

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PROGRAMS COMMITTEE MEETING

9:15 a.m.
Thursday,
June 10 2004

Auditorium
State Capitol Extension
1100 Congress

COMMITTEE MEMBERS:

C. KENT CONINE, Chairman
ELIZABETH ANDERSON
VIDAL GONZALEZ

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
BROOKE BOSTON
EDDIE FARISS
SUZANNE PHILLIPS
ERIC PIKE

ALSO PRESENT:

BRENDA HULL

A G E N D A

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P R O C E E D I N G S

MR. CONINE: I call to order the Programs committee meeting of the Texas Department of Housing and Community Affairs for Thursday, June 10, 2004 at 9:15 a.m.

We'll call the roll right quick. Kent Conine is here today. Beth Anderson -- on her way.

Vidal Gonzalez?

MR. GONZALEZ: Here.

MR. CONINE: At least two here. That's a quorum. Okay.

We have public comment. For those of you who may want to speak in front of the Programs committee, we have witness affirmation forms. If you haven't filled one out, please fill one out. It looks like I've got three up here right now.

Let me just start asking, Ronald Mayfield. It says here you want to speak after Peter Dupont. Is that right?

MR. MAYFIELD: Right.

MR. CONINE: But I don't have one from him.

MR. MAYFIELD: He's on his way up. He'll be here. The agenda item is Tranquility Park Apartments.

MR. CONINE: Okay. So that's not dealing with the Programs committee meeting. Okay. We'll set that aside for the Board Meeting. Someone else will handle

that one.

Greg Gibson?

MR. GIBSON: I wish to speak to the item on the Texas Interagency Council for the Homeless.

MR. CONINE: Okay. We'll do that. Mike Doyle?

MR. DOYLE: Same thing, Mr. Chairman, the Texas Interagency Council for the Homeless.

MR. CONINE: Okay. We'll do that. John Henneberger. Didn't want to leave you out, Mr. Henneberger. And you want to do it after the Staff presentation, I see.

MR. HENNEBERGER: Yes, sir.

MR. CONINE: Okay. Any other people wishing to speak publicly?

(No response.)

MR. CONINE: If not, I'll close Public Comment and go on to Item 1, which is the Presentation, Discussion and Possible Approval of Minutes from our meeting on May 13.

MS. CARRINGTON: Mr. Chairman, if I may. The minutes included inadvertently the minutes of the Board meeting also. And I think we had talked about deferring this item until the next Programs committee meeting.

You did have a complete set of minutes for the Programs committee, but then if you turn the page and look

at page 10, that's the remainder of the Board meeting minutes.

MR. CONINE: Well, I would think if we had an amendment to exclude everything after the Programs committee meeting, that would be in order.

MR. GONZALEZ: Yes.

MR. CONINE: Do you want to make that motion?

MR. GONZALEZ: Yes. So moved.

MR. CONINE: We've got a motion on the floor to accept the minutes that will include the first four pages.

Is that right? Up through the end of the Programs committee, and then exclude 10, 11 and 12 that's in the book. I'll second that motion.

MR. CONINE: Any discussion? All in favor, please say, aye.

(A chorus of ayes.)

MR. CONINE: Opposed, nay.

(No response.)

MR. CONINE: Hearing none, the motion carries.

Item 2. Discussion of Update on Issues related to our May meeting. Ms. Carrington?

MS. CARRINGTON: Good morning, committee members.

What you have behind tab 2a) are four appendices related to items that we discussed at the May

Programs Committee Meeting.

And these were immediate follow-up items. We grouped the items left over from the Committee Meeting, really into two groups. And the first is those items that we were able to prepare and get information ready for you today.

At the bottom of page 1 of 11, we're also saying that at the request of Committee members in May, that there are several longer term projects that we're working on for future Programs Committee meetings.

But what we have for you today -- first of all, Appendix A is the subscription rate for the 2004 HOME applications. Appendix B is the funding cycle timelines.

Appendix C -- you'll remember last month that we notified you that we would need to amend our Consolidated Plan language.

And what we have for you are the three areas where we had to amend the plan, including language of the American Dream Down Payment Initiative, net proceeds language and use of HOME deobligated funds.

Appendix C does include the final language that we have submitted to HUD, and we've black lined that language for you in the documents that you have. Appendix D, our ORCA funding programs update related to their housing finds, other options and CDBG funding overview.

So that's an overview of what you do have in your programs material.

Mr. Chairman, I'll ask you how you'd like to proceed.

MR. CONINE: Well, why don't you just briefly give us the layman's view, starting with the subscription rate. Refresh my memory, as well as other on the Committee probably, of where we were and where we are in the process of the HOME funds cycle.

MS. CARRINGTON: This is Appendix A. We released a NOFA on January 30 of this year. We had approximately \$24,412,000 available. \$2,250,000 of that was set aside for persons with disabilities.

We've provided you a chart that shows basically the over subscription in that program. We accepted 265 applications for HOME funds available. And this is for eligible single-family activities.

On our multi-family we do have those on an open cycle right now. Of the 265 applications we received, 247 of them are subject to the regional allocation formula and the percentages outlined in the 2004 consolidated plan.

So if you look down at the bottom of page 3 of 11. The left-hand column indicates the percentages that we have identified in the consolidated plan that we will allocate to each of these activities.

So 45 percent is allocated, owner-occupied; 35 percent to home buyer assistance; 20 percent to tenant-based rental assistance. That second column between the two that I've just read for you indicates the over subscription rate in each of those.

If you add up your percentages quickly, you'll note that they only equal 95 percent. The other 5 percent is set aside for individuals with disabilities. And that over subscription rate on those was 2.8 percent, and the number of applications we received was 18.

So the 247 matches what was subject to the regional allocation formula. The 18 would be applying for the \$2.25 million that was available for the set-asides.

MR. CONINE: Now the percentages you asked me to add up to get to 95, looks like to me get to 100 -- on the left-hand.

MS. CARRINGTON: Whoops. Okay. It's because those add up to 100 percent for the regional allocation formula. And then the other 5 percent below the line is the set-aside. I apologize.

MR. CONINE: Okay. Just want to make sure I understood what you were saying.

MS. CARRINGTON: Your math is quicker than my math this morning. As you can see, the total funds requested that's subject to the regional allocation

formula were over \$93 million.

For the set-aside, the disability, the 5 percent -- those requested amounts were \$6.3 million. Administrative funds requested related to the \$93 million and the \$6.3 million.

MR. CONINE: Can you refresh my memory now on where we are to the subrecipients of all these funds and the contracts. Is it all out the door, halfway out the door?

MS. CARRINGTON: You have not reviewed those. Staff accepted them. Staff is in the process of reviewing them. And we are slated to bring these recommendations to you at the early July or the late July meeting?

MR. PIKE: The late July Board meeting.

MS. CARRINGTON: The late July Board meeting. Same Board meeting will you will be allocating tax credits, also.

MR. CONINE: Sounds like fun times. All right. Any other questions on Appendix A from the Committee members?

(No response.)

MR. CONINE: Moving on the Appendix B for just a second.

MS. CARRINGTON: Okay. In anticipation of your questions, Mr. Conine -- the questions that you all did

ask last month, this is the funding cycle time line. So this shows you where we are in the development of our consolidated plan.

The draft of the action plan will go in September. Comment period will be from September to October. You all will look at that consolidated plan, one-year action plan, in November. We submit it to HUD in December.

Then looking forward into next year's program year, '05 -- that's when our year begins -- we will be putting out the NOFA, accepting applications basically in the same kind of time frame we are this year.

MR. CONINE: Looks like Staff took a shot at squeezing the time line a little bit, because if I heard you right we're going to go over this year's request in July. But it looks like here, we're talking April or May. Can you comment on any of that?

MR. PIKE: These are for '05 that you have here in the book. And we're looking at this coming July '04 to make our rewards.

MS. CARRINGTON: When we reference, Mr. Conine, grant agreements executed, those are our grant agreements with HUD for the funding.

MR. CONINE: Did we not have a discussion last time about Staff taking a look, squeezing them down and

getting them out a little earlier than in prior years?

MS. CARRINGTON: We did have that discussion, Yes, sir.

MR. CONINE: It didn't work.

MS. CARRINGTON: We heard you. That was one of the several items we had on the agenda to talk to HUD about. They basically don't notify us of the funds and get the money to us until March or April.

