

**SUPPLEMENT FOR
BOARD MEETING OF FEBRUARY 5, 2009**

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of a Change in the Fee Schedule for Multifamily Tax-Exempt Bond Issuances through the Department.

Requested Action

Approve changes and authorize credit of a portion of previously collected fees for Private Activity Bond Program where TDHCA was the issuer.

Background and Recommendations

The recent economic stresses have been particularly difficult on rental developments funded with mortgage revenue bond funds. The Department has received legislative requests to re-evaluate the Department's fee structure to determine if any financial relief is available for properties under financial pressure. The Department has also often heard public comment that a redundancy in the compliance monitoring and asset oversight activities exists and that asset oversight activities, as an additional review activity rather than regulatory activity, should be available at the choice of the owner. The Department has conducted an assessment of the current fee structure for TDHCA issued Bond developments which have associated tax credits to determine if any fee relief could be given.

The results of the review indicate that the Department should not cut the tax credit per unit fee since it very closely covers the cost of monitoring and related operations and is consistent with the tax credit fees for non-Bond funded developments. However, two means of providing relief to developments that have been financed through Bonds issued by the Department have been identified: one through a reduction and credit of past compliance monitoring fees collected and secondly by making the asset oversight activities and associated fee optional.

The Department's Bond rules have included a \$40 per unit annual compliance fee in addition to the \$40 per unit tax credit compliance fees in the tax credit rule. The Department has determined that the cost for monitoring properties layered with bonds and housing tax credits was overestimated. Compliance monitoring for this portfolio can be covered with the standard tax credit compliance monitoring fee of \$40 and a \$25 per unit bond compliance monitoring fee. This decrease in fees will reduce the Department revenue by an estimated \$96,000 per year and result in a direct savings of the same amount for the development community.

In addition, the Department believes that previously collected fees can be credited back to the properties that paid them in the amount of \$139,830. The Department has sufficient compliance fee reserves and will utilize these previously collected and reserved funds to fund the ongoing monitoring activity.

The Bond rules include a \$25 per unit fee for asset oversight in addition to the compliance monitoring fee. The Bond and asset oversight fees were included in the Bond rules for the first time in 2008; however, they have been collected as a separate fee at various rates in prior years. The additional \$25 per unit fee for asset oversight is collected by and the activity is currently performed by the Texas State Affordable Housing Corporation (TSAHC) through a contract with TDHCA which provides \$3 per unit returned to TDHCA. The provision for this activity and its related fees are included in the bond transaction documents. In some earlier developments, TSAHC is specifically identified as the asset oversight entity, but in most cases TDHCA is identified as the oversight entity.

The asset oversight fee and asset oversight review are proposed to be eliminated except where the developer requests or bond documents require that this separate activity continue. This would result in a \$25 per unit reduction in fees. Again this will be a voluntary agreement to stop performing the third party asset oversight activity based on the owner's interest in discontinuing the program.

The Department held a roundtable discussion regarding these fees on January 21, 2009. There were 7 individuals present with representation from Texas Association of Affordable Housing Providers, Texas Apartment Association, management companies, the development community, the Governor's office and TSAHC. There was general agreement in reducing fees where possible and eliminating those that are unnecessary. In doing so, it would help create more leverage resulting from the loss of credits.

Alternatives to the current asset oversight activity were discussed. One suggestion was changing the frequency of asset oversight reviews from annually to every other year. Another suggestion was basing the frequency of asset oversight reviews on the performance of the property. For example, properties performing well might be selected for an asset oversight review every few years; poor performing properties would remain on an annual schedule.

Another suggestion was to use the TDHCA Annual Owner's Compliance report to determine which properties need an asset oversight review. It has been determined that the existing report already collects much of the pertinent information needed to make such a determination. The report could be expanded in future years to gather additional asset oversight information. If such things as occupancy rates, debt coverage ratio and cash flow were cause for concern then the Department could recommend or require an asset oversight review.

The Department believes that routine compliance monitoring combined with an expanded Annual Owner's Compliance Report to detect property management problems will ensure that the properties who elect not to continue asset oversight reviews will be maintained at a high quality and there will be no negative impact to the residents.

Staff Recommendation

Staff recommends approval of the reduction of fees, the credit back to tax-exempt bond/tax credit properties that previously prepaid compliance fees in excess of \$65 per unit per year in total compliance monitoring fee, and providing an option for bond properties to elect not to participate in the asset oversight program going forward where bond documents allow.

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST

February 5, 2008

Action Item

Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

Requested Action

Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

Background

This Board Action Request summarizes the activities of the Disaster Recovery Division which has oversight responsibility for Community Development Block Grant (CDBG) Disaster Recovery Programs for Round I and Round II funding administered by TDHCA, as well as the FEMA Alternative Housing Pilot Program (AHPP).

Public Law 109-148 – 1st Supplemental (\$74.5 Million)

Under the **1st Supplemental CDBG Disaster Recovery Program (referred to as Round I)**, three Councils of Governments (COGs) are responsible for administering housing contracts to help restore and rebuild in areas of the State most directly impacted by Hurricane Rita. Of the \$74.5 million, the total funding allocation administered by the COGs is \$40,259,276 broken down as follows:

- Deep East Texas Council Of Governments (DETCOG) - \$6,745,034
- Houston-Galveston Area Council (H-GAC) - \$7,015,70
- South East Texas Regional Planning Commission (SETRPC) - \$26,348,536
 - SETRPC - \$15,520,536
 - Beaumont - \$5,232,000
 - Port Arthur - \$5,596,000

The Disaster Recovery Division is working with the COGs to finalize completion of the Round I contracts. Staff is recommending approval of minor time extensions and budget adjustments to DETCOG and H-GAC's contract in a separate Board Action Request that will allow them to utilize funds that are currently uncommitted to projects. As of this Board meeting, the COGs cumulatively have 117% of their contracted number of households to be served either under bid award, under construction, or completed. The COGs are continuing to access HTF dollars to finance gap amounts as well. As of January 30, 2009, \$670,420 of HTF dollars has been committed and \$374,247,100 has been drawn. The COGs have identified an estimated need of approximately \$950,283 of the \$1,000,000 reserved under the HTF program.

Staff has been working closely with the COGs to complete activities under their contract. Delays in completing activities have included program efficiencies which have allowed for a greater number to be served than originally anticipated, as well as local code and weather related issues, primarily occurring after Hurricane Ike devastated the region. The COGs have completed assistance to forty-seven (47) additional households since the last Board report for a total of three hundred eight-seven (387) households to date and another forty-eight (48) are currently under construction.

Financial Summary

	Current Budget	Admin \$ Drawn To Date	Project \$ Drawn To Date	Total Drawn	% of Funds Disbursed
DETCOG	\$6,745,034.00	\$642,975.63	\$4,886,388.09	\$5,529,363.72	81.98%
H-GAC	\$7,015,706.00	\$804,641.22	\$3,480,036.15	\$4,284,677.37	61.07%
SETRPC	\$26,348,536.00	\$1,838,942.68	\$11,082,899.49	\$12,921,842.17	49.04%
SETRPC	\$15,520,536.00	\$1,566,262.58	\$7,089,602.39	\$8,655,864.97	55.77%
Beaumont	\$5,232,000.00	\$258,300.10	\$2,267,870.58	\$2,526,170.68	48.28%
Port Arthur	\$5,596,000.00	\$14,380.00	\$1,725,426.52	\$1,739,806.52	31.09%
Totals	\$40,109,276.00	\$3,286,559.53	\$19,449,323.73	\$22,735,883.26	56.68%

Project Summary

	No. to be Served per Contract*	No. out for Bid	**Units Under Contract	No. Site-built Under Construction	Total Rehabilitated /Reconstructed	No. of MHUs Delivered	Total No. Constructed/ Delivered
DETCOG	96	4	3	1	11	107	118
H-GAC	105	3	8	10	16	66	82
SETRPC	229	9	56	37	138	49	187
SETRPC	127	9	36	18	68	49	117
Beaumont	56	0	7	11	38	0	38
Port Arthur	46	0	13	8	32	0	32
Total	430	16	67	48	165	222	387

* Based on the contractual number of households that the COGs will be able to serve with the funding allocation

** Total of MHUs ordered but not yet delivered and construction contracts signed for site-built units

COG Activity Highlights as of January 30, 2009

Deep East Texas Council of Governments

DETCOG has delivered homes to one hundred seven (107) households, has seven (7) additional homes pending delivery, has one (1) rehabilitation projects under construction, and has completed construction activities for eleven (11) rehabilitation projects as of January 30, 2009. DETCOG’s Housing Trust Fund (HTF) contract amount is \$178,321. DETCOG has identified a gap financing need for eighty-four (84) households totaling approximately \$197,322.

Houston-Galveston Area Council

H-GAC has delivered sixty-six (66) homes to homeowners, has completed construction of sixteen (16) homes, has ten (10) households under construction, and has eleven (11) households pending the on-set of activities. H-GAC’s HTF contract amount is \$184,414. H-GAC has reported a gap financing need for sixty-two (62) households totaling \$166,509.

South East Texas Regional Planning Commission

SETRPC has delivered or completed rehabilitation or reconstruction assistance for one hundred seventeen (117) homes, has eighteen (18) homes under construction, and thirty-six projects pending the on-set of construction activities, and has placed nine (9) additional projects out to bid with the funding remaining to be committed under their contract. The total HTF contract amount for SETRPC including its subcontractors is \$637,265. In total, SETRPC has identified a gap financing need for one hundred sixty-eight (168) households totaling approximately \$586,441.

City of Beaumont

The City of Beaumont has two (2) houses out to bid and eleven (11) homes under contract as of January 30, 2009. The city also has seven (7) homes under construction, and has completed assistance to thirty-eight (38) households.

City of Port Arthur

As of January 30, 2009, fourteen (14) construction contracts have been signed and are pending the on-set of construction activities, seven (7) homes are under construction, and thirty-two (32) homes have been constructed.

Public Law 109-234 – Round II (\$428 Million)

The **2nd Supplemental CDBG Disaster Recovery Funding (referred to Round II)** is the second of two awards in CDBG funding to help restore and rebuild in areas of the State most directly impacted by Hurricanes Rita, but it also addresses needs arising from Katrina evacuees. The total funding allocation is \$428,671,849, broken down as follows:

2nd Supplemental CDBG Disaster Recovery Activity	Available Funding	Amount Contracted per Activity	Cumulative Expenditures	% of Expenditures Disbursed	Balance Remaining
Rental Housing Stock Restoration Program (“Rental”)	\$82,866,984	\$81,147,333	\$13,785,774.99	16.99%	\$67,361,558.01
ORCA’s Restoration of Critical Infrastructure Program (Infrastructure)	\$42,000,000	\$42,000,000	\$6,516,150.41	15.51%	\$35,483,849.59
City of Houston and Harris County Public Service and CDP (“Houston/Harris”)	\$60,000,000	\$60,000,000	\$24,688,396.31	41.15%	\$35,311,603.69
Homeowner Assistance Program (“HAP”)	\$210,371,273	\$210,371,273	\$6,988,824.10	3.32%	\$203,382,448.90
Sabine Pass Restoration Program (“SPRP”)	\$12,000,000	\$12,000,000	\$682,195.97	5.68%	\$11,317,804.03
State Administration Funds (Used to Administer Funding)	\$21,433,592	\$21,433,592	\$5,694,014.94	26.57%	\$15,739,577.06
Total CDBG Round 2 Funding	\$428,671,849	\$426,952,198	\$58,355,356.72	23.94%	\$185,449,508.28

CDBG Round 2 City of Houston and Harris County Public Service and Community Development Program

City of Houston

Funding of \$20 million was allocated to the Houston Police Department for establishment of the Housing Safety Component, composed of civilian and officer personnel. Civilian personnel consist of administrative staff that supports the officer personnel and the entry of the overtime incurred by officers on behalf of the hurricane evacuee population. Funding of \$20 million was also allocated to carry out rehabilitation of existing multi-family housing stock through the existing Apartment to Standards Program. These funds will provide rehabilitation of multi-family housing to the evacuee population. Additionally, the City of Houston has a \$2,000,000 administrative budget.

The City of Houston’s Housing Safety Component has expended \$17,593,316.43 (87.97%) of their \$20,000,000 allocation Housing Safety and Apartment to Standards program has expended \$6,080,772.11 (30.40%) of their \$20,000,000 allocation for multifamily housing with a separate administrative allocation of \$2,000,000. Administrative expenditures have yet to be submitted for reimbursement.

The Apartment to Standards program has allocated funds for two rehabilitation projects. Expenditures represent progress on one of the two projects, the second which is expected to commence in the first quarter of 2009.

In December 2008, the Disaster Recover Division received Houston's oversight and monitoring plan for both the Housing Safety and Apartment to Standards components. The Division will examine oversight and monitoring activities performed by the City of Houston in conjunction with the Division's oversight responsibilities.

A monitoring review was conducted the week of November 12, 2008 with the primary focus on the administrative expenses Apartment to Standards program. There were no issues or concerns identified during the monitoring visit. Financial and programmatic controls continue to be in place for the City of Houston.

Harris County

Funding of \$20 million was allocated to provide services to the residents of Harris County among five different program components: Expanded Services to Hurricane Evacuees (Harris County Sheriff's Dept.), Evacuee Medical Services (Harris County Hospital District), Katrina Crisis Counseling Program (Mental Health and Mental Retardation Authority), Youth Offenders Services (Harris County Sheriff's Dept.) and the Disaster Housing Assistance Program Component (Harris County).

Harris County has expended approximately 5.07% of its \$20,000,000 allocation along with a separate administrative allocation of \$1,000,000. Administrative expenditures incurred equal \$189,151.05 (18.92%) of the budget.

A monitoring review was conducted the week of December 1, 2008 with the primary focus on the administrative expenses as well as the Coordinated Housing Safety Component, the Katrina Crisis Component and the Disaster Housing Assistance Component. There were no issues or concerns identified during the monitoring visit. Financial and programmatic controls continue to be in place for Harris County.

CDBG Round 2 Multifamily Rental Housing Stock Restoration Program

On September 13, 2007, the TDHCA Board awarded \$81.1 million to repair or rebuild seven Golden Triangle-area affordable multifamily rental properties damaged or destroyed by Hurricane Rita. The construction work, once completed, will restore rental unit housing to 813 low-income individuals and families. Award-specific status is outlined in the table below:

Loan Number	Development Name	City	Total Units	Type of Activity	CDBG Loan Amount	Funds Drawn/ Expended	Loan Closing Date*	Notes on Status of Award
7060007	Orange Navy Homes	Orange	115	Recon.	\$14,189,439	\$1,543,984.33	10/15/2008	Started Construction
7060010	Brittany Place II Single Family	Port Arthur	100	Recon.	\$13,077,366	\$1,202,874.20	12/04/08	Notice to Proceed awaiting final HUD review
7060006	Pointe North	Beaumont	158	Recon.	\$13,778,332	\$216,484.27	8/31/2008	Started Construction
7060011	Gulfbreeze Plaza I	Port Arthur	86	Recon.	\$9,067,577	\$407,164.87	12/17/2008	Started Construction
7060012	Gulfbreeze Plaza II	Port Arthur	148	Recon.	\$13,280,250	\$3,573,935.80	6/11/2008	Started Construction
7060008	Virginia Estates	Beaumont	110	Rehab	\$6,707,534	\$2,612,060.34	5/26/2008	Started Construction
7060009	Brittany Place I Multifamily	Port Arthur	96	Recon.	\$11,046,835	\$4,229,271.18	4/9/2008	Started Construction
Totals:			813		\$81,147,333	\$13,785,774.99		

* Awarded applications have not closed, and dates reflected are final closing dates.

CDBG Round 2 Homeowner Assistance Program and Sabine Pass Restoration Program Update from ACS State & Local Solutions, Inc.

Since the end of December, for the Homeowners Assistance Plan (HAP) and the Sabine Pass Restoration Program (SPRP), a significant number of applicants have moved through the total program; specifically,

- Completed applications have been received from 1,782 applicants
- Eligibility has been determined on 791 applicants
- Inspections have been conducted on 701 damaged homes
- Contractors have been assigned to 330 applicants
- Benefit selection meetings have been held for 241 applicants
- Closings have been held for 18 applicants as of 1/26/09 and we expect to have completed 45 closings by 1/31/2009.

Program metrics differentiated between HAP and SPRP are included in the table below.

