

# *Texas Department of Housing and Community Affairs*

## *2012-2013 Housing Trust Fund Biennial Plan*



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

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Community Affairs on July 28, 2011*

**Introduction and Purpose**

During the 1<sup>st</sup> called Session of the 82<sup>nd</sup> Legislature, the Department was appropriated additional General Revenue for the Housing Trust Fund in the amount of \$11,700,000 for the 2012-2013 Biennium. Rider 9(c) of the General Appropriations Act (GAA) requires the Department to provide an annual report to the Legislative Budget Board, the House Appropriation Committee, and the Senate Finance Committee no later than October 1 detailing the Department’s plan to expend funds from the Housing Trust Fund. To promote the expeditious use of these funds, this document shall serve as the “annual plan” for the 2012-2013 Housing Trust Fund appropriation.

**Appropriation Details**

The Department annually receives loan repayments and accrues interest to the Housing Trust Fund. Rider 8 of the General Appropriation Act (GAA) clarifies that included in funds appropriated each year under the Single Family strategy A.1.3 is an estimated \$1,550,000 per year in loan repayments and interest earnings.

	<b>FY2012</b>	<b>FY2013</b>	<b>Total Biennium</b>
<b>Total Annual Appropriation</b>	\$5,850,000	\$ 5,850,000	\$11,700,000

Rider 9(d) of the GAA requires that:

*“All funds above those retained for administrative purposes in fiscal year 2012 and fiscal year 2013 and above amounts required in Sections (a) of this rider, shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, no later than October 1 of each fiscal year.”*

Rider 19 of the GAA requires that:

*“Out of funds appropriated above, in Strategy A.1.3, Housing Trust Fund, the Texas Department of Housing and Community Affairs shall transfer 10 percent, not to exceed \$4,300,110 for the 2012-13 biennium (\$4,200,110 for grants and \$100,000 and 1.0 full-time equivalents for administration), to the appropriate fund or account with the Texas Veterans' Commission for the purpose of administering a Veterans Housing Assistance Program that will assist Texas veterans and their families in obtaining, maintaining or improving housing.”*

The Department shall withhold approximately \$1,053,000 (10%) for the biennium for Department administrative costs. Additionally, Rider 19 of the GAA for 2012-2013 requires the Department to transfer \$1,170,000 (10%) of the \$11,700,000 in appropriations from the Housing Trust Fund to the Texas Veterans Commission (TVC) and one Full Time Equivalent (FTE) for the purpose of administering a Veterans Housing Assistance Program that will assist Texas veterans and their families in obtaining, maintaining or improving housing.

The total biennial funding is outlined in the following chart.

<b>2012-2013 Biennial Funds for Housing Trust Fund</b>	
<b>Total Annual Appropriation</b>	<b>\$11,700,000</b>
Less 10% to TVC for a Veterans Housing Assistance Program	(\$1,170,000)
<b>Net Balance for TDHCA</b>	<b>\$10,530,000</b>
Less 10% Admin for TDHCA	(\$1,053,000)
<b>Net Balance Available for TDHCA Programming</b>	<b>\$9,477,000</b>
Less \$3M/year for Texas Bootstrap Loan Program*	(\$6,000,000)
<b>Balance for Biennium for All Other HTF Programming</b>	<b>\$3,477,000</b>

*\*Per Section 2306.7581 (a-1) of the Texas Government Code, at least \$3,000,000 each state fiscal year is required.*

**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:

**Texas Bootstrap Loan 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 “Texas Bootstrap Loan Program”) from either HOME funds, Housing Trust Fund monies, or from money appropriated by the legislature to the Department. Because of the demand by nonparticipating 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 Texas Bootstrap Loan 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.”

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 for each programmed activity during each application cycle.

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.