And so we execute those agreements from HUD as soon as we receive them. We're working during that period of time. And our NOFA's usually gone out. But we very reluctant to have any kind of a deadline for applications or do any review of those applications until we have our money finally allocated by HUD.

MR. CONINE: Did we have any internal Staff discussion on "Open Cycle" of any type as opposed to all at one time?

MR. PIKE: I'll formally identify myself. Eric Pike, director of single family.

We have had some discussions regarding open cycles. I really don't think open cycles will work for our general HOME funding cycle, because of the regional allocation formula and just the nature of the HOME program. It would be extremely challenging, I think, to have an open cycle for those funds.

That being said, we have looked at having open cycles for a lot of our set-asides -- the Colonial Model subdivision preservation, contract for deed, homestead. We are trying to go to open cycles for those programs, because typically they're not oversubscribed. So we want people to bring a project to us as soon as they have financing, or what have you, in place. We're hoping that we can move those funds out the door quicker.

In regards to our general cycle, I see this information that we've provided as a sort of a tentative plan, as to what we're proposing to do. We can certainly make every effort to try to tighten this up, perhaps.

As Ms. Carrington said, we do have to go through the public hearing process, the consolidated plan approval process. So there are some constraints that prevent us from putting funds out the door earlier than March or April, because we don't get our funds from HUD until then.

So there's a possibility that we might tighten this up by a period of say, anywhere from one to two, possibly up to three months. But, for instance this year -- just to give you an example -- we have still not gotten out HOME dollars. We will anticipate those dollars will be made available to us by the latter part of this month.

We're participating our amendments will be approved by HUD, that we've submitted with the consolidated plan, and that the agreement will be signed by the latter part of June.

It varies from year to year. It's not always a set date that you can rely upon. But we certainly want to try to move our funds out quicker. Then that will also help us to perform better on the HUD performance items that I know you all want us to improve on.

MR. CONINE: Well, let me play "What If" with you for a minute, before I give up on this open cycle concept. I hear your concerns about the regional allocation issue, but it seems to me we have somewhat of an example set forth in the Bond program, where if it's not all gobbled up by August, it then goes back into approval and gets reallocated at the state level and we get another shot from August to December.

It would seem to me the thought would be to develop some system where we would have an open cycle that would fund each region up to the max for the first several months -- say August, just for fun.

And then after August, if a region has some that's not used up, then we could throw it back to an open season, so to speak. Have you given that concept any thought? Or anything like it?

MR. PIKE: That's a possibility. One concern I have was that we have such an over subscription of our funds. I guess there's a fear on my part that the more active applicants and grant consultants that participate in our program would, for lack of a better word, possibly gobble up all the money the first day that we make the open cycle available.

I think there's the potential for some criticism that perhaps somebody didn't get their fair share, get a change to access our money, because we are so oversubscribed for our general cycle.

That being said, there's also a concern that we have so many different cycles in the HOME program throughout the year now, that we like to have a competitive cycle and sort of put it to bed, wrap it up and close in out. I guess there's a concern that it could be drug out for some regions of the State, possibly, that may not have the demand that others have. It sort of never ends.

MR. CONINE: So, what you're saying is that more likely we'll get a better use of funds under the current system, because we get to rank projects, look at them, score them and do all that stuff.

MR. PIKE: Well, the applicants who are applying to our program for the first time, who are not

using the services of a professional, oftentimes need technical assistance. It takes them longer to prepare applications. They're certainly not as savvy in regards to the guidelines and rules of the program.

And I have a fear that it may discourage applicants like that from participating when you've sort of got the season closed, who can put these applications together very quickly. I'm not doing a presentation. I promise.

Mr. Chairman, if it's something that you feel strongly enough about, we can certainly propose trying to do something like that and take it out for public comment during the public hearing process.

MR. CONINE: I wouldn't mind getting a little feedback. I'm not dead set on that particular process. Again, the purpose of my questions is just to try to prove and explore and make sure the Committee understands why we do what we do for so many years, and to see if there isn't a better way to do things or just explore other options.

That's just the purpose of my question. I would love, during the public hearing process, to pose some sort of question like that and see what kind of response you get, just for our input, maybe for future use. And if you could report back after that happens, I'd appreciate it.

MR. PIKE: We'll be happy to do so.

MR. CONINE: Appendix C. I don't think we need to go over that.

MS. CARRINGTON: May I make maybe one more comment --

MR. CONINE: Sure.

MS. CARRINGTON: -- back on Appendix A, on the multi-family allocation.

MR. CONINE: A or B. Which one?

MS. CARRINGTON: Page 4 of 11. At the bottom of the page on multifamily allocation.

We do have two NOFA's right now to the HOME program. One of them for CHDO, and that's the \$9 million. This is under an open cycle. And also Preservation. We have \$9 million that's available under an open cycle.

And you'll note the last sentence we have on page 5 of 11, "The success of the open cycles will be evaluated before decisions regarding 2005 funding are determined."

I think we have been a little bit surprised, perhaps, that our open cycles for multifamily have not been as successful as maybe we would like them to be. We are really not having the demand for them. So we really are going to take a look at this as it relates to whether we will make a recommendation to the Board that we

continue these two multifamilies.

MR. CONINE: You reckon that indicative to the demand of the marketplace, or maybe the requirements of the program, or maybe a little of both?

MS. CARRINGTON: Ms. Boston, would you like to make suppositions about that?

MS. BOSTON: Brooke Boston, director of multifamily finance.

Currently the applications that we have submitted for the two NOFA's -- all of the applicants also currently have active tax credit applications in. So, even though it went out as open, they have all taken advantage of it, by just trying to layer it.

I hate to say that there's not enough demand, but they haven't been out that long. They've only been out a few months. There is demand in the overlap.

Our primary reason for wanting to do it on the multifamily side -- as Eric was referring to their component of the thing as oversubscribed -- ours is actually kind of just the opposite. On the HOME Preservation and HOME Preservation and HOME CHDO -- they have been historically undersubscribed.

For instance, last year when we brought our HOME CHDO awards to you, a lot of them had been terminated and made ineligible because they didn't meet all of our

requirements.

So by going with an open cycle where there's more back and forth dialogue, they can fix their application and not be terminated and work with us on building up their strength and capacity. But we've been coming from on the rental side with open cycle.

MR. CONINE: Again, I continue to receive mixed messages at some point, because I just went to a House Urban Affairs committee meeting, where we were trying to find a funding source to be able layer and do what's needed to fill the gap, yet we had an open cycle in multi-family not being fully subscribed.

MS. BOSTON: When people call and ask us about what funds we have out, a lot of people aren't as enthusiastic about the HOME funds, because they are more restrictive. It brings in Davis-Bacon. And if you're looking, for instance, for a gap on credit deal, and you don't have to do Davis-Bacon for the credit, people are more reticent to actually bring in homes.

So it seems like there's a point at which it becomes worth it and a point at which it's not. I would think that most of our credit folks are not looking at it for that reason. And for the rental, obviously, we're only doing non-PJ.

MR. CONINE: So you think it may be because of

the federal restrictions that come with the money as opposed to the ones that was have self-exposed that area creating somewhat of a problem.

MS. BOSTON: Yes. That would be my anecdotal observation. When people call and ask us about it, that's what we tend to hear is that, we don't want to do all that extra stuff.

MR. CONINE: Do we have a max size on allocation?

MS. BOSTON: It's \$1.2 million.

MS. CARRINGTON: \$1.5 million. Didn't we raise it?

MR. CONINE: So again, as a hypothetical question, if we raised the maximum size to \$2 million, let's say, is there feedback from the development community that would say that at some point -- some larger number -- it does make the Davis-Bacon and some of the other stuff that they have to put with worthwhile to go through.

MS. BOSTON: We can definitely check as we go out for hearings. This past revision, we increased that amount. It used to be lower. And then based on some of the demands we had last year and the Board, which actually granted a waiver on one particular application, which was Canal Street -- we did go above, because that's what they

needed. And so we sort of revised the rules so that we could do that.

MR. CONINE: Suzanne, you're just dying to talk. With that pink suit, I'm dying to hear from you.

MS. PHILLIPS: Suzanne Phillips, director of Portfolio Management Compliance.

