

PROGRAMS COMMITTEE MEETING OF MAY 12, 2004

C. Kent Conine, Chair



Elizabeth Anderson, Member

Vidal Gonzalez, Member

MISSION

***TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS***

***TO HELP TEXANS ACHIEVE AN IMPROVED QUALITY OF
LIFE THROUGH THE DEVELOPMENT OF BETTER
COMMUNITIES***

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PROGRAMS COMMITTEE MEETING

MAY 12, 2004

ROLL CALL

	Present	Absent
Conine, C. Kent, Chair	_____	_____
Anderson, Beth	_____	_____
Gonzalez, Vidal, Member	_____	_____
Number Present	_____	
Number Absent		_____
_____, Presiding Officer		

PROGRAMS COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Room 437, Austin, Texas 78701
Wednesday, May 12, 2004 4:00 p.m.

A G E N D A

**CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM**

C. Kent Conine
Chair

PUBLIC COMMENT

The Programs Committee of the Board of the Texas Department of Housing and Community Affairs will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Committee.

The Programs Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

- | | | |
|--------|--|-------------------|
| Item 1 | Presentation, Discussion and Possible Approval of Minutes of Programs Committee Meeting of April 8, 2004 | C. Kent Conine |
| Item 2 | Discussion of Update on Issues Raised at the April Committee Meeting | Edwina Carrington |
| Item 3 | Amendments to the 2004 Consolidated Plan – One Year Action Plan | Edwina Carrington |
| Item 4 | Update and Discussion of Department's Draft Performance Measures for 2006-2007 | Edwina Carrington |
| Item 5 | Discussion of Funding Sources for Preservation | Edwina Carrington |

EXECUTIVE SESSION

If permitted by law, the Committee may discuss any item listed on this agenda in Executive Session

C. Kent Conine

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

C. Kent Conine

ADJOURN

C. Kent Conine
Chair

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Delores Groneck, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.

EXECUTIVE OFFICE

**PROGRAMS COMMITTEE ACTION REQUEST
May 12, 2004**

Action Item

Programs Committee Minutes of April 8, 2004.

Required Action

Approve the minutes of the Programs Committee Meeting with any necessary corrections.

Background

The Committee is required to keep minutes of each of their meetings. Staff recommends approval of the minutes.

frame that has been established. The money comes back to the Department and according to HUD, the Department is not allowed to put them in an account and hold and save them. They must be distributed immediately on a first-come/first-served basis. When a draw comes in to the Department from another entity, those program income dollars are applied for that drawdown. There is a federal government requirement that the Department has to maintain records on all program income.

Mr. Pike advised that the American Dream Down-Payment Initiative Program which consists of homebuyer assistance funds will have approximately \$4 million that the Department will be receiving for 2003 and 2004.

Ms. Carrington stated that there is another NOFA for owner-occupied, tenant-based rental assistance and homebuyer down-payment assistance.

Mr. Conine had concerns about funds being paid back to the department and the Department having to track it coming in and going back out, etc. He wanted to know if the Department has the computer systems and personnel to handle this on an ongoing basis.

Mr. Pike stated his division puts out NOFAs and tries to have funds available at all times during the year. There are additional work load issues related to the loan-servicing Department. All the loans are required to be booked on the system and tracked.

Ms. Suzanne Phillips, Director of Portfolio Management and Compliance, stated the Department is averaging about \$1,000,000 a year in program income. The Department gets 10% of the income for administration. This increases the Department's ability to pay for staffing and for outsourcing work.

There were questions on the Department handling the loans or administrators handling the loans and Ms. Phillips advised that if these loans are not in-house and are left in the field, then the Department has the responsibility of monitoring the entities' handling the program income. An internal process has been created. It is easier to have these loans in-house rather than trying to track program income in the field from a possible 200 to 400 administrators. There are only 3 or 4 administrators who are actually administering and servicing their loan programs.

Ms. Phillips stated that the charts included in the board book represent HOME contracts that have been closed out and completed.

Mr. Conine had questions on if the PJs are taken out of the picture, for the rest of the state that the HOME money is targeted to, is there an amount of money that is too much? He also asked if funds could be built up if TDHCA embarks on this recycling-of-money theory and can do it effectively and is the demand there.

Ms. Phillips stated that as staff continues in the process they may find that there are saturation points in specific activities. A community may have done as much owner-occupied rehab as they can do or as much down-payment assistance as they want. The department may have to analyze what activities to focus on.

Ms. Carrington stated she felt there is absolutely no shortage of need. There is no data and no information that the Department has that shows there is a shortage of need for additional quality housing in the state, both single-family and multi-family rental and homeownership. The Department may be limited in the capacity of the local administrators to handle more funding and to deliver those funds effectively and accountably. She felt another important thing is that there needs to be more of a funds match from the local level to the funds that are available and the local entities need to apply for funds that particularly address the needs in their area.

Mr. Pike advised that under the owner-occupied rehabilitation program, there is a tremendous demand for those funds and the Department could continue to spend millions and millions more dollars in that particular activity.

Ms. Carrington stated that at the March Programs Committee Meeting, there was public comment given that the Department is deviating from what the primary intent of the HOME Program was and that was for rental production. She stated that even though it may be the primary intent, one of the reasons that HOME is block-granted to the states and block-granted to the PJs is for the states to be able to determine where their greatest needs are and what kind of activities they want to conduct with the HOME Program funds. She stated that one of the charts reflect that the Department has spent over \$142 million in owner-occupied over a 12 year period.

Mr. Conine had questions on Tenant Based Rental Assistance and why it is difficult to administer.

Ms. Phillips advised that it is beneficiary driven and the administrators are dealing with individual tenants on a routine basis doing inspections, follow-ups to complaints, reinspections every year and recertifications of income. The administrators state that it is more costly to administer and they do not get enough admin money to run the program.

Mr. Conine suggested that staff get public input on the master theory of having more recycled money in each of these programs versus grant money. He felt it is important to hear what the public would have to say about this.

Mr. Pike suggested getting public input on these programs on having recycled money versus grant money when the public hearings are held for the Department. He also suggested holding roundtables prior to the public comment period and get ideas from a group of the industry leaders who participate in the program.

Mr. Conine stated he felt staff should review the program, and what the Department is trying to accomplish and what the goal is. Once staff is satisfied with the administrative process, then go out for feedback from the public. Mr. Pike stated staff will try to talk to other states that are doing the owner-occupied program and get ideas from what they are doing such as repayable loans versus grants.

Ms. Sarah Anderson advised that the PJs get around \$90 million of HOME funds.

Mr. Conine suggested talking to the PJs to see where they spend their money and try doing some program alignment.

Ms. Anderson stated they have been doing research related to this and have annual performance reports from 25 of the 41 PJs and the majority of the money that is being spent in the PJs is going to rental assistance which is about 46%. The next highest is single-family owner-occupied.

Mr. Conine suggested again to meet with the PJs and evaluate how much money goes into each program.

Ms. Carrington stated that HUD does get together with the PJs and will visit with them on a meeting with them and the PJs.

Mr. Pike stated that in the owner-occupied process the contract administrator will survey residents of the community who have expressed an interest or desire in having their home rehabilitated. The selection process is identified and included in the application as to who they are going to target. Most of the applications that come in are serving the 30% market. Mostly it is serving an elderly and quite often, special-needs people.

Ms. Phillips stated under the Tenant-Based Rental Assistance the administrator applies for an amount they need to cover the most critical needs in their community and they apply their program to a specific group such as people with disabilities or elderly, etc. There is a lot of work being done with people who are in transition from institutions or who have been referred by the MHMR to a housing agency. They supply the Department with names of the clients that they are going to serve, their income, what the tenant's portion of the rent will be and what the subsidy will be. The administrations also decide if they

are going to supply security deposit and utility deposit funds. They are required to reinspect the units on an annual basis and the units have to be habitable under very specific criteria. The Department will only commit for a two-year period for a family under the TBRA Program.

