

Texas Department of Housing and Community Affairs

2010-2011 Housing Trust Fund Biennial Plan



Texas Department of Housing and Community Affairs

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Introduction and Purpose

During the 81st Legislative Session the Department received a significant increase to the General Revenue appropriated to the Housing Trust Fund, nearly doubling the prior biennial appropriation. The Department was appropriated funds as noted below for the 2010-2011 biennium.

The Department annually accrues interest and receives loan repayments to the Fund. Rider 9 of the General Appropriation Act (GAA) clarifies that included in funds appropriated each year under the Single Family strategy is an estimated \$1,000,000 per year in interest to the account as well as loan repayments.

	2010	2011	Total Biennium
Single Family (SF)	\$10,660,768	\$10,660,768	\$21,327,750
Multifamily (MF)	\$303,107	\$303,107	\$606,214
Total Annual Appropriation	\$10,963,875	\$10,963,875	\$21,927,750

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” for both years so that funds can be more rapidly programmed, committed and expended. The 2010-2011 Biennial Plan details the Department’s plan for expenditure of the 2010-2011 Housing Trust Fund appropriation. A report will be submitted by October 1, 2010 providing a status report of how funds have been expended and indicating any necessary changes to the Biennial Plan.

Funds Programmed in this Plan

To cover the direct and indirect costs of administering the program, the Department will withhold approximately \$750,000 per year for each year of the biennium. Total administration will be approximately \$1,500,000, which is 7% of the appropriation. Additionally, two other sources of funds are being added to the appropriation for programming in this Plan. There are approximately \$1,200,000 in available funds from deobligated funds, loan repayments, and interest earnings that are in excess of the funds required under Rider 9 and \$200,000 of funds previously programmed for capacity building activities that were not released, for a total of \$1,400,000.

	Biennial Funds
Total Annual Appropriation	\$21,927,750
Less Administrative Funds	(\$1,500,000)
Plus Additional Available Funds	\$1,400,000
Total Funds Programmed in Plan	\$21,827,750

Biennial Funding and Allocation Considerations

Statutory requirements direct how the funds can be programmed for use. Listed below are several statutory considerations that are factored into the Plan:

Bootstrap Self-Help Housing Program

Pursuant to Section 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 Section 2306.202, Texas Government Code, the Department is required to target funds for specific types of eligible entities. Section 2306.202 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.”

Based on this statute, for the 2010-2011 biennium a total of \$11,297,488 is required to be allocated to Nonprofits. This Plan exceeds that requirement through the Bootstrap Program whose eligible applicants are limited to Nonprofit Organizations and Public Housing Authorities, as well as other programs limited to Nonprofits.

Regional Allocation Formula

As specified in §2306.111(d-1), Texas Government Code, funds are not required to be allocated according to the regional allocation formula if:

- (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.”

Based on this statute, there is a \$6 million statutory requirement to fund the Bootstrap Program (\$3 million per fiscal year) which is first reduced from the total \$21.8 million and which results in \$15,827,750 of funds not being statutorily set-aside. According to the Department’s legal counsel, only funds in excess of the \$3 million exception must be programmed regionally. Therefore, \$12,827,750 of Housing Trust Funds for the biennium must be regionally allocated unless they are allocated to serve Persons with Disabilities. The funds allocated using the RAF, if not programmed for Persons with Disabilities, are noted later in this report.

In general, to the extent the Regional Allocation Formula applies to a program, funds will be made available competitively on a regional basis or will be released through an open cycle and made regionally available for the first 60 days with a collapse of regional funds after that time.

Critical Considerations and Priorities

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

- The flexibility of the funds should be used to design programs to help address unique needs and minimize duplication of activities funded with other Department programs.
- When being programmed, special needs and very-low income populations should be a primary consideration.
- 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.

2010-2011 Housing Trust Fund Funding Plan

Based on the above considerations, the Department has determined to program and expend the 2010 - 2011 Housing Trust Fund appropriations in the amount of \$21,827,750 as follows:

Use of Funds	2010-2011 Funds
Bootstrap	\$10,000,000
Self Help Housing Training Institute*	\$500,000
Disaster Recovery Gap Assistance	\$1,000,000
Veterans Housing Assistance	\$2,000,000
Home Free Barrier Removal and Rehabilitation Program	\$1,500,000
Rental Development Fund for Unique Housing Needs	\$2,000,000
Homeownership SuperNOFA	\$2,577,750
Rural Housing Expansion	\$2,000,000
Affordable Housing Match Program	\$750,000
Total Plan Programs	\$21,827,750

*This \$500,000 is part of the \$10,000,000 Bootstrap Program funds as is permitted under 2306.758(c), as amended by the 81st Legislature.