To answer a couple of your questions, some of the things that the Department's doing in the next couple of months. We're sponsoring our first in a series of our rental workshops. So we'll be marketing these workshops across the State. We've got two planned -- one in July and the second in September or October.

It'll cover all of the issues associated with both the federal rules and the state rules. And we're also going to be distributing some working tools that will help the people plan their projects.

We heard over the past five or six years from people who have gotten HOME funds, that there were so many difficulties in getting the draws, getting inspections. I think that we might have probably damaged our reputation a bit in how we administered. And we weren't as user-friendly as we should have been.

We've also had problems where we were, according to the subrecipients, not funding enough dollars to the project, and that they were having a hard time

bringing the properties up the level that the feds require.

So I think the fact that we've raised that from \$1.5 million, and also in the rules I believe there's the ability to waive even that \$1.5 million and go over that so that people will be more incentivized to use it for rehab and a greater incentive to use it as a second lien position in our tax credit projects.

We've got about 125 projects now. We've been looking at them over the past six months. We'll be looking at them more closely and looking at the financial feasibility of them just to see what kind of lessons that we've learned or that we can learn.

Most of what we've seen is that they were pretty slim funding, and that most of the people didn't really understand that much about the program and had to go slow because of that, but I think that once we get some better information out on how to use the dollars, people will be more receptive to it.

MR. CONINE: We have 125 projects that are on the books, that are fully funded from previous HOME multi-family cycles.

MS. PHILLIPS: They're active and occupied.

MR. CONINE: You brought up the subject kind of where I was heading with the federal restraints versus the

state restraints and the disbursement process. I don't want to take up our time here talking about the disbursement process, but is that something you're going to get feedback on in the hearings you're talking about?

MS. PHILLIPS: We've done that. Two years ago actually, when we did our round tables for the application cycle, we combined a round table with current participants and got a lot of feedback from the owners.

We get a lot of feedback from the owners when we do monitoring. We do most of these properties either once a year or once every two years. So we get a lot of feedback from the owners when we're on site, about how difficult it was to comply with the federal requirements, how difficult it is to comply on an on-going basis.

One of the problems with the HOME program is that nationally we don't have the level of sophistication in that program that we do in the tax credit program. In the credit program you've got all of the accountants, the attorneys, the consultants. There's just a horde of people who follow the tax credit program around to make it easier.

On the HOME side, it just doesn't happen. It's mostly CHDO-driven or individual entities, small cities, trying to do a rental program. And it's just very difficult.

One of the things that we need to do is to figure out how to get that horde of experts from the credit program involved in the HOME program, to bring a higher level of expertise and general contractors and better construction. I think that will help a lot.

A lot of them are self-managed. We don't have that many professional management companies involved. It's just part of this marketing.

MR. CONINE: Potentially in September when we look at the draft action plan and the rules for the HOME program, are we going to see a suggestion from Staff at that point on maybe some of the feedback you've gotten over the last year or so on how we, on our side, can make it a little more user-friendly?

MS. PHILLIPS: I know that I've got a person on my staff who's working directly with Brooke's staff, with David Dannefelder.

We're going through all the rules now, all of the procedures that we have to try to make sure that we're trying to make it as close to our other rental programs as we can, in identifying those things that we've made up that haven't really added any quality to either the tenants or the projects.

A lot of the things that we added were just to distinguish one project from the other during an awards

cycle in scoring, that really didn't come out to make a better project. So we have a team of folks looking at that now.

MR. CONINE: Would you be so kind as to highlight those for me when we get to our September meeting to make sure I focused on those and the rest of the Committee?

MS. PHILLIPS: Yes.

MR. CONINE: Thank you, very much.

MR. CONINE: Appendix C, I think we can do away with. Unless there's something you want to point out.

MS. CARRINGTON: One item I would like to point out to you in Number 1 on the set-aside for the American Dream down payment initiative. The last two paragraphs, Appendix C, Number 1. This was language that you did not look at in May.

Basically what we say is for the American Dream down payment funds for 2003 and 2004 will be available to us in the fall of '04 and will be allocated through an open cycle. It will not be subject to the regional allocation formula. And then the next paragraph tells you how we will be getting that information out to the public.

MR. CONINE: Okay. ORCA. Why don't we go over Appendix D right quick.

MS. CARRINGTON: Appendix D, the ORCA Housing

Programs update. This is one that probably the closest person on our staff who is an expert on this has been out with surgery for the last couple of weeks.

So Brenda Hull who is in the Housing Resource Center has graciously done her homework over the last several day and is going to be able to talk to the Committee about what ORCA has proposed in their housing rehabilitation and housing infrastructures programs.

MS. HULL: Good morning. I'm Brenda Hull. I work with the Center for Housing Research Planning and Communications. The language that is Appendix C comes from ORCA's CDBG 2005 proposed action plan. And the ORCA executive committee did approve the action plan last week. So this language was adopted. There were some minor revisions.

Number one, under ORCA Housing Funds. In summary, "The Housing Rehabilitation and the Housing Infrastructure Programs historically have been 4 percent satisfied." And those have been done away with. In place of that there's some language that encourages each region to allocate up to 8 percent of the Community Development Allocation to housing specifically.

In place of the housing set-asides, there are two other options that the Community Development Block Grant Funds can be used for housing, includes the Section

8 Loan Guarantee Pilot Program and the Colonia Construction Fund.

On page 10 of 11, it goes through the percentage break up for the 2005 Community Development Block Grant Funds. The Community Development Fund represents almost 56 percent of the total. The Community Development Supplemental Fund, which is the new fund, will represent 5.3 percent.

And to give you a comparison, previously the Housing Infrastructure Fund represented 2.79 percent, and the Housing Rehabilitation Fund represented 1.75 percent, for a total of 4.54 percent. And that was in 2004. The equates to approximately \$3.9 million.

The Community Development Supplemental Fund for 2005 is 5.3 percent, as I mentioned earlier. And that's about \$4.6 million. The Community Development Supplement Fund -- my understanding is that it's a fund that the local areas have more discretion over how to use the monies. They can use it for housing, up to 8 percent, if they choose, or they can use it for other uses.

MR. CONINE: Okay. Any questions from any of the Committee members?

MR. GONZALEZ: No.

MR. CONINE: We received some testimony that showed a little disappointment in ORCA, getting rid of the

set-aside. But it looks like they're taking away a 4 percent set-aside, but encouraging an 8 percent usage, if you will, but not a guaranteed set-aside.

Is that the gist of what's going on here?

MS. HULL: Yes. Correct.

MR. CONINE: So the question is in the competitive process, will the housing piece be able to be successful in their deliberations.

MS. HULL: And that will be decided at the local levels with the regional review committees.

MS. CARRINGTON: If I might interject, I had understood that it was actually two 4 percent satisfiers. That one of them was the Housing Rehabilitation, and the other was the Housing Infrastructure Fund.

So with those two set-asides, that's where the 8 percent came from. And being set-asides, what they're doing is encouraging in not having the set-asides.

MR. CONINE: I gotcha.

MS. HULL: And the encouraged 8 percent is only for a fraction of the total Community Development Block Grant Funds. It's 8 percent of 56 percent is what is being incurred.

MR. CONINE: And this is for '05 money. Is that correct?

MS. HULL: Correct.

MR. CONINE: And it is a competitive cycle or open cycle for ORCA on CDBG money?

MS. CARRINGTON: I believe it's competitive. Yes.

MR. CONINE: Competitive?

MS. CARRINGTON: Yes.

MR. CONINE: And what month do they make those decisions?

MS. HULL: I don't know the answer to that question.

MR. CONINE: Okay. I think the idea for us is just to kind of monitor and see what's going on over there, just so we as a committee and Board can be educated as to any funds that aren't going into rural Texas, that used to.

And that's my interest and maybe some of the other Committee members. Whenever that month is, if you could just put it in your tickle file and let us know kind of what happens, I'd appreciate it.

MS. HULL: Sure.

MS. CARRINGTON: And ORCA will be submitting this information to us. And of course it's included in our consolidated plan and one-year action plan that goes to HUD.

MR. CONINE: Okay. Let the reflect Ms.

Anderson has joined us. Welcome.

MS. ANDERSON: Thank you.

MR. CONINE: I guess that finishes Item 2 on the agenda.