Ms. Beth Anderson was interested in the how the mix of the Texas HOME funds, in the PJs and the Department's use, and the relative proportions of TBRA, vs. multi-family development, vs. single-family compares. If they looked across the country, do the other states look like Texas in the distribution of funds. Ms. Anderson would like staff to get data to see the comparison of how TDHCA is programming the funds vs. other states and mentioned California, Arizona, Florida or other Border States.

A discussion was held on security deposits during the March meeting and Ms. Phillips advised that there was \$26,000 in security deposits provided in 2003. She also stated that the rental housing developments with CHDOs are difficult to handle. Most of the CHDOs brought in are first-time developers. They may have completed a duplex or some single-family but generally they are new. A lot of their experience is in the form of an employee rather than an organization. The rental housing development program assists CHDOs in putting the projects on the ground in the form of loans and some grants.

Mr. Conine asked for more information from the CHDO groups in Texas on an open cycle including things that would help the program.

Mr. Homer Cabello, Director of OCI, reviewed the contract for deed program. He stated the Department released a NOFA and non-profits serving the Colonias region are applying for those funds. One of the major challenges is that there are many grassroots non-profit organizations working in the Colonias. They are utilizing the HOME funds to convert contracts for deed and rehabilitate homes up to the minimum Colonias housing standards. Rider 13 requires the Department to convert 400 contracts for deed and to expend no less than \$4 million. Mr. Cabello stated he would recommend amending the rider to do contracts for deed conversions in addition to a refinance program for residents in the Colonias. There are still many areas that do not have water and they can not use the contract for deed conversions which is a problem for the Department.

Mr. Conine suggested that the staff meet with the Attorney Generals office and provide information to that office on the problems in the Colonias. He also suggested meeting with the Texas Association of Counties as they have their own trade association for county judges and commissioners and to tell the Texas Association of Counties the problems the Department is experiencing. He also suggested meeting with HUD to get the decision made to allow at least Texas and maybe Arizona and California and any other state that has this issue the ability to come in and provide financing with HOME funds and a refinance situation.

Mr. Conine requested an analysis that takes into consideration capacity building and provide with feedback on the administrative cost of doing the work by the Department and not spending money for capacity building as that is not working.

EXECUTIVE SESSION

If permitted by law, the Committee may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Mr. Conine announced that there will be no Executive Session held.

ADJOURN

The meeting adjourned at 11:15 a.m.

Respectfully submitted,

Delores Groneck
Board Secretary

P:pcminapr



Memorandum

To: TDHCA Programs Committee
From: Edwina Carrington, Executive Director
Date: 5/5/04
Re: Follow up to requested information from the April 11, 2004 Programs Committee meeting.
Message:

The following information is being provided per requests at the April 11, 2004 Programs Committee meeting:

Appendix A:

- **General HOME Program Information**
 - Texas HOME Program Snapshot
 - Overall State HOME Program Rankings

Appendix B:

- Review of other State and Texas PJ allocations of HOME funds compared to TDHCA HOME funds including:
 - Expenditure by Activity (State Comparison)
 - Number of Units Produced by Activity (State Comparison)
 - Expenditure by Activity (Texas PJ Comparison)
 - Number of Units Produced by Activity (Texas PJ Comparison)

Appendix C:

- Responses regarding Predevelopment and Capacity Building Funds Including:
 - Overview and Demand for HTF Predevelopment Loans
 - HOME Loan Repayment History for Predevelopment Loans
 - Overview and Demand for HTF Capacity Building Funds
- Update on Department and PJ Coordination with Regard to HOME Program Activities
- Update on Public Input Regarding HOME Funds
- Update on Colonia Initiative Issues

Appendix A

- **Texas HOME Program Snapshot (see separate PDF document)**
- **Overall State HOME Program Rankings (see separate PDF document)**

Appendix B

Top Ten State Participating Jurisdictions (those allocating over \$200,000,000 in HOME funds)

State	Total Allocation Rcv'd	Performance Rank of 51 State PJ's	Rental Units	% Total	Homebuyer Units	% Total	Rehab Units	% Total	TBRA Units	% Total	Total Units
California	\$ 531,078,635.00	36	2244	23%	6145	63%	1082	11%	285	3%	9756
Texas	\$ 423,109,000.00	45	2295	12%	7823	43%	4964	27%	3306	18%	18,388
New York	\$ 352,930,000.00	23	2885	22%	4068	31%	5959	45%	208	2%	13,120
Ohio	\$ 315,602,000.00	50	1926	30%	1247	19%	2401	37%	953	15%	6,527
Pennsylvania	\$ 283,297,304.00	47	1272	12%	1902	19%	7055	69%	0	0%	10,229
Michigan	\$ 281,956,152.00	33	2881	24%	6592	55%	2454	20%	139	1%	12,066
Illinois	\$ 253,747,500.00	18	3043	54%	854	15%	1616	29%	97	2%	5,610
North Carolina	\$ 226,811,000.00	25	4047	33%	4562	38%	1916	16%	1610	13%	12,135
Florida	\$ 220,454,000.00	37	3339	51%	3089	47%	147	2%	0	0%	6,575
Georgia	\$ 214,703,000.00	21	5281	39%	7335	54%	779	6%	65	1%	13,460
Average			2921		4362		2837		666		

State	Total Allocation Rcv'd	\$ Amt for Rental	\$ Amt for Homebuyer	\$ Amt for Rehab	\$ Amt for TBRA
California	\$ 531,078,635.00	\$ 122,148,086.05	\$ 334,579,540.05	\$ 58,418,649.85	\$ 15,401,280.42
Texas	\$ 423,109,000.00	\$ 50,773,080.00	\$ 181,936,870.00	\$ 114,239,430.00	\$ 76,159,620.00
New York	\$ 352,930,000.00	\$ 77,644,600.00	\$ 109,408,300.00	\$ 158,818,500.00	\$ 7,058,600.00
Ohio	\$ 315,602,000.00	\$ 94,680,600.00	\$ 59,964,380.00	\$ 116,772,740.00	\$ 47,340,300.00
Pennsylvania	\$ 283,297,304.00	\$ 33,995,676.48	\$ 53,826,487.76	\$ 195,475,139.76	\$ -
Michigan	\$ 281,956,152.00	\$ 67,669,476.48	\$ 155,075,883.60	\$ 56,391,230.40	\$ 2,819,561.52
Illinois	\$ 253,747,500.00	\$137,023,650.00	\$ 38,062,125.00	\$ 73,586,775.00	\$ 5,074,950.00
North Carolina	\$ 226,811,000.00	\$ 74,847,630.00	\$ 86,188,180.00	\$ 36,289,760.00	\$ 29,485,430.00
Florida	\$ 220,454,000.00	\$112,431,540.00	\$ 103,613,380.00	\$ 4,849,988.00	\$ -
Georgia	\$ 214,703,000.00	\$ 83,734,170.00	\$ 115,939,620.00	\$ 12,452,774.00	\$ 2,147,030.00

Texas PJ's With Rental	Total Allocation Rcv'd	Performance Rank of 32 Texas PJ's	Rental Units	% Total	Homebuyer Units	% Total	Rehab Units	% Total	TBRA Units	% Total	Total Units
Houston	\$ 133,797,474.00	21	2393	33%	4561	64%	204	3%	0	0%	7158
Dallas	\$ 79,533,694.00	12	836	13%	4175	67%	86	2%	1144	18%	6241
San Antonio	\$ 79,499,756.00	11	206	9%	1440	62%	574	25%	105	5%	2325
El Paso	\$ 47,288,979.00	13	522	35%	656	44%	299	20%	0	0%	1477

