

Texas Department of Housing and Community Affairs

2008 Housing Trust Fund Annual Plan



Texas Department of Housing and Community Affairs

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Introduction and Purpose

During the 80th Legislative Session the Department was appropriated General Revenue to the Housing Trust Fund at over \$2.7 million per year from the 2006-2007 appropriation. The Department was appropriated funds as noted below for the 2008-2009 biennium.

The Department annually accrues interest and receives loan repayments to the Fund. Rider 9 of the GAA clarifies that included in funds appropriated each year under the Single Family strategy is an estimated \$900,000 per year in interest to the account as well as loan repayments.

	2008	2009
Single Family (SF)*	\$5,393,036	\$5,394,409
Multifamily (MF)*	\$451,361	\$453,052
Total Annual Approp.	\$5,844,397	\$5,847,461
Increase from 2007	\$2,794,528	\$2,797,592
% Increase from 2007	91.62%	91.73%

* Rider 10(e) in the Bill allows up to \$2.5 million to transfer between the SF and MF activities. Rider 9 of the GAA indicates that this number includes \$900,000 in loan repayments and interest.

Rider 10(d) of the GAA also requires that:

“The Department of Housing and Community Affairs shall provide an annual report to the Legislative Budget Board, the House Appropriations Committee, and the Senate Finance Committee no later than October 1 detailing the agency's plan to expend funds from the Housing Trust Fund during the current fiscal year.”

The purpose of this document is to serve as the Annual Plan detailing the Department's plan for expenditure of the 2008 Housing Trust Fund appropriation.

Funding and Allocation Considerations

Statutory restrictions and directives limit alternatives of how the funds can be programmed for use. Listed below are the limiting parameters that are factored into the plan:

Bootstrap Self-Help Housing Program

Pursuant to 2306.7581, Texas Government Code, the Department is required each fiscal year to transfer at least \$3 million to the owner-builder revolving fund (more commonly known as the "Bootstrap Program") from either HOME funds, Housing Trust Fund monies, or from money appropriated by the legislature to the Department. Because of the demand by non-participating jurisdictions, more onerous federal limitations, and extensive reporting associated with the HOME Program, the Department has determined that the use of HOME funds is not practical to accomplish the goals of the Bootstrap Program. Additionally, to date, no direct funding has been provided by the legislature for this activity. Therefore, the only practical source available for the Department to meet the statutory transfer requirement is the Housing Trust Fund.

Eligible Entities to Receive Funds

Pursuant to 2306.202, Texas Government Code, the Department is directed on the types or eligible entities that may be allocated Trust Fund monies. 2306.6202 states:

"In each biennium the first \$2.6 million available through the housing trust fund for loans, grants, or other comparable forms of assistance shall be set aside and made available exclusively for local units of government, public housing authorities, and nonprofit organizations. Any additional funds may also be made available to for-profit organizations so long as at least 45 percent of available funds in excess of the first \$2.6 million shall be made available to nonprofit organizations for the purpose of acquiring, rehabilitating, and developing decent, safe, and sanitary housing. The remaining portion shall be competed for by nonprofit organizations, for-profit organizations, and other eligible entities."

The Department achieves the first \$2.6 million target through the use of \$3 million each year for the Bootstrap Program whose eligible applicants are limited to nonprofit organizations and public housing authorities. The 2008 funding allocation breakdown to comply with this statute is as follows:

Programming of Funds for Nonprofits	
Total 2008 Funds Available	\$5,844,397
Less: Nonprofits served through Bootstrap	(\$2,600,000)
Balance of Funds	\$3,244,397
45% of Balance of Funds	\$1,459,978
Less: \$400,000 of Remaining Bootstrap	(\$400,000)
Remaining Balance of Funds To Be Programmed for Nonprofits	\$1,059,978

Regional Allocation Formula

Pursuant to 2306.111(d-1), as amended by SB1908, 80th Legislative Session:

“Funds or credits are not required to be allocated according to the regional allocation formula under Subsection (d) if:

(1) the funds or credits are reserved for contract-for-deed conversions or for set-asides mandated by state or federal law and each contract-for-deed allocation or set-aside allocation equals not more than 10 percent of the total allocation of funds or credits for the applicable program;

(2) the funds or credits are allocated by the department primarily to serve persons with disabilities; or

(3) the funds are housing trust funds administered by the department under Sections 2306.201-2306.206 that are not otherwise required to be set aside under state or federal law and do not exceed \$3 million during each application cycle.” (emphasis added)

Due to the limitations using other funds and as the Bootstrap Program is a statutory set-aside that is removed from the total under §2306.111(d-1)(3), after the \$3 million set aside for Bootstrap is removed the remaining total is \$2,844,397. As that total does not exceed \$3 million the statute excepts these funds from the regional allocation formula. Therefore, no regional allocation is anticipated in this Plan for any programmed activities.