Let's go to Item 3, the Report from Texas Interagency Council for the Homeless. Ms. Carrington.

MS. CARRINGTON: I believe you have some public testimony.

MR. CONINE: Yes. I did have some public testimony. Hang on just a second.

Greg Gibson?

MR. GIBSON: If you'd be so kind, I'd like for Mr. Fariss to take my time.

MR. CONINE: Mr. Eddie Farris. How are you today?

MR. FARRIS: I'm fine. Mr. Chairman. Committee members.

Ms. Carrington, did you want to give a brief overview of our presentation, or would you like me to begin?

MS. CARRINGTON: Go ahead, Mr. Farris.

Mr. FARISS: Okay. Thank you for the opportunity to come to talk about the Texas Interagency Council for the Homeless.

Today with me individuals who will also be

talking to you, I have Mr. Greg Gibson who's the chair of the Interagency Council. He's a representative from the Texas Department of Mental Health and Mental Retardation.

I also have Mr. Mike Doyle, who's the Governor's representative on the Council. And Mr. Doyle operates among other things the Cornerstone Assistance Network in Tarrant County, an organization serving homeless persons.

I also have with me today Ken Martin, executive director of the Texas Homeless Network, with whom we work closely to address many of the responsibilities that are included in our enabling legislation.

I also wanted to mention that the Department has one other member on the Council, Ms. JoAnn DePenning, who represents the housing side of the Agency on the Council. I represent the community affairs side on the Council.

Texas Interagency Council for the Homeless was created by the 70th Legislature in 1989. And I've been a member of the Council since 1989. I have considerable tenure. The legislation was originally created and introduced by Senator Parmer from the Metroplex area. And he had some amount of foresight in doing that.

Texas was one of the first states to formally pass legislation creating an interagency council for the

homeless. It sort of came on the heels of Congress passing the Stewart B. McKinney Homeless Assistance Act in 1987. The Council was first housed at the Health and Human Services Commission, later moved to the Texas Department of Housing and Community Affairs and now is part of the Texas Department of Housing and Community Affairs and its enabling legislation.

You have a copy of that legislation in your book packet. You also have a membership list included in your Board packet, which indicates that the Council is made up of three appointments, one from the Governor's office, one from the Speaker of the House, and one from the Lieutenant Governor.

And of course, Mr. Doyle is here today as a representative of the Governor's office.

There are 14 state agencies represented at least currently on the Council. Of course the names are changing to protect the innocent, I think. I suspect that during this next session, they will address some change in this piece of legislation to name representatives other than associated with the current names of state agencies.

We also have 12 advisory members on the Council.

When you have a moment to look through piece of legislation, there are a number of responsibilities that the Council is required to address.

One of the reasons I asked Mr. Martin to be here today, in case you had any questions, was that the Council carries out many of those responsibilities through our collaborative work with the Texas Homeless Network.

There's no funding for the Council, no staff assigned to the Council. One significant change that I will mention that occurred in the past legislation session was that the Interagency Council now serves as an advisory committee to the Board of Texas Department of Housing and Community Affairs.

The main thing that we wanted to present to you today which I am not going to talk about. But the main reason for us to come today was for us to talk about the process that we have been going through to develop the State plan to end chronic homelessness, as many states and most entitlement areas around the country are doing.

And with that I will turn the lectern over to my colleague, Mr. Gibson, to talk about the plan that we've brought to you. Unless of course you have a question for me.

MR. CONINE: One quick question. How often does the Council meet?

Mr. FARISS: We're required to meet no less than quarterly. We meet more frequently than that, especially when we have projects that we do. Sometimes we

meet monthly; sometimes we meet quarterly. But no fewer than four times a year.

MR. CONINE: Got it. Thank you.

MR. GIBSON: Good morning. Thank you for the opportunity to come and chat with you all for a moments. I do want to back up and brag on the Texas Department of Housing and Community Affairs.

They've been support of this Council over the years in terms of the expertise that you all have in this area, in terms of staff support, and sometimes where you're just getting stuff copied and getting information out.

The Council has had many collaborative projects. It's a wonderful forum for the exchange of what a difference that state government can do if you empower folks at the local level to come together as a community and think about sometimes what is the sickest and the poorest of us all.

We've had projects in south Texas in the mid-90's where we've take the Texas Department of MHMR, eleven new funds, some federal funds, some TDHCA funds and tried to make a difference in the lives of people with disability, who had extreme had extreme housing instability, as sometimes that often happens with people that have crisis poverty and chronic disability.

We've had a good partnership with the Department in talking about HOME tenant-based rental assistance funds. I've gone around TDHCA Staff and taught community health centers about what your programs are about, what you all can do, what you can't do, administratively how do you disperse funds and make claims in that business process.

Quite often social workers get promoted into these type of business functions, and they don't necessarily have the skills. And so we've been able to step forward and help folks out with that.

We do have the Texas Homeless Network. Early on we only had about four homeless coalitions in this state. They were pretty much the business card swapping, have a cup of coffee at lunch, type of organizations.

I'm proud to say that through the Network and through the Council membership, we have 29 of those. Many of those are 501(c)(3) organizations, that act as administrative service organizations, who will handle some of the business of these non-profits, so they can focus on their business.

In 1991 there was an opportunity that was put out by the U.S. Department of Health and Human Services, the U.S. Department of Housing and Urban Development, and the U.S. Department of Veteran Affairs in conjunction with

HHS and those folks.

And they wanted to have policy academies for state and local officials. And they wanted to focus on two populations. One of those were persons who were chronically homeless, people that have been homeless for a year or longer. The second policy academy was for homeless families.

We applied in '91. There was a series of academies, and our turn came up in 2001. It was kind of odd. We'd assembled a good world class team -- Dianne Rath, workchair of Texas Workforce Commission; Bay Wanser [phonetic], director of Tecata [phonetic].

The session came. The team was arranged. We still had the support from this Agency and a number of agencies. And we came away with an action plan to address persons who are chronically homeless.

They consume, some speculate, 50 to 80 percent of the resources, this small of group of 10 percent of the homeless population.

If we could just work a little smarter, a little faster, a little cheaper, maybe we could free up some of the resources for people who experience crisis poverty, such as domestic violence, chronic disability, persons with serious mental illnesses.

We came away with an action plan that focused

basically on three items -- increasing the public and political investment to share information about what we know and what we don't know; number two, work on homeless prevention.

My personal belief is that there will always be homeless people, people with crisis poverty, chronic disability. But we can certainly minimize the impact of that when it occurs.

Number three is to bring evidence-based practices to bear upon these populations -- persons who may have a serious mental illness and recurring substance abuse problems; a victim of domestic violence who maybe didn't have the resources to space from her perpetrator.

As we came away from the plan, we often know how plans go. We needed that public input into that plan.

At the urging of the Governor's office, we held public hearings and Lubbock, in Austin, in Houston, El Paso, Fort Worth and Harlingen, all across the state. We brought those comments back to our teams and incorporated those comments into our plan. This is another step in our vetting process.

I believe in a public transparent process, so I bring you this plan today. And I'd like to have Mr. Doyle discuss a little bit more about that plan and perhaps a littler bit more about the future.

MR. CONINE: Okay. Mike Doyle?

MR. DOYLE: Thank you, Mr. Chairman, Committee members, and Greg and Eddie. Ms. Carrington.

I've been involved with the Interagency Council for about six years now and was Governor Bush's appointee to that Council and am now Governor Perry's appointee to that Council, and also serve as the Texas liaison to the United States Interagency Council on the Homeless.

So I've had some experience with this, as well as Cornerstone has been providing homeless services in Tarrant County since 1992.

I've felt from a faith-based perspective that the majority of the work done in this area is from people of faith, through faith-based organizations, who are uniquely disconnected from the public system for most intents and purposes. And I've always wanted to make sure that their voice was heard, as well as the homeless people themselves voices were heard in the process.

We are excited that by the end of the summer, early fall, we hope to have the Governor sign this plan. It's night really an endorsement of everything in it. It's simply that we as a state have a plan to deal with this issue.

One of the first things that I brought to the United States Interagency Council was the numbers.

Ten percent of the population, based on Dr. Dennis Culhane's research from the University of Pennsylvania, which was the predicator that started the process in Chicago with us, was out of line with what we found in the State of Texas.