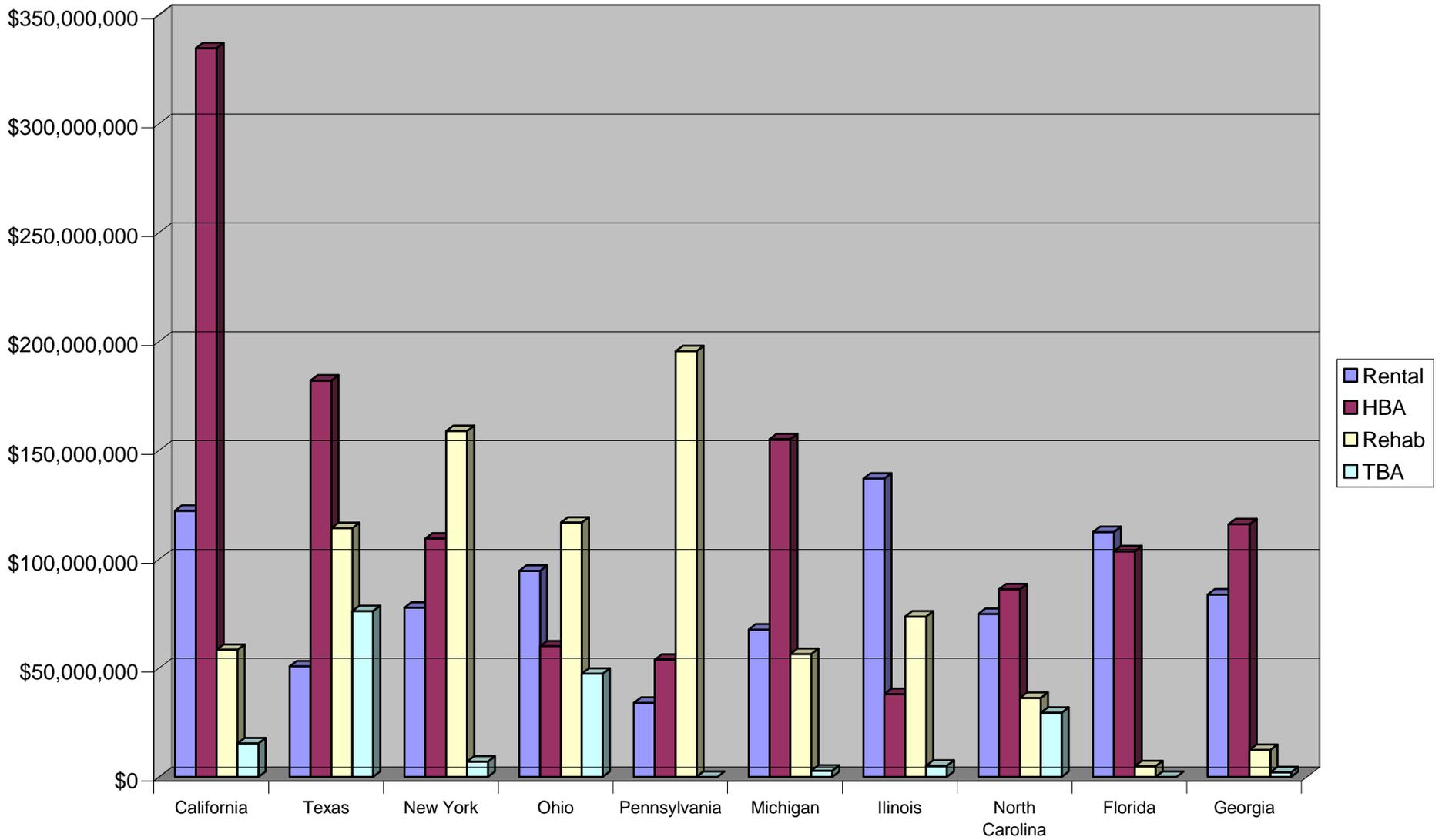
Austin	\$ 36,144,178.00	9	603	18%	2303	68%	59	2%	417	12%	3382
Harris County	\$ 31,561,068.00	16	181	18%	484	48%	71	7%	272	27%	1008
Fort Worth	\$ 31,152,801.00	5	150	9%	1300	80%	159	10%	26	2%	1635
Corpus Christi	\$ 20,254,562.00	14	149	6%	2367	87%	122	5%	84	3%	2722

Texas PJ's With Rental	Total Allocation Rcv'd	\$ Amt for Rental	\$ Amt for Homebuyer	\$ Amt for Rehab	\$ Amt for TBRA
Houston	\$ 133,797,474.00	\$ 44,153,166.42	\$ 85,630,383.36	\$ 4,013,924.22	\$ -
Dallas	\$ 79,533,694.00	\$ 10,339,380.22	\$ 53,287,574.98	\$ 1,590,673.88	\$ 14,316,064.92
San Antonio	\$ 79,499,756.00	\$ 7,154,978.04	\$ 49,289,848.72	\$ 19,874,939.00	\$ 3,974,987.80
El Paso	\$ 47,288,979.00	\$ 16,551,142.65	\$ 20,807,150.76	\$ 9,457,795.80	\$ -
Austin	\$ 36,144,178.00	\$ 6,505,952.04	\$ 24,578,041.04	\$ 722,883.56	\$ 4,337,301.36
Harris County	\$ 31,561,068.00	\$ 5,680,992.24	\$ 15,149,312.64	\$ 2,209,274.76	\$ 8,521,488.36
Fort Worth	\$ 31,152,801.00	\$ 2,803,752.09	\$ 24,922,240.80	\$ 3,115,280.10	\$ 623,056.02
Corpus Christi	\$ 20,254,562.00	\$ 1,215,273.72	\$ 17,621,468.94	\$ 911,455.29	\$ 607,636.86

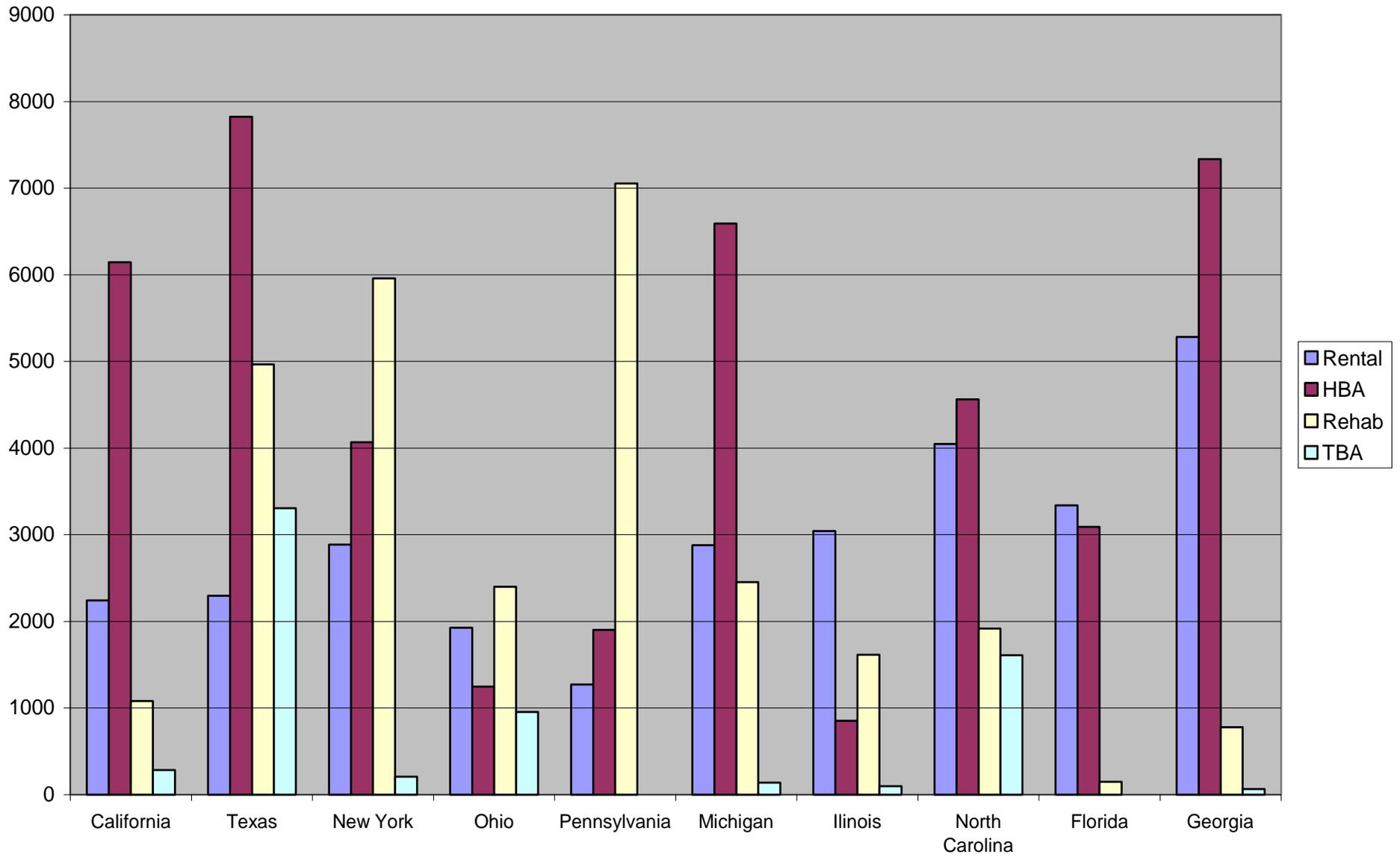
Texas PJ's W/O Rental	Total Allocation Rcv'd	Performance Rank of 29 Texas PJ's	Homebuyer Units	% Total	Rehab Units	% Total	TBRA Units	% Total	Total Units
McAllen	\$ 7,794,335.00	19	296	100%	0	0%	0	0%	296
College Station	\$ 5,358,716.00	17	83	31%	39	14%	150	55%	272
Odessa	\$ 5,170,229.00	12	100	42%	19	8%	120	50%	239
Irving	\$ 4,537,271.00	18	59	79%	15	21%	0	0%	74
Brazoria County Fort Bend County	\$ 4,451,585.00	22	209	84%	41	16%	0	0%	250
Longview	\$ 4,103,141.00	24	46	41%	33	29%	34	30%	113
	\$ 3,698,083.00	8	23	17%	111	83%	0	0%	134

