

# ***Texas Department of Housing and Community Affairs***

## ***2009 Housing Trust Fund Annual Plan***



### **Texas Department of Housing and Community Affairs**

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Community Affairs on July 31, 2008*

### Introduction and Purpose

During the 80<sup>th</sup> 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
<b>Total Annual Approp.</b>	<b>\$5,844,397</b>	<b>\$5,847,461</b>
<b>Increase from 2007</b>	<b>\$2,794,528</b>	<b>\$2,797,592</b>
<b>% Increase from 2007</b>	<b>91.62%</b>	<b>91.73%</b>

\* 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 2009 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 fully achieved the first \$2.6 million for the biennium for nonprofits with the prior 2008 Plan, in particular by allocating more than \$3 million to the 2008 Bootstrap Program whose eligible applicants are limited to nonprofit organizations. The remainder of funds for the biennium will be programmed such that at least 45% of funds are made available to nonprofits. The 2009 funding allocation breakdown to comply with this statute is as follows:

Programming of Funds for Nonprofits for 2009*	
Total 2009 Funds Available	\$5,847,461
45% of Funds to be Programmed for Nonprofits	\$2,631,357

\* First \$2.6 million achieved for the biennium in 2008

Regional Allocation Formula

Pursuant to 2306.111(d-1), as amended by SB1908, 80<sup>th</sup> 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 \$2,847,461. 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.
- The flexibility of the funds should be used to design programs to help address unique needs.
- 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.

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:

- As evidenced by the success and demand of the 2008 programming of funds there is a significant need for housing assistance for veterans, particularly those returning from Iraq and Afghanistan, and for homeownership funds.
- Based on feedback received from interested applicants, there is interest in restructuring the Rental Production Program to allow the funding requests to be layered with developments that are applying for or have received an allocation of Housing Tax Credits.
- Based on the success of the Bootstrap Program, it is a model worth duplicating however smaller Nonprofit Owner Housing Providers do not yet have the capacity to participate in the program. The reservation system in place at the Department does reduce some of the barriers, however peer training and capacity building is needed to help those less experienced organizations to become able to utilize program funds.

**2009 Housing Trust Fund Funding Plan**

Based on the above considerations, the Department has determined to program and expend the 2009 Housing Trust Fund General Revenue appropriation in the amount of \$5,847,461 as follows. It should be noted that in general the total Annual Appropriations for each year will reflect what is appropriated for both programming and agency administration combined. The Department uses approximately \$600,000 each year for agency administration. This 2009 Plan proposes programming all of the appropriation because there are currently sufficient funds generated from deobligations and higher than expected loan repayments.

<b>2009 Activity</b>	<b>\$ Designated</b>
Bootstrap Self-Help Housing Program	\$3,000,000
Bootstrap Self-Help Housing Capacity Building Pilot Program	\$97,461
Texas Veterans Housing Support Program	\$1,000,000
Rental Production Program	\$750,000
Homeownership SuperNOFA	\$1,000,000
<b>Total</b>	<b>\$5,847,461</b>

Following are descriptions of the programs noted above. Additionally, as noted earlier, the Department annually accrues interest and receives loan repayments to the Fund. Rider 9 of the GAA clarifies that \$900,000 of those funds are appropriated each year under the Single Family strategy as part of the \$5,847,461. Currently, the Department has approximately \$1.3 million in additional loan repayments, deobligations and interest. While not part of the appropriation and therefore not a formal part of this Plan, the Department is targeting these funds for two activities.

- ❖ The creation of a \$100,000 Capacity Building Pilot Program to help promote and build capacity in nonprofits in Texas with an emphasis on expanding production capacity including allowing them to leverage the funds as match for various private or federal funds for capacity building or technical assistance. A NOFA detailing the Program will be presented to the Board prior to the release of any funds.
- ❖ Continuation of the Disaster Recovery Homeowner Repair Gap Financing Program, which was used in 2008 to assist with gap financing on the first series of Community Development Block Grant disaster relief funds. This \$1.2 million will be earmarked to similarly assist with gap financing on the second series of Community Development Block Grant disaster relief funds. Because 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 complete their home. This Program will complement the existing CDBG fund delivery structure administered by ACS such that ACS would be able to access these funds for qualified households.

### **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 the Texas Water Code 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 amortized 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. The remainder of the funding will be available state-wide

**Administration Fees:** 6% of the loan paid upon completion of each house.

**Other Considerations:** This use of funds achieves the statutory requirement to fund the Bootstrap Program (2306.7581) and the statutory requirement to target 45% of all remaining funds of the biennium (in excess of the first \$2.6 million) to nonprofits. It well exceeds the 45% target of \$2,631,357 to nonprofits. This activity also achieves significant leveraging, promotes homeownership and provides for repayment to the Fund.

**Bootstrap Self-Help Housing Capacity Building Pilot Program**

**Amount Recommended:** \$97,461. This amount may be increased up to \$100,000 if additional loan repayments and deobligated funds are available.