General program descriptions follow. As programs are designed in greater detail, the Department will garner public input on new programs and notices of funding availability prior to making funds available.

Bootstrap Self-Help Housing Program

Amount Recommended: \$10 million.

In accordance with Section 2306.753(d) of the Texas Government Code, \$6.6 million of the loans under this program must be made in areas defined under Chapter 17 Subchapter K of the Texas Water Code (called the 2/3 set aside) and \$3.4 million will be allocated to the balance of the state (called the 1/3 set aside). Of this \$10 million, as much as 10% may be used to improve capacity; at this time the Department intends to initially program \$500,000 (5%) of the funds for capacity building through a Self Help Housing Training Institute (description following).

General Program Description: The Bootstrap Program makes funds available to Colonia Self-Help Centers or state certified Nonprofit Owner-Builder Housing Providers (NOHPs) 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 \$45,000 per household. The total amount of amortized loans made with TDHCA and any other source combined may not exceed \$90,000 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 65 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.

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

Regional Allocation: \$2.1 million or more of the 1/3 set aside will be regionally allocated.

Other Considerations: This use of funds achieves the statutory requirement to fund the Bootstrap Program (2306.7581) and the statutory requirement to target nonprofits. This activity also achieves significant leveraging, promotes homeownership and provides for repayment to the Fund.

Self-Help Housing Training Institute

Amount Recommended: \$500,000 (of the \$10 million above).

General Program Description: Based on the success of the Bootstrap Program, it is a model worth duplicating, however smaller NOHPs and/or nonprofits in the 2/3 set-aside that do not have an NOHP designation, do not yet have the capacity to participate in the Program. Training and capacity building is needed. Emphasis will be placed on creating new capacity and on expanding organizations with existing capacity within the 2/3 set aside. The provision of the Institute may be outsourced to a third party. To the extent possible, funds will be tied to production of units with Bootstrap Program funds.

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 that may be able to more efficiently take advantage of general revenue funds in the 2/3 set aside and enable the program to be used in even more communities. Additionally, this promotes homeownership.

Disaster Recovery Homeowner Repair Gap Financing Program

Amount Recommended: \$1,000,000

General Program Description: Continuation of the Disaster Recovery Homeowner Repair Gap Financing Program, which was used in 2008 and 2009 to assist with gap financing on Community Development Block Grant disaster relief funds. Funds will be earmarked to similarly assist with gap financing on the second series of Community Development Block Grant disaster relief funds or HOME Program disaster relief funds. CDBG and HOME funds are limited in the amount of federal assistance that can be provided to a household, so otherwise qualified households who may be lacking only a small portion of funds to fulfill their full cost of construction are unable to complete their home.

Program requirements for Disaster Recovery Homeowner Repair Gap Financing are identified by the Emergency Housing and Disaster Recovery Division in response to community needs. Final details, such as, but not limited to, the maximum request amount, eligibility, and administration fees will be provided in the NOFA and are subject to change.

Maximum Request Amount: Up to \$10,000 per household or as specified.

Eligibility Requirement: TBD.

Administration Fees: TBD.

Regional Allocation: The RAF will not apply to these funds.

Other Considerations: This use of funds will serve lower income families, will promote the effort of homeownership and assist a unique housing need. To the extent these funds are not needed by the end of FY 2010, they will be reprogrammed according to the Housing Trust Fund Rule deobligation policy.

Texas Veterans Housing Assistance Program

Amount Recommended: \$ 2,000,000

General Program Description: This program, awarded to eligible applicants in 2008 and 2009, has generated sufficient demand to warrant the continuation of the program. Funds are utilized for rental subsidies and homeownership assistance for low-income (80% AMFI) veterans. Rental assistance may be provided for a maximum of two years, allowing assisted households to live in any rental unit in the service area. Homeownership assistance will 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.

