TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

Building Homes. Strengthening Communities.

2009 Self-Evaluation Report for the Sunset Advisory Commission

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SUNSET ADVISORY COMMISSION
SELF EVALUATION REPORT

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SELF-EVALUATION REPORT

I. AGENCY CONTACT INFORMATION.

Texas Department of Housing and Community Affairs Exhibit 1: Agency Contacts				
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II. KEY FUNCTIONS AND PERFORMANCE.

A. Provide an overview of your agency's mission, objectives, and key functions.

The Texas Department of Housing and Community Affairs (TDHCA or the Department) is the affordable housing agency for the State of Texas. Through contract awards with for-profit, non-profit, and local government organizations, the Department supports local activities expanding homeownership, the development and preservation of quality affordable rental housing, poverty and homelessness prevention programs, the provision of weatherization and utility bill assistance, colonia housing programs, and the regulation of the state's manufactured housing industry. The Department is also the state's lead agency for housing recovery from hurricanes Rita, Dolly, and Ike. TDHCA's mission is "to help Texans achieve an improved quality of life through the development of better communities."

TDHCA accomplishes this mission by administering a variety of programs for households whose incomes are extremely low to moderate as determined by state and federal guidelines. A primary function of TDHCA is to act as a conduit for federal grant funds for housing and community services. Additionally, TDHCA operates as a housing finance agency.

More specific policy guidelines are provided in the Texas Government Code, Section 2306.002 of TDHCA's enabling legislation as excerpted below:

(a) The legislature finds that:

(1) every resident of this state should have a decent, safe and affordable living environment;
(2) government at all levels should be involved in assisting individuals and families of low income in obtaining a decent, safe and affordable living environment; and
(3) the development and diversification of the economy, the elimination of unemployment or underemployment and the development or expansion of commerce in this state should be encouraged.

(b) The highest priority of the department is to provide assistance to individuals and families of low and very low income who are not assisted by private enterprise or other governmental programs so that they may obtain affordable housing or other services and programs offered by the department.

Funding sources to meet these legislative goals include the U.S. Department of Housing and Urban Development, U.S. Treasury Department, U.S. Department of Health and Human Services, U.S. Department of Energy, and State of Texas general revenue funds and program related fees. With this funding, TDHCA strives to promote sound housing policies; promote leveraging of state and local resources; and ensure the stability and continuity of services through a fair, nondiscriminatory and open process. Because of the great amount of need in proportion to the federal and state funding available, the Department works toward providing the most benefit by managing these limited resources to have the greatest impact.

As outlined in the agency's *Strategic Plan for Fiscal Years 2009-2013*, the Department's goals are:

(1) Increase and preserve the availability of safe, decent, and affordable housing for very low, low, and moderate income persons and families;

(2) Promote improved housing conditions for extremely low income, very low income, and low income households by providing information and technical assistance;

(3) Improve living conditions for the poor and homeless and reduce cost of home energy for very low income Texans;

(4) Ensure compliance with Department of Housing and Community Affairs federal and state program mandates;

(5) Protect the public by regulating the manufactured housing industry in accordance with state and federal laws; and

(6) Provide for indirect administrative and the allocation of support costs.

TDHCA offers a Housing Support Continuum for extremely low- to moderate-income Texans with services ranging from poverty and homelessness prevention to disaster recovery. The Housing Support Continuum can be divided into the following six categories:

(1) Poverty and Homelessness Prevention: For Texans who struggle with poverty or are currently homeless, TDHCA offers several programs that provide essential services to assist with basic necessities while encouraging eventual self-sufficiency.

(2) Rental Assistance and Multifamily Development: TDHCA offers a wide range of rental assistance, from subsidizing the rent payments of low-income Texans in market-rate units to subsidizing developments that provide reduced rent for low-income Texans.

(3) Homebuyer Assistance and Single-Family Development: After a low-income household has become self-sufficient, the household may be ready for homeownership.

(4) Rehabilitation and Weatherization: In the course of homeownership, there may come a time when substantial rehabilitation or reconstruction needs to take place.

(5) Foreclosure Relief: As a result of the national foreclosure crisis, TDHCA has undertaken several programs to mitigate foreclosure.

(6) Disaster Recovery: When natural and man-made disasters strike, low-income households are often the most dramatically affected. In an effort to reduce the recovery time, almost every department in TDHCA offers some sort of disaster assistance.

B. Do each of your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

TDHCA's key functions continue to serve a clear, ongoing and ever-growing objective. According to the most recent data available on housing needs, approximately 25% of Texas households experience at least one type of housing need.[1] This represents approximately 2,149,000 households based on 2008 population estimates for the state. Types of housing needs defined by the U.S. Department of Housing and Urban Development (HUD) include (1) excessive housing cost burden (greater than 30% of income), (2) overcrowded housing conditions, or (3) living in a housing unit lacking complete kitchen and/or plumbing. Additionally, the U.S. Census Bureau estimates that there are 3,787,071 persons living in poverty in Texas. These families, earning less than the 2009 poverty limit of $22,050 per year for a family of four, have limited access to basic health and human services.

Data for the State of Texas indicates that renter households generally have a higher incidence of housing problems than owner households. Lower income groups have much higher rates of incidence of housing problems than higher income groups. Among household types, large related family households have the highest rates of housing problems. Affordability, or housing cost burden, is the most common housing problem with approximately 18% of all households showing a housing cost burden.

Long-term demographic projections suggest the demand for affordable housing and community services will increase in the coming years.[2]

- The state population is expected to surge to 50.4 million by 2040.
- The state population is becoming older. The median age will increase from 32.3 in 2000 to 38.3 in 2040. The percentage of the population 65 or older was 9.9% in 2000, but it will increase to 20% by 2040.
- Growth in the number of households, projected at 162.1% over the period 2000-2040, will outstrip population growth, projected to be 142.6% during the same period.

During FY2008, through the functions and activities noted above in Section A, TDHCA was able to provide funding to assist a total of 21,493 households with housing need. In addition, the Department assisted 71,996 households and 611,587 individuals with homeless services, energy assistance or supportive services. The objective of the Department, to serve low income Texans with housing and services, is clearly being met. TDHCA efficiently provides valuable, often critical, housing and community services to low and moderate income Texans.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

The Department's goals, as outlined in the *Strategic Plan for Fiscal Years 2009-2013,* and evidence of the Department's effectiveness are described below.

- Goal 1: Increase and preserve the availability of safe, decent, and affordable housing for very low, low, and moderate income persons and families.

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[1] 2000 Comprehensive Housing Strategy (CHAS) Data, U.S. Department of Housing and Urban Development, http://www.huduser.org/datasets/cp.html.
[2] Texas A&M University, *A Summary of the Texas Challenge in the Twenty-First Century: Implications of the Population Change for the Future of Texas,* by Steve H. Murdock, Steve White, Md. Nazrul Hoque, Beverly Pecotte, Xiuhong You, and Jennifer Balkan (College Station, TX: Department of Rural Sociology, December 2002).

- During FY2008, TDHCA provided funding to assist a total of 21,493 households with housing need. More than 2,862 Texas families became first-time homebuyers through TDHCA's First Time Homebuyer and HOME Programs. TDHCA's 2008 awards through its Housing Tax Credit, HOME and Multifamily Bond Programs will support the development of 16,790 units of safe, decent and affordable rental housing. During the year, TDHCA placed in service 8,327 affordable rental housing units.

- Goal 2: Promote improved housing conditions for extremely low income, very low income, and low income households by providing information and technical assistance.
  - TDHCA's Housing Resource Center provided technical assistance and information to 6,109 households during FY2008 that covered issues relating to all Department programs and housing resource assistance. TDHCA Colonia Self-Help Centers provided extensive training and education for 8,666 colonia residents, including construction skills training, homeownership classes and financial literacy, computer skills training and other life skills.
- Goal 3: Improve living conditions for the poor and homeless and reduce cost of home energy for very low income Texans.
  - In FY2008, TDHCA's Community Services Programs transitioned 3,024 Texans out of poverty. Through the Weatherization Assistance Program, 4,000 Texas homes were weatherized, enhancing home affordability and decreasing energy demand. Community Services Programs assisted 500,296 Texans who were on the brink of, or in, poverty with critical necessities such as shelter, temporary housing, food, blankets and other essentials.
- Goal 4: Ensure compliance with Department of Housing and Community Affairs federal and state program mandates.
  - In FY2008, TDHCA's Compliance and Asset Oversight (formerly Portfolio Management and Compliance) staff oversaw a portfolio of 242,766 affordable housing units in Texas. Department staff conducted 1,046 on-site visits to affordable housing properties. TDHCA instituted newer, tougher compliance rules which provide for the assessing of administrative penalties of up to $1,000 per day per violation. TDHCA uses the Uniform Physical Conditions Standard to inspect its properties. This standard, one of the toughest in the nation, reviews all aspects of a property to ensure that it is being well managed and maintained for the benefit of its residents.

D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions? Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

TDHCA's enabling statute, Texas Government Code, Chapter 2306, reflects the agency's mission, its objectives and the statutorily prescribed processes to accomplish its mission and objectives. On occasion the Legislature will seek TDHCA's input to identify areas of its enabling code in need of revision.

In the 81st Legislature, Regular Session, TDHCA staff worked with legislative staff to make minor changes to the statute enabling broader participation in TDHCA programs and giving the TDHCA Board and Executive Director more flexibility in administering funds.

SB 679 by Senator Lucio made substantial changes to the Texas Bootstrap Loan Program. Specifically, the bill changed the award caps and total loan amounts, as well as the sweat equity requirements of the owner-builder. This bill passed both chambers and was signed by the Governor on June 19, 2009. The provisions of this bill were effective immediately upon the Governor's signature.

HB 3430 by Representative Menendez would have made changes to the Texas Bootstrap Loan Program relating to loan amounts and lien position. This bill did not pass, but SB 679 contained similar provisions.

HB 3432 by Representative Menendez contained several minor changes to TDHCA's enabling law, as well as language creating a Public Housing Authority Board. This bill did not pass.

HB 4275 by Representative Menendez. The bill assisted in allowing TDHCA to have flexibility in the tax credit award process to take advantage of hundreds of millions of federal stimulus dollars that would not be available due to the restrictive statutory process for tax credits provided TDHCA the flexibility and rulemaking authority to provide relief to earlier awards. This bill passed both chambers and was signed by the Governor on June 19, 2009. The provisions of this bill were effective immediately upon the Governor's signature.

There are several parts of enabling law that are not entirely consistent with the Department's current organization or its current business practices. For example, staff positions noted in statute are not existing positions, references to organizational divisions are outdated, processes for administering funds are not reflective of more current practices of administration (requiring a uniform application cycle when some funding sources can operate more effectively on an open cycle; applying a regional allocation formula to amounts that, when so divided, are effectively unusable for applicants), and several programs or proposals included in statute which have been attempted but remain partially, or wholly, unsuccessful (i.e., the Colonia Model Subdivision Program and the Preservation assessment tools).

E. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

TDHCA, as a conduit primarily of federal funds, includes functions that to some extent mirror those of the federal agencies from which funds are received. For example, HUD provides TDHCA funds to oversee and execute contracts with subgrantees much the way HUD oversees the contract with TDHCA. In such cases, with all federal funding entities, this is not considered an overlap but a delegation of program administration for efficiency purposes.

As it relates to state agencies, TDHCA has overlap and/or partnerships with the following agencies:

- Texas State Affordable Housing Corporation (TSAHC): TSAHC, as quasi-state housing nonprofit entity and as an issuer of bond authority, provides single and multifamily affordable housing to low income Texans just as TDHCA does but on a significantly reduced scale. There is duplication of programs, funding sources and clients served between this agency and TDHCA, particularly in the areas of homeownership and rental development. Additionally, TSAHC receives funds from TDHCA in several areas – foreclosure mitigation counseling and Neighborhood Stabilization Program funds. These key functions are most appropriate at TDHCA because a) the larger volume of funds released from TDHCA enables the State of Texas to take advantage of efficiencies by serving more Texans with better interest rates, and b) the centralized location of so many housing resources in one agency allows TDHCA to promote effective and efficient leveraging of funds, to promote innovation and collaboration among sources and recipients, and to provide a clear sole source of assistance for low-income Texans to access homebuyer resources. The primary differentiating purpose of TSAHC, the accessing of additional funding by virtue of its non-profit status, has not proven to be as effective.

- Office of Rural Community Affairs (Texas Department of Rural Affairs (TDRA) as of September 1, 2009): Both TDHCA and TDRA actively work to serve rural Texas – TDRA has a greater emphasis on infrastructure and health, while TDHCA focuses on rural housing issues. Generally, the agencies experience limited overlap, however at this time, overlap occurs in the following ways.

- TDRA and TDHCA partner closely on the administration of Community Development Block Grant (CDBG) funds received by Texas for Disaster Relief. In some cases, TDHCA is considered the primary recipient and non-housing contract work is designated for TDRA oversight. Conversely, in other cases, TDRA is considered the primary fund recipient and housing work is designated to TDHCA.
- TDRA also administers a portion of the Neighborhood Stabilization Program (NSP). NSP is funded by HUD and modeled after the CDBG program and is designed to stabilize communities by funding the purchase of foreclosed homes. TDRA administers those contracts awarded through NSP in rural areas of Texas.
- TDHCA and TDRA also partner on: a) jointly administering the rural set-aside of the Housing Tax Credit Program, and b) the use of non-disaster CDBG for the Colonia Self Help Center Program administered by the Office of Colonia Initiatives at TDHCA. (This is a dedicated amount in the Appropriations Bill.)
- These functions remain most effectively located at TDHCA because it allows each agency to promote their expertise in their given areas - TDHCA focusing on housing issues and TDRA focusing on rural infrastructure and health needs.

F. In general, how do other states carry out similar functions?

TDHCA is a Public Housing Authority, Federal Fund Administrator, and a Housing Finance Agency (HFA). Almost all states have HFAs; by 2003, 49 states, Puerto Rico, the U.S. Virgin Islands, and the District of Columbia established HFAs. Most HFAs administer Mortgage Revenue Bonds (MRB), Housing Credits, and the HOME Investment Partnership (HOME) Program. About eight states administer MRBs and Housing Credits through their HFA. Most states administer their HOME funds through a department of housing or other state entity. Furthermore, about half of the states regulate manufactured housing through their HFA. Other states either rely on the federal government or their department of motor vehicles to regulate manufactured housing. TDHCA, as Texas' HFA, administers MRB, Housing Credits and the HOME Program and regulates manufactured housing. Furthermore, because the Texas HFA combines the responsibility of providing housing assistance with community services, TDHCA uses a variety of programs to provide a continuum of services including rental assistance, multifamily development, homebuyer assistance, affordable single-family development, rehabilitation, weatherization, foreclosure relief and disaster recovery.

Take, for example, Florida, a state comparable to Texas as a southern state with the fourth largest population (Texas is the second largest state both in size and population). Florida has three agencies that provide equivalent services to TDHCA: a Division of Housing and Community Development (HCD), a Housing Finance Agency (HFA) and a Bureau of Mobile Home and Recreational Vehicle Construction. Florida's HCD administers the following programs that are similar to TDHCA's programs:

- Disaster Recovery
- Neighborhood Stabilization Program
- Community Service Block Grants
- Low-Income Home Energy Assistance Program
- Weatherization Assistance Program/Low-Income Home Energy Assistance Program[3]

Florida's HFA administers the following programs that are similar to TDHCA's programs:

- American Recovery and Reinvestment Act of 2009 programs, such as Tax Credit Assistance Program and the Tax Credit Exchange Program
- Homeownership Programs
- HOME Investment Partnership Programs
- Housing Credits

3 Florida Department of Community Affairs. (n.d.). Division of Housing and Community Development: Programs and Initiatives. Retrieved from http://www.dca.state.fl.us/fhcd/.

- Housing Trust Fund programs, such as preservation rehabilitation program and providing matching funds for federal programs
- Multifamily Bonds[4]

Florida's Bureau of Mobile Home and Recreational Vehicle Construction, under the Florida Department of Highway Safety and Motor Vehicles, regulates manufactured housing.[5]

Florida's HCD administers several programs that are not similar to TDHCA programs. Florida's HCD is a clearinghouse for building codes and standards and provides technical assistance for community planning as well as providing technical assistance and regulation for special districts[6] (i.e. local units of special purpose government as opposed to local units of general-purpose government such as cities or counties).[7] Florida's HFA has programs that focus on workforce housing, hurricane recovery specifically for farmworkers and people with special needs, a loan guarantee program for affordable housing, low-interest loans for apartment development, and funds to local governments as an incentive to create partnerships to produce low-income housing.

Another example, California, the third largest state in size and the largest in population, has a Department of Housing and Community Development (HCD) and a California Tax Credit Allocation Committee (CTCAC) that jointly perform the functions of TDHCA. California's HCD administers the state's funds for the following programs that are similar to programs administered by TDHCA:

- HOME Investment Partnership Program
- Housing Trust Fund Programs
- Homeless Prevention and Rapid Re-Housing Program
- Self-Help Housing Program similar to TDHCA's Bootstrap Program
- Federal Emergency Shelter Grants Program
- Section 8 Housing Assistance Program to rural areas of the state
- Neighborhood Stabilization Program
- Manufactured Housing Program similar to TDHCA's Manufactured Housing Division.[8]

Under the California State Treasurer, the CTCAC acts as the state's HFA and administers the following programs that are similar to programs administered by TDHCA:

- Low-Income Housing Tax Credit Programs
- Tax-Exempt Bond Financing [9]

California's HCD and CTCAC also administer funds for some programs that are not similar to TDHCA programs, such as Community Development Block Grants (CDBG), various programs related to Affordable Housing Innovation, and several programs that focus on the needs of the highly-populated areas (e.g. Transit Oriented Development Housing Program and Infill Infrastructure Grant Program). Moreover, California funds several of these programs with a state income tax which is not assessed in Texas. The CTCAC administers a program specifically to assist farm workers with housing needs and a program for businesses located in Renewal Communities to purchase, develop or renovate property for commercial use. In Texas, CDBG funds not related to disaster recovery or foreclosure mitigation are administered through the Texas Department of Rural Affairs. Because California has the largest state population in the country, its need for programs that

4 Florida Housing Finance Corporation. (2009, August 18). Florida Housing Programs and links. Retrieved from http://www.floridahousing.org/Home/AboutUs/Search+for+programs.htm.
5 Florida Department of Highway Safety and Motor Vehicles. (2008). Mobile/Manufactured Homes in Florida. Retrieved from http://www.flhsmv.gov/mobilehome/.
6 Florida Department of Community Affairs. (n.d.). Division of Housing and Community Development: Programs and Initiatives. Retrieved from http://www.dca.state.fl.us/fhcd/.
7 Florida Department of Community Affairs. (n.d.). Florida Special District Handbook Online. Retrieved from http://www.floridaspecialdistricts.org/Handbook/1-2Definitions.cfm.
8 California Department of Housing and Community Development. (2009) HCD's Loans, Grants and Enterprise Zone Programs. Retrieved from http://www.hcd.ca.gov/fa.
9 California State Treasurer. (2009). California Tax Credit Allocation Committee. Retrieved from http://www.treasurer.ca.gov/ctcac/.

focus on highly populated areas is most likely greater than Texas' need for similar programs. Finally, TDHCA focuses on housing and housing-related supportive services, not on commercial development.

G. What key obstacles impair your agency's ability to achieve its objectives?

Given the large need for affordable housing and the limited supply of funding, the lack of sufficient funding to meet underserved housing needs in Texas is the one major obstacle TDHCA faces in meeting its objectives. Demographic characteristics of Texas as exhibited in the U.S. Census clearly indicate a shortage of affordable housing stock and funding sources to assist in the development and maintenance of affordable housing and to meet the poverty-related needs of low income families.

In urban areas of the state, the low income and poverty populations are large and their needs acute. The agency's urban business partners have access to direct federal resources, and often have local housing authorities, to help to address those needs. However, in spite of their greater capacity and access to funds, funds targeted to urban areas are insufficient to reach the greatest need.

Lack of funding limits the ability of service providers to provide direct housing or services, but TDHCA is also challenged in meeting its rural funding objectives because service providers may lack the ability to grow their organizational capacity. In rural Texas, because of their remote nature, many smaller communities, are not aware of public or private resources or do not know how to obtain them successfully. The service providers in these communities may not know when or where to apply for funding, have qualified staff, or have experience administering a successful housing program.

Even though lack of capacity may limit the success of obtaining funds and implementing housing programs, some communities have, the Department believes erroneously, decided that they have little incentive to build capacity because of the negative perception of affordable housing. This perception of affordable housing is another challenge to TDHCA in achieving its objectives. Public opposition acts as a barrier to affordable housing, especially in regards to affordable rental development. During every application cycle for affordable multifamily housing, significant public input is received and communities may submit letters to TDHCA in support or opposition to the proposed developments to the Department. When opposition is received, these complaints cite the communities' fear of falling property values or an increase in crime if a new affordable housing apartment is developed. However, direct association between affordable housing and crime or lower property values has not been proven by academic studies. These negative attitudes have been perpetuated by the "Not-In-My-Backyard" (NIMBY) mentality.

These perceptions notwithstanding, the affordable rental housing that is being developed with financial assistance allocated by the Department has been high quality housing that would be an asset to any community. This initial quality is upheld and maintained under the scrutiny of an exceedingly comprehensive compliance oversight function.

Performance reporting and analysis is another area of challenge for TDHCA. TDHCA's 15-plus programs' varying reporting requirements, report formats and data storage methods, as well as federal variations in program requirements, have made performance reporting and analysis difficult for the Department. Because of these differing requirements, TDHCA programs have maintained data in separate databases since the creation of the Department in 1991. On many programs, data that appears to reflect activity and performance may actually fail to portray the status accurately due to lags often necessitated by legal requirements, such as environmental review and permitting, between award and actual expenditure.

Another obstacle TDHCA encounters that provides a barrier to affordable housing can be difficulty in obtaining a clear title for low-income homeowners. Clear titles are required for homeowners to meet certain federal program eligibility requirements and to protect TDHCA's investment in providing affordable housing. Homeowners in need of housing repair or contract-for-deed conversions to traditional mortgages often have difficulty obtaining a clear title. Titles may not be in the homeowners' name because of divorce or widowing in which case the ex-spouse is also on the title. Titles with liens are a common challenge for contract-for-deed conversions. When clear title cannot be obtained, assistance is often delayed, or under some federal programs, not possible.

H. Discuss any changes that could impact your agency's key functions in the future (e.g., changes in federal law or outstanding court cases).

TDHCA is, as noted, a housing finance agency and as such its success and challenges are tied to the housing, finance and real estate markets. As an issuer of bonds, TDHCA is impacted by changes in the housing finance industry, which may limit the supply of bond proceeds that can be used to provide housing. Indirectly, as the housing, finance and real estate markets decline, developers and applicants for TDHCA resources are less able to pursue development activities. For these reasons, in 2008 and 2009, the economic and housing crises have had a damaging effect on TDHCA funding resources, interest in some programs, and capacity to leverage with private sources. TDHCA, because of its nature, will continue in the future to have its programs impacted by variations in the economic market.

Two other direct funding activities provide a significant impact on the current and future function of TDHCA; TDHCA is receiving significant amounts of disaster recovery and stimulus funds (further described under Program Description). The receipt of these two sources is causing a vast increase in funds being administered by the Department which impacts staffing, reporting systems and financial systems. The possibility of additional funding designed for housing activities will also impact TDHCA; as TDHCA pursues its mission to promote housing for low income Texans, it will continue to receive directly and apply competitively for resources. At present, TDHCA is seeking grant approval for an additional $100 million in Neighborhood Stabilization Program II (NSPII) funds, has obtained Board permission to apply for approximately 100 additional rental housing vouchers for persons with disabilities, and will likely in the next several years be a direct recipient of National Housing Trust Fund monies.

Because of TDHCA's role as a conduit for federal funds, federal law or rule changes are common to program administration at TDHCA. Staff is adept at staying apprised of, and trained on, new federal requirements.

TDHCA and its governing board are currently involved in one significant piece of litigation that could impact the governing statute. The case is being tried in federal court in the Northern District of Texas and is captioned *as Inclusive Communities Project, Inc. v. TDHCA, et al*. The suit is for injunctive relief to prevent the board from awarding any tax credits in the Dallas area due to Fair Housing Act violations. The suit reality seeks to set aside 26 USC §42 and parts of Chapter 2306 of the Texas Government Code related to funding of developments as related to scoring and how developments are provided credits associated with costs of construction. The case is set for trial February 1, 2010. TDHCA is currently represented by Looper, Reed and McGraw out of Dallas.

I. What are your agency's biggest opportunities for improvement in the future?

The Department's biggest opportunities for improvement will be the elimination of obstacles to affordable housing identified above. To reduce obstacles to affordable housing, TDHCA closely monitors affordable housing trends and issues and on occasion conducts its own research. For example, as a result of the identification of insufficient funding, the Department requested and was appropriated an increase in funding for the Housing Trust Fund by the 81st Legislature. In addition, through roundtable discussions and public hearings held throughout the state, TDHCA makes adjustments to its programs to address community input on affordable housing obstacles. To illustrate this point, the Housing Trust Fund is including several capacity-building components into its programs as a result of public input at a roundtable. The capacity-building components will focus on increasing the ability of self-help housing organizations to administer housing programs and on increasing the capabilities and access to funds for rural communities interested in affordable housing. Furthermore, to obtain independent information, the Department has funds available for market studies to identify housing needs in specific communities. These efforts, combined with public outreach and education, are part of TDHCA's commitment to overcome obstacles to affordable housing.

In order to meet evolving data compilation and reporting requirements, the Department has continued to expand the TDHCA Central Database, which is a suite of custom, Web-enabled systems used for contract management, compliance monitoring and reporting, and providing citizens online access to information about local assistance providers. Subrecipients login to the Central Database to report financial and performance data for the following programs: Comprehensive Energy Assistance Program, Community Services Block Grant, Disaster Recovery programs, Emergency Shelters Grants Program, HOME, Housing Trust Fund, and Weatherization Assistance Program. Development owners and on-site managers also access the Central Database to submit required compliance reports, such as the Housing Sponsor Report and Unit Status Report, for multifamily programs.

The Department is currently making major enhancements to Central Database systems to accommodate new and expanded Recovery Act and Disaster Recovery programs and to provide for online transmission of Recovery Act data to the Office of Management and Budget. In addition to these enhancements, the Department will continue to increase the usability and data sharing capabilities of the database.

A final opportunity for improvement lies in the access to funds the Department has; by having access to so many varied programs and resources, the Department is in a unique position to identify innovations and collaborations and pursue partnerships with private, state or federal entities.

J. In the following chart, provide information regarding your agency's key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures.

Texas Department of Housing and Community Affairs Exhibit 2: Key Performance Measures - Fiscal Year 2008			
Key Performance Measures	FY 2008 Target	FY 2008 Actual Performance	FY 2008 % of Annual Target
1.1. Outcomes			
Outcome 1: Percent of Households/Individuals of Very Low, Low, & Moderate Income Needing Affordable Housing that Subsequently Receive Housing or Housing-Related Asst.	0.91%	0.70%	76.92%
Variance Explanation: For the HOME program, the Department postponed the publication of the 2008 Single Family Notice of Funding Availability (NOFA) due to delayed progress on current awards for owner-occupied housing assistance. The performance target for Section 8 was developed prior to a change in how the U.S. Department of Housing and Urban Development distributes funding. Consequently, the number of Section 8 households served will be below target. The Housing Tax Credit Program is a combination of 4% (multifamily bond-related) and 9% (competitive application cycle) rental development funding. The 4% credits are tied to the bond market which is experiencing a dramatic slowdown nationally due to the recession in the economy.			

Outcome 2: Percent of Households/Individuals of Very Low Income Needing Affordable Housing that Subsequently Receive Housing or Housing-Related Asst.	0.28%	0.25%	89.29%
Variance Explanation: For the HOME program, the Department postponed the publication of the 2008 Single Family Notice of Funding Availability (NOFA) due to delayed progress on current awards for owner-occupied housing assistance. The performance target for Section 8 was developed prior to a change in how the U.S. Department of Housing and Urban Development distributes funding. Consequently, the number of Section 8 households served will be below target. The Housing Tax Credit Program is a combination of 4% (multifamily bond-related) and 9% (competitive application cycle) rental development funding. The 4% credits are tied to the bond market which is experiencing a dramatic slowdown nationally due to the recession in the economy.			
Outcome 3: Percent of Households/Individuals of Low Income Needing Affordable Housing that Subsequently Receive Housing or Housing-Related Asst.	3.15%	2.29%	72.70%
Variance Explanation: For the HOME program, the Department postponed the publication of the 2008 Single Family Notice of Funding Availability (NOFA) due to delayed progress on current awards for owner-occupied housing assistance. The performance target for Section 8 was developed prior to a change in how the U.S. Department of Housing and Urban Development distributes funding. Consequently, the number of Section 8 households served will be below target. The Housing Tax Credit Program is a combination of 4% (multifamily bond-related) and 9% (competitive application cycle) rental development funding. The 4% credits are tied to the bond market which is experiencing a dramatic slowdown nationally due to the recession in the economy.			
Outcome 4: Percent of Households/Individuals of Moderate Income Needing Affordable Housing that Subsequently Receive Housing or Housing-Related Asst.	0.10%	0.14%	140%
Variance Explanation: Loan originations through the Texas First Time Homebuyer Program were higher than originally anticipated as a result of increased market interest rates. The increased market interest rates generated higher demand for the Department's low-interest rate products.			