Texas PJ's W/O Rental	Total Allocation Rcv'd	\$ Amt for Homebuyer	\$ Amt for Rehab	\$ Amt for TBRA
McAllen	\$ 7,794,335.00	\$ 7,794,335.00	\$ -	\$ -
College Station	\$ 5,358,716.00	\$ 1,661,201.96	\$ 232,568.27	\$ 913,661.08
Odessa	\$ 5,170,229.00	\$ 2,171,496.18	\$ 173,719.69	\$ 1,085,748.09
Irving	\$ 4,537,271.00	\$ 3,584,444.09	\$ 752,733.26	\$ -
Brazoria County Fort Bend County	\$ 4,451,585.00	\$ 3,739,331.40	\$ 598,293.02	\$ -
	\$ 4,103,141.00	\$ 1,682,287.81	\$ 487,863.46	\$ 504,686.34

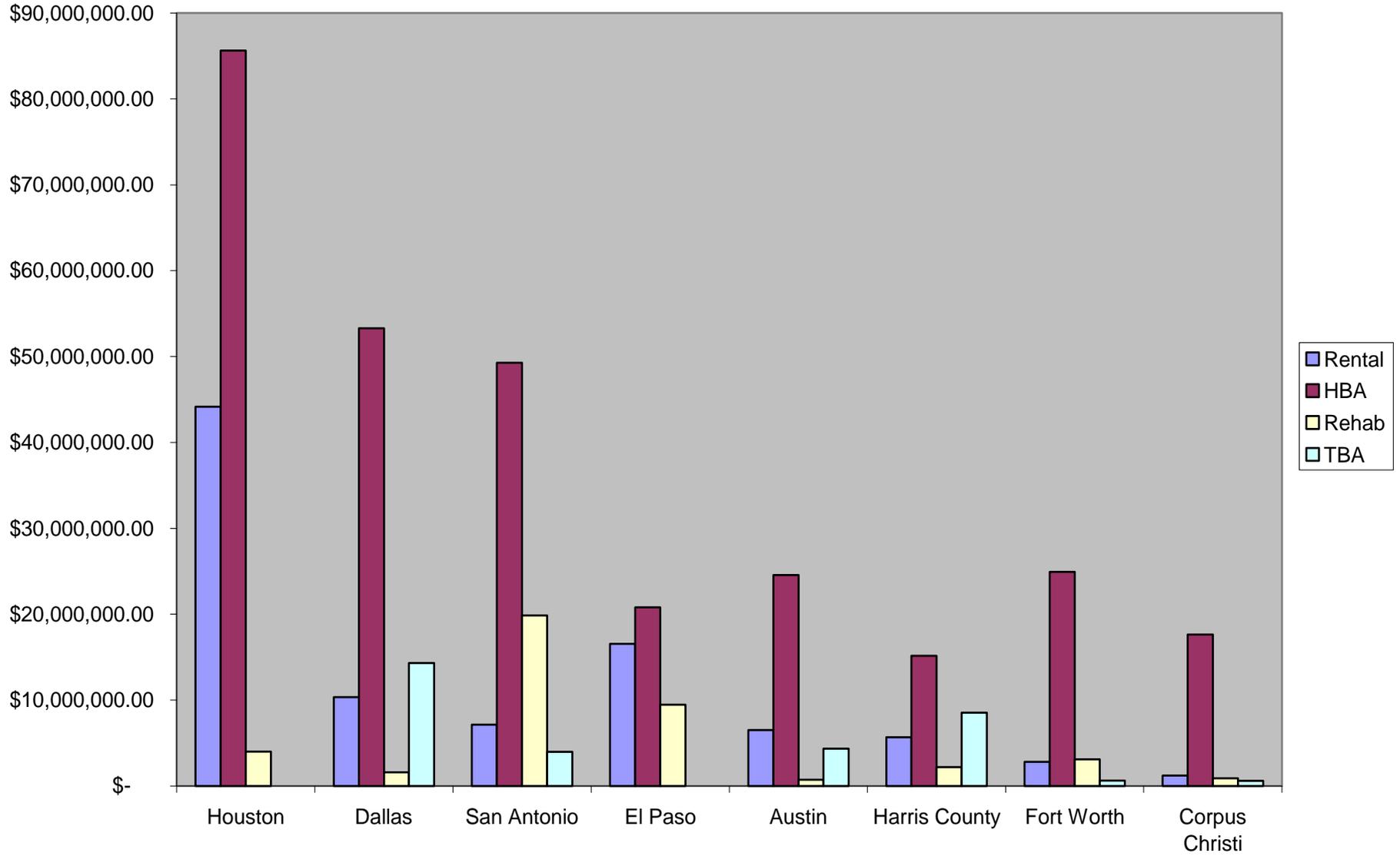
State PJ HOME Expenditures by Activity (Over Life of Program)