AS OF 1/26/2009	HAP	SPRP	Total
Completed Applications	1,684	98	1,782
Eligibility Determined	716	75	791
Inspections Complete	618	83	701
Contractors Assigned			330
Benefit Selection Meetings Scheduled	58	183	241
Benefit Selection Meetings Held	129	47	176
Closings		18	18
Construction Starts	0	4	4

In Sabine Pass, as of 1/28/09, one home has been completed with two others lacking only utility hook-up to be move-in ready. The program has met with Entergy to facilitate the utilities on the in process homes as well as discuss the program schedule to ensure adequate Entergy resources are available to ensure a more timely completion of the utility installations. A forth home is currently under construction.

The HUD release of funds, based on environmental clearance, for the Southeast Texas Regional Planning Commission area of HAP will allow the program to begin closing homes in this area.

In order to better implement the new production schedule developed in December, additional staff were added to Service Center, Call Center and Environmental functions. Call Center hours were extended to 7:00 PM from Monday through Friday and every Saturday from 9:00 AM to 3:00 PM. Saturday and Sunday appointments are now being made at the Service Centers as well.

As mentioned during the last Board meeting, a second Invitation to Bid (ITD) was published with the goal of soliciting additional contractor resources. Contractor responses have been evaluated and two additional contractors added to the approved list. This action is proving timely as one of the contractors approved as a result of the first ITD, Jim Walter Homes, has ceased business.

In addition, the program is also addressing the almost 1,800 applicants from whom no response has been received since the mailing of the original Supplemental Applications. Repeated attempts using a variety of means, including phone calls, mailings, and the use of faith-based organizations have been unsuccessful in eliciting any

response from these applicants. To bring closure to these applications, the program has initiated a policy that, after two attempts are made by phone and mail, a Final Notice will be sent by Certified and First Class mail to each of these applicants. The Notice will inform the applicant that they have 14 days from the date of the notice to contact the program or be dropped from active consideration for assistance. As the unresponsive applicants are no longer considered, the program will be able to address the over 1,150 homeowners who did not apply for Round 1 assistance but who have since requested help. As of this date, 689 final unresponsive notices have been mailed. The 14-day period for these notices expires on February 5th at which time the process of mailing Supplemental Applications to homeowners on the wait list will begin.

The payment of Ike benefits from FEMA, SBA and private insurance continue to challenge the development of duplication of benefit information. A number of applicants are receiving payments subsequent to the computation of their grant determinations. The affidavit specifically designed to collect duplication of benefit information has been helpful in identifying these payments in a timely fashion, record any duplication of benefits, and ensure all program funds are used appropriately. In some cases, however, the receipt of the funds by homeowners who are significantly through the process has required a recalculation of duplication of benefits and has created or increased a gap between the price of repair or replacement and the allowable grant amount. Based on their income levels, many of these homeowners are eligible for the gap funding through the Housing Trust Funds (HTF). In addition, the program is making a change to the process to reduce the need to reevaluate for duplication of benefits at multiple points in the process. This will expedite the movement of applicants through the program after the benefit selection meeting.

In summary, although more homes were expected to have been built by this time, the complexities of the program and the unanticipated impact of Ike have slowed these efforts. Lessons learned to date have prompted adjustments to the program and continuing efforts to compress the process timeline hold great promise for the attainment of program goals in the coming months.

FEMA Affordable Housing Pilot Program

The Disaster Recovery Division is also responsible for administration of the Federal Emergency Management Agency (FEMA) award of \$16,471,725 for the Affordable Housing Pilot Program (AHPP). The purpose of the AHPP is to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005 Hurricanes.

On January 7, 2008, the Federal Emergency Management Agency (FEMA) announced that TDHCA was awarded \$16,471,725 for the Affordable Housing Pilot Program (AHPP). The purpose of the AHPP is to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005 Hurricanes for a time period of twenty-four months. A one-time exemption to the Stafford Act, AHPP permits the use of FEMA funding to study alternatives to the FEMA trailer by examining cost-effective solutions that meet a variety of housing needs. Pursuant to FEMA requirements, the pre-fabricated units must be awarded within the 22 counties affected by the 2005 Hurricanes.

The Heston Group was selected to pilot a pre-fabricated, panelized solution which can be deployed quickly and built to accommodate a diverse population.

The Department has been working diligently with the Heston Group, identifying and managing activities to be performed before the construction of the first 50 homes. The last shipment of the first 50 homes was delivered to the warehouse in Houston in the second week of January. There are currently 50 2 bedroom, 1 bath homes and 10 3 bedroom, 1 bath homes in stock in the Heston warehouse in Houston.

Letters of interest have been sent to a total of 100 potential occupants. There are currently 20 interested potential occupants; 17 out of those 20 have been verified eligible. TDHCA staff is working through obtaining ownership and current property tax documentation from the remaining 3. A site work schedule has been established for the currently eligible 17 sites.

The Heston Group has completed the Environmental Historic Preservation (EHP) worksheet for the 17 eligible single family sites in East Texas and those worksheets have been submitted to FEMA. The EHP review is still ongoing. Construction and site preparation cannot move forward without EHP clearance from FEMA.

TDHCA staff is working closely with the city of Houston on the placement of a thirty-five (35) home scattered site program to further address housing needs in the area.

DISASTER RECOVERY DIVISION

**BOARD ACTION REQUEST
February 5, 2009**

Action Item

Report on Disaster Recovery Emergency CDBG Funds for Hurricane IKE and Dolly and authorization to issue Affordable Rental Housing NOFAs

Required Action

Review the Report on Disaster Recovery Emergency CDBG Funds for Hurricane IKE and Dolly, and authorize the resolution for the Department to issue one or more CDBG Disaster Recovery Notice of Funds Availability (NOFA), each with the advice and concurrence of the Chairman.

Background

On November 28, 2008, pursuant to the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Pub. Law 110-329), the U. S. Department of Housing and Urban Development (HUD) made an initial one-third allocation to Texas for \$1,314,990,193 for disaster recovery in response to Hurricanes Dolly and Ike. A second allocation for the remaining two-thirds is anticipated to follow soon. Governor Rick Perry has designated the Office of Rural and Community Affairs (ORCA) as the state agency to administer this grant, and TDHCA will administer the housing portion of the response.

A Draft Action Plan has been developed that will be used by ORCA and TDHCA to provide the \$1.3 billion in CDBG disaster recovery funds to be used toward meeting unmet housing, non-housing, and other eligible community and economic development needs associated with recovery and renewal following Hurricanes Ike and Dolly.

As provided for in the Draft Action Plan, the State has set-aside 4.47 percent of the total allocation (\$58,894,225) for the *TDHCA Affordable Rental Housing Stock Restoration Program*. The Draft Action Plan also stipulates that TDHCA will issue a Notice of Funding Availability (NOFA) for the \$58,894,225 set-aside upon HUD's approval of the Action Plan. Such a NOFA will clearly establish the eligible applicants, the application process and acceptance period, threshold criteria (including applicable building codes), selection criteria and the award process.

In an effort to allow TDHCA to move quickly to issue the *TDHCA Affordable Rental Housing Stock Restoration Program* NOFA, Staff is requesting that the Board authorize the Executive Director and the Deputy Executive Director, each with the advice and concurrence of the Chairman, to issue one or more NOFAs. Pursuant to federal regulations, the public will be provided an opportunity to comment on the NOFA.

The following documents are also provided for the Board's information.

- Attachment A: Resolution Authorizing the Department to issue one or more CDBG Disaster Recovery Notices of Funds Availability (NOFA), each with the advice and concurrence of the Chairman
- Attachment B: Summary of the Draft CDBG Hurricane Ike and Dolly Action Plan
- Attachment C: Draft CDBG Hurricane Ike and Dolly Action Plan

Recommendation

Staff recommends the Board authorize the resolution for the Department to issue one or more CDBG Disaster Recovery Notifications of Funds Availability (NOFA), each with the advice and concurrence of the Chairman.

Attachment A:

Resolution To Authorize Issuance of One Or More CDBG Disaster Recovery Notifications of Funds Availability (NOFAs)

Resolution 09-027

WHEREAS, pursuant to PL 110-329 the federal government has appropriated over 6 billion in CDBG disaster recovery supplemental funds (“CDBG disaster funds”) to the State of Texas to provide for a recovery response to Hurricanes Ike and Dolly, and

WHEREAS, the State of Texas, acting through Governor Rick Perry, has designated the Office of Rural and Community Affairs as the state agency to administer this grant, and

WHEREAS, the U. S. Department of Housing and Urban Affairs (“HUD”), as the agency charged with federal administration of CDBG funds, has approved the allocation of an initial round of \$1,314,990,193 of such emergency funds, and it is anticipated that HUD will soon approve the allocation of the remaining funds, and

WHEREAS, although the allocated grant in general will be administered by ORCA the Texas Department of Housing and Community Affairs (“TDHCA”) will administer the housing portion of the response, and

WHEREAS, it has been determined by ORCA that the funds available for localized responses should be allocated among Councils of Government (“COGs”) based on FEMA damage assessments, and

WHEREAS, it is anticipated that HUD will publish the rules for the administration of this program, including the submission for approval of the state plan, prepared by ORCA with assistance from TDHCA, and

WHEREAS, based on the best information available and in a desire to expedite these processes, ORCA has provided the COGs with guidance as to how they should distribute their allocations, and

WHEREAS, the COGs have been asked to decide how many of their allocated funds should be distributed to housing and non-housing uses, and

WHEREAS, there is a federal requirement that 10.6% of these funds be allocated to qualifying affordable housing rental, and, based on the method of distribution, it is possible that the COGs may make distribution decisions that achieve some, all, or none of this set-aside requirement, and

WHEREAS, in order to facilitate the achievement of compliance with this set-aside, ORCA and TDHCA have agreed upon the establishment of an additional set-aside, comprised entirely of funds other than those allocated to the COGs, in the amount of \$58,894,225 or 4.48% of the initial allocation, and

WHEREAS, if the COGs do not make distribution decisions that will address fully the 10.6% set-aside, it may be necessary for TDHCA to move quickly to issue one or more notices of funds availability (each a “NOFA”) to address the requirements,

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director, the Deputy Executive Director, and each of them with the advice and concurrence of the Chairman, be and each of them hereby is authorized, empowered for and on behalf of TDHCA, to cause such one or more notices of funds availability for the utilization of CDBG disaster recovery supplemental funds, in such amounts as may be necessary to meet the legally required 10.6% set-aside requirements for affordable rental housing and any additional 4.48% set-aside for such purposes established by ORCA and TDHCA, and to do such other acts and deeds and execute, deliver, and cause to be performed such other documents, instruments, and writings, as they or either of them may deem necessary or advisable to effectuate the foregoing and to comply with all applicable requirements of state and federal law and this Department's rules.

Attachment B:

Summary of the Draft CDBG Hurricane Ike and Dolly Action Plan

SUMMARY OF HURRICANE IKE ACTION PLAN

As reflected in Table 1, out of the initial **\$1,314,990,193** allocation to Texas (State Allocation), the State has set-aside 5 percent (\$65,749,510) for State Administrative expenses, including contract administration, compliance monitoring, and the provision of technical assistance to Applicants and Subrecipients. The State has also set-aside 3.59 percent (\$47,248,529) for Planning activities and 4.47 percent (or approximately \$58,894,225) for the State administered TDHCA Affordable Rental Housing Stock Restoration Program.

The remaining 86.93 percent (\$1,143,157,240) will be regionally distributed to the 11 regions, as further described in the Method of Distribution section.

At least 10.6 percent (\$139,388,960) of the State Allocation total funds awarded must be used for affordable rental housing programs, as required by the federal statute.

Table 1: Regional Allocations

Region	Percent of Total Damage	Initial Allocation Amount	Additional Allocation Amount	Total Allocation to Regions
ATCOG	0.11 %	\$ 1,164,673	\$ -	\$ 1,164,673
BVCOG	0.85 %	\$ 8,952,164	\$ -	\$ 8,952,164
CBCOG	0.30 %	\$ 3,121,376	\$ -	\$ 3,121,376
CTCOG	0.01 %	\$ 86,207	\$ 163,793	\$ 250,000
DETCOG	5.64 %	\$ 59,310,711	\$ -	\$ 59,310,711
ETCOG	0.88 %	\$ 9,224,823	\$ -	\$ 9,224,823
GCRPC	0.03 %	\$ 327,612	\$ 672,388	\$ 1,000,000
H-GAC	77.39 %	\$ 814,133,493	\$ -	\$ 814,133,493
SETRPC	13.30 %	\$ 139,940,688	\$ 50,059,312	\$ 190,000,000
LRGVDC	1.46 %	\$ 15,347,037	\$ 39,652,963	\$ 55,000,000
STDC	0.04 %	\$ 383,370	\$ 616,630	\$ 1,000,000
Subtotals		\$1,051,992,154	\$ 91,165,086	\$1,143,157,240
Total Allocation		\$ 1,314,990,193		
Program (86.93%)		\$ 1,143,157,240		
Administration (5.00 %)		\$ 65,749,510		
State Planning (3.59 %)		\$ 47,248,529		
TDHCA Affordable Rental Set Aside (4.47%)		\$ 58,834,914		

REGIONAL PROCESS

Each impacted region will be required to define its method of funds distribution in a uniform format provided by the State. The COGs must determine the Method of Distribution (MOD) for the region, including specifying what portion of the regional allocation will be used for housing and non-housing activities.

The key components of the COG's role in the disaster recovery process include:

- Facilitating the Method of Distribution process
- Ensuring consideration of greatest need by facilitating a local prioritization process through the MOD and citizen participation plan

- Determining the allotment between housing and non-housing funds in the allocation for the region, and
- Establishing parameters for additional eligible activities, such as economic revitalization, public services, and others if available.

HOUSING (REGIONALLY ALLOCATED AND ADMINISTERED)

A. ELIGIBLE REGIONALLY ALLOCATED HOUSING PROGRAMS

Eligible entities may administer CDBG housing programs allowable under local, state, and federal regulations, based on regional need, as determined by the COGs’ approved MOD. Examples of eligible housing programs that may be developed include, but are not limited to:

- Compensation and Incentive Programs
- Emergency Short Term Weatherproofing and Quick Repair Programs
- Comprehensive Homeowners Rehabilitation and Reconstruction Programs
- Housing Relocation Programs
- Nonprofit/Faith-based Compensation Grant Programs
- Homelessness Prevention Programs
- Community Economic Revitalization and Blight Reduction Housing Programs
- Affordable Rental Programs (Single Family or Multifamily)
- Temporary Housing Solutions Programs

B. ELIGIBLE SUBRECIPIENT GRANTEES FOR REGIONALLY ALLOCATED HOUSING FUNDS

Regionally allocated housing grants will be provided to eligible Subrecipients, as determined by each COG’s MOD, for their use in directly carrying out agreed-upon Housing program activities in their prospective regions. Pursuant to CDBG regulations, eligible Subrecipients include cities, counties, local governmental agencies (including COGs), and private non-profits (including faith-based organizations). In accordance with CDBG regulations, Subrecipients do not include private, for-profit organizations.

C. SUBRECIPIENT GRANTEE MINIMUM HOUSING CAPACITY CRITERIA

Housing funds will only be granted to eligible Subrecipients with the capacity to carry out the housing activities elected in the Application, in accordance with their contract with TDHCA. Applications must demonstrate to the reasonable satisfaction of TDHCA that the regionally selected grantees will have the capacity to administer program funds efficiently as a Subrecipient of the state, for each of the elected housing programs, in a manner which complies with this Plan and all applicable local, state, and federal legal and regulatory requirements.

This required demonstration of capacity may be addressed in one or more of the following ways, in accordance with the Application’s Guidelines:

- By demonstrating the local entity’s proven capacity to administer program funds efficiently as a Subrecipient of the state to the satisfaction of TDHCA; or,
- By the local entity partnering with one or more other local governments with capacity to administer program funds efficiently as a Subrecipient of the State; or,
- By the local entity electing to procure an eligible subcontractor with proven capacity directly, or if available, elect to subcontract with one or more contractors procured by TDHCA for administration of housing programs.

HOUSING (STATE ALLOCATED AND ADMINISTERED)

A. TDHCA ADMINISTERED AFFORDABLE RENTAL HOUSING STOCK RESTORATION PROGRAM

The State has established a 4.47 percent set-aside of the total state allocation (\$58,894,225) for the *TDHCA Affordable Rental Housing Stock Restoration Program*.

B. NOTICE OF FUNDING AVAILABILITY (NOFA)

The NOFA will apply only to individual awards made under the State’s \$58,894,225 set-aside for the *TDHCA Affordable Rental Housing Stock Restoration Program*, and not to any regional affordable rental housing programs allocated by the COG Region. For example, a COG may choose to allocate a specified portion of their region’s funds to affordable rental housing programs to a particular city, pursuant to their own Method of Distribution. Those funds would be awarded to individual transactions by the city, and not TDHCA.