1.1.1. Strategy: Provide Mortgage Financing & Homebuyer Assistance through the Single Family Finance Division			
Output 1: Number of Single Family Loans and Mortgage Credit Certificates	2,016	2,034	100.89%
1.1.2. Strategy: Provide Funding through HOME for Affordable Single Family Housing			
Output 1: HOME Single Family Number of Households Served	1,255	935	74.50%
Variance Explanation: Due to the delayed progress on current awards for Owner-Occupied Housing Assistance, the Department postponed its publication of the 2008 Single Family Notice of Funding Availability (NOFA), which includes Owner-Occupied Housing Assistance, Tenant-Based Rental Assistance, and Homebuyer Assistance activities, until the 4th Quarter and anticipates awarding funds in FY 2009.			
1.1.3. Strategy: Provide Funding through the Housing Trust Fund for Affordable Single Family Housing			
Output 1: Housing Trust Fund Single Family Number of Households Served	228	559	249.18%
Variance Explanation: The Department received approximately $5.8 million in appropriations for the Housing Trust Fund for the 2008-2009 biennium. In accordance with the funding plan, the Department allocated new source of funds in the amount of, $1,000,000 for gap financing for the Disaster Recovery effort in Southeast Texas. Additionally, the Department was able to award $1,062,816 from local funds funded by loan repayments and investment earnings. During the second quarter, the Department also released a Homeownership SuperNOFA making available $1,000,000 from the annual appropriation. In June 2008, the Board approved an additional $1,000,000 in Housing Trust Fund loan repayments and investment earnings for the Homeownership SuperNOFA, increasing the total amount available to $2,000,000. The Department was able to exceed the target due to the lower amount of assistance provided per household for the gap financing for Disaster Recovery and Veteran's Housing Assistance programs.			
1.1.4. Strategy: Provide Section 8 Tenant-Based Rental Assistance (TBRA)			
Output 1: Section 8 TBRA Number of Households Served	1,494	1,036	69.34%
Variance Explanation: The targeted measure of 1,494 vouchers was developed when the U.S. Department of Housing and Urban Development (HUD) provided Section 8 Housing Assistance Program (HAP) funds based on a specified number of vouchers. The methodology for the allocation of HAP funds has changed and the Department no longer receives funds based on a specified number of vouchers but rather receives a set amount of funding that limits the number of households served to approximately 1,100 a year. Consequently, the number of households served will be below target.			
1.1.5. Strategy: Provide Financing through the Housing Tax Credit (HTC) Program			
Output 1: Multifamily Finance (HTC) Number of Households Served	12,261	10,076	82.18%

Variance Explanation: The Housing Tax Credit program activity for this measure is a combination of 4% (multifamily bond related) and 9% (competitive application cycle) rental development funding awards. The 9% program is statutorily required to award funding during the fourth quarter of each fiscal year. The 4% credits are tied to the bond market which is experiencing a dramatic slowdown nationally due to the recession in the economy.			
1.1.6. Strategy: Provide Funding through HOME for Affordable Multifamily Housing			
Output 1: HOME Multifamily Number of Households Served	500	585	132.60%
Variance Explanation: The Department has made HOME funds available for this activity since October 2007 and awarded twenty awards in conjunction with the Housing Tax Credit awards at the July 31, 2008 board meeting. Additional HOME funds that were deobligated from single family activities were made available for this strategy. This allowed the Department to maintain a continuous, open-cycle NOFA and facilitated the timely commitment and expenditure of HOME funds in accordance with federal requirements.			
1.1.8. Strategy: Provide Financing through the Multifamily MRB Program			
Output 1: Multifamily MRB Program Number of Households Served	2,393	878	36.69%
Variance Explanation: This measure is tied to the bond market which is experiencing a dramatic slowdown nationally. Economic conditions in the equity markets have made it very difficult for developers to present financially feasible applications to the Department.			
2.1.1. Strategy: Provide Info. to the Public & Provide Tech. Asst. through the Housing Center			
Output 1: Number of Info. & Tech. Asst. Req. Completed	4,900	6,109	124.67%
The number of requests for information and technical assistance varies throughout the year. During this fiscal year, the Department experienced a higher amount of requests than usual. In addition, the Department has made a concerted effort to improve the quality of the data collected for information and technical assistance requests.			
2.1.2. Strategy: Provide Tech. Asst. to Colonias through Office of Colonia Initiatives Field Offices			
Output 1: Number of On-site Tech. Asst. Visits Conducted Annually from the Colonias Field Offices	800	904	113%
Variance Explanation: As the Department continues to improve the Texas Bootstrap Loan Program and the Colonia Self-Help Center Program OCI Field Staff continues to provide technical assistance to units of local governments and nonprofit organizations. The Texas Bootstrap Loan Program Reservation System has necessitated increased technical assistance. In addition, technical assistance visits have increased for the Colonia Self-Help Program due to environmental assessments and other related federal regulations.			
3.1.1. Strategy: Administer Homeless & Poverty-Related Funds through a Network of Community Action Agencies & Other Local Organizations			
Output 1: Number of Persons Assisted through Homeless & Poverty-Related Funds	512,244	539,436	105.31%

Variance Explanation: This measure is impacted by the number of persons assisted through the Community Services Block Grant (CSBG) and Emergency Shelter Grants Program (ESGP). Beginning in January 2006, the Department revised the reporting procedures for Community Services Block Grant (CSBG) subrecipients. The revision allowed CSBG subrecipients to report to the Department all individuals assisted by all programs operated by the CSBG subrecipient. As a result of this change, CSBG subrecipients reported a higher number of persons assisted through homeless and poverty related funds. Additionally, funding for the ESGP program was higher than anticipated when the measures were set.			
Output 2: Number of Persons Assisted that Achieve Incomes Above Poverty Level	2,200	3,024	137.45%
Variance Explanation: Each year, CSBG subrecipients make improvements in the self-sufficiency case management programs they operate and this enables them to be able to transition a larger number of persons out of poverty. The Department expects that annually, CSBG subrecipients will assist more persons to transition out of poverty.			
Output 3: Number of Shelters Assisted	73	78	106.85%
Variance Explanation: This measure represents the number of contracts issued under the Emergency Shelter Grants Program (ESGP). At the time the target was established, the Department anticipated funding fewer subrecipients than the number that was actually funded. The number of contracts awarded varies by the amount of funds requested and then awarded and the ranking of the applications based upon their score.			
Outcome 1: Percent of Persons in Poverty that Received Homeless & Poverty-Related Asst.	12.32%	12.93%	98.79%
3.2.1. Strategy: Administer the State Energy Asst. Programs by Providing Grants to Local Organizations for Energy-Related Improvements			
Output 1: Number of Households Assisted through the Comprehensive Energy Asst. Program	51,502	49,833	96.76%
Output 2: Number of Units Weatherized by the Department	3,004	4,000	133.16%
Variance Explanation: Additional one-time funding for the program enabled the weatherization subrecipients to exceed their quarterly and annual targets for assistance.			
Outcome 1: Percent of Very Low Income Households Receiving Energy Asst.	4.12%	4.07%	98.79%
4.1.1. Strategy: To Monitor & Inspect for Federal & State Housing Program Requirements			
Output 3: Number of On-site Reviews	915	1,046	114.32%
Variance Explanation: There were more on-site reviews scheduled for the fiscal year than originally anticipated when the annual performance measure targets were set.			

4.1.2. Strategy: To Administer & Monitor Federal & State Subrecipient Contracts for Programmatic & Fiscal Requirements			
Output 1: Number of Monitoring Reviews Conducted	12,715	8,735	68.70%
Variance Explanation: During the reporting period, there were fewer new contracts which would result in contract administration activity. Additionally, a significant number of contracts have been deobligated within the past three reporting periods which has resulted in decreased pipeline activity. The numbers reported reflect activity on contracts pending from the previous years. The Department has released the 2008 HOME Single Family NOFA during the 4th quarter and anticipates an increase in the activities reported during the first quarter of FY 2009.			
5.1.1. Strategy: Provide Titling & Licensing Services in a Timely & Efficient Manner			
Output 1: Number of Manufactured Housing Titles Issued	90,000	62,384	69.32%
Variance Explanation: The measure is under the projected total because there were fewer applications received and there was an increase in incomplete applications that cannot be processed until the required information is received by the Department. The increase in incomplete applications is due to many sellers being unaware of the new requirement in §1201.206(g) of the Standards Act that became effective on 1/01/2008, which requires a seller to file a statement from the tax assessor-collector that no taxes are due on used homes sold that are not in a retailer's inventory. To educate the public and tax offices the Department posted notice of the requirement on the Department's website and mailed a notice letter in January 2008 to all tax assessor-collectors.			
Output 2: Number of Licenses Issued	4,000	3,601	90.03%
Variance Explanation: Performance is under the targeted projection due to receiving fewer applications for new and renewed licenses.			
5.2.1. Strategy: Conduct Installation Inspections of Manufactured Homes in a Timely & Efficient Manner			
Output 1: Number of Routine Installation Inspections Conducted	6,000	3,632	60.53%
Variance Explanation: Although the measure is below the targeted number, the Department is meeting the program's statutory requirements to inspect at least 25% of the installation inspections received. The actual year-to-date inspection rate is 26%.			
Explanatory 1: Number of Installation Reports Received	20,000	13,984	69.92%
Variance Explanation: Performance is under the targeted projection due to receiving fewer installation reports than originally anticipated.			
5.3.1. Strategy: Process Complaints/Conduct Investigations/Take Administrative Actions			
Output 1: Number of Complaints Resolved	1,250	803	64.24%
Variance Explanation: The Department has received fewer complaints than expected, resulting in fewer complaints resolved.			

Efficiency 2: Avg. Time for Complaint Resolution	180	128.5	71.39%
Variance Explanation: The average time for complaint resolution is under target, which is desirable.			
Explanatory 1: Number of Jurisdictional Complaints Received	1,200	731	60.92%
Variance Explanation: The Department has received fewer complaints than originally expected.			
5.1.1 Outcomes			
Outcome 2: Percent of Consumer Complaint Inspections Conducted within 30 Days of Request	100%	100%	100%
Outcome 3: Percent of Complaints Resulting in Disciplinary Action	15%	12.08%	80.53%
Variance Explanation: The Department is under the projected target, which is desirable.			

III. HISTORY AND MAJOR EVENTS

Provide a timeline of your agency's history and key events, including:

- the date your agency was established;
- the original purpose and responsibilities of your agency;
- major changes in responsibilities or statutory authority;
- changes to your policymaking body's name or composition;
- significant changes in state/federal legislation, mandates, or funding;
- significant state/federal litigation that specifically affects your agency's operations; and
- key changes in your agency's organization.

Date Established, Original Purpose and Responsibilities.

The 72nd Texas Legislature created the Texas Department of Housing and Community Affairs through passage of SB 546, effective September 1, 1991. SB 546 merged the Texas Housing Agency, a quasi-state agency charged with administration of housing finance programs, with the Texas Department of Community Affairs, which administered poverty programs. SB 546 also established the Housing Trust Fund and authorized the agency to administer the new HOME Investment Partnerships Program. Other legislation passed that same session transferred additional programs, including the Texas Community Development Program and the Low Income Home Energy Assistance Program, to the new agency.

The Legislature established TDHCA in order to assist local governments overcome financial, social and environmental needs; address low and moderate income housing needs; contribute to the preservation of neighborhoods and communities; assist in coordinating state and federal programs affecting local government; and inform the state and the public regarding the needs of local government.

Programs placed with the new agency by the 72nd Legislature were as follows:

Texas Housing Agency Programs
Housing Tax Credit Program (federal)
Multifamily Bond Program (federal)
First-Time Homebuyer Bond Program (federal)

Texas Department of Community Affairs Programs
Section 8 Housing Assistance Payments Program (federal)
Community Services Block Grant (federal)
Community Food and Nutrition Program (federal)*
Emergency Community Services Homeless Grant Program (federal)*
Emergency Shelter Grants Program (federal)
Permanent Housing for Handicapped Homeless Persons Program (federal)*
Weatherization Assistance Program (federal)
Energy Crisis Program (federal. LIHEAP funded)
Local Government Services Program (state)*

Programs transferred from other agencies
Texas Community Development Program (federal)*
Utility Assistance Program (federal. LIHEAP funded)
Emergency Nutrition/Temporary Emergency Relief Program (state)*

New Programs
Housing Trust Fund (state)
HOME Investment Partnerships Program (federal)

**These programs are no longer active or have been transferred from TDHCA*

By creating the Department, the Legislature intended to enhance the state's ability to serve the needs of low income Texans and local government, especially as related to housing assistance to low income households. Programs administered established a virtual continuum of care, from the funding of homeless shelters and to the provision of homebuyer assistance.

<u>Major changes in responsibilities or statutory authority</u>.

In 1995, the 74th Texas Legislature transferred regulation of the manufactured housing industry from the Department of Licensing and Regulation to TDHCA.

In 2001, HB 7, 77th Texas Legislature, transferred the federal Texas Community Development Program and the state-funded Local Government Services Division to the newly created Office of Rural Community Affairs. Also that session, SB 322, TDHCA's sunset legislation, provided for a separate governing board and executive director for the Manufactured Housing Division; the new Division was to be administratively attached to TDHCA.

Since 2005, when Texas helped shelter Hurricane Katrina evacuees fleeing Louisiana and then was itself devastated by Hurricane Rita, the Governor assigned TDHCA a significantly larger role in the state's disaster recovery effort, administering funds appropriated by Congress to meet needs created by Hurricanes Katrina, Rita, Dolly and Ike.

<u>Significant changes in state/federal legislation, mandates, or funding</u>.

In 2001, the 77th Texas Legislature passed SB 322, TDHCA's sunset legislation. In addition to changes previously noted, the legislation made significant changes to board meeting requirements and the allocation of housing tax credits and other resources. The bill extended TDHCA for two years.

In 2003, the 78th Texas Legislature passed SB 264, TDHCA's sunset legislation, which extended the agency to 2011. Other changes enacted through the bill included the establishment of funding priorities for rural and urban/exurban areas in each region.

In 2005 and 2006, Governor Perry designated TDHCA, in conjunction with the Texas Department of Rural Affairs, to administer over $500 million in Community Development Block Grant funds allocated to assist the state recovery from the impact of Hurricanes Rita and Katrina, significantly increasing the agency role in state disaster recovery efforts.

In 2008 and 2009, the federal government provided over $2 billion to the state for disaster recovery related to Hurricanes Ike, Dolly, and Gustav. While TDRA is the lead agency for these funds, TDHCA will administer housing-related funds.

As a result of the passage of the Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act of 2009 by Congress, TDHCA is currently administering over $800 million in additional federal funds. While most of these funds are in support of existing programs, some flow through new programs such as the Homelessness Prevention and Rapid Re-Housing Program and the Neighborhood Stabilization Program.

In 2009 the Texas Legislature increased appropriations for the Housing Trust Fund to approximately $20 million per biennium and provided $20 million over the biennium for homeless services in the state's eight largest cities.

Key changes in organization.

In 2003, TDHCA undertook a substantial reorganization, integrating programs and cross-program functions. This reorganization was undertaken with assistance of the State Auditor's Office.

In 2005, TDHCA established the Disaster Recovery Division to administer funds appropriated by Congress to help the state recover from Hurricanes Katrina and Ike. TDHCA planned to disband the Division when the funds had been largely expended.

In 2009, in response to the significant funding increases generated from the federal stimulus and Disaster Recovery funds, the Department reorganized once again. In order to capitalize on efficiencies and streamline internal processes. TDHCA created a new Program Services Division to allow for internal servicing of activities related to federally funded contracts, formalized the Emergency Housing & Disaster Recovery Division to position the Department strategically for emergency response, and divided the single "programs" division into housing-based programs and community based programs, which leveraged valuable housing experience toward the administration of stimulus-funded housing programs including an Office of ARRA Accountability and Oversight.

IV. POLICYMAKING STRUCTURE

A. Complete the following chart providing information on your policymaking body members.

Texas Department of Housing and Community Affairs Exhibit 3: Policymaking Body			
Member Name	Term/Appointment Dates/Appointed by (e.g., Governor, Lt. Governor, Speaker)	Qualification	City
C. Kent Conine	Appointed by Governor Perry on 2/10/1997 for a term to expire 1/31/2003. Reappointed 11/4/2003 for a term to expire 1/31/2009. Appointed Chair on 1/11/2008 Reappointed 3/13/2009 for term to expire 1/31/2015.	Public Member	Dallas
Gloria Ray	Appointed by Governor Perry on 9/20/2006 for a term to expire on 1/31/2011.	Public Member	San Antonio
Dr. Juan Sanchez Muñoz	Appointed by Governor Perry on 12/6/2007 for a term to expire 1/31/2011.	Public Member	Lubbock
Tom H. Gann	Appointed by Governor Perry on 3/13/2009 for a term to expire 1/31/2015.	Public Member	Lufkin
Leslie Bingham-Escareño	Appointed by Governor Perry on 1/15/2008 for a term to expire 1/31/2013.	Public Member	Brownsville
Lowell A. Keig	Appointed by Governor Perry on 8/26/2009 for a term to expire 1/31/2013.	Public Member	Austin

Note: The Department has a seven member Board. One of those seats is vacant.

B. Describe the primary role and responsibilities of your policymaking body.

The governing board of the agency provides general oversight and policy direction to the agency. It does this through a number of specific activities including the approval of:

a. adoption of plan documents that govern the agency's activities, including the state low income housing plan;
b. awards of program funds;
c. issuance of notices of funds availability;
d. the allocation and award of low income housing tax credits;
e. the inducement and issuance of bond indebtedness;
f. the review and approval of operating budgets, legislative appropriations requests, and strategic plans;
g. the review and adoption of rules and policies including the qualified allocation plan; and
h. the consideration of public input on any and all aspects of the agency's programs and operations.

C. How is the chair selected?

The chair is appointed by the Governor from the membership of the governing board.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

The awarding of agency-administered funds involves complex federal programs, including the low income housing tax credit program in adherence to the state's qualified allocation plan. Members of the governing board are required to become familiar with many of the details of these programs. Board members must also have a firm knowledge of detailed housing finance issues as well as local issues which play significant roles in development in all regions of the state. Matters involving various stakeholder groups also require that board members develop insight regarding the priorities of these groups while maintaining the perspective of service to all Texans and adherence to the law.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2008? In FY 2009?

The governing board of the agency meets approximately monthly, with two meetings in July. In FY 2008 the governing board met twelve times, and they are scheduled to meet twelve times in FY 2009.

F. What type of training do members of your agency's policymaking body receive?

As provided for in Texas Government Code, Chapter 2306, a new member of the governing board receives the following training:

Sec. 2306.028. TRAINING.

(a) A person who is appointed to and qualifies for office as a member of the board may not vote, deliberate, or be counted as a member in attendance at a meeting of the board until the person completes a training program that complies with this section.

(b) The training program must provide the person with information regarding:
  - (1) the legislation that created the department and the board;
  - (2) the programs operated by the department;
  - (3) the role and functions of the department;
  - (4) the rules of the department, with an emphasis on the rules that relate to disciplinary and investigatory authority;
  - (5) the current budget for the department;
  - (6) the results of the most recent formal audit of the department;
  - (7) the requirements of:
    - (A) the open meetings law, Chapter 551;
    - (B) the public information law, Chapter 552;
    - (C) the administrative procedure law, Chapter 2001; and
    - (D) other laws relating to public officials, including conflict-of-interest laws;
  - (8) the requirements of:
    - (A) state and federal fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §3601 et seq.), and the Fair Housing Amendments Act of 1988 (42 U.S.C. §§3601 et seq.);
    - (B) the Civil Rights Act of 1964 (42 U.S.C. §§2000a et seq.);
    - (C) the Americans with Disabilities Act of 1990 (42 U.S.C. §§12101 et seq.); and
    - (D) the Rehabilitation Act of 1973 (29 U.S.C. §§701 et seq.); and
  - (9) any applicable ethics policies adopted by the department or the Texas Ethics Commission.

The materials are compiled by the agency's General Counsel, and the training is provided by the Executive Director, the General Counsel, the Director of Internal Audit, and other appropriate members of management.

Due to the voluminous and highly technical nature of the materials presented to the governing board, additional training is held in conjunction with a new member's first several board meetings. Staff provides additional training on key topics that require refreshing, including ethics.

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

Yes. Consistent with Texas Government Code, Chapter 2306, the governing board exercises policy-making functions and the executive director and staff carry out management activities. (*Please refer to* ***Exhibit IV-G*** *for copy of governing board resolution number 02-056.)*

H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?

The governing board's primary focus is on overseeing the administration of large and complex programs; as such each time the governing board is asked to consider any program awards, it is provided with a detailed presentation that provides information about the specific award and about the status of the relevant program some of which is required by statute. The governing board is usually asked to provide policy direction in connection with the offering of program funds, done chiefly through the issuance of notices of funds availability ("NOFAs"). As NOFAs are presented for approval, the governing board is provided with updated information about the sources of funds and levels of activity. Levels of activity are described in terms of key benchmarks, chiefly commitment and expenditure rates and persons/households served.

The governing board receives management proposals and supporting information to consider and take action on annual operating budgets, legislative appropriation requests, strategic plans, consolidated programmatic plans, and the state low income housing plan. The governing board receives quarterly investment reports.

At each meeting the Board receives reports on the status of CDBG disaster recovery programs and programs under the American Recovery and Reinvestment Act of 2009. The governing board generally meets monthly and is able to direct management to provide additional reports as deemed necessary.

I. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

The Department is committed to an open and transparent process in the administration of all programs and funds. The Department encourages public participation during every stage of program planning and implementation. Prior to the development of plans, rules or Notices of Funding Availability (NOFAs), especially for new programs, the Department hosts roundtables and public input sessions to discuss the program with potential applicants and stakeholders. Notices of the roundtables are sent to the Department's email list and posted on the Department's website. Staff considers all input from the roundtables and public input sessions.

In general, draft program rules and planning documents are approved by the Department's Board for a formal public comment period before final consideration and approval. In accordance with statute, all Department rule changes are published in the *Texas Register* in accordance with the Administrative Procedures Act. During the public comment period, both oral and written public input is welcomed. Staff summarizes all formal public comment and provides written responses indicating staff recommendations on proposed changes or rationale for not recommending changes. The public comment summaries and reasoned responses are presented to the Board during final consideration of the plans and rules.

The establishment of policies, plans and awards, and other matters to be considered and acted upon, by the TDHCA Board are posted, along with staff recommendations, to the Department's website at least three days before the Board meeting. The agenda is posted s required by the Open Meetings laws a week in advance. Public comment is accepted at all Board meetings at the beginning of the agenda and when the item is under consideration by the Board.

Throughout the year, the Department accepts oral and written comments and suggestions from the public on all of its programs. Public comment may be received at, but not limited to, Board of Directors meetings, various Department-sponsored or attended informational workshops, individual program and publication public comment periods and hearings, and application and implementation workshops.

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

Texas Department of Housing and Community Affairs
Exhibit 4: Subcommittees and Advisory Committees

Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Audit Committee	Generally three (3) members; the Audit Committee membership is appointed by presiding officer of the Governing Board from the board's membership.	*See Audit Committee Resolution 09-28, Exhibit IV.J-4a.*	Tex. Gov't. Code, §2306.056 (*See Exhibit IV.J-4f*)
Colonia Initiatives Advisory Committee (CIAC)	Seven members appointed by the Governor: one colonia resident; one representative of a non-profit that serves colonia residents; one representative of a political subdivision that contains all or part of a colonia; one person to represent private interests in banking or land development; one representative of a nonprofit utility; one representative of an engineering consultant firm involved in economically distressed areas programs projects under Subchapter K, Chapter 17, Tex. Water Code; and one public member.	*No members have ever been appointed, and therefore, this committee has never functioned.* To review the progress of colonia water and wastewater infrastructure projects managed by the Texas Water Development Board and the state agency responsible for administering the portion of the federal community development block grant non-entitlement program that addresses the infrastructure needs of colonias.	Tex. Gov't. Code, §2306.590 (*See Exhibit IV.J-4b)*

Texas Department of Housing and Community Affairs Exhibit 4: Subcommittees and Advisory Committees (continued)			
Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Colonia Resident Advisory Committee (C-RAC)	Five members appointed by the Governing Board, who are residents of colonias to serve on the C-RAC. The C-RAC is composed of two (2) persons (Primary and Secondary members) for each county designated to have a Colonia Self-Help Center. A total of eight (8) counties are served through the Colonia Self-Help Center Program.	The C-RAC is required to advise the Department's Governing Board and evaluate the needs of colonia residents, review programs that are proposed or operated through the Colonia Self-Help Centers and activities that may be undertaken through the Colonia Self-Help Centers to better serve the needs of colonia residents. The C-RAC is required to meet 30 days before a contract is scheduled to be awarded by the Department's Governing Board and may meet at other times.	Tex. Gov't. Code, §2306.584 (*See Exhibit IV.J-4e*)
Executive Award and Review Advisory Committee (EARAC)	16 members, some directed by statute and others appointed by the Executive Director, includes representatives from the underwriting and compliance functions and from the divisions responsible for administering federal housing funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. §§12701, et seq.) and for administering low income housing tax credits.	To make recommendations to the board regarding funding and allocation decisions. The voting members of the Committee include: the Executive Director, the Chief of Staff, the Deputy Executive Directors of Programs (Housing and Community Based); the Chief of Agency Administration; the Chief of Compliance and Asset Oversight, the Director of Multifamily Finance Production; the Director of the Texas Homeownership Program; the Director of Community Affairs; The Director of the HOME Program; the NSP and HTF Managers; the Director of Real Estate Analysis; the Director of Office of Colonia Initiatives; the Director of Policy and Public Affairs; and the Director of Bond Finance.	Tex. Gov't. Code §2306.1112 (*See Exhibit IV.J-4c and Exhibit IV.J-4d)*

* *Please refer to* ***Exhibit IV.J_All Exhibits*** *for copies of: IV.Ja_Audit_Committee_Resolution_09-28; IV.Jb_2306.590_OCI_Advisory_Committee; IV.Jc_EARAC SOP; IV.Jd_2306.1112; IV.Je_2306.584_2306.585; IV.Jf_2306.056*

V. FUNDING

A. Provide a brief description of your agency's funding.

The Texas Department of Housing and Community Affairs is funded through a combination of general revenue funds, federal funds, and other funds including: appropriated receipts and interagency contracts.

The figure below depicts the major funding sources appropriated to the Department for the *2008-2009* biennium under HB 1, 80th Texas Legislature, Regular Session (General Appropriations Act).

	2008	2009
Article VII		
General Revenue Fund	$ 7,219,287	$ 7,262,372
Community Affairs Federal Fund No. 127	128,733,144	128,697,779
Appropriated Receipts	16,586,560	16,787,596
Interagency Contracts	68,255	68,255
Total Method of Financing	$ 152,607,246	$152,816,002
Other Direct and Indirect Costs Appropriated Elsewhere in this Act	$ 903,280	$ 947,807

The above includes approximately $5.8 per year in General Revenue in support of the Housing Trust Fund. Bond proceeds and tax credits issued through TDHCA programs do not flow through the Department's budget and therefore are not reflected in the bill pattern. Information on these is included in *Section VII, Guide to Agency Programs.*

The figure below depicts the major funding sources appropriated to the Department for the *2010-2011* biennium under SB 1, 81st Texas Legislature, Regular Session (General Appropriations Act).

	2010	2011
Article VII		
General Revenue Fund	22,377,856	22,377,856
Community Affairs Federal Fund No. 127	132,646,833	132,676,861
Appropriated Receipts	16,346,832	16,506,657
Interagency Contracts	68,255	68,255
Total Method of Financing	$ 171,439,776	$ 171,629,629
Article XII		
Federal American Recovery and Reinvestment Fund	$565,075,732	
Other Direct and Indirect Costs Appropriated Elsewhere in this Act	$1,017,780	$1,096,188

The above includes approximately $10.9 million per year in General Revenue in support of the Housing Trust Fund and $10 million per year in General Revenue to fund homelessness initiatives in the state's eight largest cities. TDHCA also received appropriation authority for 2009 federal stimulus funds. *Additional information on stimulus funding can be found in Section VII, Guide to Agency Programs* under "New Programs." Bond proceeds and tax credits issued through TDHCA programs do not flow through the Department's budget and therefore are not reflected in the bill pattern. *Information on these is included in Section VII, Guide to Agency Programs*.

B. List all riders that significantly impact your agency's budget.

SB 1, 81st Leg., Art. VII Rider 4. **Appropriations Limited to Revenue Collections.** Fees, fines, and other miscellaneous revenues as authorized and generated by the agency shall cover, at a minimum, the cost of the appropriations made above for the strategy items in Goal E, Manufactured Housing, the cost of the appropriations required for manufactured housing consumer claims payments according to the Occupations Code §1201, Manufactured Housing Standards Act, as well as the "other direct and indirect costs" associated with this goal, appropriated elsewhere in this Act. "Other direct and indirect costs" for Goal E, Manufactured Housing, are estimated to be $1,017,780 for fiscal year 2010 and $1,096,188 for fiscal year 2011. In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct that the Comptroller of Public Accounts reduce the appropriation authority provided above to be within the amount of revenue expected to be available.

SB 1, 81st Leg., Art. VII Rider 5. **Housing Assistance.** To the extent allowed by state and federal program guidelines the department shall adopt an annual goal to apply no less than $30,000,000 of the funds available from the Housing Trust Fund, HOME Program, Section 8 Program, and Housing Tax-Credit Program's total housing funds toward housing assistance for individuals and families earning less than 30% of the Area Median Family Income (AMFI). No less than 20% of the funds available from the Housing Trust Fund, HOME Program, Section 8 Program, and Housing Tax-Credit Program shall be spent for individuals and families earning between 31% and 60% of the area median family income. To the extent allowed by state and federal program guidelines in those counties where the area median family income is lower than the state average median family income, the department shall use the average state median income in interpreting this rider. The department shall provide an annual report to the Legislative Budget Board documenting its expenditures in each income category.

SB 1, 81st Leg., Art. VII Rider 6. **Conversions of Executory Contracts.**

a. Out of the funds appropriated above, the department shall spend not less than $4,000,000 for the biennium for the sole purpose of contract for deed conversions for families that reside in a colonia and earn 60% or less of the applicable area median family income. It is the intent of the Legislature that the department shall make a good-faith effort to complete at least 200 contract for deed conversions by August 31, 2011.

b. The Department of Housing and Community Affairs shall provide a quarterly report to the Legislative Budget Board detailing the number of, and cost for each, contract for deed conversion completed.

SB 1, 81st Leg., Art. VII Rider 7. **Bond Refinancing.** The department shall transfer any funds acquired through refinancing of bonds to the Housing Trust Fund. The first $3,000,000 each fiscal year in savings from the refinancing of any bonds shall be used to fund mortgage loans under the Bootstrap Self-Help Housing Loan Program.

SB 1, 81st Leg., Art. VII Rider 8. **Colonia Set-Aside Program Allocation.** The Office of Rural Community Affairs (Texas Department of Rural Affairs as of September 1, 2009) shall allocate 2.5% of the yearly allocation of Community Development Block Grant (CDBG) monies to support the operation of the Colonia Self-Help Centers and shall transfer such funds to the Department of Housing and Community Affairs on September 1 each year of the biennium.

Consistent with federal rules and regulations, the funds provided from TDRA to the Colonia Self-Help Center in El Paso county shall be used to provide internet access and training for parents and their children attending elementary schools in colonias, to establish technology centers within those elementary school libraries, to purchase wireless devices and laptop computers to loan out from the technology centers, and improve internet access for students and parents.

SB 1, 81st Leg., Art. VII Rider 9. Appropriation: Housing Trust Fund Interest Earnings and Loan Repayments. Interest earnings and loan repayments received from loans made through the Housing Trust Fund program from the General Revenue Fund are included above in Strategy A.1.3, Housing Trust Fund - Single Family, estimated to be $1,000,000 each year.

SB 1, 81st Leg., Art. VII Rider 10. Housing Trust Fund Deposits to the Texas Treasury Safekeeping Trust Company.

a. Out of funds appropriated above in Strategy A.1.3, Housing Trust Fund - Single Family, all funds above those retained for administrative purposes in fiscal year 2010 and fiscal year 2011 shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Texas Government Code, Chapter 2306, at the beginning of each fiscal year. The amounts to be transferred in fiscal years 2010 and 2011 include an estimated $1,000,000 in each fiscal year from interest earnings and loan repayments received, identified above in Rider 9, Appropriation: Housing Trust Fund Interest Earnings and Loan Repayments.
b. Out of funds appropriated above in Strategy A.1.7, Housing Trust Fund - Multifamily, all funds above those retained for administrative purposes in fiscal year 2010 and fiscal year 2011 shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Texas Government Code, Chapter 2306, at the beginning of each fiscal year.
c. Interest earnings and loan repayments received from loans made through the Housing Trust Fund program from the General Revenue Fund shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Texas Government Code, Chapter 2306, for the same purpose.
d. The Department of Housing and Community Affairs shall provide an annual report to the Legislative Budget Board, the House Appropriations Committee, and the Senate Finance Committee no later than October 1 detailing the agency's plan to expend funds from the Housing Trust Fund during the current fiscal year.
e. Notwithstanding limitations on appropriation transfers contained in the General Provisions of this Act, the Department of Housing and Community Affairs is hereby authorized to direct agency resources and transfer such amounts appropriated above, in excess of $3,000,000 set aside for the Owner-Builder (Bootstrap) Loan Program established under Texas Government Code, Chapter 2306, between Strategy A.1.3, Housing Trust Fund - Single Family and Strategy A.1.7, Housing Trust Fund - Multifamily. Prior to the agency making any transfers between these two strategies, they shall notify the Legislative Budget Board, and the Office of the Governor on the amounts being transferred and the reason for transferring funds between strategies.
f. Out of funds appropriated above in Strategy A.1.3, Housing Trust Fund - Single Family and Strategy A.1.7, Housing Trust Fund - Multifamily, all funds above those retained for administrative purposes in fiscal year 2010 and fiscal year 2011 and above amounts required in Sections (a) and (b) of this rider, shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Texas Government Code, Chapter 2306, no later than October 1 of each fiscal year.
g. At the end of each fiscal year, any unexpended administrative balances appropriated under Strategy A.1.3, Housing Trust Funds - Single Family and A.1.7, Housing Trust Fund - Multifamily shall be transferred to the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Texas Government Code, Chapter 2306.