**General Program Description:** Based on the success of the Bootstrap Program, it is a model worth duplicating. However smaller Nonprofit Owner Housing Providers (NOHPs) do not yet have the capacity to participate in the Program. Peer training and capacity building is needed to help those less experienced organizations to become able to utilize Program funds. Therefore, a pilot program is being proposed that will fund approximately ten capacity building partnerships.

NOHPs with limited experience can apply for the program. A partnership will be created comprised of two NOHPs – the applicant with limited experience and one with more significant experience. The more experienced NOHP will provide a minimum number of hours of mentoring /training sessions to a staff member of the less experienced NOHP on their site.

Funds will be tied to production of units with Bootstrap Program funds, additional trainings (on topics such as mortgage origination or construction for example), and staff time and travel. It is expected that the training will be an intensive opportunity to go through all the phases of an owner-builder program and what it entails. A Notice of Funding Availability for the Pilot Program will be released as the process for identifying partnerships.

**Maximum Grant Amount:** TDHCA will provide \$10,000 to each partnership, to be utilized by both NOHPs in that partnership.

**Eligibility Requirement:** Each partnership must include two organizations, both of which must be either a Colonia Self-Help Center or a state certified Nonprofit Owner-Builder Housing Provider. Eligibility for the experienced NOHP will include a minimum number of owner-builder units produced; eligibility for the less experienced NOHP will include a cap to the number of owner-builder units they have produced in the recent past. Eligibility criteria, as defined in the NOFA, may also include an evaluation of previous performance such as timeliness, quality of units, loan performance and any non-compliance issues.

**Administration Fees:** The funds received cover administration of the capacity building effort.

**Other Considerations:** While this activity is a grant and therefore produces no direct repayment to the fund, it is an excellent means to enhance the capacity of organizations able to utilize the program enabling the program to be used in even more communities. Additionally, this promotes homeownership.



**Texas Veterans Housing Support Program**

**Amount Recommended:** \$ 1,000,000

**General Program Description:** This program, awarded to eligible applicants in 2008, was successful and had sufficient demand to warrant reutilization of the program. Funds are utilized for rental subsidies and homeownership assistance for low-income (80% AMFI) veterans. Up to three years of rental assistance will be available for veterans transitioning from Veteran's Affairs (VA) hospitals or other care facilities; or low income veteran's leaving the service and transitioning to civilian life. Homeownership assistance will also be available as a one-time deferred forgivable loan of up to \$35,000 for down payment assistance, closing costs and accessible modifications such as ramps, accessible bathrooms and accessible kitchens. Priority will be given to veterans with disabilities and/or veterans who have served in the war in Afghanistan, also known as Operation Enduring Freedom, the Iraq War, also known as Operation Iraqi Freedom, and other recent overseas conflicts.

**Maximum Request Amount:** The maximum request per applicant will be \$250,000. Rental assistance will be for a period no longer than 36 months. Down payment assistance and modifications have a maximum loan amount of Eligible homebuyers may receive loans up to \$35,000 for down payment, closing costs and rehabilitation. A maximum of \$15,000 of the \$35,000 loan can be used for down payment and closing costs. The balance of the assistance, but no more than \$20,000, can be used for needed accessibility modifications.

**Eligibility Requirement:** Eligible applicants are Units of General Local Government, Nonprofit Organizations and Public Housing Authorities (PHA's). The household assisted must be at or below 80% of AMFI.

**Administration Fees:** The Program would allow for 4% administration costs for the organization.

**Other Considerations:** This use of funds will serve lower income families, will promote the effort of homeownership and assist a unique housing need.

**Rental Production Program**

**Amount Recommended:** \$750,000

**General Program Description:** There is a need to leverage funds with rental properties, primarily in rural areas, to better enable quality properties to target units to households at lower median incomes (30% to 50% of AMFI). 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 AMFI 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.

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

**Eligibility Requirement:** The applying entity may be a unit of general local government, Public Housing Authority, 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 AMFI.

**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 program was utilized in 2008 and had demand that nearly doubled the original funds made available. This fund is utilized by 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 percent interest gap financing or down payment assistance for first time homebuyers
- Zero percent interest rehabilitation loans for homeowners including barrier removal
- Other innovative homeownership initiatives as released in the NOFA

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 AMFI. 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 applicant will be \$250,000.

- The maximum loan amount for the rehabilitation activity will be \$30,000.
- The maximum loan amount for gap financing and down payment assistance is \$10,000.

**Eligibility Requirement:** Eligible applicants are Units of General Local Government, Nonprofit Organizations and Public Housing Authorities (PHA's). The household assisted must be at or below 50% of AMFI.

**Administration Fees:** The Program would allow for 4% administration costs for the organization.

**Other Considerations:** This use of funds will achieve leveraging, will serve lower income families, and will promote the effort of homeownership.