

NSP3 SUBSTANTIAL AMENDMENT #1

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This document is a substantial amendment to the Action Plan for FFY 2010 submitted by the State of Texas. The Action Plan is the annual update to the Consolidated Plan for FFY 2010 through 2014. This amendment outlines the expected distribution and use of \$7,284,978.00 through the Neighborhood Stabilization Program (NSP), which the U.S. Department of Housing and Urban Development (HUD) is providing to the State of Texas. This allocation of funds is provided under Section 1497 of the Wall Street Reform and Consumer Protection Act of 2010 (Pub. L. 111-203, approved July 21, 2010) (“Dodd-Frank Act”).

The Texas Department of Housing and Community Affairs (TDHCA or Department) will implement NSP funds and will issue a competitive Notice of Funds Availability pursuant to which it will award funding to eligible subgrantees.

A. AREAS OF GREATEST NEED

The *Federal Register* Notice (**Docket No.FR-5321-N-03**), specifies that funds be used in the areas of greatest need. Need is determined by the HUD Foreclosure Need website located at <http://www.huduser.org/nspgis/nsp.html>

Texas has identified census tracts with a score of 16 or greater as being the census tracts with the HUD-estimated greatest need. Eligible applicants within these census tracts will be able to apply for NSP3 funding.

B. MARKET ANALYSIS

Each applicant will be required to demonstrate how their proposal addresses their local needs and how, if applicable, it coordinates with their community’s consolidated plan. In addition, multi-family properties will go through an underwriting process to ensure that the area market can support the proposed rental project.

C. ELIGIBLE ENTITIES AND USES OF FUNDS

Eligible applicants for rental properties are nonprofit organizations as described in Section 501 (c)(3) or (c)(4) of the Internal Revenue Code who are required by federal rules to follow 24 CFR Part 84. Eligible applicants for homebuyer properties are units of

general local government (including public housing authorities) who are required by federal rules to follow 24 CFR Part 85, nonprofit organizations as described in Section 501(c)(3) or (c)(4) of the Internal Revenue Code who are required by federal rules to follow 24 CFR Part 84, and Housing Finance Corporations authorized under the provisions of the Texas Housing Finance Corporation Act, Texas Government Code, Chapter 394.

In accordance with NSP guidelines, activities under NSP3 may include the establishment of financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties, purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed, and the redevelopment of demolished or vacant properties.

D. SELECTION CRITERIA AND PRIORITIES

The State of Texas (State) has established the priorities and scoring that will be used in the application review process and are described below. While the criteria are important to demonstrate a successful proposal, the scoring structure is also designed to ensure that the State complies with the requirements of the HUD Notice designed to prioritize areas of greatest need, meets applicable CDBG regulations, meets Department priorities, and efficiently and effectively expends the funds. Each applicant will be required to submit a properly completed application. Each applicant's organizational and financial capacity will be evaluated. The application will be available on the Department's website after the Department's Governing Board approves a Notice of Funding Availability. All applications must contain the address of the target property. The Department expects to accept applications beginning on March 14, 2011, and to close the initial round of applications on April 15, 2011. Applications with the highest scores will be presented to the Department's Governing Board of Directors on June 30, 2011, for possible approval.

- a) All initial round applications must meet a minimum threshold total score of 38 points to be considered for funding. Application considered for award after April 15, 2011, must meet a minimum score of 33 points. Should applications meeting this minimum score threshold exceed available funding, such eligible applications will be retained regardless of date of submission until such a time that funding is available in sufficient amounts to fund the applications or a subsequent Texas NSP NOFA covering NSP3 funds is released.

- i) Maximum Total Score = 55 Points (initial application period) or 50 points:
 - 1. Greatest Need (20 Points); Minimum Score 16 points.
 - 2. Rental Property (10 Points) or (5 Points after Initial Application)
 - 3. Prior experience with Texas NSP and TDHCA (Up to 5 Points)
 - 4. Local at Risk Priorities (10 Points)
 - 5. Low-Income Households (Up to 5 Points)
 - 6. Low Poverty Area (1 Point)
 - 7. Transit Area (1 Point)
 - 8. Education Opportunities (1 Point)
 - 9. Special Needs/Hard to Serve Populations (Up to 2 points)

