

Texas Department of Housing and Community Affairs

First Amendment to the 2016-2017 Housing Trust Fund Biennial Plan



Texas Department of Housing and Community Affairs

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First Amendment to the 2016-2017 Housing Trust Fund Plan that was Originally

Approved by the Board of

The Texas Department of Housing and Community Affairs

On July 16, 2015

First Amendment Adopted January 28, 2016

Introduction and Purpose

During the Regular Session of the 84th Legislature, the Department was appropriated General Revenue for the Housing Trust Fund (“HTF”) in the amount of \$11,792,500 for the 2016-2017 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 1st 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 2016-2017 HTF appropriation.

Appropriation Details

The Department annually receives loan repayments and accrued interest that contribute to the HTF. Rider 8 of the GAA strategy A.1.3, clarifies that an estimated \$2,200,000 per year in interest earnings and loan repayments are included in funds appropriated each year under the HTF.

	FY2016	FY2017	Total Biennium
Total Annual General Revenue Appropriation	\$5,860,000	\$5,932,500	\$11,792,500

Rider 9(d) of the GAA requires that:

“Out of funds appropriated above in Strategy A.1.3, Housing Trust Fund, all funds above those retained for administrative purposes in fiscal year 2016 and fiscal year 2017 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 15 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 establish an Interagency Contract to provide 10 percent, not to exceed \$4,300,110 for the 2016-17 biennium (\$4,200,110 for grants and \$100,000 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 \$1,061,325 (10%) for the biennium for Department administrative costs.

The total biennial funding and usage are outlined in the following chart.

2016-2017 Biennial Funds for Housing Trust Fund

Use of Funds	Amount
Total General Revenue Biennial Appropriation	\$11,792,500
Less 10% for Texas Veterans Commission for a Veterans Housing Assistance Program	(\$1,179,250)
Less 10% Administration for TDHCA	(\$1,061,325)
Net Balance Available for TDHCA Programming	\$9,551,925
Less \$3M/year for Texas Bootstrap Program*	(\$6,000,000)
Less \$1,525,962.50/year for Amy Young Barrier Removal Program	(\$3,051,925)
Less \$250,000/year for Contract for Deed Assistance Program	(\$500,000)
Total Remaining to be Programmed	\$0

**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, listed below, direct how the funds can be programmed for use. Due to the significant success of the current HTF activities and certain new requirements, the proposed HTF plan does not include any new activities.

Texas Bootstrap Loan Program

Section 2306.7581, Texas Government Code, establishes a transfer requirement, stating the Department is required 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, HTF monies, or from money appropriated by the legislature each fiscal year. Because of the demand by nonparticipating jurisdictions, additional federal limitations, and extensive reporting requirements associated with the HOME Program, the Department has determined that HOME funds are not the best resource to accomplish the goals of the Texas Bootstrap Loan Program. The most practical appropriated 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 HTF 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 distributed to nonprofit organizations, for-profit organizations, and other eligible entities.” Tex. Gov’t Code §2306.202(a)

Regional Allocation Formula (“RAF”) and Geographic Dispersion

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

“(2) the funds or credits are allocated by the department primarily to serve Persons with Disabilities.

The Amy Young Barrier Removal Program serves only Persons with Disabilities. However, as noted on page 6 of this Plan, to promote geographic dispersion of the competitive Amy Young Barrier Removal Program funds, the funds will be released in three phases in order to maximize opportunity for regions with historically low involvement to participate.

HTF Plan Administration

In approving the HTF Plan, the Board authorizes staff to proceed with issuing Notices of Funding Availability (“NOFA”) and make any needed amendments to expedite utilization of funds. Funds may be committed and expended via contracts and/or reservation. HTF programs may utilize various income determination methods as further noted in the General Program Description provided in the HTF Plan or as outlined in the NOFAs.

Using no more than \$250,000 per biennium of the HTF loan repayments and interest earnings *that exceed the requirements under Rider 8 of the GAA* (see Rider 8 of the GAA under "Appropriation Details" on page 2), the HTF may be used to respond to unanticipated challenges that may arise in the course of implementing approved Single Family program activities. The HTF will develop workouts and fund construction and other solutions to unexpected, unique obstacles arising on existing Department contracts, activities or assets that cannot be addressed with other funds, including federal funds.

In approving the HTF 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 in excess of those funds required under Rider 8, to be programmed into current Department activities or activities approved in the HTF Plan.

General program descriptions follow.

Texas Bootstrap Loan Program

Amount Recommended: \$6 million from the 2016-2017 Appropriation.

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 or improve residential housing through self-help construction with very low-income households (“Owner-Builders”). Section 2306.7581(a-1) of the Texas Government Code requires the Department to make at least \$3,000,000 available each fiscal year for mortgage loans to households with the greater of 60% of Area Median Family Income (“AMFI”) or the statewide income limits. Approximately \$6,000,000 will be made available until August 31, 2017, or until all funding has been reserved.

Maximum Loan Amount: To expedite the expenditure of funds, entities must apply for access to a reservation system that makes funds available on a first-come, first-served basis. Loans from the Housing Trust Fund shall not exceed \$45,000 per household. The total amount of amortized loans from the Department plus any other sources may not exceed \$90,000 per household.