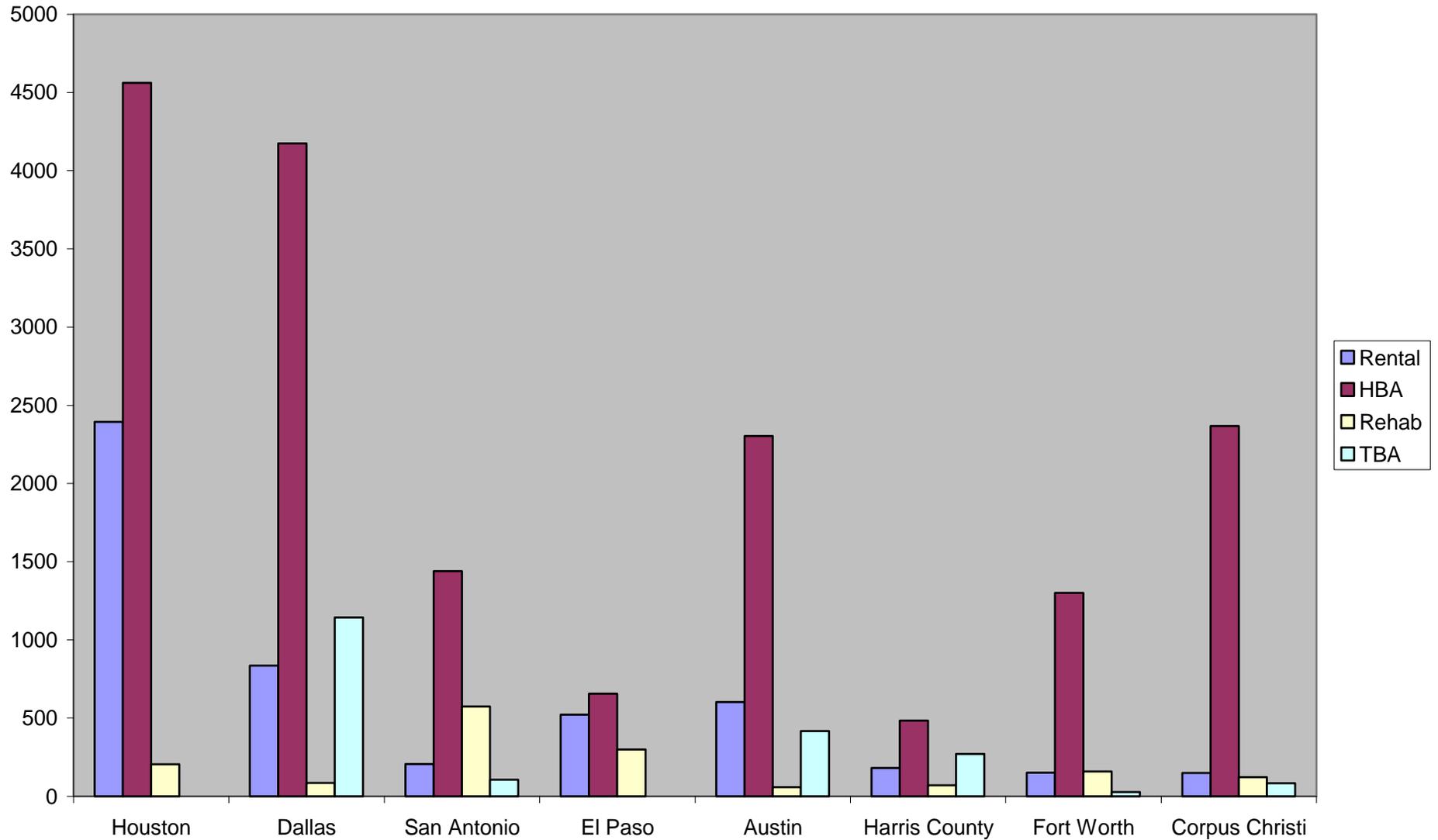
State PJ HOME Activities by Number of Units Served/Produced (Over Life of Program)



Texas PJ w/ Rental Activities HOME Expenditures by Activity (Over Life of Program)



Texas PJ's With Rental HOME Activities by Number of Units Served/Produced (Over Life of Program)



Appendix C

1. Predevelopment Loans and Capacity Building Funds

Overview and Demand for Predevelopment Loan Program

The Department does not currently have a HOME Predevelopment Loan Program. However, under the Housing Trust Fund, the Department has provided funds for predevelopment loans. The Predevelopment Loan Program provides opportunities for nonprofit organizations and community housing development organizations to develop affordable housing by eliminating the barriers that predevelopment expenses may pose. The structure of the program is that the Department provides loan authority up to a certain amount to a third-party loan administrator, who then in turn approves loans to nonprofit applicants for predevelopment loan funds. Loans were limited to \$50,000. Once loans are approved by the third-party administrator, Department staff reviews the proposal, legal staff draft a loan agreement and note, and then (once executed) the loan is sent to loan servicing.

The administrator for 2001 was Ark-Tex Council of Governments; they were awarded \$840,000 for loan funds and \$100,000 for administration expenses. In 2002, Ark-Tex Council of Governments was again selected as the predevelopment loan administrator. Of the \$558,642 available to Ark-Tex, \$530,710 is for loans and \$27,932 is for administrative costs. Currently, \$429,550 of loan funds has been expended, with the balance in three pending loans. Jerry Sparks of Ark-Tex Council of Governments indicated that they have stopped accepting applications, but estimates an additional \$750,000 in demand for these funds. Total development awards by Ark-Tex were for predevelopment costs on 29 developments. The loan repayment is deferred for 2 years or until they close on their permanent financing; then the full loan amount is due in a lump sum. Loan servicing has indicated that the first two loans from have recently come due (in March). One has requested forgiveness and they are waiting on payment from the other. Under the program, an awardee can request forgiveness; any requests for forgiveness will be taken to the Board for approval.

There is also a 2003 contract that was awarded to Texas Community Capital as the third-party administrator. The total contract was for approximately \$530,068 of which \$26,503 will cover administrative expenses for the administrator and the balance will go directly for predevelopment loans. There has been no activity on this contract yet, but staff has received calls from several organizations interested in this funding. Loans are limited to \$100,000 per awardee.

HOME Loan Repayment History on Predevelopment Loans

During the fiscal years that Predevelopment Loans were an eligible HOME funding category, 16 contracts were awarded to eleven administrators. Of those awards, five pre-development loans were identified that were rolled into permanent notes under corresponding Rental Housing Development awards and one Pre-Development loan was not rolled into a permanent note but was repaid in full (HOME Contract No. 537604 to YWCA Community Development Corporation in the amount of \$210,000). Typically, pre-development loans that were rolled into permanent notes were deferred forgivable loans. To date, four of the five deferred forgivable loans are not scheduled to begin payment until a later date (so are not in default) and one note is in default (People for Progress).

Overview and Demand for Capacity Building Program

The Department does not currently have a Capacity Building activity funded through the HOME Program. However, under the Housing Trust Fund, the Department assists nonprofit organizations in improving their ability to provide safe, decent and affordable housing in their communities. For

the past three years, funding has been made available to nonprofit housing providers for the hiring of experienced staff and technical assistance providers that increased their capacity to create affordable housing. The amount available, requested and awarded in each year is detailed below.

2001

Amount Available: \$562,000
Amount Awarded: \$562,000 (13 awards in 6 regions)
Amount Requested: \$2,949,467 (64 applications)

2002

Amount Available: \$558,642
Amount Awarded: \$558,642 (17 awards in 7 regions)
Amount Requested: \$1,775,615 (57 applications)

2003

Amount Available: \$567,729
Amount Awarded: \$567,729 (14 awards in 9 regions)
Amount Requested: \$705,924 (17 applications)

For 2004 a NOFA is currently out for \$400,000.

2. TDHCA and Texas Participating Jurisdiction Coordination

As discussed at the April Board meeting, while the State's PJs meet with HUD annually to discuss technical issues related to the administration of their HOME funds, there has not traditionally been a dialogue between PJ planners with regard to the development and coordination of policies that would result in a true statewide affordable housing policy. This issue will be an agenda item at a meeting to be held on May 20th with Cynthia Leon, HUD's Southwest Regional Director. Based on the discussion in May, the Department will proceed with future coordination efforts.

3. Public Input on HOME Funds

As part of the TDHCA's planning process that includes the development of the State of Texas Low Income Housing and Consolidated Plans, 13 Consolidated Hearings, and the development of HOME rules, the Department will include HOME specific roundtable discussions to solicit input on the program's direction.

4. Colonia Initiatives Issues

Staff met with HUD to begin discussion on how to obtain a waiver to allow the Department to start converting contracts for deed in the self-help center colonias and to start rehabilitating houses for indoor plumbing. The understanding would be that the properties would not meet HUD Section 8 or Colonia Housing Standards until *after* water and wastewater services are available and connected. This issue will be an agenda item at a meeting to be held on May 20th with Cynthia Leon, HUD's Southwest Regional Director. Staff is also in the process of setting up a meeting with the Texas Association of County Judges and Commissioners to discuss issues surrounding unplatted Colonias that lack water and wastewater services.