Our planning and our surveys and censuses had pointed out that 27 percent of the population were chronically homeless. Again to reiterate what Greg said, that is a single, unaccompanied adult with a disability, who's been homeless over a year.

The second category for chronic homelessness is that they have had four episodes of homelessness lasting at least one day over the last three years. That's the target population that this chronic homelessness initiative is targeting.

Certainly that leaves out families. Certainly that leaves out couples. But at least their research showed 10 percent of the population were chronically homeless, eating up 90 percent of the resources.

Our study showed 27 percent of the population were chronically homeless, eating up 90 percent of the resources. So the theory simply is if we can move them into mainstream services, move them into social security disability and TANIF and food stamps and those kind of mainstream services that are administered through HHS,

that they basically can free up \$500 million from HUD to be able to do housing.

That was the concept of all of this, at least my opinion of the concept of all of this, which is marvelous, because housing is the thing that they do, that is their first name.

So we're excited that we're going to be able, at least as a state, to put forth a unified effort with our Interagency Council which leads the nation in probably activities since 1989. It was one of the first ones formed. They still look at Texas to lead at the Interagency Council at the United States level, simply because we've been at this for so long.

So we're just excited that we're going to be able to get together to sign this. Get it out on the table, move it down to the local areas, so that they can have a framework for a plan that they can deal with their local organizations locally on how to do this, because the capacity of those organizations is in dealing with the people themselves, and not necessarily taking the time to plan.

This will give them a heads up on how to do that from their local coalitions, which the Texas Homeless Network has been very, very helpful.

When I became involved in the Texas Homeless

Network in 1994, there were four homeless coalitions in the State of Texas. There are 28 today. So they have been very successful in rallying groups of providers together, interested advocates together and local communities to be able to engage this problem of homelessness in their community.

This plan is going to allow them to have an overlay of how to go about some thinking about what you're doing and how to capture it. But that's the emphasis of it. That's the real basis of it -- to capture the data, how we're going to capture the data when all state agencies have different reporting systems.

How are we going to be able to see if we've made a difference or not at the end of the day?

And we're really excited that most communities who are entitlements, who present continuum of care plans to HUD must have homeless management information systems in 2005, which will allow us to somehow, uniformly we hope, throughout the State of Texas, draw data from those who are gathering the data throughout our state to see if we're making a difference in the chronic homeless initiative.

To say that we have done it is one thing; to prove that we have done it is a different thing. And coming from the faith-based perspective, this work

teaching capacity to those organizations, proving that sometimes it's a hard thing to do when you're knee deep in the lives of people hands on.

And it's very, very difficult to take the time to do the things necessary to prove to public policy makers that not only faith, but this initiative is making a difference in the lives of people.

So we are just excited as the Governor's office and their policy people to be able to take the lead in getting a state-approved plan in rapid form, so that we can again trickle that down to the local organizations to help them have a basis from which to go forward in their planning and thinking about how they're going to serve this very vulnerable population.

So we appreciate and I applaud TDHCA in their leadership, because quite honestly without their leadership, this Council would cease to exist. It has been phenomenal to see them work, to see the commitment, unfunded mandates all over the place. But here's one that has no money attached to it whatsoever, no staff allocation whatsoever.

Yet you've allowed us the graciousness to use what resources we can from time to time, to be able to get this word about homelessness out to the people throughout the state. And I really thank you for that, because it's

primarily because of you that we've been able to do that.

So thanks so much for allowing us to visit with you today.

MR. CONINE: Mr. Doyle, thank you. If you wouldn't mind, just staying up here and answering a few questions.

MR. DOYLE: Sure. I'd be glad to.

MR. CONINE: I appreciate you taking the time to come down and visit with us today.

The purpose of what the Programs Committee is doing is trying to educate some of us as Board members on some of the inner workings of our Department. And this is one that probably needs a little light shed on it, because it's the first time I've heard much about it. So thank you for being here.

I know Ms. Anderson has a question. I'll let her start off.

MS. ANDERSON: Thank you, Mr. Chairman. Good morning. I read with interest the priorities and the actions in the plan, and I applaud all of you all who participated in putting this together.

I wonder if between the work here in Texas and your coordination with the national council, have you seen models that we might work to implement in Texas that actually are about service provision. Most of this plan

is about awareness and collecting data and coordinating and those kinds of helpful activities.

But have you seen in other states where agencies have literally been able to take pockets of money from various agencies and put something together that was in your view a model program for service provision?

MR. DOYLE: We have not on a national level seen that. When we were in Chicago, the comment was made several times, except for Texas, we're here to do this, because we've already done a lot of the groundwork and planning. We probably have as many best practices models in the State of Texas as there are in the country.

There're certainly some models, like the hotel on Times Square in New York, where they are housing people, with the ground floor being emergency shelter, and the next floor being individual supportive housing and on up to permanent SRO housing. That's a wonderful model.

But there are several million homeless people in New York. So it's a little bit different scenario than what we're talking about. For example, Massachusetts as a state throws \$100 million of general revenue at the homeless issue.

We don't do that here locally. We depend a lot on our communities, which I'm in favor of doing to address that issue. There's really a disconnect between apples

and oranges and how you would approach that, because yes, you could look to Boston for a wonderful homeless model. However, the received millions of dollars in local funding that we don't have available.

MR. GIBSON: The current project that we have going on right now, which is related to your earlier discussions about the HOME funds. And forgive me if I don't use the correct vernacular for all the different categories and slices.

But we have the promoting independence, The Olmstead initiative, which is, I believe a set-aside and -- please correct me if I'm wrong -- about \$3.5 million was made available through that initiative this year, which is to move people out of these facilities into the community.

I worked with TDHCA staff to talk about the administration of the funds and what it means. To me coming from my agency, it's a 30-month rental voucher, that requires a support plan, than ends in a person being self-sufficient at the end.

We've worked for years to get community mental health centers. There's 41 of those organizations or entities out there. To increase the number of applications for this is part of a notion of, if you all will do the shelter, we'll do the care. If you all will

get them housed, we'll provide the behavioral health and the substance abuse care.

Certainly the integration of those funds is an important best practice. It's a good example that we've pointed out to other states and to the local providers about how much sense that makes. But we do have our administrative issues. We have recently capped all of the community centers at 10 percent administrative cost.

That might work great for Houston with \$100 million budget, but when you get down to Alpine, Texas or to Abilene, 10 percent is very limiting because of your fixed costs. Everybody has one ED and so forth.

What we have done -- we have drawn down technical assistance funds -- the promoting independence committee; I wrote the application; I'm the contract manager -- to hire a group called the Texas Community Solutions.

They will work with the community centers one on one to develop applications for your HOME funding to draw that down. Also a product deliverable is a manual to teach these community centers how to apply for these funds.

You all were speaking earlier about, is there a true administrative burden. We have a business solution whereas we can take an administrative service organization

to handle that for these community centers. You export those costs out, and it ends up being cheaper. So that is a best practice model. It's perhaps a bit more business best practice model than a clinical model, but that's one way we can encourage efficiency and unduplicated systems of care.

We often tell folks, move in together. Why have multiple COP year leases, just have COP year lease.

This is something the government needs to work in the future.

MS. ANDERSON: Thank you.

MR. DOYLE: Thank you. Thank you both.

MR. CONINE: Any other questions?

Mr. Doyle, I have a couple of questions if you would.

I presume, based on your statement, that TDHCA is pretty much the lead dog agency on the administrative side of handling your meetings and that stuff. Is that --

MR. DOYLE: That's correct. Eddie was always co-chaired or chaired the Council, and Greg has been chairman now for three years, I believe. Without TDHCA and on down to MHMR, the only other agency that has ever given us any amount of resource at all was early on. The Texas Education Agency gave us about \$5,000.

But TDHCA and MHMR have taken by far the lead.

And TDHCA has even helped with some projects with the Texas Homeless Network, where the Texas Homeless Network was given some money to do technical assistance to help homeless providers all over the state better provide for continuum of care dollars from the federal government through HUD.

We've had huge amounts of increase in dollars in coming into Texas to fight homelessness, because the technical assistance money that Texas Homeless Network provides through TDHCA.

MR. CONINE: Are those public meetings subject to the Open Records Law? You take minutes and all that kind of stuff?

MR. DOYLE: Yes.

