

7B

Approve Action Plan Modification for submission to HUD for Ike/Dolly to correctly reflect Rental Program funds in the amount of \$188 Million

Corrected Board Materials

The attached Board Action Request is unchanged from the Board Action Request posted in the original Board book posting on June 18, 2010. However, the supporting materials, specifically Appendix 1, has been corrected to accurately reflect the action being recommended by staff.

**DISASTER RECOVERY DIVISION
BOARD ACTION REQUEST
June 28, 2010**

Recommended Action

Approve a modification to the State of Texas Action Plan for Disaster Recovery (Action Plan) related to Public Law 110-329 to reflect final allocations of Community Development Block Grant (CDBG) Disaster Recovery funds for rental activities.

RESOLVED, that the adoption of the proposed modification to the Action Plan, is hereby ordered and it is approved, together with the Texas Department of Rural Affairs (TDRA) as lead entity for these funds, and

FURTHER RESOLVED, that the Executive Director and his designees are hereby authorized, empowered, and directed, for and on behalf of the Department, to cause the modification, in the form presented to this meeting, to be provided to the U.S. Department of Housing and Urban Development (HUD) in accordance with the Federal Register, Vol. 74, No. 29 Published February 13, 2009, and to make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

Background

The Action Plan states that at least 10.6 percent (\$139,743,911) of the total State Allocation will be used for affordable rental housing programs, as required by federal statute. To meet this requirement, the Action Plan provides for a 4.47 percent set-aside (\$58,834,914) under the TDHCA Affordable Rental Housing Stock Restoration Program (Rental Set-Aside), with the remaining 6.15 percent (\$80,908,997) to be met at the regional level by Subrecipients through allocations approved under Council of Government (COG) Methods of Distribution (MOD).

Subsequent to Action Plan and MOD approvals, TDHCA awarded \$59,926,832 under the Rental Set-Aside Award, and awarded \$129,260,834 to Subrecipients for proposed rental activities, for a rental activity total of \$189,187,666, or \$49,443,755 more than originally estimated in the Action Plan.

Activities funded with CDBG Disaster Recovery funds must correspond to the allocations approved in the Action Plan. If allocation adjustments are necessary, the State must determine whether or not the adjustments constitute a substantial change that would require an Action Plan Amendment. The criteria specified in the Action Plan that would require an amendment are:

- addition or deletion of any allowable activity described in the plan; or
- a change in the allowable beneficiaries.

If the State determines that the changes are not substantial, then the State can modify the Action Plan accordingly.

Staff has determined that the required adjustments are not substantial for the following reasons:

- Rental activities are part of the Action Plan as approved; therefore these adjustments will not result in the addition or deletion of an activity.
- The additional funds that will be allocated for rental activities did not change the allowable beneficiaries. The result of these adjustments will be an increase in the beneficiaries served under the low-to-moderate income national program objective (NPO), which is also the primary objective of the CDBG Program.
- The Action Plan provides a minimum estimation of the amount of funds that will be allocated for rental activities, but does not limit rental funding to that amount.
- The adjustments to increase the Rental Set-Aside will come from funds reserved for State Administrative expenses; there will not be a corresponding decrease in funds set-aside for other activities.
- The allocation of funds by Subrecipients for rental activities was part of the regional allocations in the Action Plan. Therefore, increasing the amount awarded for rental activities by the Subrecipients did not have an impact on the regional allocations in the Action Plan.

Although modifications do not require public comment, the proposed modification is being made available for public comment to ensure that the public is fully aware of all actions related to these funds. Further, public comment on the allocation of funds for rental activities by Subrecipients was part of the COG MOD process as well. Prior to this modification, the public has had several opportunities to comment on the use of the funds for all housing activities, including during the TDHCA award process. Favorable public comment was received to use disaster funds for affordable rental housing activities.

The proposed modification is included as Appendix 1 to this item.

Appendix 1



Modification #1

June 4, 2010

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Public Comment Summary for Modification #17

**TDHCA posted the modification on their website and the following summarized public comment received
on the modification:7**

Citizen Participation and Public Input7

Modification to Adjust Rental Allocations

National Objective:	Benefit to Low and Moderate Income persons
Activity Amount:	TDHCA Rental Set-Aside - \$59,926,832
	Subrecipient Rental Activities - \$129,260,834

Relevant Modification History:

The Action Plan states that **at least** 10.6 percent (\$139,743,911) of the total State Allocation must be used for affordable rental housing programs, as required by federal statute. The State committed to meet the requirement by providing for a 4.47 percent set-aside (\$58,834,914) under the TDHCA Affordable Rental Housing Stock Restoration Program (Rental Set-Aside), and the remaining 6.15 percent (\$80,908,997) would be met at the regional level by Subrecipients through allocations approved under Council of Government (COG) Methods of Distribution (MOD).

Subsequent to Action Plan and MOD approvals, TDHCA awarded \$59,926,832 under the Rental Set-Aside Award, and awarded \$129,260,834 to Subrecipients for proposed rental activities, for a rental activity total of \$189,187,666.

Modification Summary:

Modifications are necessary to the third and fourth paragraphs under the Method of Distribution, State Process section as follows:

STATE PROCESS

Using preliminary input from FEMA, advisory groups, the Office of the Governor, state and local government officials, COGs, 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, COGs, 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 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 **4.5 percent (approximately \$59,669,773)** 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 2.78 percent (approximately \$36,559,240) for Planning activities and **4.93 percent (approximately \$64,914,651)** for the state administered TDHCA Affordable Rental Housing Stock Restoration Program.

The remaining 87.75 percent (\$1,153,846,529) will be distributed to the 11 regions, as further described in the Method of Distribution section.

At least 10.6 percent (\$139,743,911) 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 **4.93 percent set-aside (\$64,914,651)** for the TDHCA Affordable Rental Housing

Stock Restoration Program mentioned above. The remaining 6.15 percent (\$80,908,997) will be met or exceeded at the regional level through allocation, as determined by the COG allocations. Should any COG have funds that are unallocated to eligible entities, those funds will be returned to the state for reallocation at the state's discretion. (Detailed regional allocation information may also be found in Appendix D).

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	\$ 10,689,289	\$ 70,000,000
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	\$ 101,854,375	\$1,153,846,529

Total Allocation	\$ 1,314,990,193
Program (Total Regional Allocations) (87.75%)	\$ 1,153,846,529
Administration (4.9 %)	\$ 64,657,592
State Planning/ Project Delivery (2.78 %)	\$ 36,559,240
TDHCA Affordable Rental Set Aside (4.56%)	\$ 59,926,832

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

Public Comment Summary for Modification #1

TDHCA posted the modification on their website and the following summarizes public comment received on the modification:

Citizen Participation and Public Input

Written comments on this modification were accepted by mail, e-mail, and facsimile through June 28, 2010. The TDHCA Board Meeting served as a public hearing to receive public comment for the proposed modification to the Action Plan.