**HOME Program Performance SNAPSHOT--As of 12/31/03
State Participating Jurisdictions**



Participating Jurisdiction (PJ): **TEXAS**

PJ's Total HOME Allocation Received: **\$423,109,000**

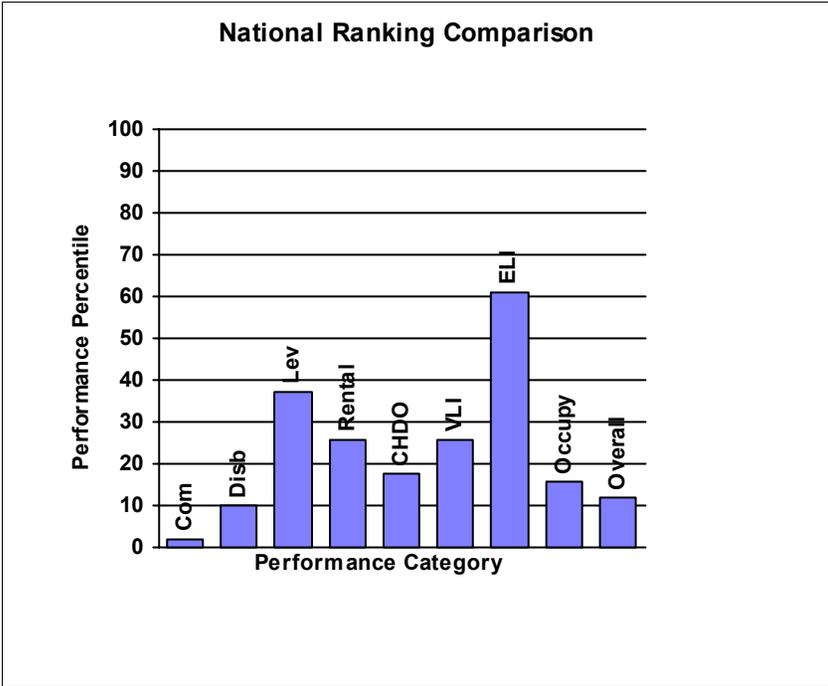
PJ Since (FY): **1992**

Category	PJ	National Average	National Rank*
Program Progress:			
% of Funds Committed	72.89%	84.7%	50
% of Funds Disbursed	67.79%	75.09%	46
Leveraging Ratio for Rental Activities	2.19	2.82	32
% of Completed Rental Disbursements to All Rental Commitments**	51.92%	64.09%	38
% of Completed CHDO Disbursements to All CHDO Reservations**	44.42%	61.11%	42
Low-Income Benefit:			
% of 0-50% AMI Renters to All Renters	64.1%	73.38%	38
% of 0-30% AMI Renters to All Renters**	39.96%	33.55%	20
Lease-Up:			
% of Occupied Rental Units to All Completed Rental Units**	73.03%	91.88%	43
Overall Ranking:			45 / 51 PJs
HOME Cost Per Unit and Number of Completed Units:			
Rental Unit	\$19,422	\$22,162	2,295 Units 12%
Homebuyer Unit	\$6,268	\$10,331	7,823 Units 43%
Homeowner-Rehab Unit	\$20,993	\$16,350	4,964 Units 27%
TBRA Unit	\$4,441	\$2,860	3,306 Units 18%

* - The National Rank compares the 51 state HOME PJs within the nation, including Puerto Rico but, excluding Washington DC and Insular Areas. A rank of 1 is the highest; a rank of 51 is the lowest.

** - This category is double-weighted in the National Overall Ranking.

Graphic Representation of National Ranking Comparison



The graph above is a visual representation of the state PJ's national rank in each performance category. The performance percentile indicates the extent to which the PJ's performance exceeds other state PJs' for that category. For example, a PJ with a performance percentile of 70% for commitments exceeds the performance of 70% of the 51 state PJs in the nation.



CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

PROGRAM COMMITTEE ACTION REQUEST

May 12, 2004

Action Item

Amendments to the *2004 State of Texas Consolidated Plan – One-Year Action Plan*.

Required Action

Approval of amendments to the *2004 State of Texas Consolidated Plan – One-Year Action Plan*.

Background

Background

The *2004 State of Texas Consolidated Plan – One Year Action Plan (the Plan)* is submitted in compliance with 24 CFR 91 Consolidated Plan Submissions for Community Planning and Development Programs.

The Plan, required by the US Department of Housing and Urban Development (HUD), describes the federal resources expected to be available for the following programs: The Community Development Block Grant (CDBG) Program, the HOME Investment Partnerships (HOME) Program, The Emergency Shelter Grants (ESG) Program, and the Housing Opportunities for Persons with AIDS (HOPWA) Program. The State's method for distributing these funds is also set out in the Plan.

The 2004 Plan was approved by the Board in December of 2003 and officially submitted to HUD on December 18, 2003. While the Plan has been approved by HUD and grant agreements have been executed for the ESG, CDBG, and HOPWA programs, HUD has asked that the Department make some additions and clarifications regarding the HOME program before that particular grant agreement is executed. Below are the specific items that the Department has been asked to address:

- American Dream Downpayment Initiative (ADDI)
- Net Proceeds Language
- Use of HOME deobligated Funds for Eligible Section 504 Activities

Appendix A outlines these changes in more detail.

Although none of these changes are considered substantial amendments and the full citizen participation process is not required, the Department will conduct one public hearing to solicit input. In the event that there is no objection from the public on three four items, staff is requesting permission to submit the changes directly to HUD to expedite the execution of the grant agreement.

Appendix A

A. Set Aside for American Dream Downpayment Initiative (ADDI)

ADDI was signed into law on December 16, 2003 and was created to help homebuyers with downpayment and closing cost assistance. ADDI aims to increase the homeownership rate, especially among lower income and minority households and to revitalize and stabilize communities.

Under ADDI, a first time homebuyer is an individual and his or her spouse who have not owned a home during the three year period prior to the purchase of a home with assistance under ADDI. The term first time homebuyer includes displaced homemakers and single parents. The amount of assistance available is \$10,000 or 6% of the purchase price; whichever is greater. Eligible project costs under ADDI include: acquisition costs and related reasonable and necessary soft costs.

In an effort to provide outreach to public housing agencies the Department notifies all PHAs of its annual Consolidated hearings, various application workshops, and other TDHCA sponsored hearings and training opportunities.

For PY 2003, approximately \$2 million is reserved for downpayment assistance towards the purchase of single family housing by low income families who are first time homebuyers. These funds will not be subject to the Regional Allocation Formula.

For PY 2004, approximately \$2 million is reserved for downpayment assistance and may at the discretion of the Department include funds for rehabilitation for first time homebuyers in conjunction with home purchases assisted with ADDI funds. The rehabilitation may not exceed 20 percent of the annual ADDI allocation. These funds will not be subject to the Regional Allocation Formula.

B. Net Proceeds

Language will be added to the section on recapture provisions to clarify how TDHCA will determine the amount of money that must be repaid to the Department. Specifically “other necessary transaction costs” will be considered in addition to closing costs and the loan repayments that are subtracted from the proceeds of the sale of a HOME assisted house.

C. Section 504

Section 504 of the Rehabilitation Act (“the Act”) prohibits discrimination under federal grants and programs solely based on an individual’s disability and such individuals cannot be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance. Included under the provisions of the Act is the requirement that for new construction of multifamily projects, a minimum of five percent of the units in the project (but not less than one unit) must be accessible to individuals

with mobility impairments, and an additional two percent of the units (but not less than one unit) must be accessible to persons with sensory impairments.

The Texas Department of Housing and Community Affairs (TDHCA) requires administrators to comply with the requirements of Section 504 and conducts onsite visits to verify compliance. For those properties that are found to be in non-compliance, administrators are required to retrofit the appropriate number of units. Currently, there is no provision under the Consolidated Plan to allow administrators access to additional funds to retrofit non-compliant projects.

The U. S. Department of Housing and Urban Development has indicated that for those projects funded under the HOME program that do not meet Section 504 accessibility requirements, the state may expend additional HOME funds to bring such project(s) into compliance, provided that the commitment and expenditure of such funds will not result in the project(s) exceeding the 221 (d)(3) and 203(b) limits, as applicable, and additionally, that HOME funds have not previously been provided for this purpose.

TDHCA is requesting that the Consolidated Plan be amended to include the flexibility of using HOME deobligated funds for eligible Section 504 activities with the purpose of bringing non-compliant projects into compliance when appropriate and when such a request is supported by circumstances beyond the control of the administrator.

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

PROGRAMS COMMITTEE REPORT ITEM

May 12, 2004

Report Item

Update on proposed changes to TDHCA performance measures for FY 2006-2007.