Attachment C:

Draft CDBG Hurricane Ike and Dolly Action Plan

State of Texas Plan for Disaster Recovery U. S. Department of Housing and Urban Development (HUD)

Consolidated Security, Disaster Assistance, and Continuing Appropriations Act,
Public Law 110-329



AP Photo by Tony Gutierrez

December 3, 2008

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State of Texas Plan for Disaster Recovery

U.S Department of Housing and Urban Development (HUD)

EXECUTIVE SUMMARY

According to Governor Perry's *Texas Rebounds Report November 2008*, the 2008 hurricane season will go down in history as having been particularly unkind to Texas. The State was impacted by Hurricanes Ike and Dolly and a significant tropical storm within a 52 day time frame. Hurricane Ike, the most damaging, was enormous, 900 miles wide, and the size of West Virginia. As it rolled across the Gulf of Mexico, Ike grew from a Category 2 storm to a powerful Category 4 that unleashed a 20-foot storm surge that engulfed Galveston and other coastal areas, proving to be the third-most destructive storm to hit the United States. Hurricane Dolly, although less damaging only in absolute terms, had already struck the south Texas coastline as a Category 2 hurricane. It was the most destructive storm to hit the Rio Grande valley in over four decades.

Preliminary damage estimates for the 2008 hurricane season total more than \$29.4 billion. Homes, businesses, and infrastructure were damaged and destroyed. Governor Perry noted in a letter to President Bush that Hurricane Ike may be the costliest disaster in the history of Texas. To date, \$22.9 billion in non-housing related damages have been identified as well as \$3.4 billion of housing assistance needs.

Physical structures may be replaced and rebuilt. Harder to address are the effects the disasters of 2008 have had on the thousands of Texans whose neighborhoods, communities, places of employment and daily lives have been fundamentally altered by these events. The many facets of what makes a place a community, and not just a geographic location, must be repaired, restored, and rebuilt. This requires not only the strength of these communities as they rebuild individually, but the strength of our State to unify these communities as they rebuild Texas.

All resources available to the State are being considered to maximize the recovery effort of the communities affected by Hurricanes Dolly and Ike. Texas is making the most of state and federal funds, and has received notice that the U.S. Department of Housing and Urban Development (HUD) will provide \$1,314,990,193 in disaster recovery supplemental funds from Community Development Block Grant (CDBG) Program as a primary source of funding that is available for public infrastructure, economic development, and housing. This allocation represents Texas' portion of the first \$2.1 billion of the \$6.5 billion allocated to

13 States and Puerto Rico for emergency funding as a result of natural disasters that occurred in 2008.

Disaster recovery efforts by the Office of the Governor include the formation of the Texas House Select Committee on Hurricane Ike, and the Commission for Disaster Recovery and Renewal. The new Commission is composed of public and private sector experts who will create a state plan to assist Texas communities with recovery efforts after a natural disaster. The Commission and the House Select Committee are holding hearings throughout Texas to obtain comments.

INTRODUCTION - IMPACT OF THE STORMS AND RECOVERY NEEDS

The State of Texas is required to publish an Action Plan for Disaster Recovery (Action Plan) that describes the proposed use of U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funding associated with the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, (Public Law 110-329), enacted on September 30, 2008.

The Action Plan will describe the following activities related to disaster relief, long-term recovery, and restoration of infrastructure, housing and economic revitalization in areas affected by hurricanes, floods, and other natural disasters occurring during 2008:

- citizen participation process used to develop the Action Plan;
- eligible affected areas and applicants, and the methodology used to distribute funds to those applicants;
- activities for which funding may be used; and,
- grant procedures that will be applicable to ensure program requirements, including non-duplication of benefits.

This Action Plan will be used by the Texas Office of Rural Community Affairs (ORCA) and the Texas Department of Housing and Community Affairs (TDHCA) to provide the \$1.3 billion in CDBG disaster recovery funds to be used toward meeting unmet housing, non-housing, and other eligible community and economic development needs associated with major disaster declarations in 2008. As additional funding is allocated by HUD, amendments to this Action Plan are expected to incorporate the additional funding allocated to Texas. (This Action Plan may be modified as needed to comply with HUD's Notice of Funding Availability provided in the Federal Register, expected to be published in January 2009.)

The Action Plan for recovery considers a *triangular approach to disaster recovery - public infrastructure, economic development, and housing* - with each piece critical to the recovery effort. In addition, ORCA and TDHCA will be working with FEMA's Emergency Support Function #14 (ESF-14). The ESF-14 Long-Term Recovery is responsible for coordination and technical assistance to support the State and local communities in the recovery efforts. The development of the Action Plan includes considerable input from the affected regions, and will allow local officials and experts to determine those priorities that most need to be addressed in their community.

RESPONSIBLE ENTITY

The Office of Rural Community Affairs is designated by Governor Rick Perry as the entity responsible to the U.S. Department of Housing and Urban Development for the grant administration of the CDBG disaster recovery funding.

In this capacity, ORCA will be responsible for execution of the CDBG grant award, development of the Action Plan, completion of quarterly reports, the associated letter of credit, and the end of the award report. ORCA will also oversee the distribution of CDBG funds for public infrastructure and economic revitalization projects. The Texas Department of Housing and Community Affairs (TDHCA) is a major partner with ORCA and will help to develop the Action Plan and administer the disaster recovery funding associated with housing.

CONSULTATION WITH LOCAL GOVERNMENTS

In preparation of this Plan, the Governor's Office, local communities, Councils of Government (COGs) and the general public were consulted. Simultaneously with the public participation requirements for this plan, the FEMA ESF-14 focus groups have been meeting and providing feedback related to long-term recovery. The House Select Committee for Hurricane Ike has held several public hearings to receive testimony and listen to concerns from federal, state, and local officials. In addition, the Governor's Commission for Disaster Recovery and Renewal, has been charged with recommending approaches that will help Texas recover from future storms by proactively strengthening areas, such as critical infrastructure.

ELIGIBLE GRANTEES

Eligible grantees will consist of entities located within, or performing activities within the counties declared disaster areas with major disaster declarations in 2008 as of December 1, 2008. (FEMA -1780-DR dated July 22, 2008 and FEMA 1791-DR dated September 7, 2008). Eligible entities include city and county governments and other entities such as non-profit and for-profit organizations, individuals and municipal utility districts that are identified in the Method of Distribution process established by the Councils of Governments (COGs) – (see the section regarding Method of Distribution and Regional Allocation) and those identified in the Housing section. (See Appendix D. Map of Texas Counties Impacted by Hurricanes, 2008)

NATIONAL OBJECTIVES

The primary objective of Title I of the Housing and Community Development Act, and of the funding program of each grantee under the Community Development Block Grant program, is the "development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." While preference is given to persons of low- and moderate-income, the statute also allows all activities to meet at least one of the three national objectives.

All proposed activities must meet one of the following three National Program Objectives:

1. principally benefit low- and moderate-income persons; or
2. aid in the elimination of slum or blight; or
3. meet other community development needs of particular urgency which represent
an immediate threat to the health and safety of residents of the community.

This statute goes on to set the standard of performance for this primary objective by requiring that 70 percent of the aggregate of funds under the annual State CDBG program be used for support of activities producing benefit to low- and moderate-income persons.

The CDBG disaster recovery funding described by this Action Plan must also be used to meet one of the three National Program Objectives. *However*, since extensive damage to community infrastructure and housing affected those with varying incomes, and income-producing jobs are often lost for a period of time following a disaster, HUD is waiving the 70 percent overall benefit requirement for low- and moderate-income persons, and replacing it

with a 50 percent requirement to give grantees even greater flexibility to carry out recovery activities within the confines of the CDBG program national objectives. Pursuant to explicit authority in the appropriations act, HUD is *also* granting an overall benefit waiver that allows for up to 50 percent of the grant to assist activities under the urgent need or elimination of slums and blight national objectives, rather than the 30 percent allowed under the annual State CDBG program.

FEDERAL APPROPRIATION

The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Pub. Law 110-329), enacted on September 30, 2008, appropriates \$6.5 billion through the Community Development Block Grant (CDBG) program for “necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure, housing, and economic revitalization in areas affected by hurricanes, floods, and other natural disasters occurring during 2008 for which the President declared a major disaster...”.

The U. S. Department of Housing and Urban Development (HUD) was designated by Congress as the administering agency. In October 2008, HUD reduced the amount of funding to \$6.1 billion in response to a budget rescission requirement from Congress. On November 28, 2008, HUD made an initial one-third allocation to Texas for \$1,314,990,193. A second allocation for the remaining two-thirds is anticipated to follow after January 2009.

The legislation specifically prohibits the use of funds for activities reimbursable by, or for which funds are made available by, the Federal Emergency Management Agency or the Army Corps of Engineers” and that “none of the funds...may be used...as a matching requirement, share, or contribution for any other Federal program.” It also states that, “not less than \$650,000,000 from funds made available on a pro rata basis according the allocation made to each State” shall be used for affordable rental housing. Thus Texas must ensure that 10.6 percent of its entire allocation, or \$139,388,960.46, is allocated to this purpose in accordance with the legislation.

PROGRAM OBJECTIVES

The objective of this Plan is the long-term recovery and restoration of infrastructure, housing and economic revitalization in areas affected by hurricanes, floods, and other natural disasters occurring during 2008.

PROPOSED USE OF DISASTER RECOVERY FUNDS

HOW FUNDS WILL ADDRESS TEXAS' GREATEST UNMET NEEDS

Federal requirements state that the funding can be used only for disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of natural disasters that occurred in 2008. Requirements provide that the funds be directed to the most impacted and distressed areas within the state.

Damage assessment reports provided by FEMA indicate that there is widespread unmet need in both housing and non-housing activities. The primary method of allocating funding to affected regions in this Plan used damage assessment data provided by FEMA. Acknowledging the limitations inherent in this incomplete dataset, it still provided the best universal data on categories of damage across the respective counties. The regional allocation process is described in greater detail in the Method of Distribution section. As other data becomes available, future allocations will reflect such.

ANTICIPATED ACCOMPLISHMENTS

The anticipated accomplishments will include repairs and improvements to public infrastructure; assistance with reversing the negative economic impact caused by the disasters; and restoration of affordable housing units that were lost or severely damaged.

Applicants for the funds will be required to specify activities, proposed units of accomplishment, and proposed beneficiaries in applications that will be submitted to ORCA and TDHCA. These anticipated accomplishments will be reported to HUD during the first quarter of reporting using the on-line Disaster Recovery Grant Reporting System (DRGR).

ACTIVITIES

The activities to be undertaken with this Plan may include:

Housing Activities: All other housing activities allowed under CDBG, (Rental and Non-Rental) including but not limited to:

- single-family and multifamily repair, rehabilitation; new construction;
- repair and replacement of manufactured housing units;
- hazard mitigation;
- elevation;
- direct compensation or incentive programs; and
- other activities associated with the recovery of housing stock in the regions impacted by Hurricanes Dolly and Ike.

Non-Housing Activities: All other activities allowed under CDBG, including but not limited to:

- restoration of infrastructure (such as water and sewer facilities, streets, provision of generators, removal of debris, drainage, bridges, etc.)
- real property activities (such as buy-out of properties in the flood zone, clearance and demolition, rehabilitation of publicly- or privately-owned commercial or industrial buildings, and code enforcement)
- economic development (such as microenterprise assistance, commercial rehabilitation, and special economic development activities)
- and public services (such as job training and employment services, health care, child care and crime prevention)
- public facilities (includes neighborhood/community facilities/ shelters and facilities for persons with special needs)

All activities must have documented proof of an impact by a major natural disaster declaration in 2008. (FEMA -1780-DR dated July 22, 2008 and FEMA 1791-DR dated September 7, 2008).

PRIMARY BENEFICIARIES

The primary beneficiaries of the Supplemental Disaster Recovery Funding are low- and moderate-income persons as defined under program requirements. Low income families are defined as those earning less than 50 percent of the area median family income. Moderate income families are defined as those earning less than 80 percent of the area median family income. The area median family income can be based on a metropolitan statistical area, a non-metropolitan county, or the statewide non-metropolitan median family income figure.

THRESHOLDS

Thresholds related to other CDBG programs and not mandated by law or regulation will not apply to applicants seeking disaster recovery funds. The following thresholds will be applicable to entities applying for these funds:

- There must be a clear and compelling need related directly to a major natural disaster declaration, hurricane disaster relief, long-term recovery and/or restoration of infrastructure.
- No disaster recovery assistance will be considered with respect to any part of a disaster loss that is reimbursable by, or as match for the Federal Emergency

Management Administration (FEMA), the Army Corps of Engineers, insurance, or other source (restriction against duplication of benefits).

- An activity underway prior to a Presidential disaster declaration will not qualify unless the disaster directly impacted the project.

REQUIRED CERTIFICATIONS

The State will provide a fully executed copy of HUD required certifications for state governments. (See Appendix A. REQUIRED CERTIFICATIONS).

PUBLIC PARTICIPATION AND PUBLIC COMMENT

Since Hurricanes Dolly and Ike made landfall, federal, state, and local governments and agencies have worked continuously with citizens regarding damage and loss in local communities. Applications for FEMA assistance; homeowner insurance claims; visits to local disaster recovery centers; and requests for emergency shelter, food, and financial assistance confirm that the public has played a role in communicating needs to federal, state, and local agencies.

State staff visited and consulted with local government leaders and state and federal legislators of those areas that were hit hardest by the storms. Various forums were provided for the sharing of information concerning financial assistance that is needed. Many of the visits were followed up by telephone calls to the state with questions about possible funding sources that could be used to address unmet needs.

The Action Plan was drafted and made available to the public for comment. The Action Plan was also translated into Spanish and Vietnamese and available from the state and the COGs and placed on the ORCA and TDHCA websites for public review and comment. Public hearings were held at five locations throughout the affected regions to obtain local input regarding the overall revitalization needs of the impacted communities. Written public comments were also encouraged and were accepted by mail, fax and e-mail. Comments were received at ORCA, Disaster Recovery Division, P.O. Box 12877, Austin, Texas 78711, fax at (512) 936-6776, and via e-mail. The public comment period was open through January 5, 2009.

The state received comments on the distribution of funding for “necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure, housing, and

economic revitalization in areas affected by hurricanes, floods, and other natural disasters occurring in 2008.”

The State will comply with the necessary public participation and public comment requirements as stated in the Federal Register.

PUBLIC HEARINGS WERE HELD AS FOLLOWS:

Location:	Livingston	Galveston	Houston	Harlingen	Beaumont
Address:	Alabama-Coushatta Indian Reservation Special Events Center	Jury Assembly Room Galveston County Justice Center -	City Hall Annex Public Level Chamber	Harlingen Cultural Arts Center	Southeast Texas RPC
Date & Time:	December 5, 2008 10:00-12:00 pm	December 8, 2008 2:00 – 4:00 pm	December 9, 2008 3:00-5:00 pm	December 15, 2008 9:00 – 11:00 am	December 16, 2008 5:30 – 7:30 pm

Actual comments received and responses provided are included in Appendix C.

In addition to complying with the public participation and comment requirements of the Federal Register, the State will consult with interested parties, such as local elected officials and Councils of Government to establish regional prioritization of available funding that is consistent with locally identified needs.

ELIGIBLE AND INELIGIBLE ACTIVITIES

All CDBG eligible activities will be allowable so long as the activity is directly related to a major natural disaster declaration in 2008 through actual damage or a failure to function and is allowed under the applicable regulations, unless expressly waived by HUD in the Federal Register. Ineligible activities will include any activity not directly impacted by a major natural disaster declaration in 2008 and those prohibited, unless expressly waived by the Federal Register, under the applicable regulations. Eligible and ineligible activities will be further defined in Application guidelines.

METHOD OF DISTRIBUTION

STATE PROCESS

Using preliminary input from FEMA, advisory groups, the Governor's Office, state and local government officials, Councils of Governments, and other parties, the Action Plan was developed to ensure that through the regional allocation and prioritization process the funding received has the greatest impact on those most impacted by the storm events.

Allocation amounts were provided to 11 COGs that received damage under FEMA -1780 or FEMA 1791 using preliminary FEMA damage assessments as of December 1, 2008 for both individual assistance and public assistance. These allocations were published in a Draft Action Plan on December 4, 2008. In response to public comment, consultation with local officials, Councils of Governments, and other parties gained through the citizen participation process, adjustments were made to the draft allocation amounts at the State level, and for several regions. Table 1 shows the initial and revised allocations available for distribution amongst the 11 COG regions, as well as the State set-asides.