SB 1, 81st Leg., Art. VII Rider 11. Mortgage Revenue Bond Program. The Department of Housing and Community Affairs shall operate the First-Time Homebuyer Mortgage Revenue Bond Program in a manner that maximizes the creation of very low-income single family housing by ensuring that at least 30% of the lendable bond proceeds are set aside for a period of one year for individuals and families at 80% and below the area median family income (AMFI), while assuring the highest reasonable bond rating. In an effort to facilitate the origination of single family mortgage loans to individuals and families at 80% and below the AMFI, the department shall utilize down payment and closing cost assistance or other assistance methods.

SB 1, 81st Leg., Art. VII Rider 12. Additional Appropriated Receipts.

a. Except during an emergency as defined by the Governor, no appropriation of appropriated receipts in addition to the estimated amounts above may be expended by the Department of Housing and Community Affairs unless:
   (1) the department's governing board files a finding of fact along with a written plan outlining the source, use, and projected impact of the funds on performance measures with the Legislative Budget Board and the Governor and indicating that additional appropriations are required to maintain adequate levels of program performance; and,
   (2) neither the Legislative Budget Board nor the Governor issue a written disapproval not later than 10 business days within receipt of the finding of fact and the written plan.
b. This provision does not apply to appropriated receipts included in the amounts appropriated above that are collected under Object Codes 3719 and 3802. Appropriated receipts collected under these revenue object codes are governed under provisions found in Article IX, Sec 8.03 and Article IX, Sec 12.02.

SB 1, 81st Leg., Art. VII Rider 13. Manufactured Homeowner Consumer Claims. Included above in Goal E, Manufactured Housing, the Manufactured Housing Division of the Department of Housing and Community Affairs is appropriated an amount required for the purpose of paying manufactured housing consumer claims from Appropriated Receipts according to the Occupations Code Chapter 1201, Manufactured Housing Standards Act, from Statement of Ownership and Location (SOL) issuance fees involving manufactured housing that are collected during the 2010-11 biennium. No General Revenue is appropriated for the payment of these claims.

SB 1, 81st Leg., Art. VII Rider 15. Affordable Housing Research and Information Program. Out of funds appropriated above in Strategy B.1.1, Housing Resource Center, the Department of Housing and Community Affairs shall conduct the Affordable Housing Research and Information Program with the assistance of the Texas Department of Rural Affairs, to the extent allowed by state law, in order to avoid a duplication of effort. It is the intent of the Legislature that no funds shall be transferred between the Department of Housing and Community Affairs and the Texas Department of Rural Affairs for this purpose.

SB 1, 81st Leg., Art. VII Rider 18. Homeless Housing and Services. Out of funds appropriated above in Strategy C.1.1, Poverty-Related Funds, $10,000,000 in each fiscal year in General Revenue is hereby appropriated to the Department of Housing and Community Affairs (TDHCA) for the purposes of assisting regional urban areas in providing services to homeless individuals and families, including services such as case management, and housing placement and retention. Pursuant to Texas Government Code, §2306.053, funding for this program shall be awarded by TDHCA through a competitive matching grant process whereby the eight largest cities may seek additional funding for this purpose. The agency shall distribute these funds to the eight largest cities with populations larger than 285,500 persons per the latest U.S. Census figures.

SB 1, 81st Leg., Art. VII Rider 19. Financial Assistance for Local Initiatives Regarding the Homeless. It is the intent of the Legislature that the Department of Housing and Community Affairs:
   (1) use funds appropriated to the department under this Act to provide financial assistance to political subdivisions, housing finance corporations, for-profit corporations, and nonprofit organizations to support local initiatives regarding homeless individuals and families; and
   (2) seek any federal funding available for the purpose of providing financial assistance described by subdivision (1).

SB 1, 81st Leg., Art. VII Rider 20. Travel Expenditures. Out of the funds appropriated to the Department of Housing and Community Affairs authorized for out-of-state travel. This limitation shall not apply to out-of-state travel associated with federal programs if the cost of such travel is paid for or reimbursed by the federal government.

Note: Riders found in SB1, 81st Legislature, Article XII, relating to the American Recovery and Reinvestment Act also apply to TDHCA.

C. Show your agency's expenditures by strategy.

Texas Department of Housing and Community Affairs Exhibit 5: Expenditures by Strategy - Fiscal Year 2008 (Actual)		
Goal/Strategy	Expenditures ($)	Contract Expenditures ($)
A. Goal: Affordable Housing:		
A.1.1. MRB Program - Single Family	$1,101,599	
A.1.2. HOME Program - Single Family	29,950,673	23,696
A.1.3. Housing Trust Fund - Single Family	10,896,350	74,305
A.1.4. Section 8 Rental Assistance	6,390,246	8,390
A.1.5. Federal Tax Credits	1,171,058	
Goal/Strategy	Expenditures ($)	Contract Expenditures ($)
A.1.6. HOME Program - Multifamily	11,277,215	
A.1.7. Housing Trust Fund - Multifamily	147,773	
A.1.8. MRB Program - Multifamily	156,301	
Total, A. Goal: Affordable Housing	61,014,703	106,391
B. Goal: Information and Assistance		
B.1.1. Housing Resource Center	475,106	102,780
B.2.1. Colonia Service Centers	549,159	
Total, B. Goal: Information and Assistance	1,024,265	102,780
C. Goal: Poor and Homeless Programs:		
C.1.1. Poverty Related Funds	38,239,597	17,546
C.2.1. Energy Assistance Programs	62,934,108	102,385
Total, C. Goal: Poor and Homeless Programs	101,173,705	119,931
D. Goal: Ensure Compliance:		
D.1.1. Monitor Housing Requirements	1,938,234	685,220
D.1.2. Monitor Contract Requirements	440,695,360	69,999
Total, D. Goal: Ensure Compliance	442,633,594	755,219
E. Goal: Manufactured Housing: (* See Note)		
E.1.1. Titling and Licensing		
E.1.2. Inspections		
E.1.3. Enforcement		
E.1.4. Texas Online		
Total, E. Goal: Manufactured Housing	0	0
F. Goal: Indirect Admin and Support Costs:		
F.1.1. Central Administration	3,693,612	182,778
F.1.2. Information Resource Technologies	1,282,796	
F.1.3. Operating/Support	454,731	
Total, F. Goal: Indirect Admin and Support Costs	5,431,139	182,778
Grand Total per HB 1, Department of Housing and Community Affairs, Article VII	611,353,918	1,267,099

**Note: Expenditures by Strategy are reflected solely for TDHCA, excluding the Manufactured Housing Division, whose information is submitted separately. All expenditures are as of July 31, 2009. Housing Trust Fund expenditures include de-obligated or returned funds from previous years awarded through SFY 2008 Notices of Funding Availability. Loans funded through bond proceeds, mortgage credit certificates, and housing tax credits are not reflected above as these do not pass through the agency's budget. See Section VII. Guide to Agency Programs for more information on these.*

D. Show your agency's objects of expense for each category of expense listed for your agency in the General Appropriations Act FY 2009-2010.

Texas Department of Housing and Community Affairs
Exhibit 6: Objects of Expense by Program or Function - Fiscal Year 2009

Object of Expense	CBP CSBG	CBP ESGP	CBP IOU/ Weatheriz Assisst	CBP CEAP/LIHEAP	CBP Housing Trust Fnd	CBP Bootstrap Loan	CBP Section 8 14.871.000	CBP Housing Resource Center	HP Housing Tax Credit Program	HP Multifamily Bond Program
1001 Salaries and Wages	753,542	27,389	274,064	492,737	472,716	0	301,992	316,251	611,596	93,363
1002 Other Personnel	17,149	720	0	34,840	18,436	0	21,167	3,709	10,495	109
2001 Professional Fess & Services	34,749	3,596	4,053	60,352	10,624	0	4,888	33,696	21,229	11,438
2003 Consumable Supplies	4,055	0	159	4,721	2,903	0	2,808	2,039	2,609	1,512
2004 Utilities	1,123	0	0	1,616	5,197	0	96	1,859	2,344	1,371
2005 Travel	56,295	3,533	24,601	54,545	13,561	0	5,192	6,507	8,659	2,469
2006 Rent - Building	1,903	464	0	3,600	0	0	429	550	2,941	1,608
2007 Rent - Machine and Other	1,689	235	0	1,492	1,109	0	2,328	192	2,180	895
2009 Other Operating Expense	60,836	288	0	174,775	39,681	0	42,520	51,524	47,291	29,752
3001 Client Services	0	0	0	0	0	0	0	0	0	0
4000 Grants	32,514,718	0	42,765,947	123,937,866	0	0	3,437,712	0	0	0
5000 Capital Expenditures	5,955	0	0	4,657	0	0	0	1,378	2,433	1,220
Total	**33,452,013**	**36,225**	**43,068,824**	**124,771,203**	**564,228**	**0**	**3,819,132**	**417,705**	**711,777**	**143,737**

Object of Expense	HP HOME	HP Office of Colonia Initiatives	BFHP Single Family Bond Finance	BFHP First Time Homebuyer Program MCCP	BFHP Texas Homebuyer Education Program	PMC Portfolio Management and Compl.	EHDR CDBG	EHDR FEMA AHPP	HERA Round 1 Neighborhood Stabilization Program	HERA National Foreclosure Mitigation Counceling
Salaries and Wages	972,892	64,018	639,664	342,357	7,191	2,130,639	890,911	105,528	82,644	0
Other Personnel	6,785	3,037	7,069	16,887	0	71,592	22,730	0	262	0
Professional Fess & Services	46,448	0	286	1,474	0	127,240	26,340	112	8,175	0
Consumable Supplies	10,594	1,143	890	3,856	237	10,819	4,199	0	0	0
Utilities	4,513	2,447	980	2,788	0	8,517	5,816	0	0	0
Travel	39,314	21,464	5,489	19,673	0	154,125	58,020	9,612	4,527	88
Rent - Building	5,788	2,011	219	5,150	0	3,430	1,153	0	0	0
Rent - Machine and Other	10,286	240	91	429	0	5,752	1,394	0	0	0
Other Operating Expense	99,715	13,493	55,177	87,912	5,126	273,891	39,718	14,291	6,771	409
Client Services	0	0	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	49,587	0	0	486,490
Capital Expenditures	3,793	1,106	1,625	0	0	10,822	0	0	0	0
Total	**1,200,129**	**108,959**	**711,491**	**480,527**	**12,554**	**2,796,827**	**1,099,867**	**129,543**	**102,380**	**486,987**

Object of Expense	ARRA Homelessness Prevention and Rapid Re-Housing Program	ARRA Weatherization Assistance Program	ARRA Community Services Block Grant	ARRA Tax Credit Assistance Program	ARRA Housing Tax Credit Exchange	ARRA Down Payment Assistance Programs	ARRA Round 2 Neighborhood Stabilization Program	OTHER Homeless Housing and Services	OTHER Disaster Recovery Hurricanes Ike and Dolly
Salaries and Wages	0	2,717	0	0	0	0	0	0	0
Other Personnel	0	0	0	0	0	0	0	0	0
Professional Fess & Services	0	0	0	0	0	0	0	0	0
Consumable Supplies	0	0	0	0	0	0	0	0	0
Utilities	0	0	0	0	0	0	0	0	0
Travel	0	0	0	0	0	0	0	0	0
Rent - Building	0	0	0	0	0	0	0	0	0
Rent - Machine and Other	0	0	0	0	0	0	0	0	0
Other Operating Expense	0	6,136	0	0	0	0	0	0	0
Client Services	0	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0	0
Capital Expenditures	0	0	0	0	0	0	0	0	0
Total	**0**	**8,854**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

E. Show your agency's sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Texas Department of Housing and Community Affairs Exhibit 7: Sources of Revenue - Fiscal Year 2008 (Actual)	
Source	Amount
Single Family	1,778,020
RMRB	298,793
CHMRB	0
SF CHMRB	0
Administration Fees	2,076,813
Multi-Family Admin Fees	1,062,786
MF Application Fees	143,000
MF Issuance Fees	280,125
Multi-Family Fees	1,485,911
LIHTC application fees	527,838
LIHTC commitment & misc. fees	1,230,742
Inspection Fees Collected	20,250
Tax Credit Fees	1,778,830
LIHTC compliance fees	3,343,195
RTC compliance fees	822,017
MF Compliance	594,609
Compliance Fees	4,759,821
Interest Income Bond Program admin.	77,795
Interest Income fund 896 (AR Account in Treasury)	71,050
Total Interest	148,845
Investor Owned Utility Contracts	1,272,000
Intra-Agency Contracts	68,255
General Revenue	$ 7,219,287
Federal Funds	
HOME	40,043,225
ESGP	5,261,641
Section 8	6175257
DOE	5,549,413
LIHEAP	50,598,812
CSBG	31,311,981
FEMA	16,471,725
NFMC	589,788
Total Federal Grants	156,001,842

Note: Fee revenue and Investor Owned Utility Contracts are reflected in TDHCA's bill pattern as Appropriated Receipts.

F. If you receive funds from multiple federal programs, show the types of federal funding sources.

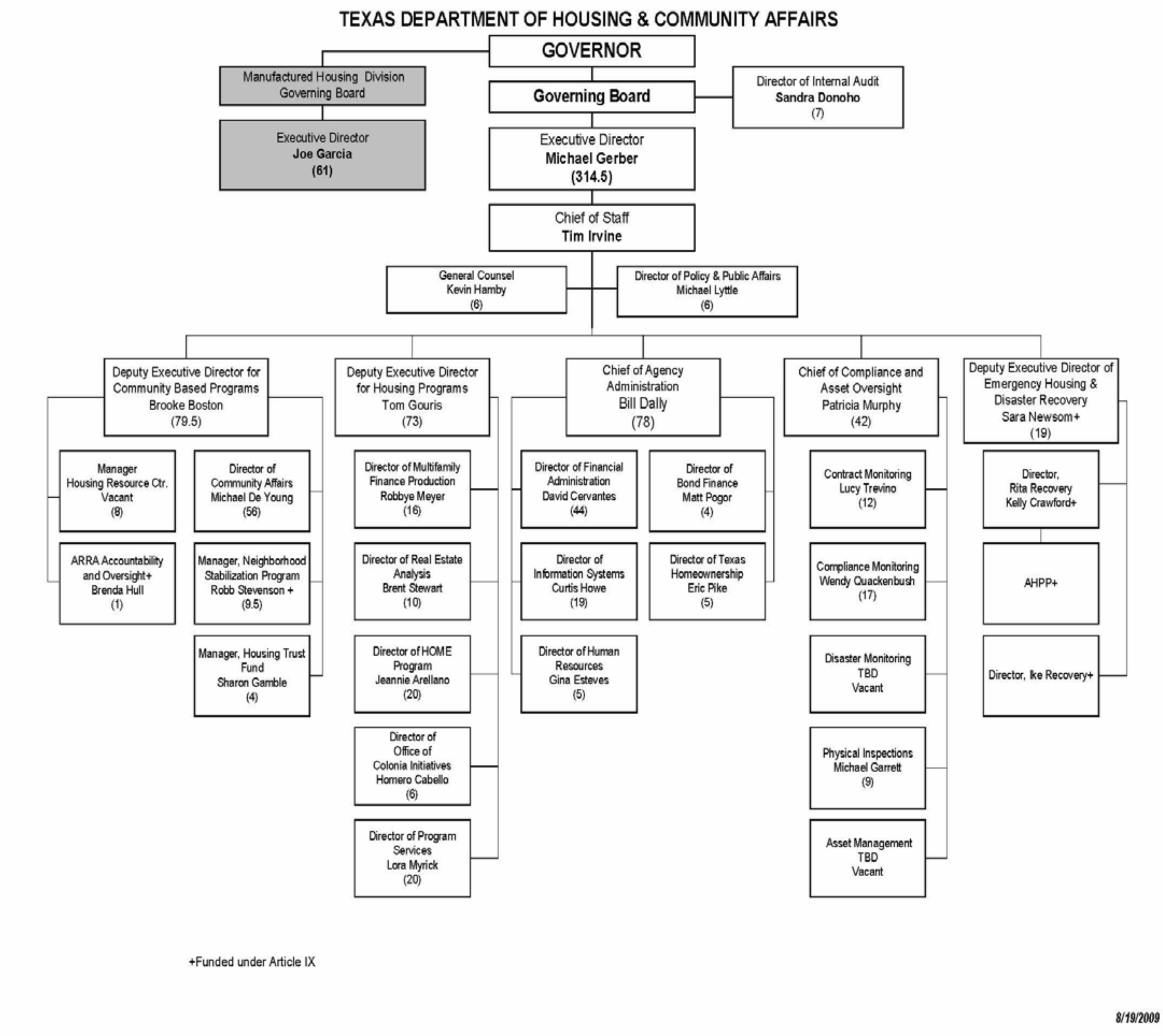
Texas Department of Housing and Community Affairs Exhibit 8: Federal Funds - Fiscal Year 2008 (Actual)				
Type of Fund	State/Federal Match Ratio	State Share	Federal Share	Total Funding
HOME*			$ 40,043,225	$ 40,043,225
ESGP*			5,261,641	5,261,641
Section 8			6,175,257	6,175,257
DOE			5,549,413	5,549,413
LIHEAP			50,598,812	50,598,812
CSBG			31,311,981	31,311,981
FEMA			16,471,725	16,471,725
NFMC		98,298	491,490	589,788
Total		$ 98,298	155,903,544	$ 156,001,842
CDBG II was awarded in FY 2007. IKE and NSP were awarded in FY 2009.				

G. If applicable, provide detailed information on fees collected by your agency

Texas Department of Housing and Community Affairs Exhibit 9: Fee Revenue - Fiscal Year 2008				
Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Bond Administration Fees – Texas Government Code §2306.144, 147, 172, 176, 228 and 266	Varies by Bond Indenture based on Bonds Outstanding	128	$2,608,095	Texas Treasury Safekeeping Trust Co (TTSTC)
Multifamily Bond Compliance Fee – Multifamily Housing Revenue Bond Rules §35.8(c)	$25-$40 per rental unit	110	$594,609	(TTSTC)
Multifamily Bond Issuance Fees – Multifamily Housing Revenue Bond Rules §35.8(b)	0.5% of bonds issued	4	$280,125	(TTSTC)
Multifamily Bond Pre-application / Application Fees – Multifamily Housing Revenue Bond Rules §35.8(a) and (b)	$1,000-Pre-application $30/unit and $10,000-Application	26	$143,000	(TTSTC)
Tax Credit Compliance Fees– Housing Tax Credit Program Qualified Action Plan (QAP) §50.20(g)	$40 per tax credit unit	1196	$3,343,195	(TTSTC)
Tax Credit Commitment/ Determination Fees- QAP §50.20(f)	5% of annual housing credit allocation amount	32	$1,230,742	(TTSTC)
Tax Credit Pre-application and Application Fees – QAP §50.20(b) & (c)	Pre-application $10/unit Application w/pre-application $20/unit Application w/o pre-application $30/unit	318	$527,838	(TTSTC)
Tax Credit Inspection Fees – QAP §50.20(h)	$750/ development	31	$20,250	(TTSTC)

VI. ORGANIZATION

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.



B. If applicable, fill in the chart below listing field or regional offices.

Texas Department of Housing and Community Affairs Exhibit 10: FTEs by Location - Fiscal Year 2008			
Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs FY 2008	Number of Actual FTEs as of August 31, 2008
Headquarters	Austin, TX	270	259
Office of Colonia Initiatives Field Office	Laredo, TX	1	1
Office of Colonia Initiatives Field Office	Edinburg, TX	1	1
Office of Colonia Initiatives Field Office	El Paso, TX	1	1
Disaster Recovery Field Office	Beaumont, TX	1	1
Disaster Recovery Field Office	Katy, TX	1	1
Manufactured Housing Field Office	Fort Worth, TX	2	2
Manufactured Housing Field Office	Lubbock, TX	3	3
Manufactured Housing Field Office	Tyler, TX	3	3
Manufactured Housing Field Office	Houston, TX	5	5
Manufactured Housing Field Office	Waco, TX	3	3
Manufactured Housing Field Office	San Antonio, TX	5	5
Manufactured Housing Field Office	Edinburg, TX	1	1
Manufactured Housing Field Office	Henrietta, TX	1	1
TOTAL		298	287

C. What are your agency's FTE caps for fiscal years 2008-2011?

FY 2008 – FTE CAP: 298
FY 2009 – FTE CAP: 298
FY 2010 – FTE CAP: 311
FY 2011 – FTE CAP: 311

It should be noted that Article IX notification letters have been submitted to the appropriate oversight agencies for disaster recovery FTEs and will be submitted in the near future for additional disaster recovery and federal stimulus program FTEs.

D. How many temporary or contract employees did your agency have as of August 31, 2008?

As of August 31, 2008, the agency employed five temporary employees. No FTEs counted as contract employees.

E. List each of your agency's key programs or functions, along with expenditures and FTEs by program

Texas Department of Housing and Community Affairs Exhibit 11: List of Program FTEs and Expenditures - Fiscal Year 2008		
Program	FTEs as of Aug 31, 2008	Total
Community Based Programs:		
Community Services Block Grant	11.0	32,649,613
Continuum Care		109,000
Emergency Shelter Grants Program	3.0	5,480,984
Weatherization Assistance Program	4.0	15,109,294
Comprehensive Energy Assistance Program	10.5	47,824,812
Housing Trust Fund	1.0	5,021,292
Bootstrap Loan Program		5,950,953
Section 8	7.0	6,390,246
Housing Resource Center	6.0	475,106
Total, Community Based Program	42.5	119,911,300
Housing Programs:		
Housing Tax Credit Program	8.5	621,967
Multifamily Bond Program	2.0	112,879
HOME Investments Partnership Program	20.0	41,227,889
Real Estate Analysis	9.5	592,513
Office of Colonia Initiatives	7.0	444,493
Total, Housing Programs	47.0	42,999,741
Bond Finance and Homeownership Programs:		
Single Family Bond Finance	10.0	680,581
First Time Homebuyer Program, Mortgage Credit Certificate Program	5.0	421,017
Texas Statewide Homebuyer Education Program	0.0	71,880
Total, Bond Finance and Homeownership Programs	15.0	1,173,478
Compliance:		
Portfolio Management and Compliance	29.0	2,980,558
Emergency Housing and Disaster Recovery:		
Community Development Block Grant Recovery Programs	12.0	423,990,007
FEMA	1.0	15,767,695
Total, Emergency Housing and Disaster Recovery	13.0	439,757,702
Grand Total, Department	146.5	605,922,702

NOTE: FTEs and expenditures identified for each program reflect staff and expenditure expensed to the program, including staff carrying out programmatic functions in other divisions. Loans funded through bond proceeds, mortgage credit certificates, and housing tax credits are not reflected above as these do not pass through the agency's budget. All expenditures are for Fiscal Year 2008 and Appropriation Year 2008 as of July 31 2009.

VII. GUIDE TO AGENCY PROGRAMS

NOTE: FTEs and expenditures identified for each program reflect staff and expenditure expensed to each program, including staff carrying out programmatic functions in other divisions. FTEs and expenditures related to Central Administration are not reflected below. All expenditures are for Fiscal Year 2008 and Appropriation Year 2008, reflecting expenditures against 2008 funds as of July 31 2009. See Exhibit 11 for a summary of this information.

COMMUNITY BASED PROGRAMS

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Community Services Block Grant
Location/Division	Community Affairs Division, Community Services Section
Contact Name	Stuart Campbell, Manager of Community Services
Actual Expenditures, FY 2008	$32,649,613
Number of FTEs as of August 31, 2008	11

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Community Services Section administers the Community Services Block Grant (CSBG) Program with funding from the U.S. Department of Health and Human Services (USHHS). The Department's program allocates CSBG funds to forty-eight (48) eligible entities which serve all 254 counties of the State of Texas. An organization must meet the eligibility requirements established by the federal CSBG Act in order to receive an annual CSBG allocation and the Governor must approve any changes to the eligibility designation or service delivery area for the CSBG program. Entities receiving CSBG funds function as "umbrella" organizations which administer a myriad of programs that assist low income families. CSBG funds are used to cover the cost of program administration of CSBG eligible activities and other similar programs and also provides direct services to low-income clients. In addition to providing formula allocations statewide, the Department also reserves funds for organizations to address the needs of special low-income population groups, such as migrant and seasonal farm workers, Native Americans and those affected by disasters. Funds for special population groups and innovative demonstration projects are available on a competitive basis.

1. Key services and functions:
   - Overall function of CSBG Program: To provide for a wide range of services that have a positive and measurable impact on causes of poverty in communities throughout the state.
   - Function of CSBG Demonstration Fund and Special Projects: To support innovative programs and activities by community action agencies and other community based organizations to eliminate poverty, promote self-sufficiency and promote community revitalization.

2. Eligible activities:
   - Funding of administrative support for other community services programs;
   - Funding of services and programs directed at poverty populations. Services may include some or all of the following:
     a) assistance with finding and retaining employment,
     b) providing job training and training in budget and consumer skills,
     c) assistance in obtaining and maintaining adequate housing,

d) assistance in the form of loans or grants to meet immediate and urgent needs, including the need for health services, nutritious food, housing and employment-related assistance,

e) the removal of obstacles which block the clients' achievement of self-sufficiency.

- Examples of programs supported by CSBG include Meals-on-Wheels, transportation programs, Comprehensive Energy Assistance Program and Weatherization.

3. Major program activities performed by TDHCA:
   - Development of the State Plan and annual reports
   - Development of Program Rules and guidance
   - Disbursement of funds to eligible entities
   - Contract management
   - Monitoring
   - Training and technical assistance
   - Program planning
   - Preparation and release of Notice Of Funding Availability for discretionary funds

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

3.1.1. Strategy: Administer Homeless & Poverty-Related Funds through a Network of Community Action Agencies & Other Local Organizations	
Output 1: Number of Persons Assisted through Homeless & Poverty-Related Funds	539,436
Output 2: Number of Persons Assisted that Achieve Incomes Above Poverty Level	3,024
Efficiency 1: Avg. Agency Admin. Cost Per Person Assisted	$2.71
Explanatory 2: Total Number of Persons in Poverty	4,172,890
Outcome 1: Percent of Persons in Poverty that Received Homeless & Poverty-Related Assistance	12.35%
Outcome 3: Percent of Persons Assisted that Achieve Incomes Above Poverty Level	0.08%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

- The Community Services Block Grant Program (CSBG) began as the Economic Opportunities Act (EOA) of 1964. Originally, the U.S. Department of Health, Education and Welfare administered the national program. The U.S Department of Health and Human Services (HHS) later took over administering this program. In 1981, Congress created CSBG to replace the EOA. CSBG was amended and reauthorized by Congress in 1998 through the Coats Human Services Reauthorization Act of 1998.
- Beginning in 1983, the Texas Department of Community Affairs assumed the responsibility for administering this program in Texas. The Texas Department of Housing and Community Affairs (the Department) now administers the CSBG Program in Texas.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Population served:

- Individuals and families with incomes at or below 125% of the current federal poverty guidelines
- Individuals and families needing assistance due to a natural or man-made disaster
- Migrant/seasonal farm workers
- Native Americans

Requirements/qualifications:

- Effective September 1, 2009, income eligibility has been increased to 200% of the Federal Poverty Income Guidelines during fiscal years 2009 and 2010. Eligibility for services is determined by comparing family income to the poverty income guidelines as provided by the U.S. Department of Health and Human Services.
- Eligible subrecipients must be governed by a tripartite board, with one third of its members elected public officials, at least one third of its members representatives of the poor in the area served, and one third members of business, labor, religious, education or other major groups in the community. The eligible recipient must also serve as an umbrella organization for other services.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Overview:

The Department receives a formula allocation annually from the U.S. Department of Health and Human Services (USHHS) to carry out CSBG program activities. The Department, in turn, distributes CSBG funds through a network of 48 "eligible entities," commonly referred to as community action agencies, or Subrecipients, who provide services to persons in all 254 counties in Texas. Most eligible entities are non-profits or organizations that have delivered CSBG-supported services since the program's inception. Additionally, the Governor has designated four cities, two counties, and three councils of government as eligible entities.

These subrecipients may use CSBG funds for any or all of the eligible activities enumerated in Section B. Subrecipients also use the CSBG funds disbursed by the Department for administrative support for existing programs. For example, CSBG funds can be used to pay the salary of a caseworker who coordinates various programs. Since many of the programs administered by subrecipients have limited administrative funds associated with them, CSBG funds provide administrative support to other programs.

The Department disburses not less than 90% of the Department's annual allocation of CSBG funds on a formula basis. A portion of the remaining funds are reserved for use in demonstration projects and to respond to disasters. TDHCA uses the balance of the funds, not more than 5%, to administer the program. The Department monitors the use of CSBG funds by the subrecipients and adheres to the CSBG Act, which requires that the Department monitor CSBG subrecipients at least once every three years.

Program Administration:

- The State Plan serves as the biennial application for CSBG funds. The Department produces a draft of the State Plan, outlining proposed use and distribution of CSBG funds.

- In accordance with the HHS requirement that the Department solicit public comment on the proposed program administration prior to submitting the State Plan, the Department posts notice of the availability of the State Plan and the schedule of public hearings in the Texas Register and on the Department's website. Hard copies are available upon request.
- Interested parties may submit comment on the posted State Plan by mail, electronically, or in person during the hearings. Based on these comments, the Department will consider making any changes to the State Plan that do not affect the intent of the program.
- As the head of the designated state lead agency for the administration of the CSBG program, the Department's Executive Director is authorized to approve and sign the State Plan. The finalized State Plan must be submitted to the USHHS by September 1 each year.
- The state's CSBG funds are made available after the USHHS has approved the State Plan.
- The Department makes the approved plan available to subrecipients.
- The Department extends subrecipient contracts and allocates the majority of funds by formula based on the poverty population and population density in a given service area. In addition, the Department funds Demonstration and Special Project programs throughout Texas.
- Each subrecipient submits monthly reports to TDHCA that include the number of persons served and the number of persons assisted that successfully transitioned out of poverty. They also report on the number of persons currently participating in self-sufficiency programs, and on the status of various community revitalization projects undertaken by the eligible entity.
- The Department monitors the subrecipients' contracts. The goal of the Department is to conduct at least one extensive, on-site monitoring review every three years for each CSBG subrecipient. The monitoring review includes evaluation of the subrecipient's program content, administrative procedures, and a financial review.
- The Department provides other training and technical assistance as needed.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding source:
U.S. Department of Health and Human Services' Community Services Block Grant.

2008 Funding: $31,311,981

Formulas:

- A federal formula based on poverty population determines each state's allocation.
- TDHCA utilizes the following formula to distribute not less than 90% of the state's CSBG allocation to subrecipients:
  a) CSBG funds are distributed by formula to forty-eight (48) eligible entities throughout the state. The planning allocation for each service area is calculated based on a formula which incorporates the following factors: (1) $50,000 base; (2) 98% weight to the number of persons at or below the poverty level; (3) 2% weight to the ratio of population density and (4) $150,000 floor.
  b) The formula is calculated as follows. All subrecipients are given the $50,000 base and then the formula is applied using the 98% poverty factor and the 2% inverse density ratio factor. Once the base and factors are applied, any subrecipient with an allocation below the floor of $150,000 will be brought up to this amount.
  c) Subrecipients receiving $150,000 will then be removed from the formula calculation process and the amount of money for those contractors is removed from the allocation pot.
  d) The remaining unallocated funds are then allocated to contractors that did not fall below the $150,000 floor.