Rural Community Outreach

Although all Housing Trust Fund programs are designed to serve both urban and rural areas of Texas, the Department recognizes that many housing providers that serve rural Texas continue to face unique challenges. Additionally, 2010 Census data shows a significant need for safe, decent and affordable housing in rural Texas. According to the Ribbon Demographics update on Census data in 2010, rural Texans are more likely to live below the poverty level, than urban Texans, with 14.8 percent of rural Texans families below the poverty compared to 12.3 percent of urban Texans below the poverty level. In order to better reach low-income Texans and housing providers in rural areas, the Department will conduct targeted marketing, outreach, and technical assistance to rural cities, counties, nonprofit organizations, and for-profit entities in order to assist them in accessing the Department’s reservation system funds.

HTF Plan Administration

The 2012-2013 HTF Biennial Plan (“Plan”) will continue successful HTF programs with high demand. In approving this Plan, the Board authorizes staff to proceed with the issuance of Notices of Funding Availability in order to promote expeditious utilization of funds. Funds may be committed and expended utilizing contracts or the reservation system in whole or part.

In order to streamline program operation, increase expenditures, and create efficiencies, HTF programs may utilize various income determination methods as further noted in the General Program Description provided in this Plan or as outlined in the NOFA.

In approving this Plan, the Board authorizes the use of any funds from loan repayments, interest earnings, deobligations, and any other additional HTF funds, as allowed by statute, to be programmed into current Department activities or activities approved in this Plan. Current activities that may be funded using the additional HTF funds include the USDA Section 502 Direct Loan Application Assistance Program and a rental assistance program serving underserved populations.

2012-2013 Housing Trust Fund Annual Plan

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Additionally, the *State of Texas Analysis to Impediments to Fair Housing (March 2011)* recommended that the Department should consider language in TDHCA's Housing Trust Fund Plan which assigns an additional priority to the development of service-enriched housing apart from the dedicated programs for special needs. Due to the limited funds available for this biennium this initiative cannot be considered at this time.

Pooling of Reservation System Funds

The Department has limited amount of funds from the Housing Trust Fund that is available to assist low-income households and must ensure that these funds are utilized and expended in a timely manner. Therefore, on or before August 31, 2012, the Department will pool all remaining non-Texas Bootstrap Loan Program reservation system funds and make them available on a first-come, first served to all eligible activities as allowed in this Plan in whole or part through contracts or reservation system agreements.

2012-2013 Housing Trust Fund Biennial Plan

The Department has determined to program and expend the 2012-2013 Housing Trust Fund appropriations in the amount of \$9,477,000. A summary of the Plan activities are outlined below.

<b>2012-2013 Use of Funds</b>	<b>Biennial Funds</b>
Texas Bootstrap Loan Program	\$6,000,000
Amy Young Barrier Removal Program	\$1,738,500
HTF Homebuyer Assistance Program	\$869,250
Affordable Housing Match Program	\$869,250
<b>Total Plan Programs</b>	<b>\$9,477,000</b>

General program descriptions follow.

**Texas Bootstrap Loan Program**

**Amount Recommended:** \$6 million from the 2012-2013 Appropriation.

**Bootstrap Funding Summary:** The Department is required under Section 2306.7581 (a-1) of the Texas Government Code, to make available at least \$3,000,000 each state fiscal year for mortgage loans to very low-income families (60% Area Median Family Income) not to exceed \$45,000 per unit. In order to reconcile previous funding cycles the remaining approximate balance of \$6,200,000 currently available from previous fiscal years will be made available in this plan for the 2012-2013 biennium. Approximately \$12,200,000 will be made available until August 31, 2013 or until such time as all funding has been committed.

**General Program Description:** The Texas Bootstrap Loan 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:** To expedite the expenditure of funds, entities will apply and be granted the ability to request and access funds through a reservation system on a first-come, first served basis until all funds are obligated. The Department may provide loans of not more than \$45,000 per household from the Housing Trust Fund. The total amount of amortized loans made with the Department 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. When determining household income, the Texas Bootstrap Loan Program for Fiscal Years 2012-2013 and all previous years may utilize the Department's First-Time Homebuyer Bond Program or U.S. Department of Housing and Urban Development (HUD) income tables.