As reflected in Table 1, out of the initial **\$1,314,990,193** allocation to Texas (State Allocation), the State has set-aside 5 percent (\$65,749,510) for State Administrative expenses, including contract administration, compliance monitoring, and the provision of technical assistance to Applicants and Subrecipients. The State has also set-aside 3.59 percent (\$47,248,529) for Planning activities and 4.47 percent (or approximately \$58,894,225) for the State administered TDHCA Affordable Rental Housing Stock Restoration Program.

The remaining 86.93 percent (\$1,143,157,240) will be regionally distributed to the 11 regions, as further described in the Method of Distribution section.

At least 10.6 percent (\$139,388,960) of the State Allocation total funds awarded must be used for affordable rental housing programs, as required by the federal statute. The State will meet part of this requirement with the 4.47 percent set-aside (\$58,894,225) for the TDHCA Affordable Rental Housing Stock Restoration Program mentioned above. The remaining 6.12 percent (\$80,494,735) will be met at the regional level through allocation, as determined by the COG allocations. If the combined COG allocations for qualifying affordable rental housing programs do not meet or exceed the 6.12 percent remainder necessary to meet the federally required rental minimum, then the state may require the regions to adjust their allocations to include rental programs on a *pro rata* basis by the minimum amount necessary. (Detailed information may also be found in Appendix E).

REGIONAL PROCESS

Each impacted region will be required to define its method of funds distribution in a uniform format provided by the State. The COGs must determine the Method of Distribution (MOD) for the region, including specifying what portion of the regional allocation will be used for housing and non-housing activities. COGs are encouraged to provide additional detail as to the dollar amount that will be used for affordable rental housing.

The State will provide the COGs with a Method of Distribution Form, Method of Distribution Form Guidelines, Method of Distribution Detail Worksheet, and a Worksheet Sample. The MOD forms will be posted on the State websites. The MOD form and worksheet request information such as a citizen participation narrative, long-term planning and recovery elements, method of distribution between housing and non-housing funds, and method of distribution factors and detail. The MOD Form detail requires information regarding whether the COG distribution was through a direct allocation to eligible entities, a competitive process, or a combination of direct allocation and competitive process.

The MOD Form Guidelines require that each COG follow a citizen participation process and hold at least two public hearings prior to the completion of the MOD Form. COGs are required to publish notice of the public hearing in a local newspaper, post the notice on the COG website, and provide individual notice to eligible cities and counties in the region. Hearings are required to be accessible and comply with the Texas Open Meetings Act.

The key components of the COG's role in the disaster recovery process include:

- Facilitating the Method of Distribution process
- Ensuring consideration of greatest need by facilitating a local prioritization process through the MOD and citizen participation plan
- Determining the allotment between housing and non-housing funds in the allocation for the region, and
- Establishing parameters for additional eligible activities, such as economic revitalization, public services, and others if available.

TABLE 1: REGIONAL ALLOCATIONS

Region	Percent of Total Damage	Initial Allocation Amount	Additional Allocation Amount	Total Allocation to Regions
ATCOG	0.11 %	\$ 1,164,673	\$ -	\$ 1,164,673
BVCOG	0.85 %	\$ 8,952,164	\$ -	\$ 8,952,164
CBCOG	0.30 %	\$ 3,121,376	\$ -	\$ 3,121,376
CTCOG	0.01 %	\$ 86,207	\$ 163,793	\$ 250,000
DETCOG	5.64 %	\$ 59,310,711	\$ -	\$ 59,310,711
ETCOG	0.88 %	\$ 9,224,823	\$ -	\$ 9,224,823
GCRPC	0.03 %	\$ 327,612	\$ 672,388	\$ 1,000,000
H-GAC	77.39 %	\$ 814,133,493	\$ -	\$ 814,133,493
SETRPC	13.30 %	\$ 139,940,688	\$ 50,059,312	\$ 190,000,000
LRGVDC	1.46 %	\$ 15,347,037	\$ 39,652,963	\$ 55,000,000
STDC	0.04 %	\$ 383,370	\$ 616,630	\$ 1,000,000
Subtotals		\$1,051,992,154	\$ 91,165,086	\$1,143,157,240
Total Allocation		\$ 1,314,990,193		
Program (86.93%)		\$ 1,143,157,240		
Administration (5.00 %)		\$ 65,749,510		
State Planning (3.59 %)		\$ 47,248,529		
TDHCA Affordable Rental Set Aside (4.47%)		\$ 58,834,914		

NOTE: Allocations have been rounded to the nearest whole dollar. See Appendix E for full detail.

GENERAL INFORMATION

APPLICATION AND ALLOCATION AWARD TIMELINE

Once the Method of Distribution is established by the COG and approved by the State, the regional funding parameters set in the MOD, such as geographic or project type priorities, will guide the use of the regional allocation. Applications will then be developed accordingly, based on the eligible activities selected by the region, and each eligible entity

seeking funding will submit an application to the State in accordance with application guidelines.

MATCH REQUIREMENT

There will be no match required on the part of the applicant. The legislation specifically prohibits the use of funds for activities reimbursable by, or for which funds are made available by, the Federal Emergency Management Agency or the Army Corps of Engineers” and that “none of the funds...may be used...as a matching requirement, share, or contribution for any other Federal program.”

OVERVIEW OF ELIGIBLE PROGRAM ACTIVITIES

NON-HOUSING

Non-housing activities will include but are not limited to restoration and repair of infrastructure facilities and economic revitalization activities impacted by a major natural disaster declaration in 2008.

ECONOMIC REVITALIZATION

Economic revitalization and new opportunities for affected businesses and industries must be addressed to provide for the losses caused by Hurricanes Dolly and Ike. Many businesses along the Texas coastal regions were damaged and/or lost income due to the physical damages to buildings and inventory, as well as a drastic reduction in tourism. The agricultural, forestry and fishing industries, too, were devastated by losses of natural resources and damage to fields, forests, docks, boats and processing equipment. Funds are eligible to provide economic revitalization activities to businesses and support economic recovery. This assistance will ensure that these businesses can recover quickly and continue to generate economic wealth and new jobs for residents of the state.

Economic revitalization activities, if selected by the COGs, will be provided as direct grants or deferred forgivable loans and will be further defined in application guides and implementation materials.

HOUSING (REGIONALLY ALLOCATED AND ADMINISTERED)

A. ELIGIBLE REGIONALLY ALLOCATED HOUSING PROGRAMS

Eligible entities may administer CDBG housing programs allowable under local, state, and federal regulations, based on regional need, as determined by the COGs’ approved MOD. Examples of eligible housing programs that may be developed include, but are not limited to:

- Compensation and Incentive Programs

- Emergency Short Term Weatherproofing and Quick Repair Programs
- Comprehensive Homeowners Rehabilitation and Reconstruction Programs
- Housing Relocation Programs
- Nonprofit/Faith-based Compensation Grant Programs
- Homelessness Prevention Programs
- Community Economic Revitalization and Blight Reduction Housing Programs
- Affordable Rental Programs (Single Family or Multifamily)
- Temporary Housing Solutions Programs

B. ELIGIBLE SUBRECIPIENT GRANTEES FOR REGIONALLY ALLOCATED HOUSING FUNDS

Regionally allocated housing grants will be provided to eligible Subrecipients, as determined by each COG's MOD, for their use in directly carrying out agreed-upon Housing program activities in their prospective regions. Pursuant to CDBG regulations, eligible Subrecipients include cities, counties, local governmental agencies (including COGs), and private non-profits (including faith-based organizations). In accordance with CDBG regulations, Subrecipients do not include private, for-profit organizations.

C. SUBRECIPIENT GRANTEE MINIMUM HOUSING CAPACITY CRITERIA

Housing funds will only be granted to eligible Subrecipients with the capacity to carry out the housing activities elected in the Application, in accordance with their contract with TDHCA. Applications must demonstrate to the reasonable satisfaction of TDHCA that the regionally selected grantees will have the capacity to administer program funds efficiently as a Subrecipient of the state, for each of the elected housing programs, in a manner which complies with this Plan and all applicable local, state, and federal legal and regulatory requirements.

This required demonstration of capacity may be addressed in one or more of the following ways, in accordance with the Application's Guidelines:

- By demonstrating the local entity's proven capacity to administer program funds efficiently as a Subrecipient of the state to the satisfaction of TDHCA; or,
- By the local entity partnering with one or more other local governments with capacity to administer program funds efficiently as a Subrecipient of the State; or,
- By the local entity electing to procure an eligible subcontractor with proven capacity directly, or if available, elect to subcontract with one or more contractors procured by TDHCA for administration of housing programs.

HOUSING (STATE ALLOCATED AND ADMINISTERED)

A. TDHCA ADMINISTERED AFFORDABLE RENTAL HOUSING STOCK RESTORATION PROGRAM

The State has established a 4.47 percent set-aside of the total state allocation (\$58,894,225) for the *TDHCA Affordable Rental Housing Stock Restoration Program*.

B. NOTICE OF FUNDING AVAILABILITY (NOFA)

Funds under this 4.47 percent set-aside are not subject to the COG's Methods Of Distribution at the regional level, and will be awarded in accordance with a Final Notice of Funding Availability (NOFA) for the Rental Housing Stock Restoration Program. TDHCA will directly award funds from this set-aside to eligible awardees in accordance with the NOFA. Eligible awardees under this program may include, but are not limited to, qualified nonprofit organizations, for-profit entities, limited partnerships, and public housing authorities. Ineligible entities under this program may include cities, counties, or local government organizations.

The NOFA, which will be released following HUD's approval of the Action Plan, will clearly establish the eligible applicants, the application process and acceptance period, threshold criteria (including applicable building codes), selection criteria and the award process. The public will be provided an opportunity to comment on a Draft NOFA in accordance with TDHCA approved policy and minimum CDBG requirements.

The NOFA will apply only to individual awards made under the State's \$58,894,225 set-aside for the *TDHCA Affordable Rental Housing Stock Restoration Program*, and not to any regional affordable rental housing programs allocated by the COG Region. For example, a COG may choose to allocate a specified portion of their region's funds to affordable rental housing programs to a particular city, pursuant to their own Method of Distribution. Those funds would be awarded to individual transactions by the city, and not TDHCA.

GRANT ADMINISTRATION

ADMINISTRATION AND STAFFING

The delivery of Hurricane Dolly and Ike program activities will require additional staff for both agencies at the state headquarters and in the regional field offices to promote efficient use of resources and funds, to maximize a local presence to serve impacted populations, and to assist and leverage local capacity. ORCA also anticipates establishing at least one additional field office within the affected area to provide direct disaster recovery technical assistance where needed.

ADMINISTRATIVE COSTS

Administrative costs will not exceed 5% for State administrative costs or overall limit of 20% for planning and administrative costs. The provisions at 42 U.S.C. 5306(d) and 24 CFR 570.489(a)(1)(i) and (iii) will not apply to the extent that they cap State administration expenditures and require a dollar for dollar match of State funds for administrative costs exceeding \$100,000.

ACTION PLAN AMENDMENTS

If a substantial amendment to the Plan is considered, then reasonable notice will be given to citizens and units of general local government to comment on the proposed changes. Consistent with the desire to allocate these funds as quickly as possible, the public comment period will be established as needed. The State's public comment notification, receipt, and response processes will be consistent with those used to develop the Plan and will comply with applicable legal requirements, and may include notice posted on ORCA and TDHCA's websites. Action Plan amendments that are technical in nature will not require public comment and the Plan as revised will be posted on the ORCA and TDHCA websites.

CONTRACT TERM AND AMENDMENTS

In the interest of expediting the expenditure, utilization, and, where provided for, recovery of program funds, contract terms with entities receiving grant awards will generally be two years or less. Understanding that events beyond the control of the contractor may occur throughout the term of the contract, ORCA and TDHCA will have the ability to grant contract term extensions when a specific circumstance warrants and the applicable program requirements can still be met. Contract amendments within other contract terms and conditions will be considered on a case-by-case basis with consideration of all relevant

factors, including the original eligibility requirements of the award and the stated goals and timelines.

In instances where large-scale damage necessitates a massive or multi-faceted recovery process with a long recovery period, such as the devastation of an entire town center, the immediate need of safe and sanitary housing on a significant scale, the decimation of an industry, or the destruction of the majority of a utility system, the urgent need of such a scenario shall be considered in the contract term and/or amendment process requested by the grantee.

ANTI-DISPLACEMENT AND RELOCATION

Applicants must certify that they will minimize displacement of persons or entities and assist any persons or entities displaced in accordance with the Uniform Anti-Displacement and Relocation Act and, consistent with law, and local policy.

CITIZEN COMPLAINTS

All grantees must have adopted procedures for dealing with citizen complaints under the Texas Small Cities Non-entitlement CDBG Program or Entitlement programs. Grantees will be required to provide a written response to every citizen complaint within 15 working days of the complaint, subject to extension for good cause, any such request to be made in writing within such 15 day period.

DEFINITIONS

The definitions set forth in applicable federal law and previously published regulations associated with the CDBG program apply to this funding, except as specifically detailed in a waiver published in the Federal Register. A glossary of key terms and acronyms is included in Appendix F.

ENVIRONMENTAL REVIEW

Grantees must comply with the 24 CFR Part 58. Specific instructions concerning this process will be made available to all grantees. Some projects may be exempt from the environmental assessment process, but all grantees will be required to submit the Request for Release of Funds and Certification in the appropriate format. Funds will not be released for expenditure until the State is satisfied that the appropriate environmental review has been conducted and acceptable provision has been made for the mitigation of all identified environmental risks.

FLOOD BUYOUTS

Disaster recovery grantees have the discretion to pay pre-flood or post-flood values for the acquisition of properties located in a flood way or floodplain. In using CDBG disaster recovery funds for such acquisitions, the grantee must uniformly apply the valuation method it chooses.

Flood insurance is mandated for any assistance involving repair or construction within a floodplain. The federal requirements set out for this funding provide further guidance on activities that are to be conducted in a floodplain. The State will provide further guidance regarding work in the floodplain upon request.

MONITORING

The State follows monitoring and audit standards set forth by the CDBG program that will be used for monitoring and oversight of the disaster recovery funds. The State will provide technical assistance to recipients from the application stage through the completion of the projects to ensure that funds are appropriately used for the intended eligible activities and meet the national objectives.

PROCUREMENT

The State will follow applicable state and federal statutes and regulations for the procurement of goods and services. Any deviations from normal procurement practices will be in compliance with state and federal policies and procedures and will be appropriately documented.

PROGRAM INCOME

Any program income earned as a result of activities funded under this grant will be subject to 24 CFR 570.489(e), which defines program income and provides when such income must be paid to the state. For all activities, program income generated under individual contracts will be returned to ORCA.

TIMEFRAME FOR COMPLETION

TDHCA and ORCA will follow the requirements established by HUD regarding timelines for expenditure of funds. All grants will be in the form of a contract that adheres to the state program time limitations.

TECHNICAL ASSISTANCE AND CAPACITY BUILDING

The state will provide technical assistance to grantees requesting assistance in developing applications for funding under this Plan. At a minimum, this technical assistance will provide information on: the eligible uses of funds, the application or method of fund distribution, and an explanation of rules and regulations governing the grants funded under the Disaster Recovery Initiative. Technical assistance may take the form of workshops, telecommunication, on-site assistance, written correspondence, or manuals and guidebooks.

As it deems necessary, the State may provide for increasing the capacity for implementation and compliance of local governments, Subrecipients, contractors and any other entity responsible for administering activities under this grant by providing resources for training in specific skills needed for the program.

WAIVERS

For a complete list of waivers, see Appendix B.