MR. CONINE: Could I get a copy of the last couple of meetings that you had -- the minutes of those meetings?

Mr. FARISS: Absolutely. We have 15, 20 years of meetings.

MR. CONINE: You didn't hear what I said. I said just the last couple of meetings.

Mr. FARISS: I just wanted to mention that we do have a website, tich.state.tx.us. And you can find every copy of the minutes back into history.

MR. CONINE: Give me that website again.

MR. DOYLE: Texas Interagency Council for the Homeless. TICH. And the password is --

MR. GIBSON: Let's not mention that. We'll give you that later.

MR. CONINE: Mr. Doyle. Is attendance from all the other state agencies fairly good at your meetings? Do they show up with enthusiasm, or do you get to drag them to the meetings?

MR. DOYLE: I asked permission when I came on the Council to start publishing a list of absentees. It was quite sparse until we started publishing a list of absentees. I sent the Governor's office the minutes also, so that we can see who is and who is not attending.

We have had in the last few years good attendance from the agencies. And I feel like good participation. They're beginning to see. One of our committee members -- I really want to applaud them. It's the Texas Rehab Commission.

We asked what about the homeless you serve. We don't serve homeless people. Well, how do you know? Well, there's nothing in our database. They looked at their database, and they weren't asking the question, where did you spend the night last night? Have you experienced homelessness in the last year?

So they then put that on their system and on

their database that all the agencies and all the sites where the Rehab Commission locally engages the people, and they found out they are serving homeless people. And that was a real eyeopener for them.

So we're getting them slowly but surely to come around and understand that homelessness touches every agency. It certainly touches the prison system.

In Tarrant County, we heard from the state jail in Jacksboro they'd be releasing 10,000 prisoners into Tarrant County this year with no parole plan, because they're being released, not paroled.

So it really affects the population if you don't have some coordinated effort about what you're going to do with folks once they get out of jail or once they get out of a public institution, once they get out of the hospital. If there's no discharge planning, they become homeless 60 or 70 percent of the time.

MR. CONINE: I guess what I see happening here and the reason for my question, I was trying to follow up on Ms. Anderson's question.

Can these folks or members of this council probably take back and advocate in their own agencies, distributions of funds under their normal budgeting process to take care of this problem.

This group probably goes to all the board

meetings and advocates certain programs.

And I was just curious if we could statically show over the last year or two things that the Texas Interagency Council for the Homeless can take credit for -- not only with us, because I've heard \$3.5 million and probably some other monies. And we need to kind of quantify that on our side just so Board members will know. But I'm curious if the thing's working or not.

And I'm sure that not only the Governor's office but the legislators would probably like to know if other state agencies are shifting allocating resources to help you in your effort, because it does touch multiple agencies. It's the purpose of this thing.

And I'd like to at least get some quantifiable, statistical brag and take credit for it. Could you come back to us and produce some sort of report that would show over the last fiscal year or two -- however you want to do it -- where you think you've gone from and gotten to and where you'd like to go.

MR. DOYLE: I would assume that we absolutely could do that and would love to do it.

If every agency addressed homelessness the way TDHCA addresses homelessness, we would be well down the road in this plan to be able to help other agencies recognize the fact that they're serving homeless people as

well.

As you know, the sense with budget cuts and everything else is -- one of the things that we were concerned about when this became a subcommittee of this Board, is now all the other state agencies will say, it's their deal. It's not our deal.

But we really need your support. And certainly the Governor's office is willing to help to make them understand that it's all of our concerns. These are most vulnerable citizens, and they are citizens. It takes all of us working together to make it happen.

And I would assume, Eddie, we can get any kind of report that you needed to quantify that.

MR. CONINE: Eddie, how long would it take to put something like that together and get back to the Programs Committee?

Mr. FARISS: We can do that by next Programs Committee.

MR. CONINE: Okay.

Mr. FARISS: We'll have to work directly with the other state agency members of the council, and it will depend on their cooperation.

MR. CONINE: And that's part of the purpose of my questioning is to try to apply some nice little, easy pressure on those agencies to either enthusiastically show

up and support the program or highlight that they're not.

Most folks can tell you that if spending a dollar is any direct indication of their participation level, that would probably would be indicative of their support of the council or not. I'd just like to see what they're doing.

Mr. FARISS: And one other thing, Chairman Conine, that I did want to mention is that as part of this state plan to end chronic homelessness and the process through which we are going, we have met at least once with the Governor's office and his staff. And we have discussed with him at the time at some point when he has had a chance to look at the plan and after final revisions are made, signs off on that.

Then what we've asked Staff to get the Governor to do was to meet with the executive directors of all of the agencies that participated in this plan and talk to them directly about their responsibilities to address the issues, just as you have asked about.

MR. CONINE: Well, I guess another purpose of providing some historical information now would be to see now, when the Governor does sign the plan and implement the various issues, some measuring stick of what's going to happen in the future.

You'd at least have a baseline to go from.

Ms. Anderson?

MS. ANDERSON: This is a really good discussion. I was asking Mr. Doyle less about new money, but the creative and effective use of existing streams of money that we all have.

Greg, I appreciate you providing the example that you did, because we can get a lot more leverage if we take streams of program money from difference agencies that are all kind of today in a piecemeal way trying to support and help the same population and put the stuff together, that you've got a continuum of care or you have full range of services for the person to really give them an opportunity to exit the chronic homelessness that they've been in.

Mr. FARISS: And we have found success as Mr. Doyle mentioned through a statewide contract under our emergency shelter grants program with the Texas Homeless Network to provide TA around the state for communities that are interested in developing and submitting a plan under a continuum of care application.

Like Mr. Doyle said, we've be able through the Texas Homeless Network to increase the flow of that money and have found that for a small investment, we have been able to increase the amount of money available to use.

MR. CONINE: Any other questions from any

Committee members?

(No response.)

MR. CONINE: We thank you for your testimony. Mr Doyle, Mr. Gibson, thank you for coming. Appreciate that.

Item 4, Update and Discussion on our Section 8 program. Ms. Carrington.

MS. CARRINGTON: Thank you, Mr. Chairman.

In your Board materials, your Committee materials, we have provided you first the history of the Section 8 program, the initial funding by Congress, the various name changes, the various changes in the program at the federal level.

Also the movement of the administration of the Section 8 program through the various state agencies -- ultimately to Texas Department of Housing and Community Affairs, and then ultimately also in '99 to a name change and combing the certificate and voucher program into what's now called the Housing Choice Voucher program.

So that's your history listed on page 1. On page 2 we have a program description of that Housing Choice Voucher.

At the bottom of that page, we tell you that our program has grown, TDHCA, from an initial hundred certificates in 1997 to now over 2,000 certificates that

administered in three different areas of the State, actually three different HUD offices -- Fort Worth, Houston and San Antonio, in 33 counties, in 63 cities throughout Texas.

You all may remember that in the fall -- it was before Christmas -- the Board did approve and did request to HUD that we have the ability, that HUD actually combine those three annual contributions, contracts from the three offices of HUD into one.

What we do tell you about that is that that request is still pending. We have not heard from HUD.

So in further materials we'll be talking about, when we list the amount of money that we receive both for unit and administrative fee, it is still broken out by those three HUD offices. Next information we've provided you is on the Project Access Program, which you heard mentioned just a few minutes ago, this is 35 Section 8 housing choice vouchers from HUD.

And these are vouchers that we do have -- basically the funding for that is through the Section 8 program. And we have on page 3 how those 35 vouchers have been allocated so far. The family self-sufficiency program, which you all are fairly familiar with, because we have brought that family self-sufficiency program to Brazoria County for your consideration and review, and you

all have discussed that.

On page 4, under the family self-sufficiency, this is the time that we did go ahead and notify you all that Brazoria County which does have a large number of these vouchers -- a little over 600, I think --

Mr. FARISS: Well, they actually have 603, and they're leased up at 629.

MS. CARRINGTON: Okay. And Brazoria County has applied to HUD, and they have been designated as a public housing authority through HUD.

That's what we know at this point. They have not made a request to us yet to release those vouchers, but it certainly is our thought is that the reason Brazoria County was interested in becoming a public housing authority was to administer those vouchers.

We have been looking at the financial impact of that. On page 5 we've outlined for you the funding for the Section 8 program through the three field offices of HUD.