Note: This formula does not apply to CSBG Demonstration and Special Project subrecipients. This portion of the funds is awarded on a competitive basis. TDHCA may also award CSBG funds to Subrecipients in communities affected by natural disasters.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal programs: None.

External programs: None. TDHCA receives the total CSBG allotment for the State of Texas, which it allocates to eligible entities or subrecipients. Communities may have different organizations that provide similar services. However, CSBG subrecipients ensure the coordination of community resources, especially in the rural areas of Texas.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Not applicable.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Relationship with local governments:

- Four cities, two counties, and three councils of government currently contract with the Department to administer the CSBG Program. They are:
  - City of Austin
  - City of Lubbock
  - City of Fort Worth
  - City of San Antonio
  - Hidalgo County Community Action Agency
  - Webb County Community Action Agency
  - South Texas Development Council
  - South East Texas Regional Planning Commission
  - Texoma Council of Governments

K. If contracted expenditures are made through this program please provide:
- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2008 Expenditures:

- Professional Services: $17,546 for two agency-wide audits (reflects the portion expenses to Strategy C.1.1. which includes the Emergency Shelter Grants Program described later in this document).
- 2008 Subrecipient Expenditures and Encumbrances: $31,885,100
- Number of CSBG contracts: 73 total contracts, including 25 discretionary contracts.
- General contract purpose: TDHCA contracts with subrecipients to operate programs in their individual communities that strive to ameliorate the causes of poverty and provide services and activities as specified in 42 U.S.C. §9907 (b).
- Accountability for funding and performance is ensured through the use of a needs-based funding formula for the allocation of funds, the Community Affairs Contract System (a Central Database system) to record the use of funds and performance of contract activities, and on-site monitoring reviews conducted by TDHCA staff of contracted operations. On-site reviews are scheduled based on an annual risk assessment conducted for all CSBG funded contracts. In compliance with the CSBG Act, the Department provides for fiscal controls through fund accounting procedures that are maintained at both the state and subrecipient levels. The Department's financial and other records are audited on an annual basis by the State Auditor's Office and a copy of the Audit is submitted to the Texas Legislature and the Secretary of the U.S. Department of Health and Human Services.
- No current contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The American Reinvestment and Recovery Act provides for approximately $48 million in additional CSBG funds for FY2009.

Program webpage: http://www.tdhca.state.tx.us/cs.htm#csbg

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Emergency Shelter Grants Program
Location/Division	Community Affairs Division, Community Services Section
Contact Name	Stuart Campbell, Manager of Community Services
Actual Expenditures, FY 2008	$5,480,984
Number of FTEs as of August 31, 2008	3

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Emergency Shelter Grants Program (ESGP), administered by the Community Affairs Division, awards funding through a competitive process to subrecipients who provide services to the homeless and/or who undertake homelessness prevention activities. The program is funded through the federal Emergency Shelter Grants Program and administered at the federal level by the U.S. Department of Housing and Urban Development (HUD). Eligible applicants for ESGP funds are units of local government and private nonprofit organizations.

1. Key services and functions:
   The Emergency Shelter Grants Program provides funds for homeless shelters, services for the homeless, and homelessness prevention activities.

2. Eligible activities:
   - Local administration of programs for the homeless;
   - Rehabilitation of buildings to be used as emergency shelters;
   - Maintenance, operation, and furnishings for emergency shelters;
   - Provision of essential services such as healthcare, drug abuse treatment, employment, and education; and
   - Prevention of homelessness.

3. Major program activities:
   - Development of ESGP portion of Department's Consolidated Plan;
   - Development of NOFA;
   - Scoring of applications;
   - Awarding grants; and
   - Monitoring and technical assistance.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

3.1.1. Strategy: Administer Homeless & Poverty-Related Funds through a Network of Community Action Agencies & Other Local Organizations	
Output 1: Number of Persons Assisted through Homeless & Poverty-Related Funds	539,436
Output 3: Number of Shelters Assisted	78
Efficiency 1: Avg. Agency Admin. Cost Per Person Assisted	$2.71
Explanatory 2: Total Number of Persons in Poverty	4,172,890
Outcome 1: Percent of Persons in Poverty that Received Homeless & Poverty-Related Asst.	12.35%
Outcome 2: Percent of Emergency Shelters Assisted	8.34%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

- ESGP was established by the Homeless Housing Act of 1986 in response to the growing number of homeless persons.
- In 1987, the ESG program was incorporated into Title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. §§11371-11378), now known as the McKinney-Vento Homeless Assistance Act.
- ESGP funds are awarded to the state by the U.S. Department of Housing and Urban Development.
- Beginning in 1987, the Texas Department of Community Affairs assumed the responsibility of administering the program.
- Since 1991, when the Department of Housing and the Department of Community Affairs were merged, the Texas Department of Housing and Community Affairs has administered the program and, as the state's lead agency for homelessness issues, continues to administer the program.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Population served: Homeless individuals and families and those at-risk of homelessness.

Requirement/qualifications:

- The Emergency Shelter Grants Program (ESGP) serves homeless persons, as defined by the Stewart B. McKinney Homeless Assistance Act.
- The definition of "homeless" as defined in 42 U.S.C., Ch. 119, §11302 includes anyone who lacks a fixed, regular and adequate nighttime residence, and anyone whose primary nighttime residence is a public shelter or anyone whose primary nighttime residence is a public or private place not designed for or used as a regular sleeping accommodation for human beings.
- In addition, ESGP serves persons who are at-risk of becoming homeless. Persons are able to obtain ESGP assistance to avoid eviction, foreclosure or termination of utilities resulting in homelessness, when there is a reasonable prospect that the family will be able to resume payments within a reasonable period of time.
- Eligible applicants for ESGP funds are units of local government and private nonprofit organizations.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Overview:
- The Department receives ESGP funding from HUD through a formula allocation.
- The Community Affairs Division administers the Department's ESG program and funds.
- Planning for the program is done through the HUD-required Consolidated Plan.

Award process:
- Based on Consolidated Plan, the Department develops a NOFA for the program. The NOFA is published in Texas Register and a notice is sent to interested parties.
- Funding for each region is determined on a formula basis using poverty population in each region.
- Applicants in each of the state's 13 uniform service regions compete for funding reserved for their service region.
- Eligible applicants include units of general local government and private non-profit organizations.
- The Department scores the applications and makes final awards.
- The Department obligates funds to successful applicants.
- The Department monitors these contracts. The goal of the Department is to conduct at least one extensive, on-site monitoring review per year for ESGP subrecipients who rank 50 or higher in the annual ESGP Risk Assessment. The monitoring review includes a review of the program, administrative, and financial operations.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding source:
U.S. Department of Housing and Urban Development Emergency Shelter Grants Program (ESGP). TDHCA also receives state general revenue to fund technical assistance to aid rural communities in accessing federal Continuum of Care funds. These funds are included in this section.

2008 Funding: $5,261,641 in ESG; $109,000 in state general revenue.

Formulas (federal):
Formula allocation based on poverty population.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal Programs:
During the 81st Legislative Session, TDHCA received $20 million in state homelessness funding of which the agency will be responsible for its administration. This program, called the Homeless Housing and Services Program (HHSP), is to assist regional urban areas in providing services to homeless individuals and families, including services such as case management, and housing placement and retention, as well as construction needs. TDHCA will award funding through matching grant process to the eight largest cities with populations larger than 285,500 persons per the latest U.S. Census figures.

External Programs:

- Entitlement communities, typically metropolitan areas, receive ESGP funds directly from the federal government.
- There are some other state agencies, such as the Texas Department of Aging and Disability Services and the Texas Department of State Health Services that work to provide assistance to homeless persons, but funding is limited and assistance is restricted to specific sub-populations of homeless persons.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Coordination efforts:

- The Texas Interagency Council for the Homeless, consisting of representatives from sixteen state agencies, designated representatives of the Governor, Lieutenant Governor, and Speaker of the House, and other advisory members meet regularly to discuss the delivery of services to homeless persons in Texas. This Council strives to give all state and federal funded programs that serve the homeless the opportunity to work together to optimize the use of limited funding. TDHCA holds a significant role on the Council as mandated by the Department's governing statute. The Department has two representatives on the council and provides clerical support and assistance for the Council.
- As part of the ESGP application process the Department also encourages collaboration and coordination of services at the local level.
- While there is some overlap in the function and uses of both ESGP and state homelessness funding, ESGP cannot be used for new construction while the state funding can be used for that purpose. Given the extremely small historical amount of state funding for this purpose and the significant scope of the homelessness problem, duplication of persons served is highly unlikely.

MOUs/contracts:

- This program has not entered into any MOUs. However, the program does contract with the Texas Homeless Network, units of local government, and other entities to administer the program.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Relationship with local governments:
Units of local government are among the eligible ESGP subrecipient organizations; they are also eligible to receive a portion of the $20 million in state homelessness funding provided that they are one of the state's eight largest cities.

K. If contracted expenditures are made through this program please provide:
- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2008 expenditures:

- 2008 Subgrantee Expenditures and Encumbrances: $ 5,429,283
- Number of contracts: 77 that primarily support the operations of shelter providers and the provision of services.
- General contract purposes: TDHCA contracts with subrecipients to operate ESG programs in their respective communities that provide services to the homeless and to prevent homelessness.
- To ensure accountability for funding and performance, the Department uses a funding formula for the allocation of funds, the Community Affairs Contract System (a Central Database system) to record the use of funds and performance of contract activities, and on-site reviews of contracted performance. On-site reviews are scheduled based on an annual risk assessment conducted for all ESGP funded subrecipients. The Department also provides for fiscal controls through fund accounting procedures that are maintained at both the state and subrecipient levels. The Department also conducts in-house desk reviews of monthly performance and expenditure reports.
- Also includes contract for Continuum of Care Technical Assistance to aid rural communities access federal homeless funding.
- No current contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

The list of state agency members of the Texas Interagency Council on the Homeless, Texas Government Code, §2307.002, includes state agencies that are no longer in existence.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Only 10% of the funds may be used by the subrecipients for operations administration, up to 30% for essential services and 30% for homeless prevention.

Program webpage: http://www.tdhca.state.tx.us/cs.htm#esgp

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:
- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Weatherization Assistance Program
Location/Division	Community Affairs Division, Energy Assistance Section
Contact Name	Michael DeYoung, Director of Community Affairs
Actual Expenditures, FY 2008	$15,109,294
Number of FTEs as of August 31, 2008	4

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Energy Assistance Section administers the Weatherization Assistance Program (WAP). The program is funded through the federal Weatherization Assistance for Low Income Persons Grant from the U.S. Department of Energy (DOE), the federal Low Income Home Energy Assistance Program from the U.S. Department of Health and Human Services (HHS) and in limited areas of the state investor-owned utility contracts. Funds are passed through TDHCA to subrecipients that work with subcontractors to provide weatherization services on the local level.

1. Key services and functions:
   The WAP funds energy conservation measures for low income households in order to lower their utility burdens, make the home more affordable, and decrease the demand on existing energy resources.

2. Eligible activities:
   - caulking
   - weather-stripping
   - adding wall, floor and ceiling insulation
   - replacing and repairing doors and windows
   - patching holes in the building envelopes
   - insulating inefficient water heaters
   - repairing and replacing inefficient heating/cooling systems

3. Major program activities:
   - Preparation of State Plan
   - Disbursement of funds
   - Monitoring subrecipients
   - Providing technical assistance

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

3.2.1. Strategy: Administer the State Energy Asst. Programs by Providing Grants to Local Organizations for Energy-Related Improvements	
Output 2: Number of Units Weatherized by the Department	3,004
Efficiency 1: Avg. Cost Per Household Served	$24.85
Efficiency 2: Avg. Cost Per Home Weatherized	$3,499
Explanatory 1: Number of Very Low Income Households Eligible for Energy Asst.	1,324,059
Outcome 1: Percent of Very Low Income Households Receiving Energy Asst.	4.12%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

- In 1995, Congress decreased WAP funding by 47%.
- In 1999, the 76th Texas Legislature passed SB 7, which provided a process for the deregulation of the electric utility industry. As a result, TDHCA contracts with investor owned utilities were discontinued in areas where the industry was deregulated. These contracts provided enhanced weatherization assistance to their low income costumers. SB 7 established such enhanced weatherization assistance as an allowable activity under the System Benefit Fund Program.
- In 2005, the 79th Texas Legislature passed SB 712, which required transmission distribution utilities (TDUs) to provide funding for enhanced weatherization if no such funding was provided through the System Benefit Fund. However, no appropriation was made for this bill. This funding is being provided directly to TDHCA subrecipients and does not flow through the Department's budget.
- In 2009, the Department of Energy received the largest funding allocation to date for the WAP through the American Recovery and Reinvestment Act of 2009 (ARRA). As a result, the State of Texas received $326,975,732, in addition to its annual funding award, to provide weatherization services to low income residents of Texas. As allowed under ARRA, the state has increased the maximum allowable income to 200% of the federal poverty line. Once the ARRA WAP funds have been expended, it may be appropriate to reassess this level.
- The intent of the WAP has not changed with the new ARRA funding.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Population served: Low income households who can reduce their energy burden through energy efficiency measures.

Requirements/qualifications:

- Effective September 3, 2009, income eligibility has been increased to 200% of the current Poverty Income Guidelines. This is a temporary increase due higher appropriations; historically the program has been restricted to persons at 125% of poverty.
- Priority is given to households with persons over 60 years of age, persons with disabilities, and households with children under six years of age.
- The structures must be able to benefit from being weatherized.
- Eligible subrecipients include Community Action Agencies, nonprofit entities and units of local government.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Overview:

- The Department uses funds received from the U. S. Department of Energy (DOE) and the U.S. Department of Health and Human Services (HHS) to administer the WAP. In limited areas of the state, contracts with investor-owned utilities provide for enhanced services.
- The Department passes these funds through to local subrecipients who deliver weatherization services, as described in Section B. The program serves every county in the state.
- DOE sets the rules for the WAP. DOE specifically prohibits any duplication of services so that states using DOE WAP funds must have only one state weatherization program regardless of the funding mechanisms employed.

WAP Planning Process and Disbursement of DOE Funds:

- The Department receives DOE grant guidance and attends a DOE grant guidance meeting.
- The Department prepares a draft grant application outlining proposed use of funds.
- The Department posts the draft application in the Texas Register and holds public hearings.
- The Weatherization Policy Advisory Council meets the same day as the public hearings to comment on draft.
- The Department considers public comment received and input from Weatherization Policy Advisory Council, finalizes the grant application and sends to DOE.
- Once DOE approves the application, the Department rewrites or amends contracts with WAP subrecipients as is appropriate and distributes funds on a formula basis.
- Subrecipients submit monthly reports to the Department
- The Department monitors the program, making at least one site visit per year.
- The Department provides technical assistance as needed.

WAP Planning Process and Disbursement of HHS Funds:

- *See entry for the Comprehensive Energy Assistance Program (CEAP), which is also funded through the HHS-administered Low Income Home Energy Assistance Program.*
- Investor Owned Utility Contracts are administered in accordance with contract language.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding sources:

- U.S. Department of Energy (DOE) Weatherization Assistance Program for Low Income Persons
- U.S. Department of Health and Human Services (U.S. HHS) Low Income Home Energy Assistance Program (up to 15% of HHS LIHEAP funds may be used for weatherization activities) (For some subrecipients: Investor Owned Utility Contracts.)

2008 Funding: $5,549,413 (DOE WAP); $8,106,656 (15% of LIHEAP); $1,272,000 (investor owned utility contracts)

Formulas:

Funds Received by Department or Subgrantees:

- LIHEAP and WAP are funded on the federal level through formulas.
- LIHEAP formula factors in target populations (poverty population, elderly poverty population, etc.), heating and cooling days. Federal formula tends to favor states whose major cost burdens are due to heating costs.
- Contracts with Investor Owned Utilities determined by rulings by Public Utility Commission.

Funds Disbursed by the Department:
The Department disburses both WAP and CEAP funds to subrecipients using a formula which takes into account the following factors based on counties served:

- County Non-Elderly Poverty Household
- County Elderly Poverty Household
- County Inverse Poverty Household Density
- County Median Income Factor
- County Weather Factor

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal programs: None.

External programs:
None. Currently in Texas, there are no other entities providing weatherization services for low income households other than WAP subrecipients. DOE rules preclude multiple statewide programs providing duplicative services, so there are no internal or external state programs providing weatherization services for residential use. Some subrecipients receive funding from Transmission Distribution Utilities as required under SB 712, 79th Legislature and may otherwise administer funds from other entities to enhance their WAP services.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

As previously discussed, DOE rules preclude multiple statewide programs providing duplicative services. Some subrecipients receive funding from other sources. These funds are used to enhance their WAP services, using these funds to reach households for which federal funding is insufficient or overly restrictive.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Relationship with Local Government:
Some WAP subgrantees are units of local government or Councils of Government (i.e., although most are Community Action Agencies, as described in the Community Services Block Grant Program Guide).

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2008 Expenditures:

- Professional Services: $102,385 for two agency-wide audits. (Reflects portion expensed to Strategy C.1.2., which includes the Comprehensive Energy Assistance Program described elsewhere. Also, one audit focused primarily on Energy Assistance Programs and therefore largely expensed to this function.)
- 2008 Subrecipient Expenditures and Encumbrances: $ 14,868,854
- Number of 2008 WAP contracts: 71 total contracts. Each of the 34 WAP subrecipients required a separate contract for DOE funds and for HHS funds. TDHCA also had three Investor Owned Utility (IOU) contracts in place that year.
- General contract purpose: TDHCA contracts with subrecipients to provide low income weatherization assistance services in 254 counties. IOU contracts provide funding for subrecipients within service areas to provide enhanced WAP services to low income customers in IOU service areas.
- Accountability for funding and performance is ensured through the use of a needs-based funding formula for the allocation of funds, the Community Affairs Contract System (a Central Database system) to record the use of funds and performance of contract activities, and on-site monitoring reviews conducted by TDHCA staff of contracted operations. On-site reviews are scheduled based on an annual risk assessment conducted of all WAP funded contracts. TDHCA provides for fiscal controls through fund accounting procedures that are maintained at both the state and sub-grantee levels. The Department's financial and other records are audited on an annual basis by the State Auditor's Office and a copy of the Audit is submitted to the Texas Legislature and the Secretary of the U.S. Department of Health and Human Services and the U. S. Department of Energy.
- No current problems with entities who have executed contracts.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Program webpage: http://www.tdhca.state.tx.us/ea/wap.htm.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Comprehensive Energy Assistance Program (CEAP)
Location/Division	Community Affairs Division, Energy Assistance Section
Contact Name	Michael DeYoung, Director of Community Affairs
Actual Expenditures, FY 2008	$47,824,812 (Reflects CEAP Program expenditures and both WAP and CEAP administrative expenditures funded through LIHEAP)
Number of FTEs as of August 31, 2008	10.5

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Department administers the Comprehensive Energy Assistance Program (CEAP) through its Energy Assistance Section. The program is funded through the Low Income Home Energy Assistance Program administered by the US Department of Health and Human Services. The Department passes funding through to subgrantees that provide direct services. The program serves all counties in the state.

1. Key services and functions: To assist low income households pay their energy bills and achieve energy self-sufficiency.

2. Eligible activities/components: There are four basic components, which can be interfaced to meet the customer's needs:
   a) The co-payment component helps households set goals for reducing utility bills, better manage household budgets and assists with utility bill payments for 6 to 12 months. The objective is energy self-sufficiency.
   b) A special component for the elderly and disabled provides financial assistance to those households most vulnerable to the high costs of energy.
   c) The heating and cooling systems component repairs and replaces equipment to increase efficiency.
   d) In addition, CEAP provides assistance during an energy crisis caused by the weather or by an energy supply shortage.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

3.2.1. Strategy: Administer the State Energy Asst. Programs by Providing Grants to Local Organizations for Energy-Related Improvements	
Output 1: Number of Households Assisted through the Comprehensive Energy Asst. Program	51,502
Efficiency 1: Avg. Cost Per Household Served	$24.85
Explanatory 1: Number of Very Low Income Households Eligible for Energy Asst.	1,324,059
Outcome 1: Percent of Very Low Income Households Receiving Energy Asst.	4.12%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

- The Low Income Home Energy Assistance Act of 1981, Title XXVI of the Omnibus Budget Reconciliation Act of 1981, created the LIHEAP program for the purpose of assisting low-income persons pay their utility bills.
- From 1981-1992 the Texas Department of Human Services was the grantee agency, with the Texas Department of Community Affairs administering a portion of the funds.
- In 1992, the Texas Legislature made the TDHCA the administering agency.
- In 1994, TDHCA created CEAP. This replaced existing utility assistance programs and made use of flexibility provided at the federal level to tailor programs to local needs. The purpose of CEAP is to assist low-income people to pay their utility bills and become energy self-sufficient. The program includes strong consumer education component and local decision-making. Seventy-five percent (75%) of the LIHEAP funds received by TDHCA go to this program.
- The CEAP intent has not changed since program inception. The intent is to assist low-income households pay utility bills and promote energy self-sufficiency.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Population served: Very low income households.

Requirements/qualifications:
Effective September 3, 2009, income eligibility has been increased to 200% of the current Poverty Income Guidelines. This is a temporary increase due higher appropriations; historically the program has been restricted to persons at 125% of poverty.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Overview:

- The Department receives an annual formula allocation from the U.S. Department of Health and Human Services Low Income Home Energy Assistance Program (LIHEAP).
- TDHCA applies 75% of LIHEAP for CEAP direct services. Of the remaining 25%, 15% of LIHEAP is used for WAP and 10% is used for state and local administration.
- The Department allocates funds to subgrantees that provide direct services.

CEAP/LIHEAP Planning Process:

- The Department prepares a State Plan and Intended Use Report. These are posted in the Texas Register and distributed to interested parties.
- The Department holds public hearings.
- The Department considers public comment and finalizes State Plan and Intended Use Report.
- Contracts with subgrantees are renewed based on acceptable level of performance.
- Funds are disbursed to subgrantees using formula allocations.
- The Department monitors contracts. At least one monitoring visit per contract is conducted each year.

- Regular workshops are held to provide technical assistance and training. Technical assistance is also provided as needed.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding source:
U.S. Department of Health and Human Services (USHHS); Low Income Home Energy Assistance Program (LIHEAP). TDHCA applies 75% of LIHEAP for CEAP direct services, 15% for WAP direct services, and 10% for state and local administration for both programs.

2008 Funding: In 2008, TDHCA received $50,598,812 in LIHEAP funds, reflecting $45,044,208 in regular formula allocation and $5,554,604 in emergency contingency funds.

Formulas:
Funds Received by Department or Subrecipients:

- The LIHEAP formula factors include target populations (poverty population, elderly poverty population, etc.) and heating and cooling days.
- This federal formula tends to favor states whose major cost burdens are due to heating costs; however, when national appropriations exceed approximately $2 billion for this program, a formula more favorable to Texas applies to a portion of the funds. Congress may make additional, contingency appropriations in response to energy crisis.

Funds Disbursed by the Department:
The Department disburses both WAP and CEAP funds to subgrantees using a formula which takes into account the following factors based on counties served:

- County Non-Elderly Poverty Household
- County Elderly Poverty Household
- County Inverse Poverty Household Density
- County Median Income Factor

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal programs:

- The Statewide Section 8 Housing Payment Program provides utility assistance to some clients.
- The Emergency Shelter Grants Program, the Community Services Block Grant Program, and the Homelessness Prevention and Rapid Re-Housing Program can all provide utility assistance to families facing homelessness.

External programs:

- Rental assistance programs such as Section 8 provide some clients with limited utility assistance.

- LITE-UP: This program provides low income electric utility customers in deregulated areas of the state a 20% discount on their electric bills for June, July, August and September. The program is funded through the System Benefit Program and administered by the Public Utility Commission. As with CEAP, the program is restricted to families earning no more than 125% of the poverty level, although the program also allows families enrolled in other programs, such as CEAP itself or TANF, automatic enrollment. Unlike CEAP, LITE-UP is an entitlement: all eligible households seeking assistance receive assistance. The utility assistance received under LITE-UP is much more modest than assistance received under CEAP. Also, while CEAP can also be used to replace energy inefficient appliances and includes an education component to help families reduce energy consumption and budget their limited funds, LITE-UP is strictly a utility bill discount program.

Local and private assistance:
Utility companies; municipal utilities, electrical cooperatives, and private charities, including faith-based organizations, often offer limited utility assistance to the indigent and those facing homelessness.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

CEAP contractors are extremely knowledgeable of other utility assistance programs and often administer these in addition to CEAP. As with many of TDHCA's programs, the need for the service far exceeds availability, so there is little concern of duplication. Typically, CEAP contractors enroll clients in LITE-UP if the client lives in a deregulated area of the state. Assistance from other programs such as LITE-UP or Section 8 utility assistance is taken into consideration when determining benefits under CEAP. Because of this, Section 8 recipients rarely receive CEAP assistance.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Relationship with local governments:
The Department has CEAP contracts with cities, counties, and Councils of Government.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Fiscal Year 2008 Expenditures:

- 2008 Subrecipient Expenditures and Encumbrances: $ 46,900,060
- Number of 2008 CEAP contracts: 50 total contracts.
- General contract purpose: TDHCA contracts with subrecipients to provide utility assistance, consumer counseling and other services to low income households in all 254 counties.
- Accountability for funding and performance is ensured through the use of a needs-based funding formula for the allocation of funds, the Community Affairs Contract System (a Central Database system) to record the use of funds and performance of contract activities, and on-site monitoring reviews conducted by TDHCA staff of contracted

operations.

- On-site reviews are scheduled based on an annual risk assessment conducted of all CEAP funded contracts. TDHCA provides for fiscal controls through fund accounting procedures that are maintained at both the state and sub-grantee levels. The Department's financial and other records are audited on an annual basis by the State Auditor's Office and a copy of the Audit is submitted to the Texas Legislature and the Secretary of the U.S. Department of Health and Human Services.
- No current contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Program webpage: http://www.tdhca.state.tx.us/ea/detail.htm.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Housing Trust Fund
Location/Division	Housing Trust Fund
Contact Name	Sharon Gamble, Manager
Actual Expenditures, FY 2008	$5,021,292
Number of FTEs as of August 31, 2008	1

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Housing Trust Fund (HTF) is the only state-funded affordable housing program. The Housing Trust Fund was established to expand affordable housing options for very low to low income Texans. This extremely flexible program provides funding for a variety of affordable housing activities, including homebuyer assistance, home repair, barrier removal for persons with disabilities, tenant-based rental assistance, and the new construction, rehabilitation, and acquisition of single family or mainly rural multifamily affordable housing projects. The program can also be used to enhance the capacity of nonprofit housing providers in the state.

Key Services and Functions. Currently, the primary services and functions provided by this program are:

- Homebuyer Assistance
- Home Repair Assistance
- Rental Assistance
- Development of Rental Units

Major Program Activities. The major activities the HTF program undertakes to administer this program include:

- Develop Administrative rules,
- Application preparation, including application workshops,
- Scoring and ranking of applications,
- Underwriting of the projects (by the Real Estate Analysis Division of the Department),
- Distribution of program funds to applicants,
- Technical assistance to program participants to ensure proper use of funds,
- Contract Management and
- Monitoring (performed by Compliance)

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

1.1.3. Strategy: Provide Funding through the HTF for Affordable Single Family Housing	
Output 1: HTF Single Family Number of Households Served (*Does not include Bootstrap*)	356
Efficiency 2: Avg. Amt. Per Households HTF Rehab	$ 13,452
Explanatory 2: HTF Rehab Number of Households Served	124
Explanatory 3: Number of Households Assisted through Other SF Activities:	232

Note: The performance measures above are not inclusive of loans made through the Texas Bootstrap Loan Program described in a separate entry and therefore differ from performance measures reported to the Legislative Budget Board and in other areas of this document. SFY 2010-2011 Single Family HTF Performance Measures segregate the Bootstrap and non-Bootstrap assistance.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Important history.
The Housing Trust Fund was established by the 72nd Legislature through Senate Bill 546, the same legislation that created TDHCA. While the Trust Fund has always been used for a variety of activities, initially the majority of funding was directed towards multifamily activity. In recent years TDHCA has used the Housing Trust Fund to meet the required $3 million per year to the Bootstrap Loan Program (*refer to write-up for this program*), shifting the focus of the program to single family activities.

From 2004 to 2007, the HTF Program received roughly $3 million per year, allowing continuation of the HTF-supported Bootstrap Loan Program. As illustrated in the table below, funding for the Trust Fund was increased to almost $6 million per year by the 80th Texas Legislature and increased again to about $10 million per year by the 81st Texas Legislature.

Housing Trust Fund Appropriations, SFY 1993-2011

Year	New Funding and Loan Repayments *(May include Oil Overcharge Funds)*	Carryforward Authority for Committed But Unexpended Funds	Total Appropriation Per General Appropriations Act (GAA)	Year	New Funding and Loan Repayments *(May include Oil Overcharge Funds)*	Carryforward Authority for Committed But Unexpended Funds	Total Appropriation Per General Appropriations Act (GAA)
1993		*$6,620,624*	*$6,620,624*	2003	$6,468,325		*$6,468,325*
1994	$1,000,000	*(Associated with HOME Match)*	*$1,000,000*	2004	$3,247,460	*$6,000,000*	*$9,247,460*
1995	$4,936,336		*$4,936,336*	2005	$3,239,744		*$3,239,744*
1996	$1,760,153		*$1,760,153*	2006	$3,066,078	*$3,500,000*	*$6,566,078*
1997	$1,031,453		*$1,031,453*	2007	$3,049,869		*$3,049,869*
1998	$3,367,185		*$3,367,185*	2008	$5,844,397		*$5,844,397*
1999	$1,382,729		*$1,382,729*	2009	$5,847,461		*$5,847,461*
2000	$7,305,700		*$7,305,700*	2010	$10,963,875		*$10,963,875*
2001	$6,556,568		*$6,556,568*	2011	$10,963,875		*$10,963,875*
2002	$6,619,862		*$6,619,862*				

**As required by the Comptroller of Public Accounts, Committed but Unexpended Balances from previous biennium had to be reappropriated to TDHCA in SFY 2004 and SFY 2006.; to remove the necessity of this measure and simplify accounting for the HTF, language found in Rider 10 was added to TDHCA's bill pattern in SFY 2008. This requires TDHCA to move HTF General Revenue from the State Treasury to the Texas Treasury Safekeeping Trust Co. (TTSTC.)*

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Population served
To be eligible to benefit from the Housing Trust Fund, the persons served must have incomes at, or below, 80% of Area Median Family Income (AMFI) as determined by HUD. Additionally, rents charged on HTF assisted units cannot exceed the following limits:

- Low Income (80%-61% of AMFI) – Rents cannot exceed 30% of 80% AMFI
- Very Low Income (60%-31% AMFI) – Rents cannot exceed 30% of 65%AMFI

- Extremely Low Income (30% AMFI and below) – Rents cannot exceed 30% of 30%AMFI

Beneficiary eligibility:
Funded affordable housing activities must benefit low income persons earning no more than 80% of the area median family income. Funding may target special populations, such as persons with disabilities (PWD), veterans, homeless persons, or the elderly.

Subgrantees:
Eligible subgrantees include units of local government, nonprofit organizations, for profit organizations, public housing authorities (PHAs), and community housing development organizations. Most typically, nonprofits apply for these funds.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Major administrative duties associated with the program are as follows:
- Development of program funding plan, rules, and notices of funding availability.
- Review of applications; this may include site visits and underwriting.
- Workshops and technical assistance.
- Administration and monitoring of contracts, including approval of draw requests and otherwise ensuring adherence to program rules and proper use of funds.
- Processing of setup and draw requests including the review of participant eligibility and funding disbursements and documenting and maintaining contract files,
- As needed, loan servicing.
- As needed, long-term monitoring of rental developments. (*See Compliance and Asset Oversight Section*.)