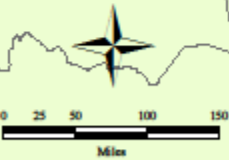
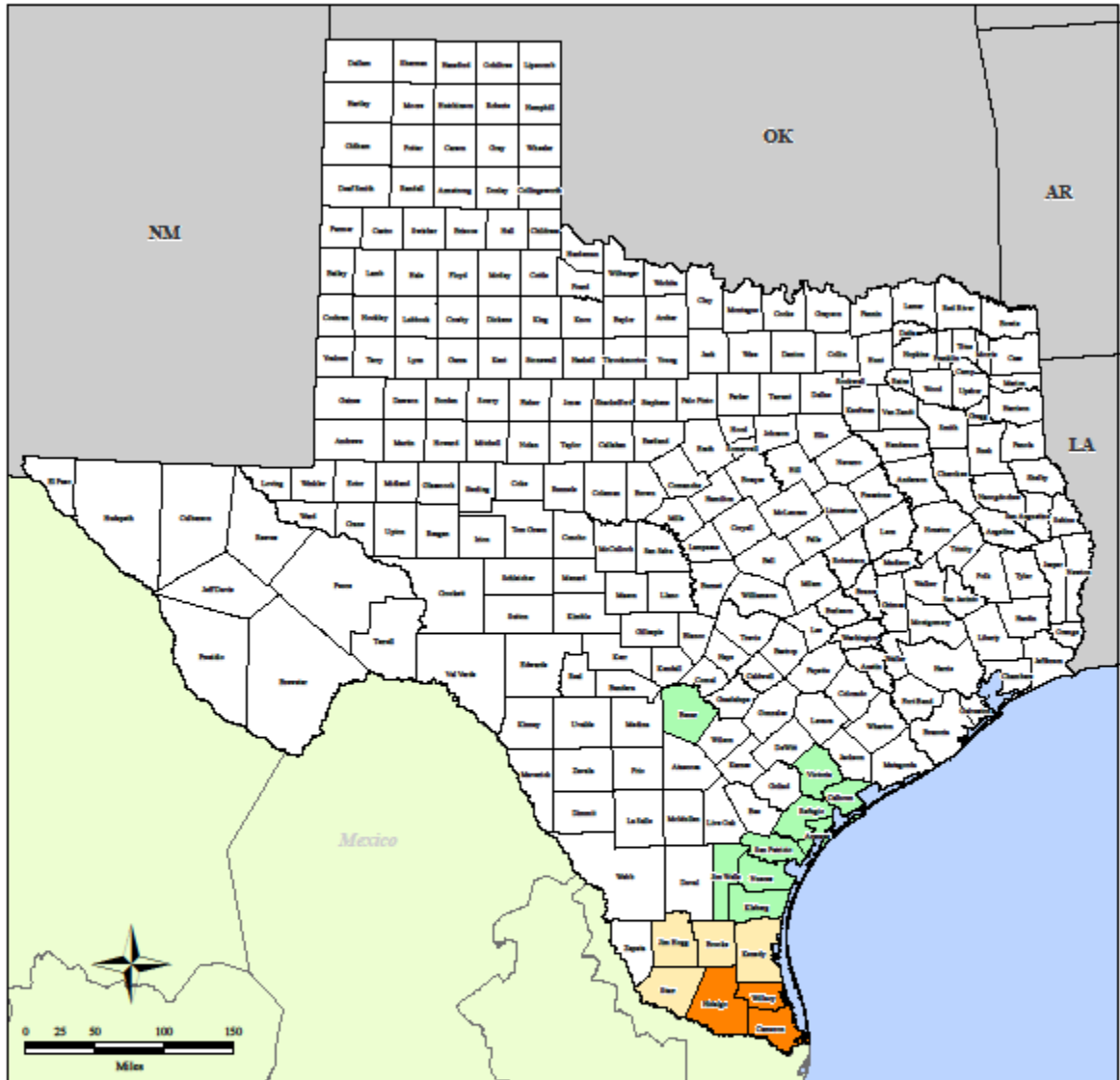
APPENDIX A: REQUIRED CERTIFICATIONS

APPENDIX B: REQUESTED WAIVERS

APPENDIX C: DEPARTMENTS' RESPONSE TO PUBLIC COMMENT

APPENDIX D: MAP OF TEXAS COMMUNITIES IMPACTED BY HURRICANES

FEMA-1780-DR, Texas Disaster Declaration as of 08/13/2008



Location Map



Legend

- Designated Counties**
- No Designation
 - Public Assistance
 - Public Assistance (Categories A and B)
 - Individual Assistance and Public Assistance

All counties are eligible for Hazard Mitigation

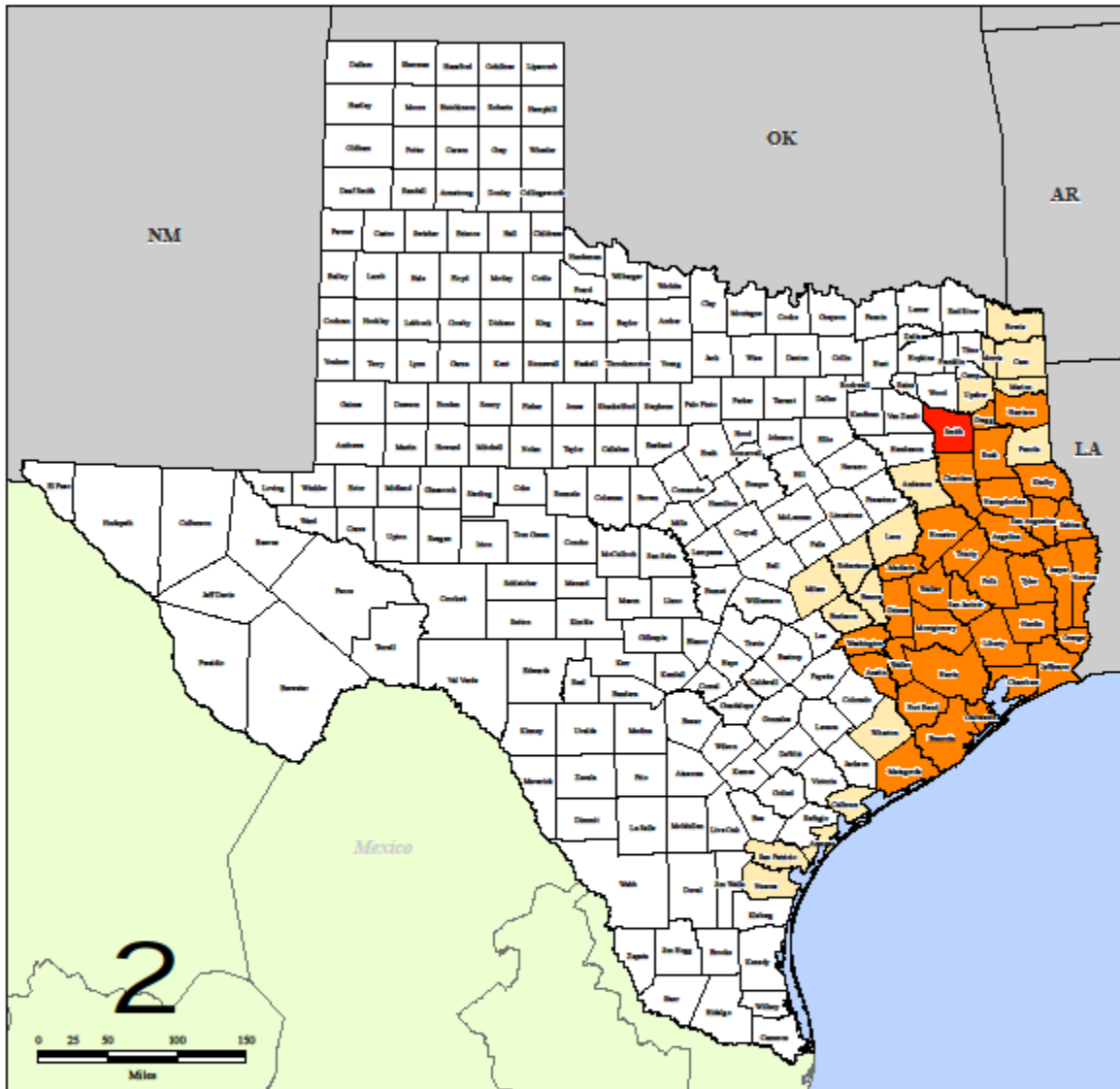


*ITS Mapping & Analysis Center
Washington, DC
08/13/08 - 09:17 AM EDT*

Source: Disaster Federal Registry Notice Amendment No. 4 - 08/13/2008

MapID 30ce069a2fd0813080910hgprod

FEMA-1791-DR, Texas Disaster Declaration as of 11/21/2008




Location Map

Legend

Designated Counties

- No Designation
- Public Assistance
- Individual Assistance
- Individual Assistance and Public Assistance

All counties are eligible for Hazard Mitigation



FEMA

*ITS Mapping & Analysis Center
Washington, DC
11/21/08 - 04:19 PM EST
Source: Disaster Federal Registry Notice
Amendment No. 13 - 11/21/2008*

MapID 221682b15cd1121081606hqprod

APPENDIX F: GLOSSARY of Terms and Key Definitions

CDBG	Community Development Block Grant program: A flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD. The CDGB program provides annual grants on a formula basis to 1180 general units of local government and States.
CFR	Code of Federal Regulations: The codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government. It is divided into 50 titles that represent broad areas subject of Federal regulations. Each volume of the CFR is updated once each calendar year and is issued on a quarterly basis.
COG	Council of Government: Texas has 24 designated regional councils of governments (i.e. state planning regions). The regional councils of governments join local governments, as well as state, federal, and private partners to provide cost-effective, better planned, and more accountable public services in each region of Texas.
DRGR	Disaster Recovery Grant Reporting System: DRGR is a web-based system that is maintained by the HUD Office of Community Planning and Development. DRGR is used by the states to manage and report on Grant, Grantee and Disaster information.
Entitlement Communities	Central cities of Metropolitan Statistical Areas (MSAs) with populations of at least 50,000; and qualified urban counties with a population of 200,000 or more (excluding the populations of entitlement communities) that receive an annual allocation of CDBG funds directly from HUD under the CDBG Entitlement Program.
ESF	Emergency Support Functions: Coordinated by FEMA; under the National Response Framework (NRF), Federal departments and agencies and the American Red Cross are grouped by capabilities and types of expertise, into Emergency Support Functions (ESF) to provide the planning, support, resources, program implementation, and emergency management services that are most likely to be needed during a disaster.
ESF #14	Emergency Support Function #14 Long-term Community Recovery (LTCR): One of the 15 emergency support functions under the National Response Framework (NRF). Responsible for providing interagency coordination and technical assistance support to States and local communities in long-term recovery efforts following large-scale disasters
FEMA	Federal Emergency Management Agency: Agency of the U.S. government tasked with Disaster Mitigation, Preparedness, Response and Recovery planning.
Grantee	An eligible community (entitlement or non-entitlement) or entity that is approved to receive funding.

Household	All the persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any groups of related or unrelated persons who share living arrangements.
HTC	Housing Tax Credit: A tax credit created under the Tax Reform Act of 1986 that gives incentives for the utilization of private equity in the development of affordable housing aimed at low-income Americans.
HUD	U.S. Department of Housing and Urban Development: Established the regulations and requirements for the CDBG program and has oversight responsibilities for the use of CDBG funds.
LMI	Low- and Moderate-Income: Family or household annual income less than the Section 8 Low Income Limit, generally 80 percent or less of the area median income, as established by HUD.
MOD	Method of Distribution: A description of the process used in determining the distribution of funds between activities to ensure that the needs to principal recovery activities have been fully considered.
NOFA	Notice of Funding Availability: Notices published in the Federal Register that includes important information on program priorities, general requirements, funding levels, and contacts for each federal program.
Non-Entitlement Communities	Small, rural cities with populations generally less than 50,000, and counties that have a non-metropolitan population under 200,000 and are not eligible for direct funding from HUD. Non-entitlement communities apply for CDBG funds from the State CDBG program.
NRF	National Response Framework: A plan created by the U.S. Department of Homeland Security that presents the guiding principals that enable all response partners to prepare for and provide a unified national response to disasters and emergencies (replaces the former <i>National Response Plan</i>).
ORCA	Office of Rural Community Affairs: Texas State agency created in 2001 by the 77 th Legislature to ensure a continuing focus on rural issues, monitor governmental actions affecting rural Texas, research problems and recommend solutions, and to coordinate rural programs among state agencies. ORCA is the agency responsible for disaster recovery program administration and non-housing disaster recovery activities.
TDHCA	Texas Department of Housing and Community Affairs: Texas state agency acts as a conduit for federal grant funds for housing and community services, ensures compliance with laws that govern housing programs, and a financial and administrative resource that helps provide essential services and affordable housing opportunities to Texans. TDHCA is the agency responsible for housing disaster recovery activities.
TEB	Tax Exempt Bond Program: Provides specialized information and services to the municipal finance community, including tailored educational programs which focus on bond industry segments; pro-active education and outreach products which address non-compliance trends; and compliance programs devised to foster voluntary resolution of tax law infractions.

Urgent Need Every CDBG-funded activity must qualify as *meeting one of three national objectives*. "Urgent Need" is a national objective wherein an activity must be designed to alleviate existing conditions which the local government certifies and state determines: 1) Poses a serious and immediate threat to the health or welfare of the community; 2) Is of recent origin or recently became urgent; 3) The state grant recipient is unable to finance the activity on its own; 4) Other sources of funding are not available to carry out.

U.S.C. United States Code: A compilation and codification of the general and permanent federal law of the United States.

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST

February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of a Substantial Amendment to the Partial Action Plan relating to Harris County for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding to Assist With the Recovery of Distressed Areas Related to the Consequences of Hurricanes Katrina, Rita, and Wilma in the Gulf of Mexico in 2005

Requested Action

Approve, deny or approve with changes the proposed Amendment 7 related to Harris County's portion of the City of Houston and Harris County Public Service and Community Development Program to allow Harris County to reprogram funds. The proposed amendment modifies the previously adopted Action Plan (including Amendments 1 through 6)

Background

The Partial Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding (Action Plan) was approved by the U.S. Department of Housing and Urban Development (HUD) on April 13, 2007. The General Use of Funds and Funding Allocation under the Plan totaled \$428,671,849. To date, there have been six (6) total amendments to the Action Plan approved by the Texas Department of Housing and Community Affairs (TDHCA) Governing Board and HUD.

Amendment 7 Summary

TDHCA requires Harris County, as a subrecipient of Round 2 funds, to assess the local needs and to determine if the changes meet the national objective. As such, TDHCA has received a request from Harris County for an amendment to their applicable section of the Action Plan. TDHCA staff has reviewed their request for initial compliance issues, and has approved this Amendment 7 request for Governing Board consideration.

As requested by Harris County and approved by TDHCA staff, the following substantial changes to Action Plan language are proposed for Governing Board approval:

1. Reducing the estimated number of persons served under Expanded Services to Evacuees, as part of the Sheriff's Office from 1,200 to 210 and reducing the amount allocated to this program from \$6,707,000 to \$1,965,191.
2. Reducing the amount allocated to Evacuee Medical Services from \$6,285,000 to \$6,049,691.
3. Reducing the estimated number of persons served under the Continuation of Katrina Counseling Services from 6,992 people to 2,448 people and reducing the amount allocated to this program from \$3,550,000 to \$2,400,158.
4. Reducing the estimated number of persons served under the Youth Offender Services from 67 to 24 youths and reducing the amount allocated to this program from \$225,686 to \$76,858.
5. Reducing the funding of the Disaster Housing Assistance Program (DHAP) Transportation Program from \$2,232,314 to \$246,516 and changing the number of persons served from 1,000 to 100.
6. Addition a new activity, Multi-Family Evacuee Housing Program, with an allocation of \$8,011,587 for the creation and/or renovation of 500 units of multi-family housing in areas of high evacuee population.

Further information is outlined in the attached documents "TDHCA Proposed Action Plan Amendment 7 for HUD Approval." This form is the HUD required amendment request format.

Harris County conducted a public hearing on the proposed amendment January 26, 2009. The meeting was held to receive public comment for the proposed amendment to the Action Plan. No public comments were received. In addition, the TDHCA Board meeting will serve as a public hearing. Written comments on this amendment will be accepted by mail, e-mail, and facsimile through February 05, 2009.

If this request is approved by the TDHCA Board, TDHCA will submit the attached "TDHCA Proposed Action Plan Amendment 7 for HUD Approval" document to HUD for approval. Once approved by HUD, TDHCA staff will monitor the activities according to the amended Action Plan and contract with Harris County.

Recommendation

Staff recommends Governing Board approval of Amendment 7 to the Action Plan as proposed. The plan amendment will then be submitted to HUD, as required, for their approval.

Amendment to the Texas Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding to Assist with the Recovery of Distressed Areas Related to the Consequences of Hurricanes Katrina, Rita, and Wilma in the Gulf of Mexico in 2005 (Action Plan)

Harris County and the City of Houston have prepared this amendment to the Partial Texas Action Plan for Disaster Recovery (Action Plan) approved by the Texas Department of Housing and Community Affairs (TDHCA) Board on February 1, 2007. The Action Plan proposed "that funding in the amount of \$60 million be included in this funding priority for public service, community development, and housing activities in areas (police districts, schools, apartment complexes, neighborhoods) comprised predominantly of low to moderate income households and where it can be clearly demonstrated that the population within the area has seen a dramatic population increase due to an influx of Katrina evacuees." As required by the Action Plan, this amendment details how the funding priorities will meet HUD's NOFA's requirements, the delivery mechanism, the distribution of funds and other HUD requirements.

