas, declaring support for pioneer Crossing of Lufkin II, LP Tax Credit and Home Investment Partnership Program application to the Texas Department of Housing and Community Affairs for the year 2009, for the property located at 1404 Old Gobblers Knob Road, Lufkin, Texas and adding to that motion that the City of Lufkin would not be obligated for any infrastructure improvements. Councilmember R. L. Kuykendall seconded the motion. A unanimous affirmative vote was recorded.

5. **ISSUANCE AND SALE OF “CITY OF LUFKIN, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2009”. - APPROVED - INCLUDING THE ADOPTION OF AN ORDINANCE - APPROVED - AUTHORIZING THE ISSUANCE OF SUCH CERTIFICATES OF OBLIGATION**

Mayor Jack Gorden stated that the next item for consideration was all matters incident and related to the issuance and sale of “City of Lufkin, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2009”, including the adoption of an Ordinance authorizing the issuance of such Certificates of Obligation.

City Manager Paul Parker stated that this was the funding allocated for the potential purpose of the fifteen million dollars (\$15,000,000) worth of water right improvements that were being referred to as the “Abitibi Water Rights”. City Manager Parker added that this would include the additional funding for sewer improvements. City Manager Parker stated that the Council would recall that the City would have a fifteen million dollar (\$15,000,000) obligation, if the City of Lufkin purchased the water from Abitibi, and five million dollars (\$5,000,000) in sewer, which came to a total of twenty million dollars (\$20,000,000), plus closing costs. City Manager Parker explained that this would come to an approximate total of twenty-four million dollars (\$24,000,000). City Manager Parker stated that the City of Lufkin already had three million dollars (\$3,000,000) set aside to apply toward the purchase.

Mayor Jack Gorden stated that Mike Byrd, from First Southwest, was present in the audience to go over the pricing that took place the previous day. Mike Byrd stated that the financing on this item came out especially well, considering the current overall economic times. Mr. Byrd stated that he wanted to explain the preparation for the financing. Mr. Byrd explained that the City went from zero to ninety (0 – 90) with the project, once the project jelled. Mr. Byrd added that the okay to proceed was given on January 20, 2009, and on the current day, February 24, 2009, the City stood with very nice results. Mr. Byrd added that within that time frame, two (2) presentations were worked in. Mr. Byrd stated that there were three (3) nationally recognized credit rating agencies, and that the City of Lufkin was rated by Moody’s Investor Service and Standard and Poor’s Corporation. Mr. Byrd stated that Mayor Gorden, City Manager Parker,

Finance Director Doug Wood, and himself met with them in Dallas, Texas and spent approximately two and one-half to three (2½-3) hours with each agency. Mr. Byrd stated that during the presentations, which were in an informal format, they discussed the many merits of the City of Lufkin, along with recognizing some weak point or issues that any city might have. Mr. Byrd explained that they got everything out on the table, and by doing that through the years; the City of Lufkin had built a good relationship with the rating agencies and with the prospective insurers. Mr. Byrd pointed out that only one (1) insurer was present, but was all that was needed. Mr. Byrd stated that as a result of those ratings, Moody's confirmed the City's "A-1" rating on its general obligation debt. Mr. Byrd pointed out that approximately sixteen (16) years earlier, the City of Lufkin was rated approximately six (6) notches below that at a "B-AA" rating. Mr. Byrd added that this was still investment grade, but it reflected the economic policies in the operations of the City at that time. Mr. Byrd stated that over the course of the years, the Council retained professional management, and added that city management had grown over the last twenty to thirty (20-30) years and had really evolved as a profession. Mr. Byrd explained that in the course of retaining professional management and continuing to improve its policies and memorializing many of them, rather than having unstated policies, the City of Lufkin now operated as efficiently and as sophisticated as any larger city that he was aware of. Mr. Byrd stated that this was evidenced by the "A-1" rating. Mr. Byrd explained that it wasn't easy to get into the "A" category, and that once the City had broken into it; it hadn't taken many years to hit the top of the category.

Mr. Byrd stated that at Standard and Poor's the City was rated "A+" on the City's general obligation debt. Mr. Byrd added that it was at that time that Standard and Poor's really gave credence to the City's capabilities and saw fit to bump the City of Lufkin into the "AA" category. Mr. Byrd stated that this didn't happen too often for cities such as Lufkin's size. Mr. Byrd stated that by way of comparison, Tyler, which was two (2) times if not close to three (3) times the size of Lufkin, was rated "AA". Mr. Byrd stated that it was his belief that Moody's would eventually get there, and that Moody's had historically been somewhat more conservative in accelerating the ratings to the maximum. Mr. Byrd added that he thought that in a couple of years the City of Lufkin would probably rate the maximum at Moody's, as well.