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

**Regional Allocation:** The 1/3 statewide set-aside (approximately **\$4,066,667**) will be regionally allocated. If funds in this set-aside remain after 60 days, they will be made available on a first-come, first-served basis. The remaining 2/3 of the funds (approximately **\$8,133,333**) will be made available on a first-come, first-served basis.

**Other Considerations:** This use of funds achieves the statutory requirement to fund the Texas Bootstrap Loan Program and the statutory requirement to target nonprofits. This activity also achieves significant leveraging, promotes homeownership and provides for repayment to the Housing Trust Fund.

**Amy Young Barrier Removal Program**

**Amount Recommended:** \$1,738,500

**General Program Description:** This program provides 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 \$20,000 in home modifications for the barrier removal project and health or safety hazards, as approved by the Department. 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.

**Maximum Request Amount:** To expedite the expenditure of funds, entities will apply and be granted the ability to request and access funds through a reservation system on a first-come, first served basis until all funds are obligated. The maximum request will be based on the funds available in the reservation system.

**Eligibility Requirement:** Eligible applicants for administration of this program may include Units of General Local Government, Nonprofit Organizations, Public Agencies, and Public Housing Authorities (PHA's). The household assisted must be at or below 80% of AMFI. When determining household income, the Amy Young Program for Fiscal Years 2012-2013 and all previous years may utilize the Department's First-Time Homebuyer Bond Program or U.S. Department of Housing and Urban Development (HUD) income tables.

**Administration Fees:** 10% of the project costs paid upon completion of each project.

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

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

**HTF Homebuyer Assistance Program**

**Amount Funded:** Approximately \$869,250

**General Program Description:** The HTF Homebuyer Assistance Program was first introduced in 2008. This Program provides funds for down payment, closing costs and gap financing in the form of a zero percent interest loan or grant up to \$10,000. Funds are limited to borrowers at or below 80% of AMFI.

**Maximum Request Amount:** To expedite the expenditure of funds, entities will apply and be granted the ability to request and access funds through a reservation system on a first-come, first served basis until all funds are committed. The maximum loan or grant amount to an eligible borrower(s) for down payment, closing costs and gap financing assistance is \$10,000.

**Eligibility Requirement:** Eligible applicants for administration of this program may be Units of General Local Government, Nonprofit Organizations, Public Agencies, Public Housing Authorities (PHA's), for-profit entities, and any other entity authorized under Chapter 2306 of the Texas Government Code and Housing Trust Fund Rule. When determining household income, the HBA for Fiscal Years 2012-2013 and all previous years may utilize the Department's First-Time Homebuyer Bond Program or U.S. Department of Housing and Urban Development (HUD) income tables.

**Administration Fees:** 6% of the loan or grant paid upon the closing of each home.

**Regional Allocation:** The RAF will not apply if the funding level for this program does not exceed \$3 million during the application cycle.

**Other Considerations:** The use of funds will achieve leveraging and promote homeownership.

**Affordable Housing Match Program**

**Amount Recommended:** Approximately \$869,250

**General Program Description:** The Affordable Housing Match Program was first launched in 2010 as part of the 2010-2011 HTF Plan in order to provide flexible matching funds for Texas-based organizations to apply for federal or national affordable housing funds that have match requirements and, without match, may not otherwise be accessed by the State of Texas. The match funds must result in the production or acquisition (with our without rehabilitation) of affordable housing.

**Eligible Uses of Match:** Examples of eligible uses include direct match for state (non-Department), federal (non-Department) or national private affordable housing grants to construct or acquire (with our without rehabilitation) affordable housing. HTF Match funds will not be released until the award is received from the primary awarding entity. If the award is not achieved, the funds will be reprogrammed as outlined in this Plan.

**Maximum Award Amount:** Funds will be provided in the form of grants for a maximum of up to \$250,000 per award.

**Eligibility Requirement:** Eligible applicants are Texas-based Nonprofit Organizations, and Rural municipalities and counties. When determining household income, the Match Program will determine Household income eligibility and utilize household income tables as further described in the NOFA.

**Administration Fees:** None.

**Regional Allocation:** The RAF will not apply if the funding level for this program does not exceed \$3 million during the application cycle.

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