The City of Houston and Harris County, under this amendment to the Action Plan, are proposing to fund projects that will meet the needs of persons who fled to and continue to reside in the Houston region as a result of Hurricanes Katrina and Rita. Under this amendment, the City of Houston will utilize \$40 million towards multi-family housing rehabilitation and housing safety services, and Harris County will utilize \$20 million to meet a variety of public services needs of the evacuee community including medical and case management services.

In summary, the Houston/Harris County plan will:

- Provide safe, sanitary affordable housing for displaced evacuees including evacuees with special needs;
- Implement a coordinated housing safety program to promote community development and decrease crime in communities where evacuees have resettled;
- Address costs incurred in providing necessary emergency and non-emergency medical services provided to evacuees immediately following the disasters and months thereafter;
- Provide necessary crisis counseling and case management to evacuees who continue to face extreme transition emergencies; and
- Address the public service needs of special populations.

BACKGROUND

In response to Hurricane's Katrina and Rita, the Houston region received over 200,000 evacuees in September 2005. At first, evacuees were housed within shelters, homes, and hotels within the City of Houston. By December 31, 2005, approximately 160,000 evacuees remained. Those in organized shelters, churches, private homes, and hotels were moved into apartments, which housed by year-end some 37,000 households representing approximately 110,000 people (Attachment A). Other evacuees in the region found other types of shelter independent of the City-managed and FEMA-reimbursed housing program. In addition, the City and Harris County housed approximately 3,000 additional households who had existing Section 8 vouchers or had received or continue to receive federal housing assistance.

Based on postal change of address records, by December 31, 2006, the City of Houston remained a home for over 100,000 evacuees. Substantial portions of entire zip codes within Orleans Parish now were making their new lives in Houston. Since the United States and this region have encouraged able-bodied evacuees to seek work and students to attend school wherever they choose to live, and since little progress has been made on reconstructing the 204,000 housing units destroyed in Louisiana, Houston will be the home for a number of evacuees for the foreseeable future.

The City of Houston, Harris County and various social service agencies working with evacuees understand well the needs and priorities of evacuees who are reconstructing their lives in this community. The most critical needs are for affordable housing and safety.

According to periodic Zogby surveys of evacuees participating in FEMA-subsidized housing programs, tens of thousands of the evacuees still living in the region rented before the hurricanes, continue to rent, and will have difficulty affording housing after the end of FEMA assistance.

Houston and Harris County take some pride in our efforts to encourage evacuees back into the mainstream of our nation's life, rather than segregating these citizens in particular apartment complexes or makeshift trailer camps. So, the most cost-effective use of CDBG funds is to address the incremental need for affordable rental units and

housing safety services caused by a rise in population in the areas where a high concentration of the evacuees have chosen to live.

**USE OF ACTION PLAN FUNDING
ANTICIPATED ACCOMPLISHMENTS**

Accomplishments resulting from this Action Plan will include enhanced safety, public services and sheltering in low- and moderate-income areas where it can be clearly demonstrated that the population has seen a dramatic population increase due to an influx of Katrina evacuees. Houston and Harris County anticipate that low to moderate income (LMI) individuals will be the primary beneficiaries of the program. Under HUD program guidelines, LMI beneficiaries are part of households that earn less than 80 percent of the area median family income.

NATIONAL OBJECTIVE

Under the Action Plan, all eligible activities must meet one of the three national objectives set out in the Housing and Community Development Act (address slum and blight, urgent need, primarily benefit LMI persons). Pursuant to explicit authority in the Department of Defense Appropriations Act, 2006 (Public Law, 109=148, approved December 30, 2005), HUD is granting an overall benefit waiver that allows for up to 50 percent of the grant to assist activities under the urgent need or prevention or elimination of slums and blight national objectives, rather than the 30 percent allowed in the annual CDBG program. The primary objective of Title I of the Housing and Community Development Act and of the funding program of each grantee is the “development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.” The state goes on to set the standard of performance for this primary objective at 70 percent of the aggregate of the funds used for support of activities producing benefit to low and moderate-income persons. Since extensive damage to community development and housing affected those with varying incomes, and income-producing jobs are often lost for a period of time following a disaster, HUD is waiving the 70 percent overall benefit requirement, leaving a 50 percent requirement, to give grantees even greater flexibility to carry out recovery activities within the confines of the CDBG program national objectives. The National Objective that will be met with this spending will be the addressing of slum and blight, meeting an urgent need, as well as benefits accruing to low- to moderate- income persons making less than 80% of Area Median Income. The high priority of rehabilitation and reconstruction of affordable rental units and community development programs to increase the safety in those complexes and their surrounding areas is demonstrated by this plan amendment. All of the City of Houston spending will be allocated to affordable rental housing programs in areas where it can be demonstrated that the population has seen a dramatic population increase due to an influx of Katrina evacuees. Harris County programs will primarily target low- and moderate-income persons who are Katrina or Rita evacuees.

GENERAL USE OF FUNDS AND FUNDING ALLOCATION

The City of Houston and Harris County will use the following funding allocation to prioritize the use of funds based on the highest observed needs.

Activity	Primary National Objective	Additional Federal Register* Objectives	Available Funding for Activity	% Plan Funding
Neighborhoods To Standard Program	Address slum and blight, LMI Benefit	Rehabilitation of the affordable rental housing stock	\$20,000,000	33%
Multi-Family Apartment Community Liaison Program	Address slum and blight, LMI Benefit		\$20,000,000	33%
Evacuee Public Services: - Housing Safety Program-Expanded public services to incarcerated evacuees Evacuee Medical Services Katrina Crisis Counseling Program Youth Offender Services	Urgent Need, LMI Benefit		\$20,000,000	33%
Total Plan Amendment Funding			\$60,000,000	

*As established by the “Action Plan additional elements” requirement included in the *Federal Register* notice, the activity addresses one or more of the identified additional elements below described.

"b. The grantee's overall plan for disaster recovery will also include:

(i) An explanation of how the State will give priority to the rehabilitation and reconstruction of the affordable rental housing stock including public and other HUD-assisting housing, a description of the activities the State plans to undertake with grant funds under this priority, and a description of the unique challenges that individuals with disabilities face in finding accessible and affordable housing/

(ii) An explanation of how the State will give priority to infrastructure development and rehabilitation, and description of the infrastructure activities is plans to undertake with grant funds; and

(iii) An explanation of how the method of distribution or use of funds described in accordance with the applicable notices will result in the State meeting the requirement that at least 19.3311 percent of its allocation under this notice shall be used for repair, rehabilitation, and reconstruction (including demolition, site clearance and remediation) of the affordable rental housing stock (including public and other HUD-assisted housing) in the impacted areas."

OVERARCHING ACTIVITY ELIGIBILITY REQUIREMENTS

This Action Plan Amendment outlines the City of Houston's and Harris County's framework for allocating funding as guided by the requirements published in the *Federal Register* (Vol. 71, No. 209) on October 30, 2006. Unless otherwise stated in the *Federal Register*, statutory and regulatory provisions governing the CDBG program, specifically 24 CDF Part 570 Subpart I, apply to the use of these funds. All activities must be eligible CDBG activities according to 24 CFT Part 570 Subpart I, except as waived by HUD, must meet requirements for disaster recovery funding cited throughout this document, and must meet at least one of the three national objectives.

As noted in the *Federal Register*, under the law "...the funds may not be used for activities reimbursable by or for which funds are made available by the Federal Emergency Management Agency or the Army Corps of Engineers. Further, none of the funds made available under this heading may be used by a State or locality as a matching requirement, share, or contribution for any other Federal program." This will be a key requirement that will be monitored by TDHCA throughout every stage of the program.

ELIGIBLE ACTIVITIES UNDER THE SPECIFIC FUNDING PRIORITIES

As stated in the *Federal Register*, "the appropriations statute requires funds be used only for disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of hurricanes in the Gulf of Mexico in 2005. The statute directs that each grantee will describe in its Action Plan for Disaster Recovery how the use of the grant funds gives priority to infrastructure development and rehabilitation and the rehabilitation and reconstruction of the affordable rental housing stock including public and other HUD-assisted housing." The following specific activities have been identified by the City of Houston and Harris County to be carried out to meet the priority needs of evacuees who reside in the Houston/Harris County area.

THE STRATEGY BEHIND HOUSTON'S REQUESTS

Housing

Houston's use of \$20 million in the CDBG funds for housing will be undertaken in the most cost-effective and market-driven manner. These funds will be plugged into an existing Apartment-to-Standard Program in an area where a large number of evacuees have chosen to live. The rehabilitation of existing multi-family housing stock at approximately \$20,000 per unit can be implemented much more quickly and cost-effectively than the construction of new apartments. By increasing the supply of affordable housing units in an area, we increase the availability of good quality housing at a reasonable price point available to evacuees.

The best way to target housing assistance for an evacuee population will be to concentrate this assistance in the geographical submarket within Houston where the highest concentration of evacuees have chosen to reside and get on with their lives. (See Attachment A) Specifically, Houston will target the funds in and around the Fondren/Southwest area, the geographical area south of IH 59 outside Loop 610, in the southwest part of the City. In that area, public school enrollment increased by 2,840 students between September 2005 and January 2006.

Housing Safety

The \$20 million intended for housing safety efforts in and around multi-family complexes is based on similar principles. Violent crime rose dramatically in multi-family complexes located within four Police Districts that contain the high percentages of evacuees. Murder rose 62%, rape rose 20 %, robbery rose 3%, and aggravated assault rose 20% in multi-family complexes in these districts. These figures do not include crime that spilled over into the neighborhoods near these hot zones. (Attachment B).

Recognizing the unusual and extraordinary nature of Houston's response to the evacuees, both FEMA and the Department of Justice funded programs to deploy overtime police officers in areas with high concentrations of evacuees. These special overtime programs funded by Department of Justice grants and FEMA have proven to be highly effective means for improving the safety of residents, as crime rates dropped sharply after the implementation of these programs. The housing safety program must be extended while evacuees remain since housing safety is a direct function of population and density.

Crime analysis by the Houston Police Department has shown that residents of lower-income, multi-family apartment complexes are disproportionately the victims of violent crime. This CDBG program will provide an officer liaison for fifty apartment complexes located primarily in Police Districts in the Fondren/Southwest, west, and Greenspoint areas where a concentration of evacuees reside and a disproportionately high rate of violent crime has developed. The program is intended to decrease the number of crime incidents in and around multi-family apartment complexes in these districts. Overtime police programs previously funded by Justice and FEMA have allowed deployment of more officers into these hot spots, making numerous arrests, and heading off what would have been an even more shocking rise in the violent crime rate. Houston continues to shelter more than 100,000 persons displaced by Hurricane Katrina. Safe housing remains a need for these evacuees.

TIMING

Houston requests prompt action on the disbursement of these funds. For housing safety, prompt approval of this request and disbursement of these funds is necessary to continue overtime programs after July 1, 2007.

As described in the more detailed section of this request dealing with the multi-family program, request for proposals have already been made for apartment improvements in areas with high concentrations of evacuees. The City of Houston requested assistance from TDHCA, in writing, during the first 60 days of the evacuation, September-October 2005. We highlighted that construction timetables require prompt action to allow sufficient rehabilitation and repair of multi-family housing units. Since no assistance was forthcoming, many of the units with heavy evacuee populations have deteriorated significantly since that time. The reimbursement rates based on HUD Section 8 formulas did not provide sufficient incentive for many landlords to invest in the rehabilitation of this housing stock. Rising insurance rates and utility bills which could not be passed along to renters have further jeopardized the potential supply of habitable multi-family housing stock. Construction must begin as soon as possible.

Housing - Neighborhoods to Standard Program - Katrina Target Area

Funding in the amount of \$20,000,000 shall be made available to developers, both for- and not-for-profit, to rehabilitate apartment units in low-moderate income areas of the city. The City's Department of Housing and Community Development (HCD) opened a Request for Proposals (RFP) for the citywide Neighborhoods to Standard Program in February 2007. This RFP invited developers, both for- and not-for-profit, to rehabilitate apartment units in any low-moderate income area of the city. Under the Katrina component, extra credit will be given for units located in the Fondren/Southwest Freeway target area where the population has seen a particularly dramatic increase due to an influx of Katrina evacuees. (Attachment A shows, however, that the population of evacuees has significantly impacted several parts of the city besides the target area.)

The Neighborhoods to Standard program seeks to rehabilitate a substantial number of units in each target area. Assuming an average of \$20,000 invested per unit, this will improve 1,375 units and provide an opportunity for safer, more sanitary shelter including special needs. All approved projects will be subject to all HUD requirements for projects. This includes relevant fair housing, nondiscrimination, labor standards, special needs and environmental requirements.

Eligibility Requirements

The program is limited to developments that satisfy all of the following conditions.

1. Assisted units in areas where population within the area significantly increased due to an influx of Katrina evacuees.
2. A private sector partner with a 20-year useful life of the property following the rehabilitation.
3. A solid track record of accomplishment in real estate development and management.

Requirements for Receiving Assistance

In exchange for accepting funding assistance, each applicant must agree to the following requirements.

1. To assure that the assisted housing is as affordable as possible and is occupied by families with appropriate incomes, a land use restriction agreement must be recorded that establishes appropriate low to moderate rent and income limits for the period of years required by HUD regulations. All assisted units will comply with rent restrictions for 15 years post-rehabilitation.
2. All construction will be in accordance with local municipal code.
3. Maintenance of 100 percent insurance coverage on replacement values of the property for all hazard types will be required.
4. All approved projects are subject to all HUD requirements for projects. This includes relevant fair housing, nondiscrimination, labor standards, and environmental requirements.

Grant Calculation

The amount and terms of the loan or grant shall be based on underwriting criteria established in the NOFA. The assistance amount shall be determined through an intensive review of the application by the City of Houston Department of Housing and Community Development as outlined in the existing Neighborhoods to Standards Request for Proposals (RFP). Among other items, this review will specifically assess each application's stated operating proforma, cost estimates, and area rental market conditions to develop the appropriate amount of and structure for the assistance. Applicants are encouraged to leverage other available resources to preserve affordable housing for low and very low-income residents. Primary consideration will be given to redevelopment plans that go beyond unit improvement to include community services, community facilities, area beautification, or school support (such as a community room for tutoring or computers).

Distribution of Funding

Funds will be distributed via contracts with developers approved by the Houston City Council following analysis and underwriting by HCD. Contracts typically call for a developer to be reimbursed for costs related to rehabilitation or reconstruction activities on a monthly basis, with an appropriate retainage withheld. Funds should be completely distributed within 24 months of the contract start date.

Funds under Neighborhoods to Standard are to be used for hard costs only. Interest, developer's fees, and other such "soft" costs will not be funded with this grant.

Housing Safety - Multi-Family Apartment Community Liaison Program

Funding in the amount of \$20 million will be provided to the Houston Police Department for establishment of a Multi-Family Apartment Community Program. The funds will be utilized to procure equipment and supplies to support the program and to staff the program with officers on overtime.

The Multi-Family Apartment Community Program is designed to address the needs of low to moderate income residents residing in multi-family apartment communities where it can be clearly demonstrated that the population within the area has seen a dramatic increase due to an influx of Katrina evacuees. Health, public safety and overall quality of life issues in these multi-family communities not only affect the residents who reside in the multi-family communities, many of whom are Katrina evacuees, but directly impact the surrounding neighborhoods and educational institutions. Through the program's direct involvement of residents within the designated multi-family communities, the Houston Police Department's goal is to reduce crime as well as fear of crime, and actively involve residents in the process of developing strong bonds to their community.

The objectives of the program are to:

- I. Develop a working team between apartment management, residents and law enforcement officers tasked with developing collaborative crime fighting strategies in multi-family communities.
- II. Create, implement and facilitate long-term strategies to address crime, housing safety, and quality of life issues affecting residents of multi-family residential properties in low to moderate income neighborhoods where it can be clearly demonstrated that the population within the area has seen a dramatic increase due to an influx of Katrina evacuees. Strategies will be tailored to individual complex needs and issues.

In order to achieve these objectives, the Program will be implemented across two distinct phases. In Phase I, liaison teams will be deployed to each of fifty multi-family residence properties that have been identified as housing a large proportion of evacuees from Hurricanes Katrina and Rita and having high levels of crime.

During Phase I of the ACLP housing safety program, officers will engage in community outreach, resident education, law enforcement and development of management strategies to lower crime rates and enhance housing safety and quality of life on the multi-family properties. The program will enlist the residents' active involvement in identifying, prioritizing and addressing housing safety and quality of life issues in their community.

Phase II will require property management and resident volunteers to assume responsibility for the on-property program and to coordinate with the HPD Citywide Apartment Community Liaison coordinator. The coordinator will provide organizational skills, direction, and analysis of crime trends and educational resources. In addition, the coordinator will schedule regular meetings in the affected multi-family communities to assess community needs and provide feedback to the department.