Mr. Byrd stated that by the "AA-" rating from Standard and Poor's, coupled with the "A-1" rating from Moody's, the City of Lufkin presented itself well to the two (2) insurance companies that were available now. Mr. Byrd stated that those two (2) companies were Assured Guaranty and Financial Security Assurance, and received bids from each. Mr. Byrd stated that the bids were very close and the companies expressed their bids as so many basis points or a percentage of total debt service. Mr. Byrd stated that Financial Security Assurance bid fifty-two percent (52%) and Assured Guaranty bid fifty percent (50%). Mr. Byrd added that the City of Lufkin took the bid from Assured Guaranty, and then ran the issue as to what it would do uninsured, versus purchasing the insurance and taking it to market as a AAA credit. Mr. Byrd then passed out a summary sheet to the City Council. Mr. Byrd stated that the actual sale result was in the column in blue. Mr. Byrd explained that it was the debt service of the seventeen million four hundred thousand dollars (\$17,400,000) that would be issued, due to the insurance. Mr. Byrd added that there was a number in blue at the bottom of the summary sheet that would be rounded to five hundred sixty-three thousand dollars (\$563,000), and was the amount of debt service that had been saved over what an uninsured issue would have cost the City, had the City decided that the insurance did not return a value. Mr. Byrd stated that insurance could be a very confusing topic, and that the devil was in the details. Mr. Byrd explained that certificates had to be executed to the effect that the insurance not only recovered its cost, but also returned a present value benefit to the issuer. Mr. Byrd added that those were matters of tax regulations. Mr. Byrd stated that this was something that had been done with every issue over the years, and was just ordinarily unsaid. Mr. Byrd stated that both of the issues put approximately seventeen million dollars (\$17,000,000) into the bank, and that this was about payout over the net funds and the net funds to the City were roughly the same. Mr. Byrd explained that if this were converted into today's terms of what it was worth in present value, it would be like the City receiving a check for two hundred thirty-eight thousand dollars (\$238,000). Mr. Byrd added that it was as though the City said that it wouldn't sell uninsured, but would sell insured and that the City appreciated the tip. Mr. Byrd stated that in terms of bottom line in rate or true interest cost rate, the insured issue came in at 4.6199%. Mr. Byrd added that earlier projections had indicated that they would come in at approximately 4.83%. Mr. Byrd stated that something came out of the "Stimulus Bill" that the City was able to take advantage of immediately. Mr. Byrd explained that the Council had heard him talk on occasion about the City should always try, when it could, to do bank qualified paper or qualified tax exempt obligations. Mr. Byrd

stated that prior to the “Stimulus Bill”, the City could only designate its issue or assign that designation to the City’s issue, if the City was going to issue ten million dollars (\$10,000,000) or less of tax exempt obligations in a calendar year. Mr. Byrd explained that the “Stimulus Bill” bumped that ceiling to thirty million dollars (\$30,000,000) per calendar years 2009 and 2010. Mr. Byrd stated that the City of Lufkin was on the cusp of this, and quickly redid its documents and the bank qualified designation gave about ten (10) basis points of benefit to this issue. Mr. Byrd added that otherwise, he thought the City would have been somewhere into the mid 4.70% range. Mr. Byrd then asked if the City Council had any questions.

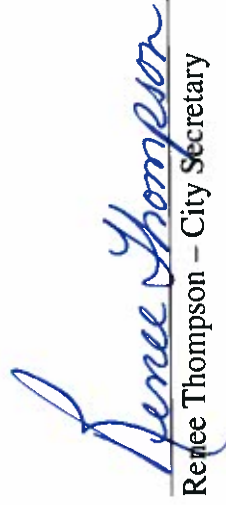
Councilmember Don Langston stated that the information from Mr. Byrd was a nice surprise, because he realized at the last discussion that bank qualified would certainly be advantageous to the City, but that ten million dollars (\$10,000,000) was the limit then. Mr. Byrd stated that the City did pick up ten (10) basis points, and that with everything there was an upside and a downside. Mr. Byrd added that over time, the City would think that bank qualified paper would have less of a benefit that it had in the past, because there was more supply. Mr. Byrd stated that theoretically the ceiling increase would last through 2009 and 2010, and that time would tell. Mr. Byrd stated that the combination of Council, wisdom over the years, policies, desires to improve things, and staffing selections had all worked together to boost the stature of the City of Lufkin.

Mayor Gorden asked the Council if they had any other questions or comments. Mayor Gorden thanked Mr. Byrd for his efforts, and added that once again Mr. Byrd had done a great job for the City of Lufkin. Mr. Byrd stated that he appreciated the privilege, and added that if the Council desired to authorize the Certificates of Obligation, they would do so by the adoption of the Ordinance. Mr. Byrd added that the Ordinance had been in the Council packets, and added that the previous day the Ordinance had been made firm. Mr. Byrd reiterated that the adoption of the Ordinance would approve all matters relating to it.

Mayor Gorden stated that Mr. Byrd was correct, and that the Council and management of the City needed to be commended, because in the daily news rating agencies were downgrading municipalities, states and other governmental entities. Mayor Gorden added that the citizens of Lufkin should be proud of the “AA” rating. Mr. Byrd agreed with Mayor Gorden and added that the rating agencies were always conservative and analytical. Mr. Byrd stated that for Lufkin to receive that rating, and in light of the overall national economic environment, it really was a plus for Lufkin.

Councilmember Don Langston moved to authorize the issuance and sale of “City of Lufkin, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2009”, including the adoption of an Ordinance authorizing the issuance of such Certificates of Obligation. Councilmember Rose Faine Boyd seconded the motion. A unanimous affirmative vote was recorded.

6. There being no further business for consideration the meeting adjourned at 12:55 p.m.


Renee Thompson – City Secretary


Jack Gorden, Mayor