Other Critical Considerations

To make the most efficient use of these funds, and to have the greatest impact on low income Texans, several other goals were identified when proposing this Annual Plan:

- Funds should generally be used for very low income families who are not able to obtain housing through financial institutions.
- Funds should be leveraged with either sweat equity or other funds as much as possible.

- Funds should be programmed in ways that generally will allow repayment to the state to re-lend.
- Funds should generally be made available statewide.
- When being programmed, creating homeownership should be a primary consideration.

Input on the Use of Funds

In preparing this Annual Plan, the Department requested input and suggestions from a variety of groups and organizations active in the housing industry. Suggestions were provided to the Department from:

- Association of Rural Communities in Texas (ARCIT)
- Texas Association of Community Development Corporations (TACDC)
- Rural Rental Housing Association (RRHA)
- Disabilities Advisory Workgroup to the Department
- Texas Affiliation of Affordable Housing Providers (TAAHP)
- Texas Low Income Housing Information Service (TLIHIS)
- Texas Habitat for Humanity

In spite of the very welcome increase in the appropriation to the Trust Fund, it remains a challenge to program the funds in ways that address the wide variety of requested activities and needs. Therefore, the Plan does not address solutions to all of the ideas received, but does strive to achieve a balance in funding priorities.

The Department also evaluated areas of need and critical concern to the Department in making the recommendations for this Annual Plan. Of note are the following needs:

- There is a need for gap financing for homeowner's recovering from Hurricane Rita. Currently the CDBG Disaster Recovery Funds are limited in the amount of federal assistance that can be provided to a household. Otherwise qualified households, who are lacking only a small portion of funds to fulfill their full cost of construction, are unable to begin their reconstruction or complete their home. This is preventing them from taking advantage of the CDBG assistance for which they have qualified and preventing them from reestablishing their homes. There is a need for additional subsidy to cover these gaps.
- There is a need to leverage funds with rental properties, primarily in rural areas, that do not receive a Tax Credit award (this may include HOME Program or those not applying for other Department funds) to either fund small scale rental developments or to better enable properties to target units to households at lower median incomes (30% to 50% of AMGI).

2008 Housing Trust Fund Funding Plan

Based on the above considerations, the Department has determined to program and expend the 2008 Housing Trust Fund General Revenue appropriation in the amount of \$5,844,397 as follows.

2008 Activity	Amount Designated
Bootstrap Self-Help Housing Program	\$3,000,000
Disaster Recovery Homeowner Repair Gap Financing Program	\$1,000,000
Rental Production Program	\$844,397
Homeownership SuperNOFA	\$1,000,000
Total	\$5,844,397

Following are descriptions of the programs noted above and their general program design.

Bootstrap Self-Help Housing Program

Amount Required under Statutory Set Aside: \$3 million total of which \$2 million must be funded in areas defined under Chapter 17 Subchapter K of economically distressed counties primarily located along the Texas Water Code /Mexico border and East Texas (see below, generally colonias) and \$1 million will be allocated to the balance of the state.

General Program Description: The Bootstrap Program makes funds available to Colonia Self-Help Centers or state certified Nonprofit Owner-Builder Housing Providers to purchase or refinance real property on which to build new residential housing or improve existing residential housing through self-help construction for very low and extremely low income individuals and families (Owner-Builders); including persons with special needs.

Maximum Loan Amount: TDHCA may provide loans of not more than \$30,000 per household. The total amount of loans made with TDHCA and any other source combined may not exceed \$60,000 per household.

Eligibility Requirement: The administrator must be either a Colonia Self-Help Center or a state certified Nonprofit Owner-Builder Housing Provider. Eligibility for the Owner-Builder includes their income not exceeding 60% of AMFI, that they must have resided in this state for the preceding six months; that they must have successfully completed an owner-builder education class; and that they must agree to provide at least 60 percent of the labor necessary to build or rehabilitate the proposed housing by working through a Colonia Self-Help Center or a state certified Nonprofit Owner-Builder Housing Provider.

In accordance with Section 2306.753(d) of the Texas Government Code, as amended, TDHCA shall set aside at least two-thirds of the available funds for Owner-Builders whose property is located in an Economically Distressed Area (EDA) county. The remainder of the funding will be available to state certified NOHPs in the State of Texas.

Administration Fees: 6% of award amount

Other Considerations: This use of funds achieves the statutory requirement to fund the Bootstrap Program (2306.7581) and the statutory requirement to provide the first \$2.6 million of the fund to nonprofits. It also provides an additional \$400,000 to nonprofits. It should be noted that only the minimum amount of \$3 million is being proposed from 2008 since additional HTF Funds from 2007 were allocated to Bootstrap in May 2007. This activity also achieves significant leveraging, promotes homeownership and provides for repayment to the Fund.