The Section 8 program here is actually from July 1 to June 30. That's different from federal year. It's different from state year. It's different then the calendar year. They sort of have their own funding cycle.

We have provided you some history of housing payments and administrative fees that we have received

from HUD. On page 6, our PHA plan that you all approved, I believe, in April of this year. And we have submitted it to HUD. Again that will be for the fiscal year beginning July 1.

Consolidation of the ACCs we've already mentioned. Then on page 7 we begin to talk about the potential changes to the Housing Choice Voucher program and the administrative related to that and the number of families and units we might be able to serve.

The Department probably almost on a daily basis receives communication generally from the HUD offices.

Also we are a member of NARO, and so we are receiving regular communications from NARO related to the administration's proposed changes in the Housing Choice Voucher program and what the impact would be on the Department in the way of administrative fees and also in the number of families we might be able to serve.

I participated about a month ago in a TXNARO meeting. And at that meeting, the national legislative director gave me a form, a chart, that said, would you all please put your numbers in this chart and then submit them to NARO, because what we're attempting to do is gather information from all of the PHAs in all of the states, and we want it in this uniform format.

So with that, we do have several staff -- David

Cervantes who's in our financial services area. David has been working at the financial impact of this. David is here today. And Eddie from the program side.

We are ready to talk about anything this Committee would be interested in asking us related to the administration of our Housing Choice Voucher program.

MR. CONINE: Thank you, Ms. Carrington. I have one public comment form.

Mr. Henneberger, would you like to come up.

MR. HENNEBERGER: Thank you, Mr. Chairman. Members. Ms. Carrington.

My name is John Henneberger. I'm the co-director of the Texas Low-Income Housing Information Service, a non-profit organization. I'm here today to urge the Programs Committee to begin to give some thought to the impact of the changes which are being proposed to the Section 8 program by Secretary Jackson.

The Staff's memo mentions the budget reductions which are anticipated to take place -- \$1.1 billion reduction on a \$13.3 billion program. The Staff's memo also indicates that it anticipates not having to cut program beneficiaries and not having to cut services.

I have a little dimmer view of the outlook for the Department and for the State as a whole about these budget cuts. If these type of cuts go through, the

Department essentially faces three questions.

Number one, it can reduce the number of tenants that it assists. If your funds are reduced, you can cut the number of tenants you assist. You can require them to pay a higher portion of their rent, or you can choose to put your new slots in Section 8. You can choose to fill those slots with people with a higher income level who will require less subsidy.

All of these options have severe consequences to TDHCA. If you increase the rent burden, the amount of rent which is going to be charged to the tenants above the current one-third of their income for rent and utilities, then the tenants become rent-burdened.

And there is long-standing decision on the part of the federal government that the goal should be -- especially for lower income people -- that they should not pay more than a third of their income for rent and utilities.

If you choose to raise the rent, you also increase the rent burden. And if you choose to fill the waiting list with people at a higher income level than you have traditionally, then you have a problem about meeting the goals of being able to adequately serve the populations that are in need across the state, particularly the lowest income population.

I think HUD is beginning to put a box around the Department and around the housing agencies in the state by these proposed changes.

The changes that were proposed last year envisioned that the State of Texas would administer all of the Section 8 funds for the entire state and would then in essence suballocate those funds to local public housing authorities.

That proposal did not enjoy broad support in Congress. And as a result the administration came back this year with this proposal. And this proposal in essence says that HUD will provide the housing authorities with flexibility. But coupled with that are these budget constraints.

And so in essence the amount of money is being capped or reduced. Rents will continue to increase in the Section 8 program. The number of very poor Texan households who are eligible for and need these certificates has continued to increase every year.

And so we have a fairly severe problem. This is a not a problem of just 2,000 Section 8 certificates that TDHCA operates. It is also a problem for the Low-income Housing Tax Credit program, because as I'm sure you're aware, most of the low-income people, the extremely low-income people, who are able to acquire a unit in the

Low-Income Housing Tax Credits programs, which are your main funding programs, have to rely on Section 8 certificates.

So if decisions are made by local housing authorities to cut the amount of rent to shift a higher rent burden to the tenant or to change their waiting lists so they serve a higher-income profile tenant, in order to respond to the budget cuts under the flexible voucher program that HUD has proposed, that is going to have direct and significant impact on the economic viability of the Low-Income Housing Tax Credit program.

And it's going to have significant impact on the ability of the State to say that we are meeting the needs of the lower income population.

Based on the most recent HUD figures out of the CHAS tables, we are able now to assist one out of every eight households that is severely rent-burdened in the State of Texas. One out of every eight that has an income below 50 percent of area median family income. So we are only able to assist 12 percent of all the households now.

I fear that these changes which you're facing now from HUD are going to mean that that number is going to be less, and that the Low-Income Housing Tax Credit program, which has been carrying a lot of this weight,

will not be a program which will be viable for assisting those families in the future.

I have no real answers to this problem. But I am glad that the Programs Committee is beginning to look at these issues.

I would urge the Board to consider what it is that we are going to do as a state to respond to these budget cutbacks and these changes, how we're going to position the tax credit program in order to carry even a greater amount of burden with the reduction of the Section 8 certificates, or where we're going to find alternative revenues to make up for the federal budget cuts that are coming down the line.

I wish I had an answer to these problems. But I am at least glad that we're having this decision today and beginning to address them, think about them.

Thank you, very much.

MR. CONINE: Thank you, Mr. Henneberger. I guess parenthetically I would mention that there is a fourth alternative that you didn't mention and that would be those property operators accepting the rent that would be pegged at the new voucher level with CPI increases versus haven't that unit potentially vacant.

When you're in a market where the apartment industry is experiencing all kinds of vacancy, it would be

up to that property owner to in essence roll the dice as to whether they can fill that unit back up or not.

I'm not so sure they could in today's circumstances. And I'm sure that's where some of the administration is coming from on this issue. In a lot of cases the rents that are pegged at Section 8 rents are higher than market rate.

And my suggestion to you would be that maybe the impact wouldn't be so great because the owners would gladly accept last year's level with a CPI increase.

Would you care to comment on that at all?

MR. HENNEBERGER: I think there's some overrent payments in the FMRs that are going on out there in the Section 8 program. And I think the program can tighten a little bit. My fear is that that works in this type of economy, where we're overbuilt and we've got a lot of units that are in that tier that can maybe absorb those people.

Maybe there's a little squishiness on the part of the owners about being able to absorb some cuts in the rent. But you know how this goes, Mr. Conine, and it goes in cycles.

When we hit a tight rent cycle, we're going to face a problem where those Section 8 certificates are not going to be renewed. Those people are not going to have

their leases renewed, when they can fill those units, and we have a tighter apartment market. And I think there're going to be regional problems, because this economic situation is not spread equally across the State in all the jurisdictions. We're talking about 140,000 Section 8 certificates in Texas.

When we talk about how we're providing housing for the poor -- there are about 60,000 and falling public housing units in Texas. There's 140,000 Section 8 units in Texas. And then the next thing above that is your tax credit units that serve people at generally above 50 percent of median family income.

But the only thing that we've got that's producing large numbers of support for people below 50 percent is the Section 8 program in a diminishing stock and a very rapidly aging stock of public housing.

And this is the first time that an administration has proposed to cap and limit the Section 8 budget. We all know rents are going to go up, and it is cyclical. I think there's a world of hurt out there coming down the road.

MR. CONINE: You mentioned 140,000 Section 8 certificates across the State. And we do a little over 2,000 of those. Is that correct?

MS. ANDERSON: That's correct.

MR. CONINE: Again, thinking outside the box here a little bit -- what would be your reaction to the State passing all those Section 8 to local PHAs and virtually getting out of the business of distributing any Section 8 vouchers at all?

MR. HENNEBERGER: That's a purely administrative decision, and I think that would be fine. I would have no objection to that as long as they were competently administered.

It does wash the Department's hand of the problem, though, because in essence you still have Rider 3 and you have the legislature's concern that the Department address the continuum of the problem across all income levels.

So currently the one significant consequence of doing that would to raise your Rider 3 requirements on your other programs, because you're making a lot of your Rider 3 goals on the basis of your Section 8 program.