The Houston Police Department's Multi-Family Administrative Unit will coordinate the Program.

Eligibility Requirements

Only multi-family apartment complexes in low to moderate income neighborhoods where it can be clearly demonstrated that the population within the area has seen a dramatic increase due to an influx of Katrina evacuees are eligible. Data from the FEMA Housing Assistance Program has been used to identify qualifying apartment complexes. Among the qualifying complexes, properties within Master Police Districts with concentrations of high violent crime will be designated for the ALP program. (See Attachment C)

Distribution of Funding

Funds will be distributed to the Houston Police Department for implementation of the program.

THE STRATEGY BEHIND HARRIS COUNTY'S REQUESTS

Harris County's use of the CDBG recovery funding will address a myriad of public service needs for evacuees who remain in the area. Following the advent of the 2005 disasters, the area's public service systems experienced extreme increases in demand for service. Most notably, the United Way reported a 56% increase in inquiries for services in 2005 over requests for services in 2004. Additionally, other programs expended significant resources in the provision of services to a significant number of evacuees while also continuing services to Harris County residents; specifically, MHMRA's Katrina Crisis Counseling program served more than 39,000 evacuees through December 2006, the Harris County Hospital District opened more than 35,000 inpatient and outpatient cases for evacuees through December 2006, and the Harris County Juvenile Probation Department served more than 470 evacuee youth in its facilities through August 2006.

Published reports on the impact of the Gulf Coast hurricanes of 2005 on the Houston/Harris County area have stated that as many as 380,000 persons sought refuge following these storms in this area. While many stayed temporarily or had resources that allowed them to re-establish permanently in the area, a significant portion of this population continue to remain in the area because they have little or no resources to allow them to move elsewhere or return home. This is demonstrated by Census Bureau data that reported a decrease to Harris County's median household income from 2005 to 2006 partially attributed to the influx of low-income persons who remain in the area. Furthermore, the home communities of many of these persons have not yet recovered to offer sufficient services and affordable housing to return to. Thus, Houston/Harris County continues to be the home of a low-income, disadvantaged, and displaced population who are in need of services and resources necessary to sustain a fair quality of life as well as address the myriad of issues that linger as a result of the initial disaster. Many of these

persons have lost permanent housing and continue to be housed in the temporarily extended Federal Emergency Management Agency (FEMA) housing program

Houston and Harris County did not hesitate to provide services to meet the increased demand by evacuees. With this request, Harris County plans to expand services and continue to meet the increased demand while continuing its level of service for permanent Harris County residents. With this funding, the area’s capacity to serve will increase and more evacuee needs will be met. The County proposes funding six public service programs and one housing program more fully described below.



Table 1 Funding Summary-Proposed Harris County Projects

Harris County Proposed Projects	National Objective	Estimated Persons Served	Amount Allocated	% Harris
Evacuee Public Services:				
Expanded Services to Hurricane Evacuees (HCSO)	LMC	210	\$1,965,191	10%
Evacuee Medical Services (HCHD)	Urgent Need	13,619 with 35,515 patient visit	\$6,049,691	31%
Continuation of Katrina Crisis Counseling Program (MHMRA)	LMC	2,448	\$2,400,158	12%
Youth Offender Services (HCJPD)	LMC	24	\$76,858	1%
DHAP Transportation Program (HCCSD)	LMC	100	\$246,516	1%
DHAP Case Management Program (HCCSD)	EMC	250	\$1,000,000	5%
Evacuee Housing:				
Multi-Family Evacuee Housing (HCCSD)	LMH	500	\$8,011,587	40%
Harris County Total			\$20,000,000	100%

Expanded Services to Hurricane Evacuees

Funding in the amount of \$1,965,191 will be used to provide expanded public services through the Harris County Sheriff’s Office to evacuees arrested as a result of the increased security and public safety efforts in the identified target apartment complexes. The County will provide expanded services to such evacuees by contracting for additional bed space for treatment of substance abuse and mental health issues to reduce the recidivism rate of evacuees who are arrested and incarcerated. The County will add beds specifically for substance abuse and mental health treatment of inmates who are evacuees. Additionally, the County will utilize reintegration counselors to re-establish eligibility in Social Security Income (SSI) programs, Medicaid, Mental Health Mental Retardation Authority (MHMRA) programs, housing and other similar programs to ensure continuity of services upon release from jail.

Based on 2006 statistics, the Harris County correctional facilities processed an estimated 3,600 evacuees through its system. It is anticipated that approximately 110 evacuees will receive services while being processed through the County jail as a result of the proposed Expanded Services to Hurricane Evacuees.

Table 2 Expanded Services to Hurricane Evacuees

	Activity
1)	Residential substance abuse treatment to stabilize inmates in the Harris County Jail.
2)	Inpatient mental health treatment to stabilize inmates in the Harris County Jail or Harris County Psychiatric Center.
3)	Case management to inmates to establish benefits, link with outside programs and provide counseling for up to 270 days.
4)	Substance abuse treatment to individuals after release from the Harris County Jail as needs arise and funds are available
5)	Mental health treatment and medication assistance after release from the Harris County Jail until benefits established
6)	Short-term housing subsidies to program participants until employment is obtained or benefits established
7)	Transportation assistance (i.e. bus passes) to program participants until employment is obtained or benefits established

National Objective

This activity will meet the CDBG National Objective of primarily benefiting low and moderate-income persons.

Eligibility Requirements

Evacuees who receive expanded services through Harris County under the Expanded Services for Hurricane Evacuees must meet the following eligibility criteria:

- Evacuees must provide proof of household income (at least 51 percent of the persons served will have incomes within the applicable income limits);
- Evacuee status must be documented via FEMA eligibility, or other documents proving displacement as a result of the Hurricanes Katrina or Rita;
- Evacuee must be assessed as a substance abuser and/or suffer with mental health issues.

Distribution of Funding

Funding under this program will go towards payment of contract services to provide additional substance abuse treatment, mental health treatment beds and reintegration counselors/case managers.

Evacuee Medical Services-Harris County Hospital District

Funding in the amount \$6,049,691 will be provided to the Harris County Hospital District (HCHD) to recover unreimbursed costs associated with the provision of emergency and non-emergency medical services to evacuees.

When news of Hurricane Katrina's approaching landfall in Louisiana broke in late August 2005, Texas became the main destination for hundreds of thousands of people fleeing the advancing storm. For many of those left behind in New Orleans, their only refuge was within the Louisiana Superdome. Following the storm's passing, Houston and Harris County's planned evacuation of more than 20,000 people during the renowned dome-to-dome transfer captured the nation's imagination and helped achieve a new level of local civic pride. More than 16 months later, more than 100,000 evacuees continue to call Texas home, and the impact of this mass exodus continues to be felt in our community and by the Harris County Hospital District.

The Harris County Hospital District's unprecedented two-week operation of the Astrodome Health Clinic at the Reliant Complex from September 1-15, 2005 was one of its proudest moments and remains a shining example of HCHD's employee and medical staff's can-do attitude. Marshalling the full extent of its resources, HCHD staff and physicians from its medical school partners established a fully operational field hospital within 18 hours, accepting its first patients during the early morning hours of September 1, 2005.

Clinical operations, staff and physical structure grew approximately four times in size during the first 72 hours while patient treatment continued. The clinic space expanded from its initial 20 exam rooms to 90 exam rooms by the fourth day. In all, the Astrodome Health Clinic operated by HCHD accounted for more than 11,000 patient visits, 10,000 prescriptions and 10,000 tetanus shots to Katrina's evacuees. Through December 2006, the Hospital District has provided health care for more than 35,000 evacuee patient visits in its facilities, including 507 admissions to its hospitals.

The cost of providing medical services to the evacuees was a significant expense for the Hospital District to bear. HCHD received only \$3 million in payments, less than 32.3 percent of its estimated costs.

Table 3 Harris County Hospital District-Katrina Patients

Service Type	Cases	Charges	Cost	Total Payments Received	Cost Less Total Payments Received
In-Patient	507	7,652,631	4,245,702	2,152,600	2,093,102
Out-Patient	24,754	6,869,482	3,350,354	674,847	2,675,507
Take Home Drugs	10,254	1,528,458	628,019	120,553	507,466
Total Patient Services	35,515	16,050,571	8,224,075	2,948,001	5,276,075
Astrodome Clinic			883,103	109,487 ¹	773,616
Grand Total	35,515	16,050,571	9,107,178	3,057,488	6,049,691

National Objective

All of the costs associated with eligible activities will be documented as meeting the CDBG National Objective of Urgent Need. In accordance with 24 CFR 570.208 (c), all services to evacuees under the Evacuee Medical Services Program fall within the 18 month period following Hurricanes Katrina and Rita.

Eligibility Requirements

The Federal Emergency Management Agency (FEMA) made the Emergency Declaration for Hurricane Katrina on August 29, 2005 and made the Emergency Declaration for Hurricane Rita on September 2, 2005. As a result of the declarations, evacuees from these disasters meet the CDBG National Objective of Urgent Need. In meeting the Urgent Need National Objective, income records are not required; however, records are maintained that describe the situation, nature and severity of need for medical services for evacuees who relocated to Harris County. In general, evacuees who receive medical services must meet the following eligibility criteria:

- Evacuee status must be documented via FEMA eligibility, or other documents proving displacement as a result of Hurricanes Katrina or Rita.

Distribution of Funding

Funding under this program will be used to reimburse the Harris County Hospital District for documented emergency and non-emergency medical costs.

Katrina Crisis Counseling Program

Funding in the amount of \$2,400,158 will be provided to the Mental Health Mental Retardation Authority of Harris County (MHMRA) for the continuation of the Katrina Crisis Counseling Program (KCCP) for a period of 19 months.

In September 2005, upon the arrival of the evacuees to the Harris County area, MHMRA immediately organized and provided leadership and staffing for emergency psychiatric services at the Mega Shelters (Reliant Center/Arena and George R. Brown Convention Center) and Disaster Recovery Centers ("DRC's"), utilizing about 100 MHMRA employees. In addition to individuals with mental health needs, MHMRA served children, seniors, and individuals with mental retardation who were also particularly impacted. MHMRA coordinated emergency services with City, County, State and Federal officials, medical provider networks, Social Work schools, and other service providers.

¹ Amount reimbursed by FEMA.

This immediate local response grew into what became known as the Katrina Crisis Counseling Program that opened for operation in October 2005 with funding through the Texas Department of State Health Services. The KCCP was organized to provide longer term crisis counseling to Katrina survivors as temporary relocation grew into longer term displacement. KCCP staff assumed crisis counseling service provision at the Disaster Recovery Centers (DRC's) and throughout the community immediately after they were hired and trained. Contract services include: Individual Crisis Counseling, Group Crisis Counseling, Outreach, Screening and Assessment, Grief and Loss Counseling, Stress Management, Education and Information, Referrals to longer term, more formal mental health and/or substance abuse treatment (Narcotics Anonymous and Alcoholics Anonymous), Referrals to other service agencies (FEMA help-line, Voluntary Organizations Active in Disaster, Salvation Army, Red Cross, Interfaith, Unmet Needs), Networking and Collaboration with community leaders and public officials, regarding the disaster.

During 2006, the KCCP delivered more than 35,000 crisis counseling sessions, provided more than 4,400 crisis counseling sessions by phone, and made more than 1,700 mental health referrals.

In December 2006, funds from the Texas Department of State Health Services ended and MHMRA agreed to continue the program through a phase-down plan that would end all services within six months and hopefully setup in-kind collaborations with other services providers for the benefit of evacuees still facing crisis. In lieu of phasing down the program, Harris County proposes to continue the program with CDBG recovery funds to assist 6,992 individuals and provide the necessary emotional closure to set them on a path of to developing self-sufficiency and integration into the Houston/Harris County community or resettling back to their home communities. Case workers recognize that evacuees enrolled in mental health and counseling services have profound needs and require immense assistance. Case workers must also conduct broad outreach to assist evacuees that would benefit greatly from, but are not receiving services. We anticipate this program continuing for another 19 months with full closure within 24 months of receipt of grant funds.

National Objective

This activity will meet the CDBG National Objective of primarily benefiting low and moderate-income persons.

Eligibility Requirements

Since crisis counseling may be necessary for evacuees of varying income levels, the services provided under this program will not be restricted to only low-income persons; however, at least 51 percent of all persons served through this program will be of low and moderate income. In general, evacuees who receive services through the Katrina Crisis Counseling Program must meet the following eligibility criteria:

- Evacuees must provide proof of household income (at least 51 percent of the persons served will have incomes within the applicable income limits);
- Evacuee status must be documented via FEMA eligibility, or other documents proving displacement as a result of the Hurricanes Katrina or Rita.

Distribution of Funding

Funding under this program will go towards payment of salaries, supplies, and professional fees and services necessary to continue services to evacuees served under this program.

Youth Offender Services

Approximately \$76,858 of Harris County's funding will be used to provide expanded services to juvenile offenders who are evacuees and have been placed under the supervision of the Harris County Juvenile Probation Department.

The Harris County Juvenile Probation Department (HCJPD) provides protection to the public and provision of services to youth referred for violations of the law. As mandated in the Texas Juvenile Justice Code, the department provides services including treatment, training, rehabilitation and incarceration while emphasizing responsibility and accountability of both parent and child for the child's conduct and offering the most opportunities for those youth who demonstrate the greatest potential for positive change. In part to achieve this mission, HCJPD provides a variety of additional social services not mandated by law to youth offenders under their supervision. Such services include but are not limited to mental health assessments, crisis intervention, individual and family counseling, tutorials, educational workshops and residential treatment including acute psychiatric care services. Through August 2006, HCJPD had admitted to its facilities and provided services to 472 youth who were evacuees to Harris County at a cost of approximately \$1.2 million. In addition to these services, HCJPD contracts for space at the Harris County Psychiatric Center (HCPC) for 16 service beds for youth that have acute psychiatric needs that cannot be addressed in other residential treatment facilities. In 2005, 124 Harris County youth received services at HCPC. With the advent of the disasters of late 2005, HCJPD had to give up critical bed space for Harris County youth at HCPC for eight youth who evacuated to the Harris County area. In an effort to meet the service needs of these youth while also maintaining the level of service required to serve Harris County youth, CDBG recovery funding will be set-aside to fund expanded HCJPD services to evacuee youth offenders in need of such services during the next 24 months.

Eligibility Requirements

Since youth from households of varying income levels may need the services of the HCJPD, the services provided under this program will not be restricted to only low-income persons; however, at least 51 percent of all persons served through this program will be of low and moderate income. In general, evacuees processed through the HCJPD under this program must meet the following eligibility criteria:

- Evacuees must provide proof of household income (at least 51 percent of the persons served will have incomes within the applicable income limits);
- Evacuee status must be documented via FEMA eligibility, or other documents proving displacement as a result of the Hurricanes Katrina or Rita.

Distribution of Funding

Funding under this program will go towards payment of professional fees and services necessary to provide services to youth evacuees and to pay contract costs to reserve beds at the Harris County Psychiatric Center. Funding will be concentrated more heavily toward providing services through the Harris County Psychiatric Center, as services through this facility are costly.

DHAP Transportation Program

Funding in the amount of \$246,516 will be utilized by Harris County to provide public services, primarily transportation services, to the evacuee population that is being served through HUD's Disaster Housing Assistance Program (DHAP). The Federal Emergency Management Agency (FEMA) and HUD have partnered to continue housing assistance and to provide case management services to the FEMA-eligible evacuee population for the next 16 months. It is estimated that twenty percent of the 5,000 families registered to date in Harris County DHAP are in need of transportation services. Of the requested \$246,516, an estimated \$ 231,725 will be utilized to provide County dispatched taxi rides while an estimated \$14,430 will be utilized for staffing, program oversight, equipment and supplies. The process by which clients will access the transportation services is as follows:

1. Case managers will refer clients to Harris County Community Services Department/Transit Services Division as eligible recipients;
2. The Transit Services Division will perform client intake and determine eligibility by working with case manager to collect necessary household income documentation;
3. Client will contact Harris County Community Services Department/Transit Services Division to schedule a round trip ride;
4. The dispatcher will dispatch a taxi to the client and transport the client from home to the scheduled appointment;
5. After the appointment (case management, other services, etc.) the client will contact the Transit Services Division and a taxi will be dispatched for the return home if not previously scheduled.

In addition to transportation services, we are anticipating other needed services to be revealed as a part of the DHAP case management component. Transportation services will assist DHAP families in getting to their case management appointments as well as accessing other necessary resources.

The Harris County Community Services Department's Transit Services Division will operate the taxi program to provide a total of 1,000 trips to an estimated 100 clients over the 16 months during which clients will receive DHAP assistance. The services will permit each family approximately four trips per month to access their individual services, whether job training, medical services or case management.