Award process:
- TDHCA collects input from Legislature and stakeholders to draft funding plan
- After board approval of draft plan, TDHCA submits funding plan to Legislature
- The Department develops NOFAs for the program. The NOFAs are published in *Texas Register* and notices are sent to interested parties.
- Eligible applicants include units of local government, nonprofit organizations, for profit organizations, public housing authorities (PHAs), and community housing development organizations.
- Funding is generally made available through an open rather then a competitive cycle. This allows TDHCA to provide more extensive technical assistance during the application process and makes the program more accessible to the nonprofits seeking this funding.
- The Department scores the applications and makes final awards.
- The Department obligates funds to successful applicants.
- The Department monitors these contracts.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding Sources.
The Housing Trust Fund (HTF) is funded through state General Revenue. TDHCA has historically been able to apply residual bond funds and fees to the HTF; these transfers are referred to as "Local Funds," pursuant to §§2306.204 and 2306.205. As required by §2306.201, Texas Government Code, HTF Local Funds are maintained in an account in the Texas Treasury Safekeeping Trust. As required under Rider 10 TDHCA also transfers non-administrative HTF General Revenue to this account. This facilitates accounting for the program and removes the need to re-appropriate committed but unexpended fund from one biennium to another.

Funding Amounts, SFY 2008
General Revenue: SFY 2008: $5,994,395. This includes $1,050,004 in loan repayments and interest earnings from previous HTF loans funded through General Revenue.

(Note: The 81st Texas Legislature increased this appropriation to $10,963,875 per year. This includes an estimated $1 million loan repayments and interest earnings from previous HTF loans funded through General Revenue.)

Local Funds:
TDHCA receives approximately $300,000 per year in loan repayments and interest from previous contracts made using this funding source.

Funding formula/conventions.
At least $3 million per year is applied to the Texas Bootstrap Loan Program to meet requirements of §2306.7581(a-1), Texas Government Code. Remaining funds are allocated in accordance with §2306.111(d), Texas Government Code, relating to the application of the Regional Allocation Formula. If sufficient applications are not received after a specified time period, regional allocations are collapsed and funds made available statewide.

As required under Rider 10 (d), TDHCA must submit a HTF funding plan to the Legislature each year outlining use of funds. The recently awarded funding plan is for the SFY 2010-2011 but will be submitted annually in accordance with the Rider.

Current Funding: The 81st Legislature appropriated $21.9 million for the program for the FY2010-2011 biennium.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal programs.

- The HTF funds many of the same types of single family activities as the HOME program. However, the HTF focuses on serving the lowest income populations and is available statewide; HOME funds are limited primarily to rural areas.
- The HTF funds the same type of rental development activities as the Housing Tax Credits (LIHTC) and HOME program. However, the cost of multi-family projects can be a deterrent to development in rural areas, or for developments serving to hard to serve populations and the addition of HTF resources often is the extra source needed to bring these awards to fruition.
- Section 8 Housing Choice Voucher Program: This provides rental assistance to extremely low income households. While the HTF can only be used for short term rental assistance, Section 8 assistance can be renewed annually. TDHCA's Section 8 Program is available in only a few communities throughout the state.

External Programs.
Local: Some communities have local housing trust funds and receive direct federal housing funding through programs such as HOME, HOPE VI and CSBG. Local public housing authorities offer Section 8 rental assistance. Local Housing Finance Corporations can offer low interest mortgage loans and/or down-payment assistance and finance rental developments.

State: The Texas Department of Rural Affairs offers limited funds for home repair through the Texas Community Development Program. This is available only in rural areas of the state that do not receive direct CDBG funding from the federal government. The Veteran's Land Board offers low interest loans for home purchase and home repair.

HUD and USDA offer homeownership, home repair, and rental development programs directly to consumers and developers on a limited basis.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

To avoid duplication or conflict, program planning for the Housing Trust Fund takes into account input from other TDHCA programs. Public comment is accepted and incorporated into program planning. Because of the HTF's flexibility, TDHCA primarily utilizes HTF for activities more difficult to accomplish through existing federal programs or which are specifically prohibited by federal programs. These include Disaster Recovery Gap Finance, the Texas Bootstrap Program, and programs targeted as special populations. As is the case with Disaster Recovery Gap Finance and the Bootstrap Program, HTF funds can be used to leverage other funding. As these programs illustrate, due to the extensive need for affordable housing in the state, other internal and external programs tend to be complementary rather than duplicative.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Relationship with Local Governments. Local units of government are eligible for HTF funding but no specific agreements or relationships exist.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Contract Expenditures associated with professional services:

- $2,424 associated with two agency-wide audit contracts

Pass-through contracts and encumbrances as of August 18, 2009 against SFY 2008 HTF funds:

- $4,880,000 associated with 18 contracts for affordable housing services related to homeownership, multifamily rental development, and disaster gap financing. This is exclusive of the Texas Bootstrap Loan Program. TDHCA received additional revenue that fiscal year and was also able to reprogram deobligated funds from previous years to meet strong demand for some activities.

Note: These expenditures are exclusive of expenses associated with the Bootstrap Program and the Texas Statewide Homebuyer Education Program, which are funded through the Housing Trust Fund. See separate entries for these.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

The Regional Allocation Formula, required by statute to apply to Housing Trust Fund once a certain amount of funds is made available, poses challenges. While the formula has been very effective with larger programs of the Department in ensuring geographic dispersion, the limited activities of the HTF can be adversely affected when a small total of funds are divided into yet smaller amounts. Consequently, RAF distribution can render some HTF activities to be ineffective.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The flexibility of the Housing Trust Fund allows TDHCA to meet needs that are difficult to address with more restrictive federal funding or for which federal funding is limited. This flexibility is critical to TDHCA's ability to respond to the emerging needs of low income Texans, communities, and affordable housing providers during the current financial crisis.

Program webpage: http://www.tdhca.state.tx.us/htf/index.htm

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Bootstrap Loan Program
Location/Division	Office of Colonia Initiatives
Contact Name	Homero Cabello, Jr., Director
Actual Expenditures, FY 2008	$5,950,953 (Direct Services only)
Number of FTEs as of August 31, 2008	*See separate Program entry for Office of Colonia Initiatives*

B. What is the objective of this program or function? Describe the major activities performed under this program.

Identified as the Owner-Builder Loan Program in Texas Government Code 2306.751, the Texas Bootstrap Loan Program promotes and enhances homeownership for very low-income Texans by providing funds to purchase or refinance real property on which to build new residential housing, construct new residential housing or improve existing residential housing throughout Texas. Participants under this program provide a portion of the labor necessary for the construction or rehabilitation of their home and in return receive zero-interest loans from TDHCA. The projects may utilize additional funding for each house, but the total loan amount is limited. In the construction or rehabilitation of these homes, all applicable building codes must be adhered to under this program. By statute, TDHCA must apply a minimum of $3 million per year for this program. Two-thirds of the funds are reserved for Economically Distressed Areas while the remaining funds are available statewide. Loans are accessed through TDHCA-certified Nonprofit Owner-Builder Housing Providers (NOHP).

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

1.1.3. Strategy: Provide Funding through the HTF for Affordable Single Family Housing	
Efficiency 1: Avg. Amt. Per Households HTF New	$ 27,000
Explanatory 1: HTF New Constr. Number of Households Served	203

Note: The performance measures reflect only assistance through the Texas Bootstrap Loan Program. SFY 2010-2011 Single Family HTF Performance Measures segregate the Bootstrap and non-Bootstrap assistance.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The Program was established by the 76th Texas Legislature through SB 1287 and significantly amended through SB 322 passed by the 77th Texas Legislature. TDHCA initially sought to fund the program through the federal HOME Program but found that the federal requirements were not compatible with state statutory requirements, more specifically the sweat equity (self-help) requirements. As available, TDHCA funded the program through bond-related funds. In recent years, the program has been funded through the state Housing Trust Fund.

Starting in fiscal year 2008, TDHCA began making Bootstrap funds available through a loan reservation system in lieu of awarding contracts with subgrantees. The reservation process allows the funds to be encumbered, but only when the nonprofit has an owner-builder ready to proceed with the program. This has resulted in a more efficient process of distributing Bootstrap funds to nonprofit owner-builder housing providers and has increased the expenditure rate for the program.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Beneficiary eligibility:
Households earning no more than 60% Area Median Family Income who are willing to provide at least 65% of the labor necessary to build or repair the home; in instances of the elderly or persons with disabilities, others can volunteer the labor. This program is an important tool in providing alternatives to substandard housing available in colonias and other areas of the state.

Provider eligibility:
Nonprofits and colonia self-help centers that have been certified by TDHCA as a Nonprofit Owner Builder Housing Provider. Certified nonprofits must be able to provide homeowners' education and assistance the building of the homes.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Major administrative duties associated with the program are as follows:

- Development of program funding plan, rules, and notices of funding availability.
- On-going certification and training of nonprofits. Certified nonprofits reserve funds on behalf households wishing to participate in the program and must submit an application within ten days of the reservation. To ensure wide disbursement of funds, each nonprofit may only reserve funds for up to ten households at any one time.
- TDHCA reviews application and approves as appropriate.
- Once the home is built or repaired, TDHCA or the nonprofit prepares mortgage loan documents to finalize the transaction.
- Homeowners receive Bootstrap Loan;
- TDHCA provides on-going loan servicing.

TDHCA administers this program through its Office of Colonia Initiatives.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding Source:
Each state fiscal year the Department is required to allocate at least $3 million to the Texas Bootstrap Loan Program in accordance to §2306.7581 of the Texas Government Code. Currently the Texas Bootstrap Loan Program is funded through the Housing Trust Fund.

State Fiscal Year 2008 Funding:
$6.5 million. This figure is comprised of $3 million from TDHCA's 2008 HTF General Revenue appropriations and $3.5 million associated with repayments of previous HTF loans and deobligated HTF funds from previous awards.

Note: The 2010-2011 HTF Plan allocates $5 million per year in new HTF GR for the program.

Funding formula:
State law requires that at least two-thirds (2/3) of total funds available be set-aside to owner-builders whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, Water Code.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal Programs: HOME, non-Bootstrap Housing Trust Fund, the First Time Homebuyer Program, and the Mortgage Credit Certificate programs all promote homeownership but do not have a self-help component, therefore, the financial cost of homeownership is higher through these programs.

External Programs: Local HOME and Housing Finance Corporation programs promote homeownership but generally do not have a self-help component.

The U.S. Department of Agriculture (USDA) Rural Development also offers loans in support of self-help housing; these funds are often layered with Bootstrap funds.

Nonprofits such as Habitat for Humanity undertake similar initiatives with private funding; these funds are often layered with Bootstrap funds.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Most nonprofits combine Bootstrap Loans with loans from other funding sources, such as USDA, in order to maximize assistance to families served. Over the years, changes have been made to the Bootstrap Loan Program to facilitate this, allowing nonprofits to use Bootstrap to leverage other funding more effectively.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The NOHP must be a nonprofit organization or a Colonia Self-Help Center.

K. If contracted expenditures are made through this program please provide:
- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

TDHCA has received reservations for 203 loans totaling $ 5,950,952 against 2008 Bootstrap Funds. These reservations were made through 23 providers.

Note: 2008 performance measures reflect actual loans made during the fiscal year and include loans made with funds from previous years.

A short summary of the general purpose of those contracts overall:
The purpose of the funding is to purchase land and build new residential or improve existing residential housing through self-help construction methodologies for very low and extremely low income individuals and/or families (Owner-Builders) including persons with special needs.

Since September 2007, the reservation system has resulted in a more efficient process of distributing Bootstrap funds to nonprofit owner-builder housing providers. The reservation process allows the funds to be encumbered, but only when the nonprofit has an owner-builder ready to proceed with the program. This is an improvement over the old application process where thousands of dollars were under contracts for up to two years or more by nonprofits even when they did not have owner-builders ready to proceed. In addition, nonprofit owner-builder housing providers that were able to complete their approved number of houses under the contract method had to wait until the next award cycle before applying for more funds. Under the reservation system, these nonprofit owner-builder housing providers can continue assisting up to ten applicants at a time without putting their program on hold. As a result, the implementation of the reservation system has dramatically increased the rate of expenditure for fiscal year 2008 compared to prior years.

The methods used to ensure accountability for funding and performances:
The Department has developed program rules, manuals, forms and internal standard operating procedures to ensure that requests for expenditures are adequately supported, comply with relevant laws, regulations and policies and are properly authorized and approved.

A short description of any current contracting problems:
Due to the limited amount of qualified nonprofit organizations within the 2/3 set-aside, expenditure of these funds is slow; unlike other set-asides, TDHCA does not have the authority to “collapse” the set aside after a period and allow the funds to serve families in need in other areas of the state. To attempt to address this issue, the Department has created a capacity building program to assist nonprofit organizations to utilize the funds within the 2/3 set-aside. Funding for this effort is included in the 2010-2011 Housing Trust Fund Plan.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

The two-thirds set-aside under §2306.753(d) of the Texas Government Code could be revised to permit a collapse of the funds into a single pool after a reasonable effort to expend the 2/3 priority funds. For example, statute could reflect that the collapse of funds be revised to assist other economically distressed areas of the state or collapse into the general pool (1/3) after certain period of time had lapsed. The Department will be creating a capacity building program, as part of the General Revenue funds committed to the Bootstrap Program, to assist nonprofit organizations with the two-thirds set-aside to utilize this program.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Review of the Texas Bootstrap Loan Program Rules will provide a solid understanding of this program.

Program webpage: http://www.tdhca.state.tx.us/oci/bootstrap.jsp

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information. the chart headings may be changed if needed to better reflect your agency's practices.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Section 8-Housing Choice Voucher Program
Location/Division	Community Affairs Division
Contact Name	Willie Faye Hurd, Program Manager
Actual Expenditures, FY 2008	6,390,246
Number of FTEs as of August 31, 2008	7

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Department's Community Affairs Division administers the Section 8 Housing Choice Voucher Program. The program currently contracts with units of local government, community action agencies and public housing authorities to assist with the administration of approximately 1,540 Housing Choice Vouchers. Financial assistance is provided through the program for safe, decent, sanitary and affordable housing to eligible households whose annual gross income does not exceed 50% of HUD's median income. Funds for the program are provided by the U.S. Department of Housing and Urban Development (HUD).

The Department administers the Section 8 program on the behalf of small cities and rural communities that usually lack a public housing authority but would like to participate in HUD's rental assistance program. The Section 8 program administers vouchers in 29 of the State's 254 counties. TDHCA also uses a portion of its Section 8 funding for Project Access, which helps persons with disabilities transition out of institutional settings.

Key services and functions:
The Section 8 Housing Choice Voucher Program provides rental assistance payments on behalf of low income individuals and families, including the elderly and persons with disabilities.

Major program activities:
- Coordination with local operators.
- Certification and recertification of tenants.
- Approval of units and leases.
- Payment of housing assistance to owners.
- Compliance with federal and local rules.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

1.1.4. Strategy: Provide Section 8 TBRA	
Output 1: Section 8 TBRA Number of Households Served	1,036
Efficiency 1: Avg. Adm. Amount Sec 8	$ 750

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

- On the federal level, the creation of the program signaled a shift from locally owned public housing to the use of privately owned rental housing as the federal government's primary vehicle for providing rental housing assistance to extremely low income households.
- In 2002, TDHCA began the Project Access Program to help non-elderly persons with disabilities transition out of institutional settings. TDHCA initially utilized vouchers provided by HUD through a pilot program but has now integrated the program into the broader Section 8 Housing Choice Voucher Program.
- In 2005, HUD changed the manner in which the Section 8 voucher program was funded. HUD now additionally takes into consideration historical expenditures when determining program funding.
- In 2007, HUD made a fundamental change in the manner the Section 8 voucher program was funded. Rather than receiving a set number of vouchers, TDHCA now receives funding based on historical activity.
- Services and functions have not changed since program inception.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Department administers the Section 8 program on the behalf of small cities and rural communities that usually lack a public housing authority but would like to participate in HUD's rental assistance program. The Section 8 program administers vouchers in 29 of the state's 254 counties.

Population served:

- Extremely low and very low income households in small cities and rural communities that usually do not have a local public housing authority
- The community must request the Department's assistance.

Requirements/qualifications:

- 50% AMFI, as determined by HUD

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Funding: TDHCA receives funding based program activity data for the prior fiscal year.

Overview:

- Section 8 is a rental assistance program. Through the program, the Department pays approved rent amounts directly to property owners on behalf of eligible households. Typically, the program participant pays no more than 30% of their monthly adjusted income towards rent and the Department pays the remaining rent. The client may also receive Section 8 utility assistance.
- Rental properties are privately owned and must meet HUD housing quality standards.
- The tenant and the property must be recertified on a yearly basis.

Administration:

- Working with local operators, the Department certifies and recertifies tenants and participating properties and disburses payments.
- The Department contracts with local governments, community action agencies and public housing authorities to assist with to the administration of the program. The contractor receives a minimal fee for this service.
- The unit of local government or CAA or PHA designates a local operator for each community. The local operator carries out duties associated with program administration.
- To receive Section 8 assistance, a household must be certified as eligible for assistance. This involves income verification and verification of other requirements. Likewise, the property to be rented must meet HUD's housing quality standards.
- Program documents are gathered during program intake to verify client and property eligibility. The local operator usually provides intake, property inspection, etc., and determines the appropriate level of assistance. If there is no local operator available, Department staff visits the community to perform intake and to conduct inspections. The Department makes technical assistance visits to the communities as needed.
- Documents are sent to the Department for verification and approval.
- Once documents have been verified, a contract is signed between the landlord and the Department on behalf of the tenant.
- On a monthly basis, the Department issues rent payments to the landlord, small payments to the local operators, and in some cases, utility assistance payments to the client.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding Source:
U.S. Department of Housing and Urban Development (HUD).

2008 Funding: $6,175,257

Funding formulas (federal):

- HUD renewal funding is based on the requirements of the Omnibus Appropriations Act.
- Actual funding depends on the number of vouchers leased from the prior year.
- HUD provides administrative funds for each voucher.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal Programs:

- While the Department's Housing Trust Fund (HTF) may provide program funds toward multifamily development or rental assistance, the programs are not typically similar to the HOME-sponsored activities and often fill a gap that is not served with the State's HOME allocation. The HTF does not currently fund owner-occupied housing rehabilitation, but has been utilized as gap-financing for HOME-funded owner-occupied housing assistance in areas affected by state or federally declared disaster. Major differences between the two programs include federal environmental requirements, federal labor standards, and federal match requirements for the utilization of HOME funds.

External Programs:

- Section 8 usually serves communities with no public housing authorities. Because this includes counties, there may be a municipality within a county that does have a public housing authority. This is generally not the case.
- The US Department of Agriculture Rural Development provides limited rental assistance to rural residents. Unlike the Statewide Section 8 Housing Assistance Program, the Rural Development program is project-based, applying to certain developments financed by the Rural Housing Service. Also, the program does not require administrators to maintain waiting lists.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Coordination efforts:

- A resident living in a municipality with a public housing authority and in a county served by the Department could apply for assistance in both the city and the county. All vouchers and certificates serving the area are processed through the same HUD regional office so that duplication of service has not been a problem. In fact, due to the considerable waiting lists, most Section 8 programs participants are often encouraged to sign up for multiple waiting lists to increase their chances of receiving timely assistance.
- When communities apply for participation in the State program, the community must provide the Department with a resolution approved by the highest governing body.
- Entities applying for HOME rental assistance would similarly have to demonstrate an unmet need to receive HOME funds.

MOUs/contracts:

- Parties involved: The Department has contracts with four (4) community action agencies six (6) counties, four (4) housing authorities and ten (10) cities to assist in program administration.
- Purposes/activities:
  a) processing of application and required forms;
  b) interview with potential participants;
  c) securing signatures and required instruments;
  d) certification and recertification of tenants;
  e) housing quality inspections;
  f) enforcement and compliance with program rules and regulations.
- Duration: The contracts are renewed every five years.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Relationship with local governments:

- The Department contracts with local government entities that usually lack a public housing authority. The local entity may request to participate in the Section 8 Program.
- The Department may contract with local government to undertake certain administrative duties as further described in Sections K and M below.

K. If contracted expenditures are made through this program please provide:
- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Professional fee expenditures: $8,390 for the program's portion of two agency-wide audits.
2008 Grant Expenditures and Encumbrances: $5,973,037 through local operators to provide rental assistance to very low income households in 29 counties.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Public housing authorities (PHAs): Federal Section 8 programs are generally administered at the local level through public housing authorities. Section 8 programs are generally the principal programs administered by public housing authorities.

- Kinds of federal Section 8 assistance:
  - Project-based assistance: This type of rental assistance is associated with a specific unit. Developments involved have generally received some kind of subsidy or incentive from HUD. While PHAs own properties offering project-based assistance, some project-based assistance involves a direct contract between a private owner and HUD.
  - Tenant-based assistance: A rental voucher or certificate associated with an eligible client not a project or multi-family development. All the Department's vouchers are tenant-based.

Participation by communities: To participate in the Statewide Section 8 Housing Choice Voucher Program, a community must submit a request to the Department. The local government must then submit a resolution to the Department before participation in the program. Resources available to the Department further limit the Department's participation. If the Department does not have sufficient funding, the Department may deny a community's request for participation.

Program webpage: http://www.tdhca.state.tx.us/oci/bootstrap.jsp

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:
- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Housing Resource Center
Location/Division	Housing Resource Center (HRC)
Contact Name	Elizabeth Yevich, Manager of the HRC
Actual Expenditures, FY 2008	$ 475,106
Number of FTEs as of August 31, 2008	6

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Housing Resource Center (HRC) provides educational material to, and answers inquiries from, housing advocates, sponsors, borrowers and tenants, and assists individuals, local organizations and local governments. The HRC also provides information on local housing needs, housing programs, available funding sources, and programs that affect the creation, improvement, or preservation of housing that is affordable to individuals and families of low-, very-low, and extremely-low incomes.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

During FY 2008, the Housing Resource Center responded to a total of 6,109 information and technical assistance requests.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The Housing Resource Center (HRC) was created in 1993 to fulfill the mandate of Chapter 2306.252, Texas Government Code. The purpose of HRC is described below.

The HRC is intended to be a resource for individuals, local organizations, and local governments in providing for the housing needs of individuals and families in Texas communities by providing information to housing contractors, nonprofit housing sponsors, community-based organizations, and local governments on:

- local housing needs,
- housing programs,
- available funding sources, and
- programs that affect the creation, improvement, or preservation of housing affordable to individuals and families of low and very low income.

According to the statute reference above, the board is required to establish a housing resource center in the housing finance division. The center shall:

- provide educational material to housing advocates, housing sponsors, borrowers, and tenants,
- provide technical assistance to nonprofit housing sponsors, and
- assist in the development of housing policy, including the annual state low income housing plan and report and the consolidated plan.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Population Served: The Housing Resource Center serves the staff of the Department and the entire population of Texas.

Eligibility requirements: There are no eligibility requirements for people seeking information and assistance through the Housing Resource Center.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The HRC responds to inquiries from individuals or organizations regarding housing issues. Answers are either provided over the phone, by electronic means or through correspondence. If the inquiry requires research, the HRC performs the necessary research and contacts the requestor. If necessary or requested, appropriate publications are provided.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding sources: The HRC supports all of the Department's activities programs. Its administrative costs are defrayed though federal HOME funds and Appropriated Receipts associated with housing program fees. The Division also administers General Revenue received in support of the market studies and other research.

In SFY 2008, the Division received the following funding:

General Revenue	$102,780
Appropriated Receipts:	$259,249
Federal HOME Program funds:	$113,077

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal programs: The Division of Policy and Public Affairs assists the HRC in answering and responding to informational requests from all sources.

External programs: There are other state agencies that have databases and provide information on local state and federal resources, such as the Business and Economic Clearinghouse in the Office of the Governor, Economic Development and Tourism Department. However, HRC's role is specific to housing issues and resources.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Division of Policy and Public Affairs (DPPA) and the HRC coordinate the agency's responses to public informational requests. Both divisions respond to general informational requests; DPPA responses to legislative and media requests and HRC responds to data and research requests. There are no MOUs.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Work with local governments. Other than answering their requests for assistance, the HRC has no special relationship with local governments.

K. If contracted expenditures are made through this program please provide:
- **the amount of those expenditures in fiscal year 2008;**
- **the number of contracts accounting for those expenditures;**
- **a short summary of the general purpose of those contracts overall;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

HRC contracted for the completion of three area-wide housing market studies during FY2008. The titles of the three studies were *Market Analysis of the McAllen-Edinburg-Pharr and Brownsville-Harlingen Metropolitan Statistical Areas, Overall Housing Needs Assessment for Parmer, Castro and Deaf Smith Counties and the Market Analysis of the Dallas-Plano-Irving Metropolitan Division*. These three contracts represent a total of $102,780.

The housing market analyses provide an assessment of the need for affordable housing based upon the identification and analysis of identified submarkets within the larger study area. The market analyses include a survey of the current housing stock, interviews with key stakeholders, a demand analysis indicating potential housing opportunities, and a general housing needs assessment. Experienced HRC staff provided oversight during the contractual period and reviewed draft documents and other deliverables to ensure fulfillment of contractual duties. There are no contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

In addition to providing information and technical assistance to Department staff and the public, HRC is also responsible for the publication of major Department-wide planning and performance documents including the *State of Texas Low Income Housing Plan and Report*, the *State of Texas Consolidated Plan* documents for the U.S. Department of Housing and Urban Development, and the *Agency Strategic Plan*.

Program webpage: http://www.tdhca.state.tx.us/housing-center/index.htm.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:
- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Housing Tax Credit Program
Location/Division	Multifamily Finance Production
Contact Name	Robbye Meyer, Director
Actual Expenditures, FY 2008	$621,967
Number of FTEs as of August 31, 2008	8.5

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Housing Tax Credit (HTC) program is a federal housing program administered by the U.S. Treasury Department (Treasury) which provides tax incentives to encourage private investment in affordable housing. Through the program, TDHCA supports the new construction or rehabilitation of high quality rental housing affordable to working families. In return for the tax incentives, property owners agree to set aside a portion of a property's units for rental to persons and families of very low income and restrict the rent required on these units. The program is available statewide and is the primary vehicle for the development of affordable rental housing.

1. Key Services and Functions. The key function of this program is to provide tax incentives to investors and developers for the production of affordable housing. Investors in tax credit properties utilize the credits as a dollar-for-dollar reduction of their tax federal income tax liability. Tax credits are syndicated and sold as a form of equity for the development of the units. A tax credit can be used to reduce taxes paid by a company or individual. Once awarded, the tax credits are used each year of a 10 year period.

2. Major Program Activities. The major program activities the HTC program undertakes to administer this program include:
   - Development of the Qualified Allocation Plan and Administrative Rules;
   - Hold public hearings;
   - Application preparation;
   - Scoring and ranking of applications;
   - Site inspection;
   - Extensive public notifications done both electronically and written at various stages of the application process. Notifications are sent out for every Pre Application submitted, every Application submitted, prior to every Board Meeting, prior to every public hearing and subsequent to every award;
   - Financial feasibility analysis (completed by Real Estate Analysis Division);
   - Previous participation review and evaluation (completed by Compliance and Asset Oversight Division);
   - Make recommendations to Governing Board;
   - Post Award: Commitment, Notifications (both electronic and written), Carryover, 10% Test, Commencement of Construction, LURA, Cost Certification, Amendments, Extensions, Ownership Transfers, Right of First Refusal, Qualified Contract, IRS Reporting;
   - Monitoring (performed by Compliance); and
   - Assisting in the development, scoring, and awarding of CDBG disaster affordable rental housing set-aside Notice of Funds Availability.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or

function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

FY2008 performance measures:

1.1.5. Strategy: Provide Financing through the HTC Program	
Output 1: Multifamily Finance (HTC) Number of Households Served	10,076
Efficiency 1: Avg. Amt. Per Households HTC New	$ 6,757
Efficiency 2: Avg. Dvlp. Cost HTC New	$103,786
Efficiency 3: Avg. Amt. Per Households HTC Rehab	$ 4,863
Efficiency 4: Avg. Dvlp. Cost HTC Rehab	$ 75,311
Explanatory 1 : HTC Number New Constr. Units	7,365
Explanatory 2: HTC Number Rehab. Units	4,896

Note: Households served include units associated with developments awarded tax credits in previous years that required additional subsidy due to the economic downturn and increase costs. These same units were reported in previous years but would not have moved forward without additional credits.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

When the program was first authorized in 1986 and first utilized in 1987-1992, only half of the credits allocated to the state were allocated by the Department (and its predecessor). Allocating agencies nationwide experienced similar under-utilization of their programs. The primary reason was the program was subject to annual re-authorization by Congress, which created sufficient uncertainty to discourage investment in tax credit projects. In 1993, Congress made the program "permanent" by not requiring annual reauthorization. As a result, increasing the popularity of the program over the next few years as well as increasing the number of affordable units produced.

In 1999, SB 1112 76th Texas Legislature established use of the Regional Allocation Formula for TDHCA housing programs. This significantly increased the geographic distribution of the credits within the state.

In 2001, SB 322, 77th Texas Legislature and SB 264, 78th Texas Legislature, both of which were sunset legislation, made significant changes to the program, including changes related to prioritization scoring criteria, community input, and concentration issues.

In 2008, the market price of tax credits decreased substantially, eventually leading to a broad curtailment of the markets in all but the largest metropolitan areas as the credit crisis began to grip the nation. This lower valuation effectively decreased resources available to the state for affordable housing production. The same year, Congress authorized additional tax credits in response to both the economic crisis and affordable housing needs resulting from Hurricane Ike. In 2009, through the American Recovery and Reinvestment Act, Congress authorized the Tax Credit Exchange Program and the Tax Credit Assistance Program to further mitigate the impact of the credit crisis on affordable housing production. (*See discussion of both programs below under "Other Programs."*)

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Beneficiary eligibility:
The program serves tenants whose income does not exceed 50% or 60% of the area median family income (AMFI), depending on the set-aside election of the development owner. A portion of units must be accessible to persons with disabilities. Some developments are restricted to senior citizens.

Local Provider eligibility
Nonprofit and for-profit developers; these may include nonprofits affiliated with a public housing authority.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

TDHCA annually receives a per capita allocation of tax credits. These tax credits are typically referred to as "9%" credits and are allocated through a competitive process. TDHCA may also issue tax credits in support of developments being financed through certain types of tax-exempt bonds. These are commonly referred to as "4%" credits. These do not provide the same level of equity as 9% credits. Because the 4% credits are not awarded from a limited credit pool, the process is noncompetitive; the 4% credits are allocated through the year.

Major activities required in the administration of the Housing Tax Credit Program.

- Development of the Qualified Allocation Plan (QAP) and Administrative Rules for Board approval; the Governor must approve and sign the QAP.
- Development of Pre-Applications and Applications and reference materials; hold application workshops.
- Provision of extensive electronic and written public notifications at various stages of the application process. (Notification more extensive for 9% credits.)
- Public hearings on applications received. (9% credits)
- Review, score and rank applications. (For 4% credits, review to ensure meet threshold)
- Site inspection of proposed developments
- Financial feasibility analysis (*See separate entry for Real Estate Analysis Division)*
- Previous participation review and evaluation to determine if applicants have outstanding compliance issues (*See separate entry for Compliance and Asset Oversight Division*)
- Board recommendation based on threshold/scoring, financial feasibility, and compliance review.
- Undertake Post Award activities, including ensuring initial requirements met prior to issuance of tax credit.
- Long-term monitoring of development to ensure compliance with Land Use Restriction Agreement and IRS requirements (performed by Compliance).