MR. CONINE: I guess my question would presume going back to the legislature and having that discussion with them before we did those sort of drastic actions, to see if we can get some cooperation from them. It just seems to me that we spend a lot of time --

I'd like to propose, Ms. Carrington, that we get some sort of Staff report back to us on the pros and

cons of considering that sort of move. We've got all the history here and the dollars and everything else, and that's fine and good.

But suffice it to say, we're making a minimal impact with 2,000 vouchers allocated to the State all over rural Texas, even though it's going to 33 counties and 63 cities. That ain't a whole lot in each of those counties and cities.

My question I guess would be could the local market, or the rural market which is basically what we're hitting here, be better served in those local communities around the State if we could reallocate out of those three HUD offices those 2,000 vouchers we have.

What other carryover impacts would that create?.

MS. ANDERSON: I agree that it would be very good to have from Staff a report that analyzes the impacts of our exiting participation in Section 8, particularly with the request -- we had an informal request a couple months ago.

I guess we're waiting for formal request Brazoria County who want to administer their vouchers -- that's over 25 percent of what we have -- administer them locally.

I'm a firm believer that when things can be

done locally -- that's why we have networks and non-profits. That's why we administer shelter grants, weatherization, everything through local entities. You know, they're often in a better position to really be able to know what the local needs are or work with the local landlords, etc., which is kind of why we use local operators.

MR. HENNEBERGER: I think that historically is the reason why the Department has had that program there is there is no public housing authority serving those counties. Our one concern about this would be that there must be somebody to provide service to those counties locally. It's always better to do it locally if we can do it locally.

But we should not hurt the poor people that live in those counties by cutting their rent assistance.

MR. CONINE: I would agree with that statement whole-heartedly if we had what I would consider the proportional amount of the 140,000 vouchers it would take to serve those counties.

It seems to me that we probably are a little short. If you look at urban versus ex-urban versus rural, I suspect we're a little short as a percentage of vouchers that need to go out there. That's why I suggested that from Austin having to reach out to 200 counties in Texas

or 33 counties, whatever it is --

MS. ANDERSON: And there are local operators in place.

And one thing I'd like to see in that report is some Staff outreach to the PHAs proximate to those counties to see if they would be interested in taking that set of vouchers and still using them in those counties, perhaps through those same local operators.

MR. CONINE: But your testimony is if that would happen -- let's just say again we're hypothetical here -- but if that would happen, you suspect that the actual resident that's being served out there would not necessarily be harmed, because it isn't the State, it's somebody doing it.

MR. HENNEBERGER: As long as the certificates remain geographically in the same area, we would have no problems with local people serving them. In fact I think it would be a positive thing. But again, these are low population counties. There's a lot of questions involved in this.

Is the capacity there? Are the number of vouchers sufficiently large to generate the economics for the administrative expenses for operating the voucher program in those areas?

I think those are serious questions that I have

my doubts about. The Staff will obviously provide you that data.

MR. CONINE: We'll take a look at that. And if you don't mind, Ms. Carrington, come back and let us know.

MS. CARRINGTON: One comment I might make as we talk about potential local operators, because we spend quite a bit of time talking about this internally. There are not only housing authorities that are potential operators, but also regional councils. Some of them have been designated as PHAs.

And we have also talked internally about some of our community action agencies perhaps having the expertise and the ability to be able to do that. So we think there's a variety of potential deliverers of service in the area.

MR. CONINE: Thank you, Mr. Henneberger.

MR. HENNEBERGER: Thank you.

MR. CONINE: Any other comments from Staff on that particular item? When do we think we could maybe revisit this issue?

MS. CARRINGTON: We can bring the report that you have requested of both Mr. Fariss and of Staff of relating to the impact of transferring the vouchers to the next Programs Committee, which I assume, Mr. Chair, will be the early July Board meeting?

MR. CONINE: Correct.

MS. CARRINGTON: Okay.

MR. CONINE: Okay.

MS. CARRINGTON: We will do that.

MR. CONINE: Any other business to come before the Programs Committee from Committee members?

Mr. FARISS: Mr. Conine, I just wanted to mention one thing. You and Mr. Henneberger were talking about rents. Just to let you know, the average rent for our vouchers is \$417. It ranges from \$436 of support in the Houston area to \$400 in the San Antonio area, which is relatively low.

MR. CONINE: Okay. Mostly one-bedrooms.

Mr. FARISS: I don't know the answer to that.

MS. CARRINGTON: I would doubt that.

Mr. FARISS: It's a mix, but I don't know whether one-bedrooms outnumber two bedrooms.

MR. CONINE: Can we get that information, just for curiosity.

Mr. FARISS: You bet.

MS. CARRINGTON: We can provide that breakdown as part of the report that we're going to be giving you next month.

MR. CONINE: Let me ask one more question. I assume we have a waiting list for all these vouchers we

administer.

Mr. FARISS: Yes, sir.

MR. CONINE: Mr. Henneberger made a comment about the geographical distribution.

When a person gets off a Section 8, however that happens. And that voucher then goes back into a pool. How is it then redistributed per the waiting list?

Mr. FARISS: The person that's been on the waiting list the longest.

MR. CONINE: Regardless of where they live?

Mr. FARISS: Because we have local operators, and they operate in isolated communities, we maintain a waiting list -- not an overall waiting list -- but a waiting list that is for each of the local operator areas.

If a voucher comes open in Sealy, then the next person on that Sealy's waiting list would be eligible for the voucher.

MR. CONINE: What happens when there's a decisive change in demand, for whatever reason, from Sealy to Alpine. How do we move those vouchers within the current system we have set up with waiting lists.

Mr. FARISS: It's very difficult for us to do that. That's the whole reason that we asked HUD to consolidate those three annual contributions contracts, so that we could do that.

If those vouchers all came from one HUD office, we would have the flexibility to do that, to move a voucher from Sealy to Alpine or vice versa. But now the vouchers are restricted to the service area of the HUD from which they come.

MS. CARRINGTON: And if I may, behind the last piece of paper before Tab 3, you will see the Section 8 counties and cities.

It's my understanding. Mr. Fariss, would you please clarify this for me.

Mr. FARISS: Sure.

MS. CARRINGTON: We have vouchers allocated out of Fort Worth, Houston and San Antonio. Those are three separate annual contributions contracts. Do we within the Fort Worth region, have the ability to move those vouchers around say between Bosque County and Falls County and Navarro?

Mr. FARISS: I believe we do.

MS. CARRINGTON: Okay.

MR. CONINE: Well, let me ask this question. There's more than three HUD offices in the state. Correct or not?

Mr. FARISS: Well, there's only three full service HUD offices. There's limited service --

MR. CONINE: Are they not charged then with

covering the whole state or not?

Mr. FARISS: No.

MR. CONINE: They're not? Very interesting.

MS. CARRINGTON: The annual contributions contract that we get will be specifically either out of -- even though it comes from a regional office, it will be specifically for the Fort Worth area, the San Antonio area or the Houston area.

And we have three separate contract numbers for those annual contributions contracts -- so number of units that we can serve out of each of those three contracts and also administrative fee that we're eligible to earn out of each of those three contracts.

Mr. FARISS: And all the other public housing authorities work directly with one of those three HUD offices for their HUD allocation to submit their annual plan and all that.

MR. CONINE: The map that I want to see then is which counties are not served by the 140,000 vouchers that currently come into the State of Texas. Because the way you're describing the allocation takes place, there's got to be some of the 254 counties in the State not covered.

And our job is, to the best we can, to cover the rest the State that's not a direct PJ. So to me, there's a gap out there. I don't know whether the gap is

our problem or HUD's problem, but we need to highlight whose problem it is make sure, if my supposition is correct, that there are some counties that aren't being served.

Mr. FARISS: And I don't know the answer to that, but we can get you the answer today.

MR. CONINE: Great. I'll be pleased to know that Region 6 -- I don't know who devised the system and the map and all that kind of stuff, but it's always good to figure it out.

Mr. FARISS: Sure.

MR. CONINE: Any other questions from the Committee?

(No response.)

MR. CONINE: Seeing none, we stand adjourned.
Thank you.

(Whereupon the meeting was adjourned at 10:55 a.m.)

C E R T I F I C A T E

MEETING OF: TDHCA Programs Committee

LOCATION: Austin, Texas

DATE: June 10, 2004

I do hereby certify that the foregoing pages, numbers 1 through 75, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

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