- ii) **Greatest Need (20 Points):** NSP3 activities must be completed in eligible census tracts, as determined by HUD under the Neighborhood Stabilization 3 NOFA. Applicants are required to provide evidence that activities will meet a Neighborhood Stabilization purpose, in a census tract with a threshold foreclosure needs score of 16 or more. The HUD data and mapping tool may be found on the HUD website, here: <http://www.huduser.org/nspgis/nsp.html> These areas may change as the data is updated, and the target score will be determined as that which was in place as of the date of application.
- iii) **Rental Properties (10 Points till April 15th, 5 points thereafter):** The NSP3 allocation included statutory language requiring the establishment of procedures to create preferences for the development of affordable rental housing for properties assisted with NSP3 funds. Texas NSP3 is demonstrating this preference through a points system.
- iv) **Local At-Risk Priorities: (10 Points)** The identified cities listed in Table 1, as attached to this NOFA, are communities at risk of losing affordable units with existing or former funding through the Department. Eligible applications that are located and willing and able to commit to minimum unit, affordability term and amount of non-federal funds for each specified city, as identified in the chart in Addendum 1 will receive points under this scoring item. The Applicant must be willing to execute a Texas HOME LURA and be able to meet all of the conditions of the federal requirements of a HOME funded development in conjunction with the requirements of this NOFA. These areas may change as the data is updated, and the points will be determined as that which was in place as of the date of application.
- v) **Previous Participation with Texas NSP and TDHCA funds (5 Total Points):** An Applicant will receive two points for having prior State of Texas NSP experience and three points for experience with other TDHCA funds. The experience must have been completed with the same type of construction as the Application is proposing (single family, multifamily, new construction, rehabilitation, etc.) and have acquired their experience in connection with a development with at least 80% as many units as the Units in the development for which Application is being made. The experience will be documented as outlined in the most current QAP plan, as applicable.
- vi) **Assistance to Low-Income Households at or Below 50% AMFI (5 Total Points):** In order to emphasize affordability for households at or below 50% of AMFI, the State will give up points to proposals that will serve households in this income category. Each household served in this income category will receive a point, up to five points.

- vii) **Low Poverty Area (1 point):** The development is in a census tract that has no greater than 10% poverty threshold population according to the most recent census data as of the date of the application.
- viii) **Transit District (1 point):** The development or unit is in a mixed-use residential and commercial area, located within a radius of one-quarter mile from an existing or proposed transit stop, designed to encourage pedestrian activities and maximize access to public transportation.
- ix) **Educational Opportunities (1 point):** The development or unit will serve families with children (at least 70% of the Unit or units must have an eligible bedroom mix of two bedrooms or more) and is proposed to be located in an elementary school attendance zone that has an academic rating of "Exemplary" or "Recognized," or comparable rating if the rating system changes. An elementary attendance zone does not include magnet school or elementary schools with district-wide possibility of enrollment or no defined attendance zones. The date for consideration of the attendance zone is that in existence as of the received date of the application and the academic rating is the most current rating determined by the Texas Education Agency as of that same date.
- x) **Special Needs or Hard to Serve Populations (1 point per category up to 2 points):** At least 51% of the NSP assisted unit or units are designed to serve, Elderly, Persons with Disabilities, Transitioning out of Homelessness, Victims of Domestic Violence, Veterans, Transitioning out of Foster Care, Prisoner Reentry, or Migrant Farmworkers.
- xi) **Tiebreaker:** In the event that two or more Applications receive the same priority based upon the scoring and are both practicable and economically feasible, the Department will utilize the factors in this section, in the order they are presented, to determine which Development will receive a preference in consideration for an awarded of funds.
 - (1) Applications involving any Rehabilitation or Reconstruction of existing Units will win this first tier tie breaker over Applications involving solely New Construction or Adaptive Reuse.
 - (2) The Application with the least amount of Texas NSP funds per Texas NSP restricted unit will win this second tier tie breaker.
- xii) **Department Priorities:** The Federal NSP3 NOFA contains a requirement that at least 25% of the awarded funds be spent on housing for households at or below AMFI. The Department will fund the highest scoring, complete application that meets this requirement even if other applications scored higher. This determination will be made in the sole discretion of the Department.

E. EXPECTED IMPACT

Based on the Department's prior experience with NSP and other federal funds, the Department expects to fund 170 low, moderate, and middle income units of housing, with a preponderance of these units serving households at 50% of AMFI.

F. PUBLIC COMMENT

The draft Substantial Amendment was published in the Texas Register and posted on the Department's website from February 9, 2011 through February 24, 2011. The following is a summary of comments and questions that were received:

- 1) *How did you pick the eligible target areas? I don't like them.* The eligible target areas were determined by the Department of Housing and Urban Development.
- 2) *Would any previous NSP experience receive two points?* No, only prior participation with State of Texas NSP funds is eligible. The selection criterion has been changed to clarify this point.
- 3) *Can single-family rental properties participate in NSP?* Yes.
- 4) *How will you show a preference for distressed properties? How will I find out about those properties?* To address this factor, the selection criterion has been changed to award ten points for Local-At-Risk Priorities. The list of initial cities is included in Addendum 1. The list will be used through the initial round of the NSP3 NOFA. Thereafter, any updates will be posted on the Department's website.
- 5) *I am requesting you provide additional bonus points for including at least 10 units of supportive housing. This would promote the type of unit to support these tenants and promote the integration of units necessary to support those tenants within more general affordable housing developments.* The Substantial Amendment establishes a priority for units targeted to special needs and hard to serve populations, households at or below 50% AMFI, and rental properties. The Department believes that a development model with supportive housing units could submit a competitive application under the NOFA as written.