Maximum Request Amount: The maximum request per Applicant will be \$250,000 per Activity, which includes all project, administrative, and soft costs. Rental assistance will be for a period no longer than 24 months. Eligible homebuyers may receive deferred forgivable loans up to \$35,000 for down payment, closing costs and modifications. A maximum of \$15,000 of the \$35,000 loan can be used for down payment and closing costs. The balance of homebuyer assistance 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% total administration costs per Award for an organization providing homeownership assistance and 4% per contract year per Award for an organization providing rental assistance.

Regional Allocation: The RAF will apply to these funds.

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

Home Free Barrier Removal and Rehabilitation Program

Amount Recommended: \$ 1,500,000

General Program Description: This program would be subcontracted to one or more non-profit organizations to provide financial assistance in the form of grants to low income (80% AMFI) Persons with Disabilities to make their homes (rental or owner) more accessible. This program is designed to provide one time grants for up to \$15,000 in home modifications specifically needed for accessibility, and up to an additional \$5,000 in other rehabilitation costs correlated with the barrier removal project. These funds will be targeted to allow for reasonable accommodation or modification for rental tenants, homeowners or a member of their household with disabilities needing assistance to fully access their home. Funds will be provided in the form of a grant and no lien will be placed on the home of the recipient with a disability. Applicant organizations must demonstrate an understanding of accessibility standards and applicable building codes as further detailed in the NOFA. Eligible modifications for accessibility will include, but not be limited to, the following:

- Handrails;
- Door widening and counter adjustments;
- Ramps;
- Buzzing or flashing devices (for people with visual/hearing impairment);
- Accessible door and faucet handles;
- Shower grab bars and shower wands; and
- Accessible showers, toilets and sinks.

Additionally, the Department will set aside approximately \$50,000 from existing Housing Trust Fund balances, loan repayments or interest earnings (not reflected in this total appropriated in this report) for the purpose of providing training and technical assistance that will build capacity for this program, such as, but not limited to accessibility and construction standards for barrier removal. The training program will be developed in partnership with the Texas Council for Developmental Disabilities that will match funds provided by the Department. These details are subject to change as the program becomes more firmly developed.

Maximum Request Amount: The maximum request per application will be \$250,000, which includes all project, administrative, and soft costs.

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 5% administration costs per Award, per contract year for the organization.

Regional Allocation: The RAF does not apply to funds made available for Persons with Disabilities.

Other Considerations: This use of funds will serve Persons with Disabilities and serve a unique housing need.

Rental Housing Development Fund for Unique Housing Needs

Amount Recommended: \$2,000,000

General Program Description: To promote the use of HTF resources for activities that are generally unable to be produced solely with existing federal resources, this program will target funds toward rental housing developments that serve unique housing needs.

In an effort to provide for an effective and demand-driven program, these funds will be programmed based on input generated from the rental development, disability and supportive housing communities. To that end, it is anticipated that the input sessions will occur in late 2009 and that the funds for this activity will be released in FY 2010 or 2011 to ensure sufficient program development. It is preliminarily anticipated that the funds will be in the form of forgivable loans or grants so long as they are leveraged such that each dollar of program funds generate at significant additional resources.

Maximum Loan Amount: TBD.

Eligibility Requirement: TBD.

Administration Fees: TBD.

Regional Allocation: The RAF may apply to these funds if they are not allocated primarily to serve Persons with Disabilities.

Other Considerations: This use of funds will achieve multifamily performance measures, will serve a unique need, will help further serve lower income households in rental units and will provide leveraging.

Homeownership SuperNOFA

Amount Recommended: \$ 2,577,750

General Program Description: This program was first utilized in 2008 and demand has consistently exceeded available funding. The Homeownership SuperNOFA is the Housing Trust Funds' flagship program that allows flexibility for Nonprofit Organizations, including public housing authorities and units of local government, to identify what their community's homeownership needs are. 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 are limited to loans to ensure repayment to the program and may only serve households at or below 80% 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 Request Amount: The maximum request per Applicant and Application will be \$250,000, which includes all project, administrative, and soft costs.

- 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 80% of AMFI.

Administration Fees: The Program would allow for 4% total administration costs per Award for the organization.

Regional Allocation: The RAF will apply to these funds.