Disaster Recovery Homeowner Repair Gap Financing Program

Amount Recommended: \$1 million

General Program Description: Currently the CDBG Disaster Recovery Funds are limited in the amount of federal assistance that can be provided to a household. Otherwise qualified households, who are lacking only a small portion of funds to fulfill their full cost of construction, are unable to begin their reconstruction or complete their home. This is preventing them from taking advantage of the CDBG assistance for which they have qualified and preventing them from reestablishing their homes. It is estimated that the gap in needed funds for many of these households is less than \$10,000. This Program would be designed to complement and combine with the existing CDBG fund delivery structure which is administered by three Council's of Governments (COG). A process would be established by which each COG would be able to access some portion of these funds for qualified households. This funding would be structured as a zero percent interest loan for each household, with the possibility of a longer amortization period depending on income level of the family to ensure ability to repay.

Maximum Loan Amount: \$10,000 per household.

Eligibility Requirement: The funds will be directed through the COGs. The household receiving the funds must be a qualified eligible CDBG disaster assistance recipient who has been through an intake process with their COG and who is only needing this remaining gap of funds to enable their ability to proceed.

Administration Fees: These funds would not include any administration fees for the administering organization as they are already receiving administration costs from the CDBG Program.

Other Considerations: This activity promotes homeownership, assists in disaster recovery efforts and ensures repayment to the Fund. Further, these organizations aren't for profit organizations and therefore satisfy the requirement under 2306.202 relating to funding entities.

Rental Production Program

Amount Recommended: \$844,397

General Program Description: There is a need to leverage funds with rental properties, primarily in rural areas, that do not receive a Tax Credit award, whether they are receiving other Department funds (i.e. HOME Program) or not, to better enable quality properties to target units to households at lower median incomes (30% to 50% of AMGI). Funds will be used for low or 0% interest loans to ensure repayment to the fund. The loans will be capped at no more than \$250,000 and will be limited in purpose to solely financing units that will serve families at 50% of AMGI or below. Additionally, as an incentive, if the funds are used to target families at 30% or below and those units were not already targeted to serve a 30% family through another subsidy source, the Department may allow a forgivable loan only for those 30% units. If these funds are not applied for within six months of the release of a Notice of Funding Availability, they will be reprogrammed by the Department's Board to another activity identified in this Plan.

Maximum Loan Amount: \$250,000 per proposed property.

Eligibility Requirement: The applying entity may be for profit or nonprofit organization. The recipient of the funds must satisfy the Department's minimum threshold and underwriting criteria as specified in the Notice of Funding Availability. The units funded by the funds must be utilized for households at 50% or less of AMGI.

Administration Fees: These funds do not include any administration fees as there is no cost to administer the program – the funds are utilized directly for the financing and construction of the property.

Other Considerations: This use of funds will achieve the multifamily performance measure, will help further serve lower income households in rental units and will likely provide leveraging. It will also provide for repayment to the fund.

Homeownership SuperNOFA

Amount Recommended: \$ 1,000,000

General Program Description: This is deemed a SuperNOFA because it will be fairly flexible in its use of funds. The idea is to allow flexibility to for profit or nonprofit organizations across the state in identifying what their community's homeownership needs are and then serving that need. These activities should allow applications in most activities relating to homeownership. The applicant may apply for any of the following activities:

- Zero interest loans for homeowners rebuilding from disasters other than Hurricane Rita
- Zero interest gap financing or down payment assistance for first time homebuyers
- Zero interest rehabilitation loans for homeowners including barrier removal

Funds would be limited to loans to ensure repayment to the program and will only be awarded for serving households at or below 50% of AMGI. However the program design will include incentives for serving households at or below 30% of AMGI. Loan caps per activity are established to spread funds while providing needed assistance; for example, a loan cap for the rehabilitation activity is set that will assist in serving more households and discourage reconstruction (which is eligible for HOME funds as a separate activity).

Maximum Loan Amount: The maximum request per administrator will be \$250,000.

- The maximum loan amount for the rehabilitation activity will be \$30,000.
- The maximum loan amount for homeowners rebuilding from disasters other than Hurricane Rita is \$70,000.
- The maximum loan amount for gap financing and down payment assistance is \$10,000.

Eligibility Requirement: The applying entity may be for profit or nonprofit organization. The household assisted must be at or below 50% of AMGI.

Administration Fees: The Program would allow for 5% administration costs for the nonprofit.

Other Considerations: This use of funds will achieve leveraging, will serve lower income families, will promote the effort of homeownership and assist those recovering from disasters.