Required Action

Review, discussion, and possible approval of updated proposed changes to the TDHCA performance measures for FY 2006-2007.

Background

On April 2, 2004 the Department submitted suggested changes to its performance measures to the Governor's Office of Budget and Planning (GOBP) and the Legislative Budget Board (LBB). Subsequently, Department staff met with the GOBP and LBB and received input and direction regarding the measures. Below is an overview of the previous changes as reported to the Board in March and modifications to those measures based on those meetings.

Overview of Previous Suggested Changes:

- The housing goals were categorized as multifamily and single family and then further delineated by activity.
- Duties transferred to Portfolio Management and Compliance through the reorganization were reflected in the measures.
- A technical assistance measure reflecting the information clearinghouse responsibilities of the agency was added and merged with the Office of Colonia Initiatives technical assistance requirements.
- The poor/homeless and manufactured housing goals reflected required minor changes to definitions and wording of measures.

Overview of Newest Proposed Changes:

Housing Measures: Rather than breaking the measures out first by single and multifamily status, then by specific activity, followed by funding source the Department will break measures out by single and multifamily status, then by appropriate funding source, then by activity. This will allow for individual funding line items, rather than a roll-up figure, to be reviewed through the appropriations process.

- See Appendix A for a side by side comparison of current, previously proposed measures, and newest proposed measures. *Bolded items represent key measures that are reported to the Legislative Budget Board quarterly and the non-bolded items represent non-key measures which are maintained internally, but are not reported.*

Note: The changes for the goals for Portfolio Management and Compliance, technical assistance, the poor/homeless, and manufactured housing will remain as proposed to the Board in March.

Proposed Changes for the 2006-2007 Biennium
Texas Department of Housing and Community Affairs

2004-2005 Current	2006-2007 Proposed Revised	2006-2007 Proposed Original
<p>A.1.1. Strategy: Provide State Housing Loans and Grants Through <u>Housing Trust Fund</u> for Very Low and Low Income Households</p> <p>Output 1: Projected Number of Very Low and Low Income Households Benefiting from Housing Trust Fund Loans and Grants</p> <p>Efficiency: Average grant and/or loan amount per household Explanatory 1: Rate of default on Housing Trust Fund Loans. Explanatory 2: Number of Housing Trust Fund loans or grants awarded.</p>	<p>A.1.1. Strategy: Provide Mortgage Financing and Homebuyer Assistance through the Single Family Finance Division</p> <p>Output 1: SF Mortgage Revenue Bonds - number units (no dbl count)</p> <p>Ex: Mtg Financing number units, Ef: average amount Ex: Down Payment Asst Program number units, Ef: average amount</p>	<p>A.1.1. Strategy: Provide Loans and Grants through the Single Family Finance Division to Finance, Preserve, and Create Affordable Housing</p> <p>Output 1: Single Family number units</p>
<p>A.1.2. Strategy: Provide Federal Housing Loans and Grants Through the <u>HOME Program</u> for Very Low and Low Income Families</p> <p>Output 1: Projected Number of Very Low and Low Income Households Benefiting from HOME Investment Partnership Loans or Grants</p> <p>Efficiency 1: Average Amount of Subsidy Provided Per Household by the HOME Progra Explanatory 1: Rate of Default on HOME Investment Program Explanatory 2: Number of HOME Investment Program Loans or Grants Awarded</p>	<p>A.1.2. Strategy: Provide Funding through the HOME Program for Affordable Single Family Housing</p> <p>Output 1: HOME Single Family- number units (no dbl count)</p> <p>Ex: HOME new construction number units, Ef: average amount Ex: HOME rehab number units, Ef: average amount Ex: HOME CHDO mtg financing and homebuyer assistance number units, Ef: avg amount Ex: HOME non-CHDO mtg financing and homebuyer assistance number units, Ef: avg amount</p>	<p>Output 2: Mortgage Financing and Homebuyer Assistance - number units (no dbl count)</p> <p>Ex 1: HOME Comm Hsg Dev Org number units, Ef 1: average amount Ex 2: HOME non-Comm Hsg Dev Org number units, Ef 2: average amount Ex 3: First Time Homebuyer number units, Ef 3: average amount Ex 4: Down Payment Asst Program number units, Ef 4: average amount Output 3: Tenant Based Rental Assistance - number units (no dbl count) Ex 5: HOME number units, Ef 5: average amount Ex 6: Section 8 number units, Ef 6: average amount</p>
<p>A.1.3. Strategy: Provide Federal Rental Assistance Through <u>Section 8</u> for the Very Low Income Households</p> <p>Output 1: Number of Very Low Income Households Receiving Section 8 Certificates</p> <p>Efficiency 1: Average Cost Per Household Served Under Section 8</p>	<p>A.1.3. Strategy: Provide Funding through the HTF for Affordable Single Family Housing</p> <p>Output 1: HTF Single Family - number units (no dbl count)</p> <p>Ex: HTF new construction number units, Ef: average amount Ex: HTF rehab number units, Ef: average amount</p>	<p>Output 4: Single Family New Construction - number units (no dbl count) Ex 7: HOME number units, Ef 7: average amount Ex 8: Housing Trust Fund number units, Ef 8: average amount Ex 9: SF MRB number units, Ef 9: average amount Output 5: Single Family Rehabilitation - number units (no dbl count) Ex 10: HOME number units, Ef 10: average amount Ex 11: Housing Trust Fund number units, Ef 11: average amount Ex 12: SF MRB number units, Ef 12: average amount</p>
<p>A.1.4. Strategy: Provide Federal <u>Tax Credits</u> to Develop Rental Housing for Very Low and Low Income Households</p> <p>Output 1: Number of Rental Units Projected to be Set Aside for Very Low and Low Income Households from Federal Tax Credits Provided Through TDHCA</p> <p>Explanatory 1: Number of Federal Tax Credit Allocations Made by TDHCA Efficiency 1: Projected Average Cost Per Unit Developed</p>	<p>A.1.4. Strategy: Provide Tenant Based Rental Assistance</p> <p>Output 1: Tenant Based Rental Assistance - number units (no dbl count)</p> <p>Ex: HOME number units, Ef: average amount Ex: Section 8 number units, Ef: average amount</p>	
<p>A.1.5. Strategy: Provide Federal Mortgage Loans Through the Department's <u>(MF) Mortgage Revenue Bond</u> Program</p> <p>Output 1: Number of Very Low and Low Income Households That Received Loans Through the MRB Program</p> <p>Output 1: Number of Moderate Income Households That Received Loans Through the MRB Program</p> <p>Efficiency 1: Average Amount Provided Per First-Time Homebuyer Loan Explanatory 1: Number of Lenders Participating in the First-Time Homebuyer Program</p>	<p>A.1.5. Strategy: Provide Financing through the Multifamily Finance Division</p> <p>Output 1: Multifamily Finance (HTC/Bond) - number units (no dbl count)</p> <p>Ex: HTC number new construction units, Ef: avg amount, Ef: avg cost Ex: HTC number rehab/acquisition units, Ef: avg amount, Ef: avg cost Ex: MF Bond number new construction units, Ef: avg amount, Ef: avg cost Ex: MF Bond number rehab/acquisition units, Ef: avg amount, Ef: avg cost</p>	<p>A.1.2. Strategy: Provide Loans and Grants Through the Multifamily Finance Division to Finance, Preserve, and Create Affordable Housing.</p> <p>Output 1: Multifamily Loans and Grants - number units (no dbl count)</p> <p>Output 2: Multifamily New Construction - number units (no dbl count) Ex 1: Housing Tax Credit number units, Ef 1: avg amount, Ef 2 avg cost Ex 2: Housing Trust Fund number units, Ef 3: avg amount, Ef 4: avg cost Ex 3: Multifamily Bond number units, Ef 5: avg amount, Ef 6: avg cost Ex 4: HOME Comm Hsg Dev Org number units, Ef 7: avg amount, Ef 8: avg cost Ex 5: HOME non-Comm Hsg Dev Org number units, Ef 9: avg amount, Ef 10: avg cost</p>
<p>A.1.6. Strategy: Provide Federal Mortgage Loans Through the Department's <u>(SF) Mortgage Revenue Bond</u> Program</p> <p>Output 1: Number of Multifamily Rental Units Acquired, Rehabilitated, Constructed, or Preserved Through the MRB Program</p> <p>Efficiency 1: Average Cost Per Multifamily Rental Units Constructed Efficiency 2: Average Cost Per Acquired, Rehabilitated, or Preserved Unit Explanatory 1: Rate of Default on Multifamily Housing Development Loans</p>	<p>A.1.6. Strategy: Provide Funding through the HOME Program for Affordable Multifamily Housing</p> <p>Output 1: HOME Multifamily - number units (no dbl count)</p> <p>Ex: HOME CHDO new constr number units, Ef: avg amount, Ef: avg cost Ex: HOME non-CHDO new constr number units, Ef: avg amount, Ef: avg cost Ex: HOME CHDO rehab/aquisition number units, Ef: avg amount, Ef: avg cost Ex: HOME non-CHDO rehab/aquisition number units, Ef: avg amount, Ef: avg cost</p>	<p>Output 3: Multifamily Rehabilitation/Acquisition - number units (no dbl count) Ex 6: Housing Tax Credit number units, Ef 11: avg amount, Ef 12: avg cost Ex 7: Housing Trust Fund number units, Ef 13: avg amount, Ef 14: avg cost Ex 8: Multifamily Bond number units, Ef 15: avg amount, Ef 16: avg cost Ex 9: HOME CHDO number units, Ef 17: avg amount, Ef 18: avg cost Ex 10: HOME non-CHDO number units, Ef 19: avg amount, Ef 20: avg cost</p>
<p>A.1.7. Strategy: Provide Funding through the HTF for Affordable Multifamily Housing</p> <p>Output 1: HTF Multifamily- number units (no dbl count)</p> <p>Ex: HTF new construction number units, Ef: avg amount, Ef: avg cost Ex: HTF rehab/aquisition number units, Ef: avg amount, Ef: avg cost</p>		