Other Considerations: This use of funds will achieve leveraging, provides for repayment to the fund and promotes homeownership.

Rural Housing Expansion Program

Amount Recommended: \$ 2,000,000

General Program Description: The purpose of these funds is to develop a program that commits to building capacity in tandem with actual production of affordable housing in rural Texas. The funds would have two components for each recipient – a capacity and technical assistance component designed as a grant that includes intensive technical assistance provision and a direct housing delivery component provided as a no-interest loan. This model, generated from significant public input and discussion, provides rural communities the capacity they need while also ensuring money to create affordable housing in their communities.

Eligible uses for the capacity portion of the funds may include: needs assessments, including needs of agricultural workers and other unique rural housing needs; capacity assessments; identification of resources and opportunities; development of comprehensive housing plans; consulting assistance; identification and creation of a plan for implementation of best practices for rural housing initiatives; training; technical assistance; operational expenses; and predevelopment expenses. Recipients will be encouraged, through their capacity building, to obtain and develop capacity to apply for USDA 502, other USDA funds and other federal resources. For the Capacity building component of funds, recipients will be measured against the performance tool required by GAA, Rider 17.

Eligible uses for the direct housing delivery funds may include, but are not limited to, development and sale of single family residences, development of small multifamily residences and creation of a down payment assistance program. Funds can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites. Households served must be at least 80% of AMFI or less.

To minimize duplication of eligible program activities and to promote an efficient use of limited Trust Fund dollars, to the extent eligible, HOME funds (programmed and/or deobligated) may also be utilized for the direct housing delivery activities as further described in the Con Plan. Staff will work with the rural housing advocates, organizations and communities in the development of this program. To that end, it is anticipated that the funds for this activity will be released later in FY 2010 to ensure sufficient program development. The program details noted above are subject to change as the program becomes more firmly developed as noted in the prior paragraph.

The administration of this program may be outsourced to a third-party administrator.

Maximum Loan Amount: Maximum Award per organization is \$1,000,000.

Eligibility Requirement: Communities to participate will be carefully selected based on their existing capacity, the need for housing in their area, and other identified criteria. Eligible recipients include rural municipalities, rural for-profit or nonprofit applicants as further defined in the Department's Housing Trust Fund Rule.

Administration Fees: Other than administrative funds possibly made available for a third party administrator of this activity, no administration fees are provided (except as provided through capacity building funds).

Regional Allocation: The RAF will apply to these funds.

Other Considerations: Addresses the needs of rural Texans, builds capacity and generates affordable housing units.

Affordable Housing Match Program

Amount Recommended: Up to \$750,000

General Program Description: The Department consistently receives suggestions that flexible matching funds are needed to allow Texas organizations to apply for affordable housing funds that have match requirements; anecdotally it appears that funds eligible for Texas are being reallocated to other states because Texas communities may lack the resources to meet match requirements.

This Housing Trust Fund program will specifically limit funds to Nonprofit Organizations for the purpose of leveraging these funds as match for the production and/or provision of affordable housing. Examples of eligible uses include direct match for state, federal or private grants or creation of a loan loss reserve account to encourage banks to lend to low income families. These would be contingent matches such that TDHCA would not have to release any funds until the award is received from the awarding entity; if the award is not achieved, the money would be reprogrammed.

One example of this is CDFI's, which are Community Development Financial Institutions created and certified by the US Treasury. These organizations are mission-driven financing institutions, often nonprofits, which provide financial products and services to people and communities underserved by traditional financing institutions. CDFIs can be banks, credit units, loan funds, venture capital funds, community development corporations or micro enterprise loan funds. Though there are currently 57 CDFIs in Texas, low income housing needs is one of the lesser serviced sectors, due in part to lack of funding or match for federal programs, private grant or foundation funds, such as the Federal CDFI Fund and USDA. CDFI funds are only one example of entities possibly not freely accessing federal funds.

Maximum Loan Amount: Not applicable. If utilized, funds will be provided in the form of grants.

Eligibility Requirement: Eligible applicants are Units of General Local Government, Nonprofit Organizations and Public Housing Authorities (PHA's).

Administration Fees: None.

Regional Allocation: The RAF will apply to these funds.

Other Considerations: Significant leveraging obtained for limited general revenue funds.