Major Statutory Deadlines

- September 30 – Date by which Qualified Allocation Plan must be submitted to the Board for approval prior to publication for public comment.
- November 15 – Date by which Board must adopt Qualified Allocation Plan and submit to Governor for approval.
- December 1 – Date by which Governor must reject, or modify and approve Qualified Allocation Plan
- March 1 – Date by which an applicant seeking 9% credits within the calendar year must submit an application
- June 30 – Date by which staff must provide the board with a list of approved applications for 9% credits.
- July 31 – Date by which Board shall issue final commitment of 9% tax credits.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Competitive 9% Credits

TDHCA receives an annual per capita allocation of tax credits and can also access unused credits from other states known as the "National Pool." In 2008, Congress authorized additional credits for areas affected by Hurricane as well as credits to be used statewide as a part of the Housing and Economic Recovery Act of 2008 (HERA) Total competitive credits available to Texas in Calendar Year 2008 were as follows:

Per Capita ($2.00 x state population):	$47,808,760
Additional credits from National Pool and Carryover/returned from previous year:	$ 4,751,162
Disaster Recovery and HERA credits:	$19,687,036
Total Amount Available in Calendar Year 2008:	$72,246,958

Successful applicants will receive the tax credits annually over a ten-year period, for a total of $722,469,580. Tax credits received in 2008 were awarded in both SFY 2008 and SFY 2009. TDHCA allocates the credits competitively using the Regional Allocation Formula. In addition, TDHCA must meet following set-asides required by state or federal regulation: 10% Nonprofit; 20% for Rural; 10% At-Risk; 5% USDA, to be taken from At-Risk Set-Aside.

Non-Competitive or "4%" Tax Credits:

TDHCA allocates non-competitive "4%" credits to eligible developments financed using Private Activity Bonds (PABs). The amount of 4% tax credits allocated each year is therefore correlated to the portion of PAB authority utilized for multifamily. In SFY 2008, TDHCA approved $12,980,291 in 4% tax credits, a decrease from previous years that is reflective of the reduction in available credit in the general bond market. These credits supported developments financed by TDHCA, Texas State Affordable Housing Corporation, and local housing finance corporations.

Fee Revenue/ Appropriated Receipts

TDHCA collects fees to defray costs associated with the administration of this program. The Department estimates the fee revenue and includes it in it Legislative Appropriations Request as Appropriated Receipts (AR), which is then appropriated back to the Department through the General Appropriations Act. Rider 12 to TDHCA's bill pattern makes provisions to allow TDHCA to access additional AR under certain conditions. Program fees include Pre-Application Fees, Application Fees, and Commitment Fees. HB 1, 80th Texas Legislature, appropriated $1,049,704 to TDHCA in support of this program; this includes funding for Real Estate Analysis. (*See Strategy A.1.5 of TDHCA's bill pattern as found on p.VII-1 of HB 1, 80th Texas Legislature*.)

Fees collected can also be applied to activities in support of the program, such as the Housing Resource Center and Central Administration. *For information on Housing Tax Credit fees collected that year, see Schedule V - E.*

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

1. Internal programs. The HOME, Housing Trust Fund, and Tax-Exempt Multifamily Bond programs are also administered by the Department and can provide affordable rental housing to low-income Texans.
   - *See HOME sections for a discussion of these activities.*
   - *See the Housing Trust Funds sections for a discussion of these activities.*
   - *See the Tax Exempt Multifamily Bond sections for a discussion of these activities.*

2. External programs.
   - Local Public Housing agencies also administer affordable housing programs under the auspices of the U. S. Department of Housing and Urban Development. Some of these entities also apply for funding in the tax credit program.
   - Local Housing Finance Agencies also have the authority to issue tax-exempt multifamily mortgage revenue bonds which are subject to the same minimum 20/50 or 40/60 set-aside of the tax credit program. Such projects may also qualify for tax credits through the private activity bond authority (*Refer to the Multi-family Bond Program summary*) without going through the normal competitive application process.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

TDHCA is the state's only allocating agency for low income housing tax credits essentially nullifying any concern of duplication. However, affordable housing developments generally require funding from various public and private funding sources; it is not uncommon for applicants to seek funding from various TDHCA programs in support of the same development. This allows developers to reach communities and income groups for which increased subsidy is needed. TDHCA facilitates the layering of tax credit with other TDHCA funding programs such as HOME and HTF by making these funds available concurrently. The demand for affordable housing resources far outweigh supply and therefore duplication is not a concern.

MOUs/contracts.
The Department executed a Memorandum of Understanding with Texas Department of Rural Affairs (TDRA), an agency of the U.S. Department of Agriculture on March 23, 1999. The MOU allows for the sharing of information concerning projects under consideration for funding by Rural Housing that are also applying for an allocation of tax credits. As noted earlier in the document, TDHCA also has a MOU in place with TDRA to jointly administer the rural regional allocation as required by Section 2306.6723, Texas Government Code.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Local government officials must be notified regarding applications in their jurisdiction and can provide public comment on the development. Program rules require that proposed developments be consistent with any existing local, HUD-required Consolidated Plan. Preferential treatment is provided to developments that have local funding. Nonprofits associated with public housing authorities or another local government entity regularly apply for funding. In the case of 4% tax credits, developments supported may have received PAB financing through a local housing finance corporation.

K. If contracted expenditures are made through this program please provide:
- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

In SFY 2008, TDHCA reported awards totaling $61,022,672 in tax credits. Of this, $41,538,348 was in support of the new construction or rehabilitation of 48 developments for 5,164 units that had previously not received tax credits. The remaining balance of final awards were in support of developments which had received tax credit allocations in recent years but needed additional subsidy due to the economic downturn and increased construction costs. While TDHCA does not enter into contracts with tax credit awardees, awardees must meet certain qualifications to be "cost certified" and receive documentation for the tax credit. Also, as is done in other TDHCA programs, Land Use Restriction Agreements (LURAs) are put in place to ensure the long-term compliance with program requirements and other agreements. *See Compliance and Asset Management for more information on long term monitoring of these developments.*

No agency-related professional contracts were expensed to this program. However, fee revenue from the program defrays costs of agency-wide audits and other expenses incurred through Central Administration.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

See Section IX, Policy Issues.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Housing Tax Credit program is not only a significant generator of much-needed affordable rental housing but it also is an important economic development tool. In Fiscal Year 2008, TDHCA-funded affordable rental developments provided almost $1.2 billion in estimated local construction and development revenue and nearly the same amount in local tax returns for the communities in which they are located. The Housing Tax Credit Program is not a subsidy program as commonly thought by the general public; no funds are exchanged between developers and tenants or the Department and developers. Additionally, the majority of the developments are privately owned and managed with state oversight regarding the compliance with the rules and regulations under which the allocation was made.

Program webpage: http://www.tdhca.state.tx.us/multifamily/htc/index.htm.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:
- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Multifamily Bond Program
Location/Division	Multifamily Finance Production
Contact Name	Robbye Meyer, Director
Actual Expenditures, FY 2008	$112,879
Number of FTEs as of August 31, 2008	2

B. What is the objective of this program or function? Describe the major activities performed under this program.

This program helps finance the new construction or rehabilitation of high-quality, rent-restricted housing affordable to low income households. Through the program, TDHCA issues tax-exempt bonds which are then used to provide low-interest loans to nonprofit and for profit developers. Investors purchasing the bonds do not have to pay federal income tax on earnings associated with the bonds and therefore are willing to accept a lower interest rate, which is then passed on to the developer. In return for interest savings on the loans, developers agree to set aside a certain percentage of a property's units for rental to persons and families of very low, low and moderate income. An additional set-aside is mandated for persons with special needs. Tenant services, such as day care, youth programs, and job training, are also required of the developer.

TDHCA may issue tax-exempt mortgage revenue bonds through two federally authorized bond instruments administered by the U.S. Department of Treasury: Private Activity Bonds (PABs) and 501(c)(3) Multifamily Mortgage Revenue Bonds (501(c)(3) Bonds.)

<u>PABs:</u>
Annually, the IRS provides each state with a per capita amount of Private Activity Bond (PAB) Authority that can be utilized for various purposes, including mortgage loans in support of affordable rental housing. Developments financed through PAB authority that meet requirements for the Housing Tax Credit Program are eligible to receive "4%" tax credits. (*See Housing Tax Credit entry above to learn more about these credits.*)

<u>501(c)(3) Bonds:</u>
These are similar to private activity bond with the following important differences:

- While both nonprofit and for profit developers may receive PAB financing, 501(c)(3) bonds can only be issued in support of a nonprofit developers.
- Recipients of this financing are not eligible to receive "4%" tax credits.
- There is not limit to bond authority provided under this instrument.

This is not a currently active TDHCA program. The inability to receive tax credits through this program generally makes use of this instrument financially unfeasible.

<u>Major program activities.</u> The activities of the Multifamily Bond program include:

- Development of and administration of the program rules,
- Hold public hearings for each development,
- Application materials preparation,
- Scoring, ranking and evaluation of applications,
- Site inspection of each development,

- Extensive written and electronic public notifications at various stages of the application process,
- Notifications are sent out for every Pre Application submitted, every Application submitted, prior to every Board Meeting and prior to every public hearing
- Financial Feasibility Analysis for each development (completed by Real Estate Analysis Division),
- Previous Participation Review (completed Compliance and Asset Oversight Division),
- Review of all Bond documents,
- Make recommendations to Governing Board and Texas Bond Review Board (BRB),
- Bond Closing (review of all closing documents with Bond Counsel and Financial Advisor),
- Post Award: Determination Notice, Notifications (both electronic and written), Commencement Of Construction, LURA, Cost Certification, Amendments, Extensions, Ownership Transfers, Right of First Refusal, Qualified Contract, IRS Reporting
- Monitoring (performed by Compliance and Asset Oversight Division).

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

1.1.8. Strategy: Provide Financing through the Multifamily MRB Program	
Output 1: Multifamily MRB Program Number of Households Served	878
Efficiency 1: Avg. Amt. Per Household MF Bond	$ 63,636
Efficiency 2: Avg. Dvlp. Cost MF Bond	$106,340
Explanatory 1: MF Bond Number New Constr. Units	878

Note: Reflects funds awarded in State Fiscal Year. Subsequently, one applicant did not move forward, decreasing households served to 672 as noted in Section K

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Production through the programs is highly dependent on the economy. In particular, the program depends on the bond market. The current bond crisis has had a significant impact on the program. Historically, TDHCA issues bonds in excess of a set-aside provided to TDHCA by state law, successfully applying for PAB authority returned by other issuers. However, in state fiscal year 2008, TDHCA was able to utilize only a portion of its statutorily reserved bond authority. Thus situation continues in SFY 2009 and will not improve until investors regain confidence in the market.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

- Population served: The program serves tenants whose income does not exceed 50% or 60% of the area median gross income (AMGI) depending on the set-aside election of the project owner.
- Both For-Profit and Nonprofit developers can access the PAB Bond Program. Only Non-Profit developers may access the 501(c)(3) Program.
- Because the programs are relatively expensive, Bond supported developments tend to be in more urban areas where higher rents and larger complexes help defray the costs.

The Department does not receive applications directly from households or individuals in need of housing. Applications are submitted to the Department by non-profit and for-profit developers.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Major activities required in the administration of the Multifamily Bond Program.

- Development and administration of program rules.
- Hold public hearings for each development.
- Prepare application material.
- Score, rank and evaluate applications,
- Site inspection of each development,
  Extensive public notifications done both electronically and written at various stages of the application process,
- Financial Feasibility Analysis for each development (completed by Real Estate Analysis Division),
- Previous Participation Review (completed Compliance and Asset Oversight Division),
- Review of all Bond documents,
- Make recommendations to Governing Board and Texas Bond Review Board,
- Bond Closing (review of all closing documents with Bond Counsel and Financial Advisor),
- Undertake Post Award activities, including ensuring initial requirements
- Long-term monitoring (performed by Compliance and Asset Oversight Division).

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

<u>Funding sources</u>
Chapter 1372 sets aside 22% of the state PAB authority for multifamily use. Of this, 20% is reserved for use by TDHCA. In SFY 2008, this translated to almost $90 million in PAB authority. Typically TDHCA issues PABs in excess of this authority by accessing PAB authority unused by other issuers. However, due to the economic crisis and its impact on the bond market, TDHCA issued only $41,122,400 in PAB multifamily bonds in FY 2008.

<u>Fee Revenue/ Appropriated Receipts</u>
The Department collects fees on the issuance of multifamily bonds to cover issuance costs, overhead and on-going administrative costs. The Department estimates the fee revenue and includes it in it Legislative Appropriations Request as Appropriated Receipts, which is then appropriated back to the Department through the General Appropriations Act. HB 1, 80th Texas Legislature, appropriated $305,256 to TDHCA in support of this program; this included funding in support of Real Estate Analysis. (*See appropriation for Strategy A.1.8 on page VII-2, HB 1, 80th Texas Legislature*.)

<u>Fees collected in SFY 2008</u>: $1,485,911. *For information on Multifamily Bond fees collected that year, see Schedule V - E.* As with Housing Tax Credit fees, these can also be applied to TDHCA's Real Estate Analysis and Housing Resource Center activities as well as Central Administration.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

1. Internal Programs. The single family bond program and the housing tax credit program are also administered by the Department to provide affordable housing to low income Texans.
   - *See Single Family Bond Program for a discussion of these activities.*
   - *See the Housing Tax Credit Program for a discussion of these activities.*

2. External programs.
   - Local housing finance corporations ("HFCs,") authorized by the Texas Local Government Code, also issue multifamily mortgage revenue bonds. Usually created by cities or counties, these entities provide various forms of housing assistance to their defined jurisdiction. Currently, there are approximately 80 HFCs that are located throughout the state. Additionally, the Texas State Affordable Housing Corporation (TSAHC) is authorized to issue multifamily mortgage revenue bonds statewide.
   - Local issuers typically do not impose the same affordability requirements and rent restrictions as imposed by the Department. However, many of the Applicants who have bonds issued through local HFCs apply for 4% housing tax credits allocated through the Department. The majority of the 4% housing tax credits allocated by the Department are associated with local HFC bond properties and TDHCA bond properties. Due to this, these properties will be monitored by the Department and will be required to comply with the appropriate HTC income and rent limits. Additionally, each property will file a Land Use Restriction Agreement (LURA) with the applicable county and will be monitored by that as well. Local HFCs service their geographic jurisdiction only and are not able to pool properties located across jurisdictional lines within a single bond issue (particularly important for making the issuance of 501(c)(3) bonds feasible). Some areas of the state are not serviced by a local HFC. These are typically smaller cities and rural areas of the state. Furthermore some local HFCs have no interest in issuing multifamily bonds due to lack of staff capacity to implement multifamily bond programs or for other policy reasons such as focusing on single-family home ownership, thus making the Department one of the only viable statewide issuers for multifamily bonds in these areas.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

MOUs/contracts.

- The 75th Legislature, through the passage of HB2577, required the Department to enter into a Memorandum of Understanding (the "MOU") with the Texas Bond Review Board with respect to the issuance of 501(c)(3) bonds (outlined in Chapter 2306.358, Texas Government Code). The MOU stipulates the maximum amount of 501(c)(3) bonds that can be issued each year (maximum of $250 million) as well as provides direction for the Department with respect to the types of transactions issued (new construction versus acquisition and rural versus metropolitan).

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Local government must be notified of applications in area and can also provide public comment.

K. If contracted expenditures are made through this program please provide:
- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

In SFY 2008, TDHCA issued $41,122,400 in multifamily bonds, supporting 3 developments and producing 672 affordable rental units. Developers participating in the program do not enter into a contract with the TDHCA. Rather, a Land Use Restriction Agreement (LURA) is put in place reflective of the owner's obligation under the program. Long-term monitoring for compliance is undertaken by the Office of Compliance and Asset Management as described further in the Program Area description for Compliance and Asset Oversight.

No agency-related professional contracts were expensed to this program. However, fee revenue from the program defrays costs of agency-wide audits and other expenses incurred through Central Administration. It should also be noted that professional contracts entered into in association with the issuance of mortgage revenue bonds are part of the Cost of Issuance (COI) for each bond and is paid through resulting bond proceeds. COI is part of the bond indenture and not reflected in the Department's budget.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

See Section IX, Policy Issues.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

- Current TDHCA PAB bond issuances all receive 4% credits.
- TDHCA issues bonds throughout the year as reservations are received from the Texas Bond Review Board.

Comments provided in Section M for the Housing Tax Credit Program apply here as well.
Program webpage: http://www.tdhca.state.tx.us/multifamily/bond/index.htm.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:
- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	HOME Investment Partnership Program
Location/Division	HOME Division
Contact Name	Jeannie Arellano, Director
Actual Expenditures, FY 2008	$41,227,889
Number of FTEs as of August 31, 2008	20

B. What is the objective of this program or function? Describe the major activities performed under this program.

The HOME Investment Partnerships Program (HOME) is funded by the U.S. Department of Housing and Urban Development (HUD). Authorized under the Cranston-Gonzalez National Affordable Housing Act, the purpose of the program is to expand the supply of decent, safe, affordable housing through partnerships with Units of General Local Governments and non-profit or for-profit entities.

To address local needs and housing conditions, the State of Texas HOME Program participates in four eligible activities:

- Owner-Occupied Housing Assistance provides eligible homeowners with funding to rehabilitate or reconstruct their existing home.
- Tenant-Based Rental Assistance offers rental subsidies to eligible tenants for up to 24 months; the household must participate in a self-sufficiency program.
- Homebuyer Assistance provides down payment and other assistance towards the purchase of a home. In addition to providing traditional homebuyer assistance, this category is used to support contract-for-deed conversions and other initiatives that combine homebuyer assistance with rehabilitation or accessibility modifications.
- Rental Housing Development activities assist eligible applicants with the acquisition, construction, and rehabilitation of affordable single-family or multifamily housing.

Community Housing Development Organization (CHDO) Housing Development activities assist these nonprofits with the acquisition, rehabilitation, or new construction of single-family or multifamily affordable housing.

By state law, 95% of HOME funds must be distributed to communities, typically rural, that do not receive HOME funds directly from the federal government; the remaining 5% must serve persons with disabilities and is available statewide.

Major Program Activities.
The major activities the HOME Program undertakes to administer this program include:

- Development of the One-Year Action Plan for HUD, which establishes the funding plan and program activities for the program year (assisted by the Housing Resource Center);
- Development of administrative rules in compliance with statutory changes and federal regulations;
- Preparation of funding notices, application preparation and marketing, including application workshops throughout the state;
- Review, assessment, and determination of applications for award;
- Review for financial feasibility (underwriting) of the proposed projects (assisted by the Real Estate Analysis Division);
- Award and program implementation training to awardees;
- Ongoing, technical assistance to program participants to ensure proper use of funds and compliance with state and

federal regulations through the completion of the contract including contract oversight & performance management;

- Processing of setup and draw requests including the review of participant eligibility and funding disbursements and documenting and maintaining contract files;
- Monitoring (assisted by the Compliance and Asset Oversight Division); and
- Maintaining and reviewing progress of the allocation and disbursement of funds through the HOME Fund Balance Report, and reporting outcomes and performance measurement to HUD through the Consolidated Plan Annual Performance Report (CAPER) and state Match Report (assisted by the Housing Resource Center).

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

1.1.2. Strategy: Provide Funding through the HOME for Affordable Single Family Housing		
Quarter	2008 Target	2008 Actual
Output Measures:		
1 # of Households Assisted with Single Family HOME Funds	1,255	935
Explanatory/Input Measures:		
1 # of Households Assisted through New Construction Activities	30	0
2 # of Households Assisted through Rehabilitation Activities	600	150
3 # Households Assisted through CHDO Mortg. Fin./HBA Assistance	30	0
4 # Households Assisted through Non-CHDO Mortg. Fin/HBA Assistance	445	538
5 # of Households Assisted through Tenant-based Rental Assistance	150	350
Efficiency Measures:		
1 Avg. Amount Per Household for New Construction	$33,000	$0
2 Avg. Amount Per Household for Rehabilitation	$60,000	$66,964
3 Avg. Amount for CHDO Mortgage Financing and Homebuyer Assistance	$10,000	$0
4 Avg. Amount for Non-CHDO Mortgage Financing & Homebuyer Assistance	$15,000	$14,068
5 Avg. Amount of Tenant-based Rental Assistance	$10,000	$10,048

1.1.6. Strategy: Provide Funding through the HOME for Affordable Multifamily Housing		
Quarter	2008 Target	2008 Actual
Output Measures:		
Output 1: HOME Multifamily Number of Households Served	500	663
Explanatory/Input Measures:		
Explanatory 1: HOME CHDO New Constr. Number of Households Served	175	116
Explanatory 2: HOME non-CHDO New Constr. Number of Households Served	125	118
Explanatory 3: HOME CHDO Rehab Number of Households Served	50	19
Explanatory 4: HOME non-CHDO Rehab Number of Households Served	150	410
Efficiency Measures:		
Efficiency 1: Avg. Amt. Per Household HOME CHDO New MF	$ 39,827	$75,378
Efficiency 2: Avg. Dvlp. Cost HOME CHDO New MF	$ 6,002	$150,339
Efficiency 3: Avg. Amt. Per Households HOME non-CHDO New MF	$ 33,703	$74,814
Efficiency 4: Avg. Dvlp. Cost HOME non-CHDO New MF	$ 22,955	$88,582
Efficiency 5: Avg. Amt. Per Household HOME CHDO Rehab MF	$ 5,394	$39,474
Efficiency 6: Avg. Dvlp. Cost HOME CHDO Rehab MF	$ 37,256	$14,309
Efficiency 7: Avg. Amt. Per Household HOME non-CHDO Rehab MF	$ 10,991	$12,258
Efficiency 8: Avg. Dvlp. Cost HOME non-CHDO Rehab MF	$ 60,519	$82,298

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Important history: There have been no significant changes to the federal regulations governing the HOME program since their formal publication in 1992.

In 2001, the 77th Texas Legislature passed legislation requiring that at least 95% of HOME funds be expended in nonparticipating jurisdictions with the remaining funds serving people with disabilities in urban areas. In 2007, the 80th Texas Legislature amended this provision, requiring that precisely 95% of HOME funds be expended in participating jurisdictions and that 5% of the funds be used for persons with disabilities throughout the state.

The American Recovery and Reinvestment Act of 2009 committed additional HOME funds to the state in support of Housing Tax Credit awardees. (*See separate entry for the Tax Credit Assistance Program under New Programs*.)

While the HOME Program is administratively defined as a component of the Housing Finance Division and has programmatically been co-located with the Single-Family Finance Production Division (2003-2007), the HOME Program is currently administered through its own division.

After the reorganization of the Department in 2003, which placed the HOME program in the Single-Family Finance Production Division, there were a variety of challenges which affected the administration of the program. These challenges affected the program's commitment and expenditure rates and delayed overall progress on many contracts. To address these, state HOME program guidelines and requirements were thoroughly reviewed in 2005 by the TDHCA Governing Board and the HOME program rule was amended for Program Year 2006.

While there were several changes to improve the administration of the program, the most significant rule change included the implementation of zero percent and forgivable loans instead of grants to provide Housing Assistance. Loan documents provided the only method for the State of Texas to assure a state-imposed affordability period and the possibility of repayment and recycling of funds, if the intended recipient no longer owned the property. Additionally, the Department's loan documents provide the only method of successfully achieving an enforceable lien for construction activities on a homestead under the Texas Constitution.

The HOME Division was reconstituted in October 2007 with emphasis in two areas including oversight of the commitment of funds and expenditure rate and contract performance. To meet federal requirements for commitment and expenditure rates, the HOME Division reviews performance indicators monthly and re-allocates funds from non-performing (deobligated) contracts toward areas of greatest need (including Disaster Relief). In order to assist entities administering the HOME Program, a Performance Team was established within the new Division with the sole purpose of reviewing contract progress and providing technical assistance to help administrators meet program performance benchmarks. Additionally, state HOME rules were significantly revised in 2007.

There continue to be some structural changes in the Department and staff regularly reviews contract performance and makes recommendations to improve HOME program administration.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Beneficiary eligibility:
Assisted households cannot exceed 80% of the Area Median Family Income (AMFI), as determined by HUD. The program encourages the targeting of extremely low and very low income households and some activities such as Contract-for-Deed conversions, are restricted to these households.

Provider eligibility:
Units of General Local Government, non-profit and for-profit organizations; rural communities; persons with disabilities.

Since the establishment of the program in 1992, the Department has received approximately $640,082,673 in HOME funds. This investment has constructed 4,793 multifamily rental units, rehabilitated 7,470 owner-occupied homes, assisted 9,779 first-time homebuyers, and provided rental assistance for 6,425 Texas families. In 2008, HOME Investment Partnership Program Funds assisted approximately 1,598 low-income Texas families access safe, decent, affordable housing throughout the state.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Major administrative activities associated with the HOME Program:

- Development of the One-Year Action Plan for HUD, which establishes the funding plan and program activities for the program year (assisted by the Housing Resource Center);
- Development of administrative rules in compliance with statutory changes and federal regulations;
- Preparation of funding notices, application preparation and marketing, including application workshops throughout the state;
- Review, assessment, and determination of applications for award;
- Review for financial feasibility (underwriting) of the proposed projects (assisted by the Real Estate Analysis Division);
- Award and program implementation training to awardees;
- Ongoing, technical assistance to program participants to ensure proper use of funds and compliance with state and federal regulations through the completion of the contract including contract oversight & performance management;
- Processing of setup and draw requests including the review of participant eligibility and funding disbursements and documenting and maintaining contract files;

- Monitoring (assisted by the Portfolio Management & Compliance Division); and
- Maintaining and reviewing progress of the allocation and disbursement of funds through the HOME Fund Balance Report, and reporting outcomes and performance measurement to HUD through the Consolidated Plan Annual Performance Report (CAPER) and state Match Report (assisted by the Housing Resource Center).

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding Sources and Amounts

The State of Texas' HOME program receives an annual allocation of approximately $40,000,000 from the U.S. Department of Housing and Urban Development (HUD). For program year 2008, the Department received $40,043,225, which included an allocation of $266,637 for the American Dream Downpayment Initiative (ADDI) program—a separate homebuyer assistance program allocated in conjunction with the federal HOME allocation.

Funding Formulas.

Federal regulations require that the Department set-aside no less than fifteen percent (15%) of its annual allocation for Community Housing Development Organization (CHDO) activities. An additional set-aside of approximately five percent (5%) is deducted from the CHDO allocation and is to be utilized for CHDO operating funds. The Department also is permitted to set-aside ten percent (10%) of the general allocation for program administration. Typically, the Department retains six percent (6%) and shares the remaining four percent (4%) with contract administrators.

The Department's governing statute also establishes funding requirements. Chapter §2306.111(c), Texas Government Code, requires that the Department set-aside ninety-five (95%) of the state's annual HOME allocation for the benefit of non-participating small cities and rural areas that do not qualify for funding under Cranston-Gonzalez (non-PJs) and set-aside the remaining five percent (5%) for the benefit of persons with disabilities living in any area of the state. The Housing Programs for Persons with Disabilities allocation is calculated and set-aside annually as part of the funding plan.

In an effort to assist the Department in meeting its obligations for Rider 6 related to the Conversion of Executory Contracts, the Department has typically also set-aside $2,000,000 of the Department's annual HOME program allocation to assist with contract for deed activities. This amount is also set-aside annually in the HOME funding plan. The remaining balance of funds is programmed in accordance with the One-Year Action Plan, developed annually through a public process. Historically, the allocation of funds for multifamily has been $5,000,000 with the balance of funds allocated toward single-family activities.

Based on an approximate allocation of $40,000,000, below is an example of distribution of funds for HOME program activities:

Use of Funds	Estimated Available Funding	% of Total HOME Allocation
Administration Funds (10% of Allocation) *	$4,000,000	10%
CHDO Project Funds Set Aside (15% of Allocation)	$6,000,000	15%
CHDO Operating Expenses Set Aside (5% of CHDO Set Aside) *	$300,000	1%
State Mandated Funds for Contract for Deed Conversions *	$2,000,000	5%
Housing Programs for Persons with Disabilities *	$2,000,000	5%
Rental Housing Development Program	$5,000,000	13%
General Funds for Single Family Activities	$20,700,000	52%
Total HOME Allocation	$40,000,000	100%

** The funding for these activities is not subject to the Regional Allocation Formula.*

The General Funds for Single Family Activities are further distributed as follows:

Use of General Funds for Single Family Activities	Estimated Available Funding	% of Total SF HOME Allocation
Homebuyer Assistance	$3,105,000	15.0%
Owner Occupied Housing Assistance	$14,490,000	70.0%
Tenant Based Rental Assistance	$3,105,000	15.0%
Total General Funds for Single-Family Activities	$20,700,000	100%

Finally, as established in Texas Government Code, Chapter §2306.111(d), certain funds will be administered geographically by state uniform service region according to a Regional Allocation Formula determined by the Department.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal programs.
While the Department's Housing Trust Fund (HTF) may provide program funds toward multifamily development or rental assistance, the programs are not typically similar to the HOME-sponsored activities and often fill a gap that is not served with the State's HOME allocation. The HTF does not currently fund owner-occupied rehabilitation, but has been utilized as gap-financing for HOME-funded owner-occupied housing assistance in areas affected by a state or federally declared disaster. Major differences between the two programs include federal environmental requirements, federal labor standards, and federal match requirements for the utilization of HOME funds.

The Department's Housing Tax Credit (HTC) program provides tax credits for multifamily properties, but HOME funds are also utilized as a subsidy source for the HTC program. Major differences in the two programs include the set-aside of rent-restricted units, additional affordability requirements, environmental requirements, and federal labor standards. Additionally, while HOME funds are offered as below-market interest rate loans, the tax credit program does not provide direct funding toward the development of multifamily units but is used to attract equity investment into the project.

Finally, while the Department has a 'Texas First-Time Homebuyer' program administered by the Texas Homeownership Division, the program offers below market interest rate mortgage loans through a network of participating lenders and serves all areas of Texas. Generally this program is accessed by families living in metropolitan areas. Conversely, the HOME homebuyer assistance program is limited to the non-Participating Jurisdiction areas of the state and assistance is typically provided as a second or third-lien deferred, forgivable loan to the homebuyer for a defined period of time.

External programs.
As stated earlier, other Participating Jurisdictions in Texas receive HOME Investment Partnership program funding directly from HUD and some of the larger cities have housing programs from local revenue sources that fund activities similar to HOME. USDA Rural Development offers home improvement loans and affordable rental housing in rural areas.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The HOME Division reviews Department programs and services gaps during the planning process to avoid duplication of an existing program or conflict with another Department program. While in limited instances some entities in local Participating

Jurisdictions are eligible to apply for state HOME funds, these entities are required to serve low-income persons with disabilities, as determined by statue. HOME funds can be combined with other programs as appropriate to serve households more effectively. The need for affordable housing in the state greatly outweighs supply so that programs are typically complementary rather then duplicative.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Relationship with Local Governments.
The HOME program works with numerous Units of General Local Governments including cities and counties that apply as local administrators for the program. As awardees of HOME Funds, Contract Administrators must enter into a written agreement with the state to administer the HOME program in accordance with all federal regulations and statutory requirements.