MULTIFAMILY FINANCE PRODUCTION DIVISION
Multifamily Preservation Activities Summary
May 13, 2004

The table below reflects the three Department programs that currently target the preservation of affordable multifamily housing as an activity. A fourth program, the Below Market Interest Rate Program, is no longer an active program, however a description of that program is provided after this table for historical information.

	HOME Program Preservation Set-Aside	Housing Tax Credits: At-Risk Set-Aside	Multifamily Preservation Incentives Program (PIP)
Directive for Program	Consolidated Plan	§2306.6714, Texas Government Code	§2306.805, Texas Government Code
Source of Funds	HUD: HOME Program Funds	IRS: Annual Credit Ceiling Authority	3 Sources to Date: 2002 Junior Lien Proceeds, Below Market Interest Rate Program funds, and Residual Funds from 1983 Bond Series
Current Funding Availability and Method	Amount: \$9,000,000 Source Year: Figure includes balance of 2002/2003 Program Year Preservation Set-Aside (\$2.4 million), 2004 Program year Set-Aside (\$2 million) and additional funds from deobligations (\$4.6 million) Method: Open Cycle NOFA	Amount: 15% of Credit Ceiling (estimated \$5,985,000) - see Regional Allocation Comment below Source Year: 2004 Credit Ceiling Method: Competitive Application Round once per year – applications due March 1.	Amount: \$1,297,000 will be remaining balance available pending approval of proposed May agenda item on this issue Source Year: The three sources noted above have had funds transferred into the PIP from February 2002 through May 2004 (proposed transfer) Method: Open Cycle NOFA
Regional Allocation/ Geographical Restrictions:	Set-Aside is Exempt from Regional Allocation under the Consolidated Plan. Funds are only available in non-Participating Jurisdictions.	Allocation is 15% of each region and is not calculated statewide. It is possible that 15% will not be achieved cumulatively statewide if some regions do not have At-Risk applications submitted.	Funds are First Come – First Served and therefore are not allocated regionally.
How Preservation is Defined	Preservation is essentially a two-prong test:1) the development has to have been funded in the past by a state or federal program; and 2) the funding under that specified program is expiring within the next two years.	At-Risk for the HTC Program is essentially a two-prong test:1) the development has to have been funded in the past by at least one of a specific list of funding programs; and 2) the funding under that specified program is expiring within the next two years. Additionally, PHAs proposing rehabilitation/reconstruction with HOPE VI or Capital Improvement funds are eligible.	Preservation is defined as one of two classes: Class A includes any federally subsidized multifamily housing development at risk because the contract granting a federal subsidy with a stipulation to maintain affordability is nearing expiration or because the government-insured mortgage on the property is eligible for prepayment or near the end of its mortgage term. Class B includes any other multifamily housing development with low income use or rental affordability restrictions [not necessarily expiring].
Minimum Rehabilitation Requirement	\$6,000 per Unit of Hard Costs	\$6,000 per Unit of Hard Costs	Not Required on all Loans
Term of Affordability	30 Years. Two Tiers: First Tier is the federally required term. 5 yrs = \$15,000 or less HOME funds per Unit 10 yrs = \$15,000 to \$40,000 HOME funds per Unit 15 yrs = more than \$40,000 HOME funds per Unit Second Tier is the additional number of years to bring total term to 30 years.	Minimum 30 years; possibly more if points awarded for extended affordability.	Consistent with §2306.185(c), the greater of a 30-year period from the date the recipient takes legal possession of the housing or the remaining term of the existing federal government assistance.
Historic Funding	2001: HOME Program had a demonstration fund for preservation that funded 4 developments with \$1,9946,801. In 2002/2003 funding year, awarded 6 developments with \$1,615,000.	Set-Aside began in 2002: 2002: \$2,859,183 in credits 8 developments 2003: \$3,372,291 in credits 16 developments	Cumulatively \$4,700,000 in loans 7 developments

Summary of Below Market Interest Rate Program

In 1988, the Texas Housing Agency entered into a participation agreement with the Arkansas Development Finance Authority (ADFA) and several other states. ADFA issued bonds to purchase, at a discount, an FHA portfolio of multifamily properties under the Below Market Interest Rate Program (BMIR). The entire portfolio is serviced by Reilly Mortgage. Properties in the portfolio are located throughout the country. Texas and the other state housing finance agencies helped to provide funds to cover costs of issuance for the bond transaction. Texas provided an estimated \$55,000. In return, each of the participating states would receive proportionate distributions from the proceeds of mortgages as they were paid off.

Texas received some distributions prior to 1996 which were used for various purposes. During the tenure of current staff, the Department has received approximately \$2,155,811 over the past several years. Stipulations of the Participation Agreement require the Department to make such funds available to properties which are remaining in the BMIR portfolio in Texas, to encourage the owners not to prepay their loans, and to continue to provide affordable housing. If no such opportunities are available, the Department may use the funds to provide low income housing by other means.

Throughout 2003, Department staff corresponded with the owners of all properties known to be remaining in the portfolio to inform them of the availability of these funds. Of the ten remaining properties, two have been identified as eligible properties for which the owners are willing to forego their prepayment rights and to extend the affordability period in exchange for additional subsidies from TDHCA BMIR prepayment proceeds. Multifamily Staff received applications for renovation of the properties and in September 2003 the Board approved these two properties for financing: Las Palmas Apartments in San Antonio, and Park South Apartments in San Antonio. No other owners indicated an interest in the program; therefore concurrent with the funding approvals, the Board approved in September 2003 that any BMIR proceeds remaining after the funding of these two developments, be transferred to the Preservation Incentives Program. The amount transferred was \$344,961.

Subsequently in February 2004 Park South Apartments opted not to proceed and the Board approved the transfer of those unused BMIR funds to the Preservation Incentives Program (PIP). Las Palmas Apartments is also opting not to proceed under the BMIR Program and in May 2004 Board Book staff is recommending that those funds be used to fund Ability Resource Inc. and that the balance be transferred into the PIP.

EXECUTIVE SESSION

If permitted by law, the Committee may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

ADJOURN