Eligibility Requirement: Owner-Builders must have a household income not exceeding 60% of the AMFI or the statewide income limits, whichever is greater; must have resided in Texas for the preceding six months; and must have successfully completed an owner-builder education class. Owner-Builders 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. For Fiscal Years 2016-2017, the Department will define household income limits in accordance with the U.S. Department of Housing and Urban Development (“HUD”) HOME Investment Partnership Program income tables.

Administration Fees: An administrative fee equal to 6% of the loan amount is paid to Administrators upon completion of each house.

Regional Allocation: Two-thirds of the funds (approximately \$4,000,000) will be set aside for Owner-Builders with property in census tracts with median incomes not exceeding 75% of the state median income per the most recent statistics available. The remaining one-third (approximately \$2,000,000) will be released statewide. The Regional Allocation Formula is not applicable to this funding due to the set-aside requirements of Section 2306.753(d) of the Texas Government Code. Furthermore, the remaining one-third of the fund balance does not exceed the \$3,000,000 ceiling cited in Section 2306.111(d-1)(3) of the Texas Government Code.

Other Considerations: If balances exist from previous Bootstrap funding cycles, those funds will be made available to Bootstrap activities. Funds accumulated in the Owner-Builder Revolving Loan funds may also be made available in the HTF Plan. This use of funds achieves the statutory requirements for funding the Texas Bootstrap Loan Program and for targeting nonprofits. This activity also achieves significant leveraging of other public and private funding sources, promotes the Department’s mission and provides for repayment to the Housing Trust Fund.

Amy Young Barrier Removal Program

Amount Recommended: \$3,051,925 from the 2016-2017 Appropriation.

General Program Description: This program provides one-time grants of up to \$20,000 to Persons with Disabilities with household income not exceeding 80% of the AMFI or the statewide income limits, whichever is greater. This program funds home modifications that increase accessibility for homeowners, tenants, and members of their household who have a disability, in addition to correcting hazardous and unsafe housing conditions, as approved by the Department. Approximately \$3,051,925 will be made available until August 31, 2017, or until all funding has been reserved.

Maximum Assistance Amount: To expedite the expenditure of funds, Administrators must apply for access to a reservation system that makes funds available on a first-come, first-served basis adjusted for the geographic considerations below. The maximum number of reservations per Administrator will be further detailed in the NOFA. One-time grants will not exceed \$20,000 per household.

Eligibility Requirements: Administrators may include Units of General Local Government, Councils of Governments, Nonprofit Organizations, Local Mental Health Authorities, and Public Housing Authorities. Administrators must demonstrate competence in accessibility standards and applicable building codes further detailed in the NOFA. Program beneficiaries must have a household income not exceeding 80% of the AMFI or the statewide income limits, whichever is greater. The Department may choose to lower program income limits in a manner further detailed in the NOFA. For Fiscal Years 2016-2017, the Program will define household income limits in accordance with the U.S. HUD HOME Investment Partnership Program income limits. Further details will be provided in the NOFA.

Administration Fees: An administrative fee equal to 10% of the hard and soft costs is paid to Administrators upon completion of each project.

Geographic Dispersion: The RAF does not apply to funds primarily serving Persons with Disabilities; however, the Department promotes geographic dispersion in the NOFA to ensure that all rural and urban subregions have an opportunity to access funds each year of the biennium. Each year of the biennium, each region will receive at least \$100,000 (enough for five fully funded activities) and the remaining funding will be distributed in accordance with the process below:

- For the first 60 days of the initial release of funds, each state region will receive funding amounts for their rural and urban subregions. For 60 days, these funds may be reserved only for households located in these rural and urban subregions.
- For the next 60 days following the initial 60 days following the release date, any funds remaining in the rural and urban subregions will be combined into one balance for that state region. For 60 days, these funds may be reserved only for households located in that state subregion.
- After the initial 120 days following the release date, any funds remaining across all state regions will collapse into one state-wide pool. For as long as funds are available, these funds may be reserved for any households anywhere in the state on a first-come, first-served basis.

Other Considerations: These funds will serve Persons with Disabilities.

Contract for Deed Assistance Program

Amount Recommended: \$500,000 from the 2016-2017 Appropriation.

General Program Description: This program supports eligible nonprofits and units of local government (“Administrators”) in assisting eligible colonia households who have converted or wish to convert their contracts for deeds into warranty deeds. Eligible activities include identifying households with unrecorded contracts for deed and addressing other colonia housing issues such as clouded titles, releases from liens, property transfers, and housing unable to meet Texas Minimum Construction Standards. Approximately \$500,000 will be made available until August 31, 2017, or until all funding has been reserved.

Maximum Assistance Amounts: To expedite the expenditure of funds, Administrators must apply for access to a reservation system that makes funds available on a first-come, first-served basis. The maximum assistance amount per household will be further detailed in the NOFA.

Eligibility Requirement: Participating nonprofits and units of local government must demonstrate a history of working in colonia real estate and colonia housing construction in Texas. Participating households must reside in a colonia within 150 miles of the Texas-Mexico border, have converted or wish to convert a contract for deed into a warranty deed, and have a household income not exceeding 60% of the AMFI or the statewide income limits, whichever is greater. For Fiscal Years 2016-2017, the Department will define household income limits in accordance with the HUD HOME Investment Partnership Program income tables. Further details will be provided in the NOFA.

Administration Fees: Further details will be provided in the NOFA.

Other Considerations: These funds will serve colonia residents living within 150 miles of the Texas-Mexico border.