K. If contracted expenditures are made through this program please provide:
- **the amount of those expenditures in fiscal year 2008;**
- **the number of contracts accounting for those expenditures;**
- **a short summary of the general purpose of those contracts overall;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

- Professional Services Expenditures for State Fiscal Year 2008: $23,696 for two agency-wide audits. (Reflects portion expensed to HOME Program.)
- Grant expenditures and encumbrances for Appropriation Year 2008: $40,043,225. It should be noted that due to the late date when HOME funds are provided to the state, Appropriation Year funding is typically not applied to funds awarded within that fiscal year.
- Subrecipient contracts: TDHCA entered into 102 HOME contracts in SFY 2008 and administered approximately 300 existing grants; these were funded primarily through HOME funds received in previous Appropriation Years.
- General purpose of subrecipient contracts: Owner-Occupied Housing Assistance, Tenant-Based Rental Assistance, Homebuyer Assistance (with or without rehabilitation/modification), single family housing development, and multifamily rental development.
- Methods used to ensure accountability for funding and performance: During the application process an evaluation of the applicant's previous participation and review of current contract performance is utilized in determining an organization's capacity to continue to carry out HOME program activities. Once awards are approved, HOME Division staff reviews contract progress against performance benchmarks, offering technical assistance when necessary. In reviewing contract performance, TDHCA staff utilizes both an internal information management system and Contract Administrators who are unable to meet their contractual obligations are subject to having the unused funds deobligated. Deobligated funds are reprogrammed to disaster relief or another identified need.
- Current contracting challenges: There are two challenges currently impacting HOME contract performance. First, the economic downturn and events in the housing industry have impacted the homebuyer assistance program. Potential eligible applicants are either having difficulty meeting first-lien lender requirements to qualify to purchase a new home or are opting not to pursue buying a new home because of concerns regarding market conditions. A more significant challenge is the lack of clear title among potential home repair beneficiaries. The Owner-Occupied Housing Assistance program is the most affected through ownership issues, as real property may have encumbrances or hereditary disputes. The Contract for Deed program also has title issues, where liens on land in the name of the developer challenge the ability to convert the contract for deed arrangement into a warranty deed.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Historically, the conversion of contract for deed with HOME program funds has been challenging to the Department due to federal HOME commitment and expenditure requirements and the arduous process for Contract Administrators to meet federal requirements in the colonias. Clarification of §2306.255, Texas Government Code, Contract for Deed Conversion Program, to allow any source of funds allocated to the Department to be used in meeting rider requirements for the Conversion of Executory Contracts would assist the Department in meeting its federal commitment requirements as established by HUD. Changes to Rider 6 to allow TDHCA to redirect unused Contract for Deed funds to other areas of need would also help address these issues.

The broadening of eligible subgrantees for the Colonia Model Subdivision Revolving Loan Fund would also be beneficial. Currently, §2306.785, Texas Government Code, limits program loans to (1) Colonia Self Help Centers and (2) Community Housing Development Organizations (CHDOs) certified by the Department. The current process for certifying CHDOs, limits access and opportunity for organizations that have the capacity to participate in the program because they have not received a CHDO designation from the Department and do not want to participate in the HOME program. In addition, the term "CHDO" assumes HOME Investment Partnership program as the source of funds. Federal regulations prohibit the use of HOME funds for revolving loan funds as intended by statute. By expanding the definition to include non-profit organizations with experience in the colonias or organizations that have received a local CHDO designation, the Department would likely be able to broaden its partnership and identify an alternative source of funds to administer this program as defined in statute.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Program webpage: http://www.tdhca.state.tx.us/overview.htm#home

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Real Estate Analysis
Location/Division	Real Estate Analysis
Contact Name	Brent Stewart, Director
Actual Expenditures, FY 2008	$592,513
Number of FTEs as of August 31, 2008	9.5

B. What is the objective of this program or function? Describe the major activities performed under this program.

The primary function of Real Estate Analysis (REA) is to complement the program areas by providing a comprehensive, independent, analytical review of proposed affordable housing developments to Department program staff, executive management and the governing board.

Key Services and Functions: REA provides analysis and support for proposed single and multifamily housing developments considered for funding through the following programs:

- HOME,
- Housing Trust Fund (HTF),
- Housing Tax Credit (HTC),
- Multifamily Bonds, and
- Community Development Block Grant (CDBG) housing programs.

Major Program Activities. The major activities that this area undertakes to perform this function are to:

- Build the technical and professional capacity of Department employees through formalized training of REA staff, which represent future program staff and managers. The training program encompasses all aspects of real estate development, financing, financial analysis, and project feasibility as well as comprehensive exposure to the variety of affordable housing programs administered by the Department.
- Perform written "Credit Underwriting Analysis Reports" that contain analysis and recommendations for all multifamily, single family infrastructure/development, lot acquisition and interim construction transactions funded through the Department. The overall purpose of the underwriting analysis is to determine the likelihood that a real estate project financed or assisted by the Department will be successful in fulfilling the purpose of the program providing the assistance. As part of this feasibility analysis, REA identifies and evaluates risk or potential problems associated with any proposed transaction and, where applicable, provides structuring recommendations to the program staff to mitigate those risks. The underwriting analyses are then used by program staff to make award recommendations to the governing board.
- Complete the Cost Certification review process to ensure proper completion and final viability check of Tax Credit awarded developments and issue IRS form 8609 to each tax credit building that passes this final allocation requirement

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The chief evidence of the effectiveness of REA is the extremely low level of financial default of LIHTC transactions underwritten by REA. In addition, when measured by the amount of tax credit per unit of affordable housing, the Department has been one of the most efficient agencies that allocate low income housing tax credits in the country.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Important history not listed.

- Fall, 1993: The Executive Director and Housing Programs Director determined there was a need for independent underwriting.
- May 1996: Internal formalized training program established.
- June 1997: Comprehensive analytical tool developed.
- Summer 2002: Industry workgroup helped to update and expand underwriting standards and establish 10 TAC rules
- August 2002: Began publishing underwriting reports on the Department's web site.
- March 2003: Cost Certification process revamped and transferred to REA
- June 2007: Substantial overhaul made to the design and content of the underwriting report.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

- REA is an internal support function that provides a service to all housing programs in the Department and is a means of gaining informal efficiencies for program support activities that otherwise would be redundant and inconsistent in that it would have to be performed by each program area. REA provides underwriting services specifically for the Housing Tax Credit Program (both the 9% program and the 4% program), the HOME Program, the Housing Trust Fund, Multifamily Tax-Exempt Bond Programs, and housing products offered through the CDBG program and housing development products offered through the Office of Colonia Initiatives.
- Underwriting the feasibility of a project also includes efficient allocation of funds which results in more housing. Without such analysis, funding decisions would be made more on qualitative factors, rather than having an evaluation of the effectiveness and larger effects of the proposed solution. REA also provides each applicant with an early and clear indication that the Department is serious about maintaining rent restrictions by evaluating the rent schedules provided in each application and later on by evaluating owner's financial certifications of projects already in existence and notifying the Compliance staff when abuses are discovered.
- Evaluating the completion documentation in the cost certification process for the Housing Tax Credit Program.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

As stated previously, REA performs services for many program areas of the Department. Each program area has an application and scoring process for determining potential applications that fit program criteria and purposes.

After soliciting applications and scoring for programmatic purposes, the program areas forward the application files to REA for analysis. The credit underwriting process consists of the following major stages:

- Site Inspection Analysis
- Initial Application File Review & Follow-up
- Analysis of the project's proforma, Development Costs, and financing structure.
- Preparation of Credit Underwriting Analysis Report (including recommendation for approval, approval with conditions or denial).
- The Credit Underwriting Analysis Report with conditions for award and improvement to the project is forwarded back to the program area with the application file, where a determination is made for recommendation for approval or denial. REA staff, including the Director of REA, is available at the relevant board meetings where the application will be considered for approval.
- If approved the development will be constructed and significant changes in the development plan will be re-evaluated by REA staff to ensure continued feasibility.
- For developments funded with tax credits and final REA Cost Certification evaluation is done at completion of construction prior to the execution and delivery of the IRS forms that grant official rights to use the tax credits.
- Not all applications are completely underwritten. Some programs, threshold and scoring criteria may eliminate an applicant from consideration. In addition, site inspections may result in a determination that further consideration is not warranted. Similarly, upon initial file review, substantial missing information may be requested and if not provided by the applicant, a report cannot be completed.
- REA is dependent upon the funding cycles of the programs it serves. Therefore, because federal allocations are difficult to predict because of the changing nature and resource allocation of each program, the workload of REA varies year to year.

Field offices. REA has no field offices.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding sources and amounts. REA is currently funded with appropriated receipts associated with TDHCA's housing programs. Total funding for 2008 was $592,513.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal programs.
None. The underwriting function is a unique support function to the housing programs administered by the Department.

External programs.
Lending institutions typically have a function similar to REA.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

REA is a support function to the program areas of the Department. Because it is independent and centralized, there is no duplication of underwriting activity with other areas in the Department. This centralization also provides for consistent underwriting across all programs of the Department. During the underwriting process the underwriting staff is in direct contact with program staff so that if obstacles to completing the underwriting analysis exist, they will be exposed and resolutions to the problems can be coordinated. While contact varies between program areas, initial missing information is generally reported to the program in memo form and it is their role to contact the applicant and follow-up. When conflicting information is discovered later in the underwriting process, the applicant is generally contacted by phone directly from a REA staff member, though conference calls with Program staff on difficult issues are not uncommon. Any issues remaining after underwriting has completed the report generally become conditions of the report and are either resolved by program staff or become conditions of the Board approval as well.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Relationship with local governments. The program is not mandated to work with other units of local government; however, it does provide technical assistance from time to time on a requested basis to local housing authorities and forms of government on areas outside of the local entities' expertise or in a capacity to provide independent analysis.

K. If contracted expenditures are made through this program please provide:
- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

No contract expenditures were made through this program. However, REA assisted with the procurement of regional market studies in the past which have helped identify supply and demand of affordable housing in several markets across the state. The Department has had a limited budget for such studies the funding for which comes from fees on Multifamily Private Activity Tax-Exempt Bond administered through the Bond review Board. The amount of these fees available has diminished over the past year due to the downturn in financial institutions interest in funding Tax-Exempt Bond transactions.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

- REA is a unique support service for the Department that is not available to many smaller state housing agencies in other states.
- In addition, REA provides a unique opportunity for staff associates to efficiently learn "on the job" and develop an understanding of the inner workings of the Department and specific program job requirements. Moreover, internal training provides more continuity of staff resources for the Department.
- REA also continues to evolve to affect the more efficient allocation of public funds. REA maintains databases and information of comparable rent information, historical operating expenses of properties funded by the department, development cost information, and utility allowance information from across the state.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:
- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Generally not a regulatory program, however REA is responsible for maintaining the Department's rules for third party report providers including Market Studies, Appraisals, Environmental Site Assessments, and Property Condition Assessments. In addition the REA maintains a list of approved Market Study providers who may provide an acceptable Market Study for Tax Credit Developments in accordance with Internal Revenue Code Section 42 requirements.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Office of Colonia Initiatives
Location/Division	Office of Colonia Initiatives
Contact Name	Homero Cabello, Director
Actual Expenditures, FY 2008	$444,493
Number of FTEs as of August 31, 2008	7

Note: Expenditures reflect Administrative funding only.

B. What is the objective of this program or function? Describe the major activities performed under this program.

The fundamental goal of the Office of Colonia Initiatives (OCI) is to improve the living conditions and lives of border and colonia residents and to educate the public regarding the services offered through the Department. The OCI achieves this through administration of the Colonia Self-Help Centers Program and the previously described Texas Bootstrap Loan Program and by providing technical assistance to counties and self-help centers through its Austin office and three border field offices. These field offices, located in El Paso, Laredo and Edinburg help administer OCI programs and services and provide technical assistance to nonprofits, units of local governments, other community organizations and colonia residents along the Texas-Mexico border region regarding affordable housing program available to them. The OCI maintains a toll-free telephone line for similar purposes.

Colonia Self-Help Center Program

The Colonia Self-Help Center (SHC) Program is a statutorily required program that provides concentrated assistance to residents of specified colonias. As required by statute, TDHCA funds SHC in Cameron/Willacy, Hidalgo, Starr, Webb, and El Paso counties; TDHCA has also expanded the program to establish SHCs in Maverick and Val Verde counties. Examples of services provided include housing rehabilitation; new construction; surveying and platting; construction skills training; tool library access for self-help construction; housing finance; credit and debt counseling; grant writing; infrastructure constructions and access; contract for deed conversions; and capital access for mortgages. Five colonias in each county are identified to receive concentrated attention from its respective SHC.

Key services and functions:

The Colonia Self-Help Centers were created pursuant to Subchapter Z of Chapter 2306 of the Texas Government Code which dictates funding including the use and administration of all funds provided to TDHCA through the state's annual Community Development Block Grant allocation from the HUD. Colonia Self-Help Centers are designed to assist individuals and families of low-income and very low-income to finance, refinance, construct, improve, or maintain a safe, suitable home in the colonias' designated service area or in another area the Department has determined is suitable.

(a) A Colonia Self-Help Center's goal is to improve the living conditions of residents in the colonias designated by TDHCA according to the Texas Government Code within a four year period after a contract is awarded.
(b) A Colonia Self-Help Center may serve individuals and families of low-income and very low-income by:
(1) providing assistance in obtaining loans or grants to build, rehabilitate, repair or reconstruct a home;
(2) teaching construction skills necessary to repair or build a home;
(3) providing model home plans;
(4) operating a program to rent or provide tools for home construction and improvement for the benefit of property owners in colonias who are building or repairing a residence or installing necessary residential infrastructure;
(5) helping to obtain, construct, access, or improve the service and utility infrastructure designed to service residences in a

colonia, including potable water, wastewater disposal, drainage, streets, and utilities;
(6) surveying or platting residential property that an individual purchased without the benefit of a legal survey, plat, or record;
(7) providing credit and debt counseling related to home purchase and finance;
(8) applying for grants and loans to provide housing and other needed community improvements;
(9) providing other services that the Colonia Self-Help Center, with the approval of the Department, determines are necessary to assist colonia residents in improving their physical living conditions, including help in obtaining suitable alternative housing outside of a colonia's area;
(10) providing assistance in obtaining loans or grants to enable an individual or a family to acquire fee simple title to property that originally was purchased under a contract for a deed, contract for sale, or other executory contract;
(11) providing access to computers, the internet and computer training pursuant to the General Appropriations Act.
(12) providing monthly programs to educate individuals and families on their rights and responsibilities as property owners.

Major program activities

- The Department provides funding for services delivered at the local level through county government and nonprofits.
- The Department is responsible for:
  a) Development of contracts with affected counties to provide services within identified colonias.
  b) Oversight of program administration and compliance.
  c) Technical assistance.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

FY2008 performance measures

2.1.2. Strategy: Provide Tech. Asst. to Colonias through Office of Colonia Initiatives Field Offices	
Output 1: Number of On-site Tech. Asst. Visits Conducted Annually from the Colonias Field Offices	904
Output 2: Number of Colonia Residents Receiving Tech. Asst. Annually through the Colonia Field Offices	8,666
Output 3: Number of Entities and/or Individuals Receiving Info. Resources	2,987

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

In 1995, the Colonia Self-Help Center Program was established through SB1509, 74th Texas Legislature. Since its inception the program has been funded through a portion of the state's Community Development Block Grant allocation.

In 1996, TDHCA established the Office of Colonia Initiatives (OCI) Division to coordinate Department and legislative initiatives involving border issues and manage a portion of the Department's existing programs targeted for colonia residents.

In 2001 the 77thTexas Legislature created the Texas Department of Rural Affairs through HB 7, transferring the Texas Community Development Program to the new agency. Rider language relating to funding of the SHC Program was amended to require transfer of these funds to TDHCA for continued administration of the program.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The TDHCA Office of Colonia Initiatives provides technical assistance and resources to units of local government and nonprofits in border communities, low income persons in border communities, colonia residents, and self-help housing providers. Underdeveloped areas outside the jurisdiction of a municipality in particular benefit from the housing and infrastructure improvement provided through the Self-Help Centers.

<u>Colonia Self-Help Center Program:</u>
<u>Beneficiary eligibility</u>
Residents of targeted colonias who earn no more than eighty percent (80%) of the area median family income.

<u>Provider Eligibility</u>
As required by statute, operation of the colonia SHCs is managed by a local nonprofit organization, local community action agency, or local housing authority. Because CDBG funds can only be awarded to units of local government, TDHCA contracts with the affected counties to administer each SHC. These counties subcontract with a nonprofit organization to administer the program in their respective jurisdiction.

<u>Statistics</u>
The Colonia Self-Help Center program serves 35 colonias in the eight counties; the counties have approximately 30,000 colonia residents who qualify as beneficiaries of the SHC Program services.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Department distributes Colonia Self-Help Center funds to Unit of Local Governments (Counties) from the 2.5% set-aside of the annual Community Development Block Grant allocation to the State of Texas. In accordance with a note referenced in §487.351 of the Texas Government Code (§2.15 of Acts 2001, Chapter 1367, 77th Legislative Session), a Memorandum of Understanding (MOU) is executed between the Department and the Texas Department of Rural Affairs (TDRA) to transfer federal Community Development Block Grant (CDBG) funds from TDRA to TDHCA for the administration, operation and program activities of the Department's Border Field Offices and the Colonia Self-Help Centers (SHC) pursuant to the provisions of the General Appropriations Act and as authorized pursuant to Subchapter Z of Chapter 2306, Texas Government Code.

The Department allocates no more than $1.2 million per Colonia Self-Help Center award except as provided by Colonia Self-Help Center Rules. If there are insufficient funds available from any specific program year to fund a proposal fully, the awarded county may accept the amount available at that time and wait for the remaining funds to be committed upon the Department's receipt of the CDBG set-aside allocation from the next program year.

Major Administrative Activities Associated with the Colonia Self Help Center Program:

- Development of program rules and Requests for Proposals (if applicable).
- Review proposals received from counties.
- Administer and monitor resulting four-year contracts.

- As needed, coordinate with the Texas Water Development Board and Texas Department of Rural Affairs to eliminate delay in water and wastewater hookups.
- Provide technical assistance and training.

Border Field Offices activities:

- Provide workshops and other training to local officials regarding TDHCA and other affordable housing programs.
- Respond to requests for technical assistance related to affordable housing issues.
- Assist in administration of Bootstrap Home Loan Program, including training, technical assistance, and the servicing of loans.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding sources:
As required by current Rider 8 in TDHCA's bill pattern and Rider 7 in the Texas Department of Rural Affairs (TDRA) bill pattern, 2.5% of the state's annual allocation of Community Development Block Grant funds administered by TDRA must be directed to the Colonia Self-Help Centers. TDHCA receives these funds through an MOU as described in Section I. (Note: Funds used for direct program assistance are not reflected in TDHCA's bill pattern while limited funding transferred to TDHCA for administrative purposes in accordance to the MOU are reflected in TDHCA's bill pattern as an Interagency Contract.) TDHCA also utilizes Housing Trust Fund administrative funds, Appropriated Receipts, and HOME funds to support the OCI.

Total Funding Sources and SFY 2008 funding are as follows:

Federal Funds:
$1,377,276 in Community Development Block Grant Program Funds (This is 2.5% of the annual CDBG allocation and flows through TDRA; it is not reflected in TDHCA's bill pattern.)

$5,112 in HOME funds.

General Revenue:	$ 228,031
Appropriated Receipts:	$ 237,770
Interagency Contracts:	$ 68,069

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal programs

- The Department's various development and housing programs provide funding for some of the activities undertaken by self-help centers, but the concentrated and coordinated assistance to specific colonias which the program undertakes is unique.
- The Department maintains three field offices along the border that provide technical assistance to the region as well as support to the Colonia Self-Help Centers.
- Differences between border field offices and the Colonia Self-Help Centers.
    - Field offices work primarily with nonprofits and units of local government; whereas the Colonia Self-Help Centers work within the five targeted colonias.

- Field offices primarily provide technical assistance; whereas the Colonia Self-Help Centers also provide direct services.
- Field offices serve multi-county areas, whereas the Colonia Self-Help Centers concentrate on the five targeted colonias.

External program

- Colonias tend to be located outside of municipalities and therefore must rely on county resources. USDA Rural Development also offers housing funds to these areas. While other state agencies (e.g., Texas Water Development Board and Texas Department of Rural Affairs) provide some infrastructure funding statewide, activities funded tend to be complementary to rather than identical to activities funded through Department programs.
- There are other centers providing service to the colonias (e.g., the Texas A & M Community Service Centers), but these centers provide assistance with health and human services rather than housing and community development.
- The Texas Department of Rural Affairs operates field offices, however they are focused on community development specifically.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Coordination effort

The Department regularly meets with other local, state and federal officials working to improve living conditions in colonias to ensure coordinated, non-duplicative services. This is necessary given the extensive need found in colonias and limited resources available. SHCs are eligible to apply for other TDHCA funding to complement their CDBG-funded activities.

MOUs

In accordance with a note referenced in §487.351 of the Texas Government Code (§2.15 of Acts 2001, Chapter 1367, 77th Legislative Session), a Memorandum of Understanding (MOU) is executed between the Department and the Texas Department of Rural Affairs (TDRA) to transfer federal Community Development Block Grant (CDBG) funds from TDRA to TDHCA for the administration, operation and program activities of the Department's Border Field Offices and the Colonia Self-Help Centers (SHC) pursuant to the provisions of the General Appropriations Act and as authorized pursuant to Subchapter Z of Chapter 2306, Texas Government Code.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Relationship with local governments.

- The Department contracts with affected counties to oversee the operation of the Colonia Self-Help Centers.
- As requested, the OCI provides technical assistance to communities.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

No professional contracts were expensed through this office.

As previously noted, funding made through the Colonia Self-Help Center Program flows through the budget of TDRA and not through TDHCA. While not reflected in the TDHCA's budget, TDHCA utilized SFY 2008 SHC funds to support three (3) contracts totaling $1,794,477.

A short summary of the general purpose of those contracts overall:
The Colonia Self-Help Centers are designed to assist individuals and families of low-income and very low-income to finance, refinance, construct, improve, or maintain a safe, suitable home in the colonias' designated service area.

The methods used to ensure accountability for funding and performance:
Internal Standard Operational Procedures ensures that more than one Office of Colonia Initiative employee reviews a draw request prior to final approval. The Department's environmental staff ensures that federal environmental regulations are cleared prior to release of funds for construction activities. The Department's monitoring division monitors each contract minimally two times to verify that all applicable state and federal laws and regulations are followed. The Department's Internal Audit division conducts program audits to determine if the internal processes are being utilized and followed.

A short description of any current contracting problem:
High staff turnover in county departments and nonprofits create a constant need to build the capacity of local partners who oversee the implementation of the Colonia Self Help Centers.

As previously noted, funding made through the Colonia Self-Help Center Program flow through the budget of the Texas Department of Rural Affairs and not through TDHCA. While not reflected in TDHCA's budget, TDHCA utilized SFY 2008 SHC funds to support three (3) contracts totaling $1,794,477.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

While statute specifies that a nonprofit must administer the SHC Program, Community Development Block Grant funds can only be awarded to units of local government. Therefore, TDHCA contracts with counties for the program. The counties subcontract with nonprofit organizations to administer the program.

The Colonia Self-Help Center Program Rules should be utilized to gain a better understanding of this program.

Program webpage: http://www.tdhca.state.tx.us/oci/index.jsp.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Single Family Bond Finance
Location/Division	Bond Finance Division
Contact Name	Matt Pogor, Director
Actual Expenditures, FY 2008	$680,581
Number of FTEs as of August 31, 2008	10

B. What is the objective of this program or function? Describe the major activities performed under this program.

The objective of this function is to maximize the benefits provided to low to moderate income homebuyers through the First Time Homebuyer and the Mortgage Credit Certificate Programs and ensure compliance of all bond covenants. Towards this end, Bond Finance is responsible for the following:

- Structuring and issuance of single family mortgage revenue bonds, the proceeds of which will be used for below market interest rate mortgage loans and down payment assistance to very low, low and moderate income first-time homebuyers. These low interest rate mortgages significantly lower the cost of financing a home.
- Structuring and issuance of mortgage credit certificates.
- Ongoing compliance and monitoring of all single family and multifamily mortgage revenue bonds relating to the bond trust indentures including the payment of bond principal, interest and related fees, including timely and ongoing disclosure notices to the Municipal Securities Rulemaking Board, as required by the Securities Exchange Commission.

Major activities of the Bond Finance Division

- Structure single family mortgage revenue bonds with underwriting syndicate, bond counsel and financial advisor.
- Structure and administer Mortgage Credit Certificate Programs.
- Oversee sale of bonds to investors (through underwriting syndicate) and allocation of proceeds received from the sale to qualifying lending institutions throughout Texas.
- Monitor single family and multifamily bonds to ensure compliance with bond indentures, supplemental bond indentures, investment agreements, continuing disclosure agreements, and other legal documents.
- Monitor single family variable rate bond and interest rate swap performance.
- Monitor and negotiate liquidity provider contracts.
- Monitor mortgage pipeline and performance of program funds. Implement buydown and down payment assistance programs as necessary.
- Disseminate annual operating data, annual financial information, and material event notices required by the Securities and Exchange Commission.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

TDHCA's bonds have historically had high ratings, allowing TDHCA to offer lower interest rates to the low and moderate income households served. TDHCA's strong portfolio and flexibility have thus far allowed the agency to weather the current financial crisis. While TDHCA was unable to issue single family bonds in SFY 2008, TDHCA is in the process of issuing

$102.6 million in bonds despite the continuing crisis. TDHCA is able to accomplish this through the cooperation of the Comptroller of Public Accounts, which is supporting TDHCA's single family bonds by serving as the "liquidity provider" for the portfolio. *(See discussion on this issue in Section IX, Policy Issues.)*

See entry related to the First Time Homebuyer for relevant performance measures.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

- Tax-exempt and taxable bonds have been issued by the Department and its predecessor agency since 1980.
- The Tax Reform Act of 1986, passed laws affecting the tax code, including placing a per capita ceiling cap on the amount of tax-exempt financing that could be issued for private-activity purposes.
- Due to the current credit crisis, TDHCA was not able to issue bonds in SFY 2008; TDHCA issued only mortgage credit certificates during this timeframe.
- Despite the continuing crisis, TDHCA's strong portfolio and the cooperation of the Comptroller of Public Accounts will allow the Department to issue bonds in SFY 2009.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

See entry for First Time Homebuyer Program to find information on borrower eligibility.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Major activities of the Bond Finance Division

- Structure single family mortgage revenue bonds with underwriting syndicate, bond counsel and financial advisor.
- Structure and administer Mortgage Credit Certificate Programs.
- Oversee sale of bonds to investors (through underwriting syndicate) and allocation of proceeds received from the sale to qualifying lending institutions throughout Texas.
- Monitor single family and multifamily bonds to ensure compliance with bond indentures, supplemental bond indentures, investment agreements, continuing disclosure agreements, and other legal documents.
- Monitor single family variable rate bond and interest rate swap performance.
- Monitor and negotiate liquidity provider contracts.
- Monitor mortgage pipeline and performance of program funds. Implement buydown and down payment assistance programs as necessary.
- Disseminate annual operating data, annual financial information, and material event notices required by the Securities and Exchange Commission.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding sources.
Chapter 1372, Texas Government Code, sets aside 28% of the state PAB authority for single family use. Of this, one-third is reserved for use by TDHCA. TDHCA can utilize the authority to issue tax-exempt single family mortgage revenue bonds in support of the First Time Homebuyer Program or to issue Mortgage Credit Certificates. In accordance with federal law, TDHCA must reserve 20% of resulting bond proceeds and certificates for federally designated target areas. Additionally, Rider 11 of TDHCA's bill pattern requires that 30% of bond proceeds be reserved for down payment assistance for low income persons. Both set-asides are in place for one year, at which time funds become available to all groups.

Like other issuers, TDHCA can expand available resources by seeking additional PAB cap released by other issuers or by combining the tax-exempt bonds with taxable bonds. With the exception of the previously discussed set asides, funds are available statewide on a first come, first-serve basis through participating lenders.

SFY 2008 Funding
In SFY 2008, this translated to almost $190 million in PAB authority. Due to the economic crisis and its impact on the bond market, TDHCA issued no bonds in SFY 2008 but was able to make $15 million in MCC available; this utilized $60 million of TDHCA's single family Private Activity Bond authority.

Fee Revenue/Appropriated Receipts
Appropriated receipts defray administrative costs associated with the program and are derived from administrative fees received by the Department for its services to ensure compliance with covenants and agreements. Depending on the bond structure, the fees vary from ten basis points to thirty-five basis points on mortgage loans outstanding, paid semi-annually. (A basis point is one-tenth of one percent.) The Department also receives an administrative fee for its services in issuing each MCC. The Department estimates the fee revenue and includes it in it Legislative Appropriations Request as Appropriated Receipts, which is then appropriated back to the Department through the General Appropriations Act. HB 1, 80th Texas Legislature appropriates $1,160,906 in support of TDHCA's Single Family Mortgage Revenue Bond and Mortgage Credit Certificate programs under Strategy A.1.1. Single family fees also support other TDHCA areas involved in the promotion of homeownership or in support of these programs, including the Office of Colonia Initiatives, the Housing Resource Center, and Central Support. (*See Section V-E for information on fees collected*.)

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal programs
There are no internal programs that carry out the same activities as the FTHB Program. Homebuyer assistance currently available through the HTF and HOME programs strictly entails down-payment assistance.

External programs
- There are approximately 51 local Housing Finance Authorities (HFAs) throughout Texas. The local HFAs compete through the lottery system at the Texas Bond Review Board for two-thirds of the bond cap reserved for single family mortgage loans. Like the Department, local HFA's also have the authorization to issue Tax-Exempt Mortgage Revenue Bonds to provide low-interest rate mortgage loans to first time homebuyers. For the most part, the local HFAs' programs are identical in nature to the state's program with the exception of service area. Local HFAs may only originate loans in their designated service area, whereas TDHCA serves the entire State of Texas. Also, local

HFA programs do not have the same set-aside restrictions found in the Department's programs. For the first one-year period after bonds are issued, the Department is requiring that 30% of the funds made available for financing mortgage loans be set aside for individuals and families of very low income (60% of applicable median family income). The Department also requires set-asides for rural and underserved areas and areas struck by natural disaster.

- The Texas State Affordable Housing Corporation (TSAHC) is a nonprofit corporation engaging in single family and multifamily lending and is a statewide issuer of housing finance bonds. TSAHC offers first-time homebuyer programs to specific professionals working in the state of Texas. Currently the Corporation administers the Homes for Texas Heroes and Professional Educators Home Loan Programs. The programs are available statewide on a first-come, first-served basis, and may offer low interest mortgage loans and down payment assistance.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Coordination efforts

The demand for Mortgage Revenue Bond financing in the State of Texas far outweighs the supply of funding afforded to both state and local Housing Finance Agencies. Local Mortgage Revenue Bond programs supplement the state's effort to provide affordable permanent financing.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

TDHCA and the Federal Housing Administration (FHA) entered into a Memorandum of Understanding (MOU) to promote safer, affordable government-insured mortgages in Texas. The MOU strengthens the partnership between the two governmental entities to assist each other to protect the financing process through adhering to underwriting rules for mortgages insured pursuant to the FHA's mortgage insurance programs; training lenders on FHA loan origination through a lender outreach and education plan; providing homeownership educator and counselor outreach and education; providing back-to-basics consumer homebuyer education; and helping lenders become familiar with, and understanding fair lending practices.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

No agency-related professional contracts were expensed to this program. However, fee revenue from the program defrays costs of agency-wide audits and other expenses incurred through Central Administration.