Eligibility Requirements

The services provided under this program will be restricted to clients participating in DHAP who are at least 51 percent low-income. In general, evacuees who receive services through the DHAP Transportation Program must meet the following eligibility criteria:

- Evacuees must provide proof of household income;
- Evacuee status must be documented via FEMA eligibility, or other documents proving displacement as a result of the Hurricanes Katrina or Rita.

Distribution of Funding

Funding under this program will go towards payment of transportation services necessary to provide services to evacuees participating in the DHAP Program.

DHAP Case Management

Funding in the amount of \$1,000,000 will be utilized by Harris County to provide services to evacuees currently enrolled in the Disaster Housing Assistance Program (DHAP). DHAP is a step-down program designed to move participating evacuees from receiving housing assistance to becoming self-sufficient and all funding will terminate in March 2009. Though most current DHAP clients will be able to adequately move to self-sufficiency, there are many clients that do not have the resources to maintain long-term permanent housing. The clients that fall under this category are often elderly and disabled on fixed income. Additionally, clients identify several barriers to becoming fully self-sufficient, mostly pertaining to job placement and retention. As DHAP concludes, Harris County proposed providing additional case management services to those clients participating in DHAP with the greatest barriers to becoming fully self-sufficient. The services under the Case Management Program will include:

- Counseling and mental health services
- Food vouchers
- Prescription drug vouchers
- Child care vouchers
- Education and tuition assistance

The Harris County Community Services Department's Social Services Division will operate this program. The services and assistance that Harris County will provide to clients are those that DHAP clients and case workers alike have identified as serious impediments to becoming fully self-sufficient. Case workers will coordinate with clients to identify which clients will benefit most from available services as well as identify clients most likely to achieve success with this type of assistance. All clients receiving benefits will be required to maintain counseling and mental health services.

Eligibility Requirements

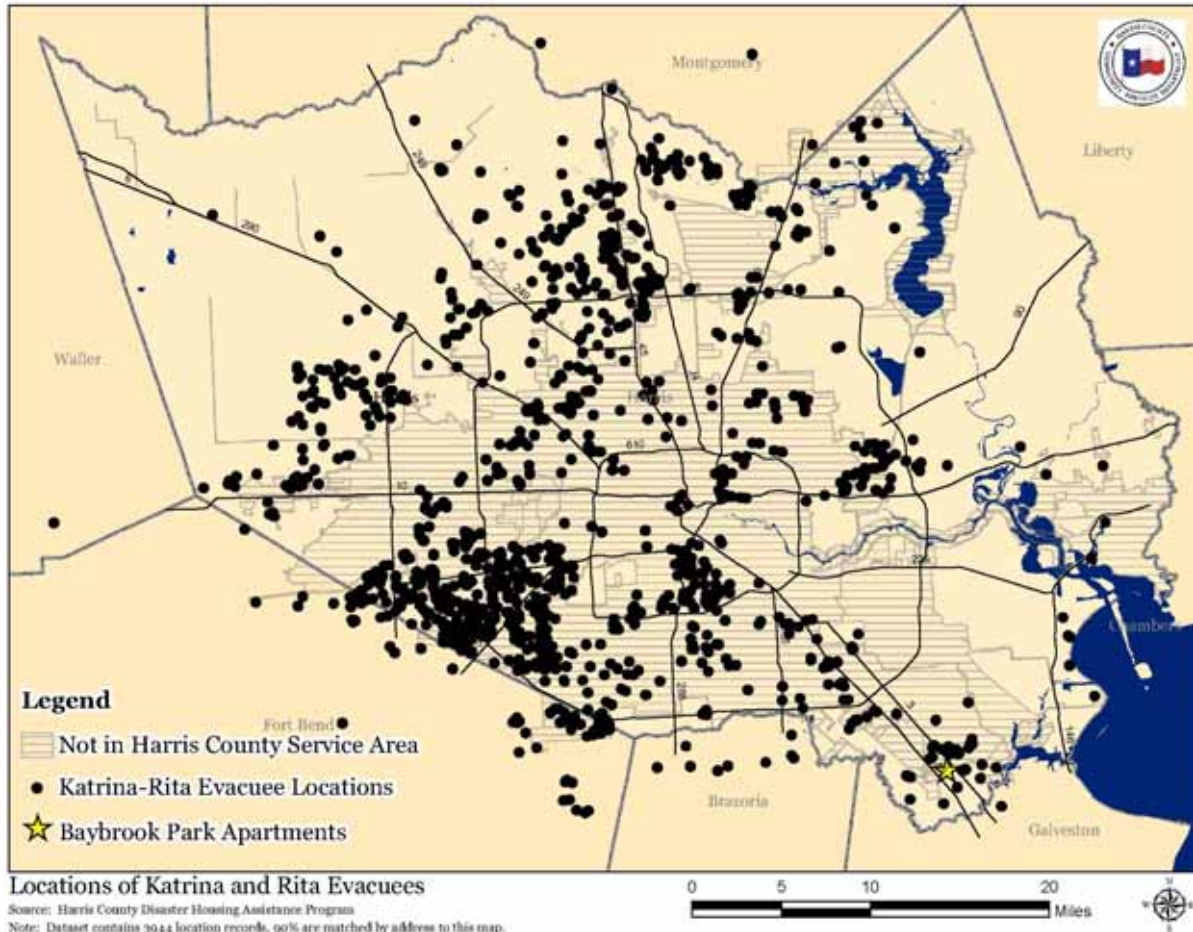
The services provided under this program will be restricted to clients participating in DHAP who are at least 51 percent low-income. In general, evacuees who receive services through DHAP Case Management must meet the following eligibility criteria:

- Evacuees must provide proof of household income;
- Evacuee status must be documented via FEMA eligibility, or other documents proving displacement as a result of the Hurricanes Katrina or Rita.

Multi-Family Evacuee Housing

Following Hurricanes Katrina and Rita, evacuees relocating to Harris County concentrated in areas where decent, affordable housing was available. Reflected in Map 3, areas with the highest concentration include Southwest, North and Northwest Harris County.

Map 3: Concentrations of DHAP Clients in Harris County



The influx of evacuees greatly reduced the already limited stock of quality affordable housing throughout Harris County. The limited stock of affordable housing was further impacted by Hurricane Ike in September 2008. Many affordable housing communities that had become home to 2005 evacuees fell into disrepair from Ike. While some affordable housing became uninhabitable, others remain in dire need of rehabilitation. To address these housing needs in areas of high evacuee populations, Harris County will administer the Multi-Family Evacuee Housing Program. Funding in the amount of \$8,011,587 shall be made available to developers, both for- and non-profit, to acquire, develop, and/or repair affordable multi-family housing throughout Harris County. The County's Community Services Department (CSD) will open a Request for Proposal (RFP) process to solicit viable projects in any of the following three activities:

1. Direct Owner Rehab
2. Acquisition and Rehab
3. Acquisition and New Construction

Direct Owner Rehab:

This activity will provide assistance up to \$20,000 per unit to owners of multi-family properties where there is a heavy concentration of evacuees. These properties are in various states of disrepair, and direct owner rehab will allow owners to directly apply for funding that will be used to rehabilitate such properties.

Acquisition and Rehab:

Harris County will issue an RFP to solicit proposals from private developers to acquire and improve multi-family properties in need of rehabilitation where large populations of evacuees live. Eligible developers will represent both for- and non-profit organizations.

Acquisition and New Construction:

Harris County will provide funding for private developers, representing both for- and non-profit organizations, to acquire land for new development of affordable housing. These projects will be located in the areas with high concentrations of evacuees.

Funding for all projects related to the Multi-Family Evacuee Housing Program will be allocated over a 10 month period.

Eligibility Requirements

The program is limited to developments that satisfy all of the following conditions:

1. Located within Harris County outside the City of Houston.²
2. Located in areas of high evacuee population, or will target evacuees as residents.
3. Owner/developer must have a solid track record of accomplishment in real estate development and management
4. Development must meet all relevant fair housing, nondiscrimination, labor standards, and environmental regulations as required by HUD.
5. Owner/developer must ensure that the assisted housing is in compliance with CSD's Affordable Housing Policy for rental developments using CDBG, including rent limits, unit distribution, compliance period and minimum property standards.

Requirements for Receiving Assistance

In exchange for accepting funding assistance, each applicant must agree to the following requirements:

1. To assure that the assisted housing is as affordable as possible and is occupied by families with appropriate incomes, a land use restriction agreement (restrictive covenants) must be recorded that establishes appropriate low to moderate rent and income limits for the period of years required by HUD regulations.
2. All construction will be in accordance with International Residential Code (IRC) as adopted through Harris County's Minimum Property Standards.
3. Maintenance of 100 percent insurance coverage on replacement values of the property for all hazard types will be required.
4. All approved projects are subject to all HUD requirements for projects. This includes relevant fair housing, nondiscrimination, labor standards, and environmental requirements.

Distribution of Funding

Funds will be distributed via contracts with developers approved by the Harris County Commissioners Court following analysis and underwriting by CSD. Funding for all projects related to the Multi-Family Evacuee Housing Program will be allocated over a ten (10) month period. If a new construction project is selected for funding, a request for an extension may be required to allow for completion of construction.

City/County Administration Funds

The City and County funds available for administrative activities are outlined in agreements with TDHCA.

Implementation

Harris County and City of Houston will implement the activities of this Action Plan consistent with each jurisdiction's standard grants management policies and procedures used in management of CDBG entitlement funds. Contracts will include all required clauses. Each governmental entity shall implement a monitoring program to ensure that subrecipients of CDBG recovery funds carry out their activities in accordance with the respective regulations and agreements. Specific areas of subrecipient operations that will be reviewed include financial performance, project timeliness, record-keeping procedures and compliance with federal regulations and applicable program guidelines. Subrecipients will be continually assessed to determine organizational ability to carry out approved projects. Where potential problem areas are found, technical assistance and training will be provided.

On- Site Monitoring

² To avoid duplication, the County will not provide funding in any areas covered by the City's Neighborhood to Standards program.

Harris County will be responsible for on-site monitoring of its proposed projects and the City of Houston will be responsible for monitoring its projects proposed under this Action Plan. Site visits will be to monitor program progress. The purpose of an on-site monitoring program is to determine if a subrecipient is carrying out its program activities as described in the application for assistance and the written agreement. On-site monitoring is also used to ensure that required records are maintained to demonstrate compliance with applicable regulations. Subrecipients that present the greatest vulnerability to fraud, waste and mismanagement are monitored within the resources available. Risk factors that will be used to determine frequency of monitoring will include:

- Subrecipient experience with CDBG program or other federal grants;
- Subrecipient staffing, to include turnover and key staff experience;
- Previous compliance or performance problems;
- Nature of activity (housing, economic development; relocation, acquisition); and
- Scope of program.

Agencies are notified in writing of any findings resulting from monitoring visits and are given a date by which all findings are to be addressed, as well as corrective actions that must be taken to address the findings. The monitoring letter also addresses concerns and makes recommendations for improvement. Harris County and the City of Houston will use its established procedures and will incorporate any additional requirements on an as-needed basis.

Amendments

Each entity will follow for the requirements for amendments in the TDHCA Action Plan.

Citizen Participation

Citizen participation is critical to any successful planning effort. The City of Houston and Harris County have kept in close contact with citizens regarding the needs of evacuees. The City of Houston Mayor's Office initiated weekly Monday morning meetings at the George R. Brown Convention Center immediately following the disaster. Such meetings have continued on a periodic basis through the current date. This action plan was developed based on input from those meetings.



HARRIS COUNTY, TEXAS

COMMUNITY SERVICES DEPARTMENT

David B. Turkel
Director
Daphne Lemelle
Community Development Director

Office of Housing & Community Development
8410 Lantern Point Drive
Houston, Texas 77054
Tel (713) 578-2000
Fax (713) 578-2090

January 23, 2009

Michael Gerber, Executive Director
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941
Attn: Kelly Crawford

RE: CDBG Disaster Recovery Funds
Harris County Expenditures

Dear Mr. Gerber:

This letter is to address the Texas Department of Housing and Community Affairs' concerns for the expenditure of Harris County's CDBG Disaster Recovery Funds. In order to expedite expenditures, Harris County is requesting approval of Amendment 7 to the Disaster Recovery Plan for Hurricanes Katrina, Rita and Wilma.

As time has passed since the initial impact of Hurricanes Katrina and Rita, the needs of the evacuee population have shifted significantly from direct public services to more long term housing needs. While evacuees relocated following Katrina and Rita, Harris County experienced a considerable reduction to the already limited stock of quality affordable housing in Harris County. In September 2008, Hurricane Ike caused extensive damage and even further decreased the affordable housing stock in areas where many evacuees live. As a result, Harris County has reevaluated all of the public service projects currently serving the remaining evacuees in Harris County and determined that affordable housing is the most pressing need.

With the decreases in funding to public service projects, Harris County would like to use the remaining funds to support the rehabilitation, acquisition and construction of affordable housing. In order to proceed with this option, Harris County is requesting that the State submit a waiver to the Department of Housing and Urban Development (HUD) to allow Harris County to engage in new construction of affordable housing units for areas that are densely populated with Katrina evacuees, similar to the waiver granted to allow new construction following Hurricane Rita.

If a waiver is granted, Harris County requests an additional year to expend funds related to housing projects. A shift in services will allow for all public service projects to expend funding by the end of the year. In addition, the reallocation of funding to housing projects will allow for more expeditious spending. A Request for Proposal application is currently being prepared to select housing projects eligible under the proposed Amendment.

Harris County has published a public notice announcing a public hearing for this Amendment, which will take place on January 26, 2009. Harris County requests that this latest amendment be presented at the next Board meeting on February 5, 2009.

If you have any questions or concerns, please contact Daphne Lemelle, Director of Community Development, at (713) 578-2064.

Sincerely,

Daphne Lemelle
for David B. Turkel
Director

DBT/dal/lc/mgb/ko

Resolution 09-026

WHEREAS, pursuant to PL 110-289 the federal government has appropriated over \$3 billion nationwide through the newly-authorized Neighborhood Stabilization Program (“NSP”) as an adjunct to the Community Development Block Grant (“CDBG”), such funds to provide for the redevelopment of foreclosed and abandoned homes and residential properties, and

WHEREAS, the State of Texas, acting through Governor Rick Perry, has designated the Texas Department of Housing and Community Affairs (“TDHCA”) as the state agency to administer this grant, and

WHEREAS, the U. S. Department of Housing and Urban Affairs (“HUD”), as the agency charged with federal administration of CDBG funds, has approved the allocation to the State of Texas of \$101,966,848 of such funds, and

WHEREAS, although the administration of the allocated grant in general will be led by TDHCA, The Office of Rural Community Affairs (“ORCA”) and the Texas State Affordable Housing Corporation (“TSAHC”) may participate in the administration and distribution of a portion of the funds, and

WHEREAS, it is anticipated that HUD will publish additional rules and guidance for the administration of this program, and

WHEREAS, the TDHCA Board approved the submission of the Substantial Amendment to the State CDBG Action Plan (“Substantial Amendment”) at the November 13, 2008, Board Meeting, and

WHEREAS, the Substantial Amendment proposed to distribute \$50,692,337 to entities within 25 counties in predetermined amounts for each individual county (Direct Allocation) that have the greatest need for stabilization assistance and \$31,077,826 to entities within an additional 76 counties in competitive allocation of an initial amount of \$500,000 available per county, and

WHEREAS, HUD announced the approval of the Substantial Amendment to the State CDBG Action Plan on January 30, 2009, and

WHEREAS, upon HUD execution of the NSP funding agreement, the State will have 18 months in which to commit all funds to specific activities, and

WHEREAS, in a desire to expedite these processes, TDHCA, ORCA, and TSAHC have been working on developing a Notification of Funds Availability (“NOFA”) which will provide the requirements and guidance to subgrantees as to how they may utilize the funds, and

WHEREAS, in order to facilitate the accelerated commitment deadlines and anticipating the receipt of the HUD executed funding agreement, the completion of the NOFA may occur, and it may be necessary to be released prior to the scheduled March 2009 TDHCA Board Meeting,

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director, the Deputy Executive Director, and each of them with the advice and concurrence of the Chairman, be and each of them hereby is authorized, empowered for and on behalf of TDHCA, to cause such notice of funds availability for the utilization of CDBG neighborhood stabilization supplemental funds to be published, in such amounts as may be provided by HUD, and to do such other acts and deeds and execute, deliver, and cause to be performed such other documents, instruments, and writings, as they or either of them may deem necessary or advisable to effectuate the foregoing and to comply with all applicable requirements of state and federal law and this Department's rules.