



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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September 20, 2010

Mr. Ken Levine
Interim Director
Sunset Advisory Commission
PO Box 13066
Austin, Texas 78711

Re: Response to the Sunset Advisory Commission Staff Report

Dear Mr. Levine:

Thank you for the opportunity to respond to the Sunset Advisory Commission Staff Report on the Texas Department of Housing and Community Affairs (the "Department") dated September 14, 2010. We sincerely appreciate the extensive effort that you and your team dedicated to the evaluation of the Department as Sunset staff developed its findings and recommendations. We believe the report raises valid issues and recognizes the progress the Department has made since the last sunset review, and also recognizes the complexities the Department is facing in today's environment. Where we can identify things the Department can remedy with internal management action we have already begun to take internal steps to address those issues.

The Department accepts the recommendations contained in the report and offers the following brief comments on the recommendations related to TDHCA. Because the Manufactured Housing Division operates independently with a separate board and executive director, their responses will be submitted separately for Issues 6 and 7.

Issue One: Lack of State Planning Delays Funding to Hard Hit Texas Communities Recovering from Major Disasters

We appreciate the recognition of the complexity in disaster recovery and the need for a comprehensive approach to disaster recovery involving all relevant parties in state government. The Department concurs with the recommendations in this section although there may be some differences of opinion regarding several points within the background section that were used to reach these recommendations. The issues are minor by comparison

to the overall recommendation for more comprehensive statewide and local planning for long term disaster recovery. We believe that the changing Disaster Recovery CDBG federal guidance impacts the long term planning process. The Department remains committed to ongoing process improvement to expedite the delivery of housing assistance.

Issue Two: Certain Statutory Requirements Impede Texas' Administration of the Housing Tax Credit Program

The Department concurs and appreciates the evaluation of challenges faced by the Low Income Housing Tax Credit Program. The Department would defer to Sunset and the Legislature as to how to best reach a balance between community input and locating affordable housing where it can best serve the population it is intended to serve. The flexibility to release a Qualified Allocation Plan on a biennial basis and to create additional allocation cycles would also be helpful in administering the program.

Issue Three: The Department's Processing of Single-Family Loans is Slow and Inefficient, Causing Families to Wait for Needed Assistance

The Department concurs with the recommendation and had already identified several of the same areas for improvement prior to and during the Sunset review process. A review of how to improve this activity, including an overhaul of the process with a goal of a faster and more uniform and efficient system is already underway. The Department anticipates having significant procedural changes made by January 2011, and as recommended by Sunset, new policies adopted by our Board well before September 2011.

Issue Four: The Department has Not Used Funds Designated by the Legislature to Address Contract for Deed Problems

The Department concurs with these recommendations and is committed to achieving the goals of the appropriations rider. We will look into alternate funding sources to do so. The Department will also continue to evaluate ways for the HOME Program funds to be used for this activity. There are few other resources with sufficient flexibility and funding amounts to support this program.

The Sunset Report recommends that Community Development Block Grant funds that are directed to the Department for the operation of the Colonia Self-Help Centers, be used for this activity because of their increased flexibility. While these funds are generally more flexible, their use is statutorily restrictive in this particular case. However, the Department agrees that this would be an ideal use of funds for this activity. To take advantage of this flexible source of funds several statutory revisions would be required. Specifically, the statute currently stipulates that each Self Help Center's funds can only be used in five designated colonias. This would greatly limit the impact the funds may be able to have on contract for deed conversions. TDHCA suggests that if the Self-Help Centers and CDBG funds are used for this activity, the statute relating to the Centers reflect instead that those CDBG funds, to the extent they are used for contract for deed conversions, be authorized to be used anywhere within the county operating the Self-Help Center and not be limited solely to those five colonias. Additionally, an increase in the portion of CDBG funds allocated to the Department would be necessary. The Department currently is allocated 2.5% of the annual CDBG allocation for Self-Help Center activities for the large array of services

provided; this amount would need to be augmented to ensure that current successful and widely supported Self-Help Center activities are not diminished.

The Department concurs with the suggested study on the prevalence of contracts for deed in the colonias and will proceed in having such a study performed.

Issue Five: Inconsistencies in the Department's Enforcement Process Waste Resources and Contribute to Lingering Compliance Problems

The Department concurs with all of the recommendations on this issue. The Department supports greater clarity in authorizing the use of debarment as a sanction and protection across all of its programs.

Issues Six and Seven: Manufactured Housing Division

Because the Manufactured Housing Division operates independently, its responses will be submitted separately.

Issue Eight: The State Has a Continuing Need for the Texas Department of Housing and Community Affairs

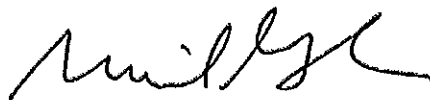
The Department concurs with the Sunset Staff's assessment that Texas has a continuing need for an agency to provide affordable housing and community services, and that the Department is the most appropriate and qualified agency to perform all of these functions. The Department is pleased to have received a recommendation to continue the agency for twelve years.

The Department appreciates the opportunity to respond to recommendations made in the Sunset Advisory Commission staff report. Many of the recommendations will enhance the delivery of benefits to low income Texans that we provide. I would also like to thank Leah Daly, Michelle Downie, and Leonard Chan for the manner in which their review was conducted. If you have any questions or need additional assistance, please do not hesitate to contact Michael Gerber, Executive Director, at 512-475-3930, or contact Brooke Boston, our Sunset Liaison, at 512-475-1762. We look forward to continuing our work with you and your staff during the remainder of the Sunset process and the 82nd Legislative Session.

Sincerely,



C. Kent Conine
Board Chairman



Michael Gerber
Executive Director