It should also be noted that professional contracts entered into in association with the issuance of mortgage revenue bonds are part of the Cost of Issuance (COI) for each bond and is paid through resulting bond proceeds. COI is part of the bond indenture and not reflected in the Department's budget.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Sections 2306.142(i) and 2306.142(l) of the Texas Government Code require the Department to allocate not less than 40% of the total single family mortgage revenue bond loan volume to meet the credit needs of borrowers in underserved economic and geographic submarkets in the state. The Department has determined it is unfeasible or will damage the financial condition of the Department to issue bonds with these restrictions. The Department currently is granted a waiver from this requirement by the Texas Bond Review Board with each bond issuance. Removal of these provisions would remove the necessity of requesting an annual waiver.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Program webpage: http://www.tdhca.state.tx.us/hf_bond_finance.htm.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities**

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	First Time Homebuyer Program, Mortgage Credit Certificate Program
Location/Division	Texas Homeownership Division
Contact Name	Eric Pike, Director
Actual Expenditures, FY 2008	$421,017
Number of FTEs as of August 31, 2008	5

B. What is the objective of this program or function? Describe the major activities performed under this program.

The objective through TDHCA's Texas Homeownership Division is to offer safe, conventional homeownership products to very low, low, and moderate income Texans who are ready for homeownership. Funds for this program are driven by a process where TDHCA receives a percentage of the state's tax-exempt private activity cap bond authority to finance below market interest loans, down payment assistance and mortgage credit certificates. The Department is responsible for issuing single-family mortgage bonds and mortgage credit certificates. The Department then distributes the resulting bond proceeds and mortgage credit certificates through a statewide network of private lenders who extend assistance to eligible households through the First Time Homebuyer and Mortgage Credit Certificate programs described in more detail below.

First-Time Homebuyer Program

The program is offered through a statewide network of participating lenders. The program provides homeownership opportunities for qualified individuals and families whose gross annual household income does not exceed 115% (this can reach 140% if the buyer is purchasing in a "targeted" area) of AMFI limitations, based on IRS adjusted income limits and the purchase price of the home must not exceed stipulated maximum purchase price limits. A minimum of 30% of program funds will be set aside to assist Texans earning 80% or less of program income limits.

The First Time Homebuyer Program may offer eligible homebuyers below market interest rate loans and/or down payment assistance. The First Time Homebuyer Program offers income eligible homebuyers a grant equal to 5% of the mortgage amount. To be eligible for that assistance, the buyer's income generally may not exceed 60% of the Area Median Family Income (AMFI) if purchasing a property in a Non-Targeted area. If purchasing in a Targeted area, which includes the Rita GO Zone, the buyer's income can go up to 140% AMFI based on family size. The program is available on a first-come, first served basis to individuals or families who meet income and home purchase requirements and have not owned a home as their primary residence in the past three (3) years. The program income and purchase price limits may be higher for eligible homebuyers purchasing in a targeted area or a disaster declared area. It should also be noted that homebuyers must complete a pre-purchase homebuyer education course prior to loan closing.

Mortgage Credit Certificate Program

TDHCA has the ability to issue Mortgage Credit Certificates (MCCs) through its bond authority. The program is offered through a network of approved lenders. An MCC provides a tax credit that reduces the federal income taxes, dollar-for-dollar, of qualified buyers purchasing a qualified residence. The credit cannot be greater than the annual federal income tax liability, after all other credits and deductions have been taken into account. MCC tax credits in excess of a borrower's current year tax liability may, however, be carried forward for use during the subsequent three years.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Performance figures for 2008:

1.1.1. Strategy: Provide Mortgage Financing & HBA through the Single Family Finance Division	
Output 1: Number of SF Loans and MCCs	2,057
Efficiency 1: Avg. Amt. Per Households FTHB w/out DPA	$ 128,652
Efficiency 2: Avg. Amt. Per Household FTHB w/ DPA	$ 97,738
Efficiency 3: Avg. Amt. Per Household New Constr. SF Bond	$ 22,417
Efficiency 4: Avg. Amt. Per Household Rehab SF Bond	-
Efficiency 5: Avg. Mortgage Credit Cert. Amt.	$ 38,533
Explanatory 1: FTHB Number of Households Served w/out DPA	1,001
Explanatory 2: FTHB w/ DPA Number of Loans	1,015
Explanatory 3: New Constr. Number of Households Served	18
Explanatory 4: Rehab Number of Households Served	0
Explanatory 5: Number of MCCs	23

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

See Bond Finance entry.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Borrower eligibility.

- Program recipients in non-targeted areas can earn no more than 100% of area median family income (AMFI). Families of three or more can earn up to 115% AMFI. Program recipients in targeted areas can earn no more than 120% AMFI and families of three or more can earn up to 140% AMFI.
- Borrower(s) must be a first time homebuyer (no homeownership of principal residence within past three years), except for in targeted areas, disaster declared areas, or those who are qualified veterans.
- The acquisition cost of the property cannot exceed 90% of the Average Area purchase price for non-targeted areas; 110% of Average Area purchase price for targeted areas and disaster declared areas, as established by the Treasury Department.

Local Providers.
The programs are offered through participating for profit and nonprofit private lenders.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Texas Homeownership Division is responsible for the day-to-day administration of certain activities related to the lending of MRB loan funds and the issuance of mortgage credit certificates. While the actual issuance of the bonds is the responsibility of the Bond Finance Division, it is critical that the Bond Finance Division and the Texas Homeownership Division work in concert throughout the bond issuance process.

The duties that are the responsibility of the Texas Homeownership Division as they relate to the FTHB Program and Mortgage Credit Certificate Program include:

1. Review Preliminary and Final Bond Program and Mortgage Credit Certificate Program Documents; Homeownership Division provides important input to Bond Finance regarding current market needs.
2. Process Lender Invitations to Participate
3. Oversee Lender Approval Process
4. Public Notification of available funds (speaking at workshops and conferences)
5. Lender Training
6. Program Marketing/Advertising
7. Consumer Hotline Administration
8. Tax Compliance Review
9. Monitoring of Lenders, Allocations, and Program Deadlines

The Texas Homeownership Division also administers the Mortgage Advantage Program and the 90-Day Down Payment Assistance Program. TDHCA created the 2 down payment assistance programs in an effort to monetize the $8,000 federal first time homebuyer tax credit made available through the American Recovery and Reinvestment Act of 2009. The 90 Day Down Payment Assistance Program provides up to $7,000 for borrowers purchasing their first home. The 2nd lien loan is zero percent interest for 90 days; thereafter, it amortizes for 2 years at a 10% interest rate. The Mortgage Advantage Program provides up to $6,000 for down payment assistance and must be used in conjunction with the Department's Mortgage Revenue Bond or Mortgage Credit Certificate Programs. This 2nd lien loan program is also 0% interest for 120 days; thereafter, it amortizes for 5 years at a 7% interest rate.

Administration of the Mortgage Advantage Program and the 90 Day Down Payment Assistance Program include the following responsibilities:

1. Developing Lender Agreements
2. Process loan packages.
3. Review and approval of loan files to ensure Lender is in compliance with the program guidelines.
4. Prepare and issue 2nd lien loan documents.
5. Review loan closing packages for proper compliance and documentation upon funding of the loan.

As part of the public notification process, staff participates in numerous homebuyer fairs, housing summits and Realtor sponsored events around the state.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

See Bond Finance entry.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Internal programs

There are no internal programs that carry out the same activities as the FTHB Program; however, homebuyer assistance is also available through the Department's HOME and HTF programs. The Bootstrap Program offers mortgages, but only through self-help housing.

External programs

- There are approximately 51 local Housing Finance Authorities (HFAs) throughout Texas. The local HFAs compete through the lottery system at the Texas Bond Review Board for two-thirds of the Private Activity Bond cap reserved for single family mortgage loans. Like the Department, local HFA's also have the authorization to issue Tax-Exempt Mortgage Revenue Bonds to provide low-interest rate mortgage loans to first time homebuyers. For the most part, the local HFAs' programs are identical in nature to the state's program with the exception of service area: Local HFAs may only originate loans in their designated service area, whereas TDHCA serves the entire State of Texas. Also, local HFA programs do not have the same set-aside restrictions found in the Department's program. For a period of one-year after bonds are issued, the Department is required to set-aside 30% of its lendable proceeds to finance mortgage loans for individuals and families at 80% and below the area median family income. In an effort to facilitate the origination of these loans, the Department is also required to provide down payment and closing cost assistance.
- The Texas State Affordable Housing Corporation (TSAHC) is a quasi-governmental nonprofit corporation engaging in single family and multifamily lending and is a statewide issuer of housing finance bonds. TSAHC offers first-time homebuyer programs to specific professionals working in the state of Texas. Currently the Corporation administers the Homes for Texas Heroes and Professional Educators Home Loan Programs. The programs are available statewide on a first-come, first-served basis, and may offer low interest mortgage loans and down payment assistance.
- The Veteran's Land Board offers homebuyer assistance.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Coordination efforts

- In December 2004, TDHCA entered into a partnership with the Texas Association of Realtors (TAR) as a means of helping more Texans become first time homeowners. This initiative, United Texas: Housing Initiatives That Work, included a major effort beginning in 2005 to train the 90,000 Realtors® in Texas on how to help first time homebuyers obtain low-cost mortgage financing. The 4-hour MCE course provides Realtors® with information on the mortgage loan process, real-estate statistics, as well as specific program information on TDHCA's affordable housing programs, Texas Veterans Land Board programs and USDA Rural Development programs. As of July 2009, division staff has participated in 79 classes, training approximately 3,400 Texas Realtors®.

- The demand for Mortgage Revenue Bond financing in the State of Texas far outweighs the supply of funding afforded to both state and local Housing Finance Agencies. Local Mortgage Revenue Bond programs supplement the state's effort to provide affordable permanent financing.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

TDHCA and the Federal Housing Administration (FHA) entered into a Memorandum of Understanding (MOU) to promote safer, affordable government-insured mortgages in Texas. The MOU strengthens the partnership between the two governmental entities to assist each other to protect the financing process through adhering to underwriting rules for mortgages insured pursuant to the FHA's mortgage insurance programs; training lenders on FHA loan origination through a lender outreach and education plan; providing homeownership educator and counselor outreach and education; providing back-to-basics consumer homebuyer education; and helping lenders become familiar with, and understanding fair lending practices.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems

See Bond Finance entry.

No contract expenditures were made through this division for fiscal year 2008; however, it should be noted that 2,057 households benefited from $232,874,750 in loans or mortgage credit certificates issued through a network of 95 lenders statewide (450 branch offices). These loans are funded through bond proceeds that are not reflected in the TDHCA budget.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Division webpage: http://www.tdhca.state.tx.us/homeownership/index.htm

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Texas Statewide Homebuyer Education Program
Location/Division	Texas Homeownership Division
Contact Name	Eric Pike, Director
Actual Expenditures, FY 2008	$71,880
Number of FTEs as of August 31, 2008	NA

B. What is the objective of this program or function? Describe the major activities performed under this program.

In 1997, the 75th Texas Legislature passed HB 2577, which charged the Department with the development and implementation of a statewide homebuyer education program, designed to provide information and counseling to prospective homebuyers about the home buying process. The Texas Statewide Homebuyer Education Program (TSHEP) was created to fulfill this mandate. TDHCA funds TSHEP and contracts with training professionals to offer certification training to nonprofit organizations including Texas Agriculture Extension Agents, units of local government, faith-based organizations, CHDOs, community development corporations, community-based organizations and other organizations with a proven interest in community building.

<u>Key services and functions.</u>
The program provides homebuyer educational training to nonprofit organizations located throughout the state.

<u>Major program activities.</u>

- Program development,
- Identifying and accessing funding sources,
- Development of Request for Proposals,
- Scoring of proposals and final award determination,
- Program monitoring,
- Coordination of TSHEP partnerships.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Through TSHEP, approximately 560 organizations have been trained and to date a total of 26 workshops have been conducted.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

<u>Important history</u>.

- The 75th Texas Legislature directed TDHCA to develop a statewide homebuyer education referral list and make it available on the agency website and through a toll-free number to locate TSHEP providers. The Department willingly exceeded this mandate by expanding TSHEP to provide training to local providers and establishing the parameters of the current program.

- In response to the foreclosure crisis, TSHEP has significantly increased its training materials specific to this issue.

See discussion of Foreclosure Mitigation Counseling (FMC) Program under New Programs.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Population served.

- The program is designed to serve consumers interested in purchasing a home, especially underserved populations, including lower income persons/households, minority populations, persons with disabilities, and persons living in colonias.
- Recently, under the Mortgage Revenue Bond and Texas Mortgage Credit Programs administered through the Texas Homeownership Division, all homebuyers are required to complete a homebuyer education course and can use the TSHEP homebuyer education providers.
- Organizations eligible for training including Texas Agriculture Extension Agents, units of local government, faith-based organizations, CHDOs, community development corporations, community-based organizations and other organizations with a proven interest in community building.

Key services and functions. The program provides Homebuyer educational training to nonprofit organizations located throughout the state.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Major program activities.

- Program development,
- Identifying and accessing funding sources,
- Development of Request for Proposals,
- Scoring of proposals and final award determination,
- Program monitoring,
- Coordination of TSHEP partnerships.

On an annual basis, the Department contracts with its service provider, currently the nationally recognized Neighborhood Reinvestment Corporation dba NeighborWorks America, to conduct TSHEP sponsored workshop trainings within the state. The trainings generally consist of basic pre- and post purchase counseling trainings and continuing education courses.

- Entities eligible to receive training: Nonprofit organizations (e.g. units of local government, public housing authorities, faith-based organizations, Community Housing Development Organizations).
- Training Component: Through the workshops offered, local nonprofit organizations are taught the principles and applications of comprehensive pre- and post purchase homebuyer education and certified as homebuyer education providers. The priority of the program is to ensure that there are nonprofits trained and qualified to address the demand for homebuyer education in all areas of the state and underserved areas.

- Targeted Beneficiaries: All Texans interested in purchasing a home are eligible to attend classes provided by a certified organization. Homebuyer education providers are encouraged to market to underserved populations (e.g. persons with disabilities, minorities, and low-income populations) and underserved areas (those that do not already have easy access in their area).

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding sources.
Housing Trust Fund Single Family General Revenue - $71,880. (TDHCA uses HTF administrative funds for this purpose.)

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

External programs.
There are many organizations throughout the state that conduct homebuyer education classes. The intention of TSHEP is to increase the ability of the existing successful providers to reach potential homebuyers, as well as take a more comprehensive approach. While there are numerous organizations in many cities in Texas, there is no one organization that oversees the operations or assures quality of homebuyer education providers throughout the state.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The goal of TSHEP is to bring comprehensive homebuyer education to all 254 Texas counties without duplicating the efforts of successful existing homebuyer education programs. The Department is not providing services directly but is using existing organizations to provide these services.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Relationships with local governments.
Units of local government are eligible to attend the TSHEP training seminars.

K. If contracted expenditures are made through this program please provide:
- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

TDHCA expended $71,880 on a contract to provide training to homebuyer education counselors across the State of Texas. TDHCA was present during all training sessions and employs standard contract monitoring practices. TDHCA is not experiencing any contracting problems.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Division webpage: http://www.tdhca.state.tx.us/homeownership/tshep/index.htm

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:
- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

COMPLIANCE

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Compliance and Asset Oversight
Location/Division	Compliance and Asset Oversight
Contact Name	Patricia Murphy, Chief of Compliance and Asset Oversight
Actual Expenditures, FY 2008	$2,980,558
Number of FTEs as of August 31, 2008	29

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Compliance and Asset Oversight (CAO) Division ensures compliance with federal and state housing programs through desk reviews and on-site monitoring visits. CAO monitors entities that receive funding under the Housing Tax Credit (HTC), Tax Exempt Bond, HOME Investment Partnerships Program, Housing Trust Fund (HTF), and Community Development Block Grant (CDBG) programs. The monitoring performed by the Compliance and Asset Oversight division is required by federal statues and laws. For example, Treasury Regulation 1.42-5 requires any agency that allocates Housing Tax Credits to monitor for compliance. Likewise, participating jurisdictions that allocate HOME funds must monitor for compliance.

Compliance and Asset Oversight is comprised of 3 sections:

- Contract Monitoring,
- Compliance Monitoring and
- Physical Inspections

<u>Contract Monitoring</u> – The Contract Monitoring section is responsible for monitoring HOME, HTF, CDBG Disaster Relief, and CDBG Self Help Center contracts. Contracts are selected for monitoring based on a risk assessment. Many of the contracts selected for monitoring are single family owner occupied rehabilitation and Tenant Based Rental Assistance contracts under the HOME and HTF programs. Rental contracts are monitored during the construction period for compliance with Davis Bacon Labor Standards and cost allowability. The Contract Monitoring section is also responsible for ensuring that all Department subrecipients are in compliance with federal and state Single Audit requirements.

Contract Monitoring also completes Previous Participation reviews to ensure that applicants are eligible to receive Department funds and are not affiliated with a property in material noncompliance in accordance with statutory requirements. Developers/Administrators found to be affiliated with property in material noncompliance or with outstanding issues of noncompliance are not eligible for funding through the Department.

<u>Major activities</u> -

- Conducts on-site program and financial review of subrecipient records to ensure compliance with applicable requirements.
- Performs physical inspections of single family homes to ensure compliance with applicable property standards.
- Conducts desk reviews of subrecipient records to ensure compliance with applicable requirements.
- Prepares and distributes monitoring reports to subrecipients.
- Reviews corrective action submitted by administrators in response to monitoring letters.

- Reviews Single Audit reports for all Department subrecipients to ensure compliance with OMB Circular A-133 requirements.
- Reviews applicant compliance history to ensure eligibility to receive new award.

Compliance Monitoring – The Compliance Monitoring section monitors the multifamily rental portfolio to ensure that units are leased to low income households, rents are properly restricted and for other requirements of their Land Use Restriction Agreement. Examples of additional requirements include, affirmative marketing, leasing to special needs households, and providing social services.

Compliance and Asset Oversight monitors the multifamily rental portfolio funded by the Department. The Division is divided into four sections:

Major activities -

- Provides training and technical assistance to owners and management companies.
- Conducts on-site monitoring reviews. While on-site, staff reviews at least 20% of the lease files to ensure compliance with program requirements.
- Provides written monitoring letters with required corrective action and deadlines.
- Reviews owner corrective action submitted in response to monitoring letters.
- Submits form 8823 (Report of Noncompliance) to the Internal Revenue Service to report noncompliance, whether or not corrected.
- Scores all noncompliance in the Department's Compliance Status System.
- Reviews the Annual Owner's Compliance Report for all rental properties funded by the Department
- Conducts quarterly desk reviews of HOME and HTF properties during lease up.
- Provides training to owners and management staff on an on-going basis.

Physical Inspection – The Physical Inspection section monitors during construction to ensure compliance with accessibility laws (§504 of the Rehabilitation Act of 1973 and the Fair Housing Act) and to ensure that amenities promised at the time of application are present. Once construction is complete and the property is operating, the Physical Inspections section also inspects to ensure that the properties are decent, safe, sanitary, in good repair and suitable for occupancy.

Major activities -

- Conducts physical inspections of rental housing using the Uniform Physical Condition Standards (UPCS) from the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (HUD and REAC). While on-site, at least 20% of the low income units are physically inspected.
- Oversees contracts with outside vendors that conduct UPCS inspections on behalf of the Department.
- Evaluates and scores UPCS reports.
- Sends notices of noncompliance to owners, management agents, and site staff outlining noted UPCS violations.
- Reviews owner's corrective action submitted in response to notices of noncompliance.
- Submits form 8823 (Report of Noncompliance) to the Internal Revenue Service to report noncompliance, whether or not corrected.
- Scores all noncompliance in the Department's Compliance Status System.
- Reviews architectural plans for properties receiving HOME and HTF awards for conformance with program requirements including accessibility.
- Conducts on-site mid-construction inspections of HOME and HTF properties prior to 50% draw.
- Conducts and/or coordinates final construction inspection of all multifamily properties funded by the Department.
- Educates developers and owners in the UPCS inspection protocol, construction requirements and accessibility.
- Assists other Divisions and Sections in conducting physical inspections.

Other miscellaneous major activities performed by Compliance and Asset Oversight:

- Reviewing Land Use Restriction Agreements for all Housing Tax Credit properties prior to recording.
- Publishing income and rent limits.
- Calculating utility allowances.

The Compliance and Asset Oversight Division is also responsible for property on which the Department has foreclosed. Currently there are three assets owned by the Department.

Under any program, if owner/administrator fails to comply, the Compliance and Asset Oversight Division refers the entity to the Department's Administrative Penalties Committee with recommended financial penalties.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

4.1.1. Strategy: To Monitor & Inspect for Federal & State Housing Program Requirements	
Output 1: Number of Monitoring Reviews	5,931
Output 2: Number of Desk Rvws.	4,885
Output 3: Number of Onsite Rvws.	1,046
Output 4: Number of Tech. Asst & Public Info. Req. Completed	6,075
Output 5: Number of Application-Related Instruments Processed	977
Efficiency 1: Avg. Cost to monitor a rental property	$ 1,055
Explanatory 1: Total Number of Rental Developments in the Compliance Monitoring Portfolio	2,037
Explanatory 2: Total Number of Units Administered	240,135
Outcome 1: Percent of Multifamily and/or Single-Family Rental Properties Monitored Annually	100%
Outcome 2: Percent of Contracts Administered Annually	100%
Outcome 3: Percent of Rental Developments in Material Non-Compliance	11%

The Compliance and Asset Oversight Division always follows state and federal mandated monitoring requirements. The Texas Department of Housing and Community Affairs has been cited by the Internal Revenue Service as an agency with a model compliance program.

Although the process for administrative penalties is still in its infancy, it is proving to be a very effective means for resolving noncompliance. Likewise, the previous participation reviews have been highly successful in ensuring compliance.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Contract Monitoring –

- An effort to ensure the independence of the monitoring functions from the program administration functions resulted in the creation of the Contract Monitoring section. Increased focus on monitoring and separation of duties within the Department has resulted in a more independent assessment of Administrator performance.
- Previous Participation Reviews are conducted on all applicants. These reviews have prevented non-performing Administrators from receiving additional funding from the Department.

Compliance Monitoring –

- In January 2007, the Internal Revenue Service released a Guide for Completing Form 8823 Low Income Housing Credit Agencies Report of Noncompliance. The 8823 guide had significantly impacted monitoring and reporting noncompliance under the HTC program.
- Treasury Regulation 1.42-10 was amended in July 2008 and created additional methodologies for calculating increased utility allowances and created new monitoring requirements. Calculating and approving utility allowances has had a significant impact on the workload of the Division.

Physical Inspection –

- Increasing concern over deteriorating physical condition of older properties has resulted in a strong emphasis on maintenance and property condition. The UPCS was incorporated as the inspection standard in 2005. Contracted UPCS inspections were initiated in the spring of 2005.
- In the summer of 2008, the Department created the Physical Inspection section of the Compliance Division. The new Inspection Section was officially constituted at the beginning of fiscal 2009.

The Federal changes have increased the scope of monitoring for the CAO Division. To ensure owners and management staff stay abreast of changes, the Division frequently provides training, holds roundtables presentations, posts memorandums on the Department website and releases email notifications.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The two primary groups are affected by the Compliance and Asset Oversight Division: 1) the owners and managers of property funded by TDHCA and 2) the households that reside in the properties funded by TDHCA

Owners/administrators are impacted by the CAO division if they fail to comply. Owners cannot receive final allocation of funds if they do not clear construction inspections. In addition, noncompliance potentially leads to a prohibition from receiving additional funds and the assessment of administrative penalties. As of July 23, 2009 approximately 2,000 properties are being monitored. When properties are found to be in Material Noncompliance, the owners of those properties are not eligible for additional funding.

The low-income households residing in TDHCA properties are impacted by the requirement to provide proof of their income and assets. They also have the benefit of the rent restrictions. As of July 23, 2009, approximately 215,000 households are residing in properties funded by TDHCA.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Contract Monitoring –

Contract monitoring reviews are selected based on a risk assessment of all open contracts. Risk factors include amount of award, amount of expenditures, experience with program, and past performance. The level of risk determines if the contract will be monitored through a desk review or on-site review. Desk reviews are conducted on lower risk Administrators; on-site reviews are conducted on higher-risk Administrators. On-site reviews include inspections of the units and larger scope of work. Reports indicating results are provided to each Administrator. *Please refer to the flowchart illustrating the Contract*

Monitoring procedures found in Additional Exhibits.

Compliance Monitoring –
The frequency of on-site reviews for the Housing Tax Credit program and the HOME program is mandated by Federal laws. The Department has developed monitoring standards for programs that do not have a specified monitoring frequency. The chart below indicates the frequency and percentage of units that are monitored for each housing program. *Please refer to the flowchart illustrating the Compliance Monitoring procedures found in Additional Exhibits.*

Program	On-site Frequency (Years)	Percentage of Low-Income Units required to be reviewed*
HTC	3	20%
BOND	2	15%
HTF	3	15%
HOME	1-4 units = 3 5-25 units = 2 >25 units = 1	20%
Preservation	3	15%
CDBG	3	20%

* *The Division's standard operating procedures require that a minimum of 5 units be reviewed during an on-site monitoring review.*

Physical Inspection –
Physical inspections are conducted following on-site reviews by the Compliance Monitoring Section. *Please refer to the flowchart illustrating the Physical Inspections monitoring procedures found in Additional Exhibits.*

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Compliance activities are funded through the federal program being monitored. The Inspection and Compliance Monitoring section is primarily funded through the compliance fees collected from properties. The current Housing Tax Credit compliance monitoring fee is $40 per unit. The Division's functions are also funded through administrative funds under the HOME and CDBG programs.

Funding information is being provided through the various program sections.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Contract Monitoring –

Internal programs:
During contract administration, Department program staff (i.e., HOME, CDBG, etc.,) provides technical assistance and may conduct limited monitoring to ensure the success of the administrator.

External programs:
Other state agencies (e.g., TDRA, TCADA, TWC, CJD, and TDHS) perform desk reviews of single audits received from their subrecipients. When a subrecipient receives federal funds from more than one state agency, it is possible that each state agency will perform its own desk review. Likewise, each state agency passing federal funds to subrecipients

will perform its own on-site monitoring, concentrating on their programs.

Compliance Monitoring –

External programs:

Many of the rental properties funded by TDHCA have more than one source of government financing. Southwest Housing Compliance Corporation (contractor for HUD), USDA, local tax exempt bond issuers and other HOME participating jurisdictions may be providing financing to and monitoring properties in the TDHCA portfolio. Each funding entity monitors in accordance with their rules and regulations.

Physical Inspection Section -

External programs:

- As with reviews of resident files or property operations, TDHCA properties with other government financing are inspected by more than one agency. Although there may be some overlap, each funding entity monitors in accordance with its rules and regulations.
- Lenders, syndicators, and Bond trustees may conduct inspections of properties they fund (outside or in conjunction with Departmental programs) especially during construction. These inspections do not use the UPCS.
- Some cities conduct periodic inspections for properties within their jurisdiction: Dallas and Fort Worth are examples.
- During construction, municipalities conduct inspections to ensure buildings meet applicable construction codes. In some municipalities, items inspected may overlap TDHCA's construction inspections.
- Local public housing authorities (PHA) issuing Section 8 Vouchers are required by HUD to inspect annually. The inspection standard used (Housing Quality Standards-HQS) differs from the UPCS and is not as inclusive. The PHA only inspects the units that are occupied by Voucher holders.
- The Civil Rights Division of the Texas Workforce Commission and HUD's Fair Housing and Economic Opportunity offices enforce accessibility regulations. The Department monitors and inspects for physical compliance with Fair Housing, §504, and other accessibility requirements, but cannot investigate complaints of discrimination based on these laws. Directing complainants to the state or federal investigators is the only avenue available to handle these issues.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Contract Monitoring -

Internal:

HOME Program and Contract Monitoring staff meet monthly to coordinate. Program staff informs monitoring staff about any potentially troubled contracts. The Contract Monitoring staff provides feedback based on observations in monitoring about areas in need of additional technical assistance.

External:

- If another state agency has reviewed and accepted a subrecipient's single audit, the Department will accept another state agency's review in lieu of duplicating its own. Similarly, Audit Resolution staff provides copies of acceptance letters to other state agencies.
- Any information discovered either through an audit desk review or as a result of an on-site monitoring visit pertaining to another state agency's funds is communicated with the other agency as deemed necessary.

Compliance Monitoring -

External programs:

If another monitoring entity requests copies of a monitoring report, they are shared as appropriate.

Inspections –

External:

Most inspections conducted by external entities do not use the UPCS protocol or inspect the minimum number of units needed to meet the IRS requirements.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

No direct programmatic or functional relationship with other governmental entities.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Compliance Monitoring -

- Contract expenditures in fiscal year 2008 totaled $405,746 for long-term compliance monitoring of the Affordable Housing Disposition Program (AHDP). The Department terminated this contract effective August 31, 2008.
- Contract expenditures for fiscal year 2008 also included $69,999 for legal expenditures to develop rules for accessibility standards to be used for affordable housing programs administered by the Department.

Inspections -

- Contract expenditures in fiscal year 2008 totaled $279,474.
- Two separate contractors conducted physical inspections for the Department.
- Inspections were conducted to assess the physical condition of developments administered by the Department. These inspections supplemented the inspections performed by Compliance Monitoring staff.
- Use of the contract funding was tracked by staff through verification of invoiced inspections and by matching inspections reports to the corresponding invoices and assignments.
- The contracts were extended into fiscal 2009 for a reduced amount of $120,000 after the addition of four staff inspectors.
- Funds released from the termination of the AHDP monitoring contract were allocated to the Inspections section.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None identified.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Compliance Monitoring Rules and IRS 8823 Audit Guide are attached.

Program webpage: http://www.tdhca.state.tx.us/pmcomp/

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:
- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not regulatory.

O. For each regulatory program, if applicable, provide the following complaint information.

Not regulatory.

EMERGENCY HOUSING AND DISASTER RECOVERY

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Community Development Block Grant Disaster Recovery Programs
Location/Division	Emergency Housing and Disaster Recovery
Contact Name	Sara Newsom, Deputy Executive Director
Actual Expenditures, FY 2008	$439,757,702
Number of FTEs as of August 31, 2008	13

B. What is the objective of this program or function? Describe the major activities performed under this program.

Hurricane Rita: 1st Supplemental Funding (Round I)

TDHCA is the state agency designated by the Governor to administer the grant of $40,259,276 appropriated by Congress in an initial CDBG supplemental funding for recovery from hurricanes Rita and Katrina and allocated to the state by the US Department of Housing and Urban Development (HUD). The grant is for housing recovery efforts related to Hurricane Rita. Texas received a total of $74,523,000. TDRA is administering the non-housing portion of the grant in the amount of $32,144,815.

Round I funding was made available to TDHCA by HUD via the grant agreement on June 19, 2006.

Hurricanes Katrina and Rita: 2nd Supplemental Funding (Round II)

TDHCA is the state agency designated by the Governor to administer the grant of $428,671,849 appropriated by Congress in a second CDBG supplemental funding for recovery from hurricanes Rita and Katrina and allocated to the state by HUD. The grant is for recovery efforts related to Hurricane Rita. The funding also addresses needs arising from Katrina evacuees. TDHCA administers all housing related activity under the grant. The Office of Rural and Community Affairs ("TDRA") is the state agency designated to administer that portion of the grant relating to non-housing recovery activity.

Round II funding was made available to TDHCA by HUD via the grant agreement on May 12, 2007.

Hurricanes Ike and Dolly: 3rd Supplemental Funding (Round III)

TDRA is the state agency designated by the Governor to administer that portion of the $6,053,584,933 that was appropriated by Congress under a CDBG supplemental funding for recovery from a number of disasters, including hurricanes Ike and Dolly. HUD made an initial allocation to Texas of $1,314,990,193, of which TDHCA is administering $621,448,377 for housing recovery efforts related to hurricanes Ike and Dolly. HUD made a second allocation of $1,743,001,247 (Round IV). The total allocated to Texas under the grant for recovery from hurricanes Ike and Dolly is $3,057,991,440. The amount of the Round IV funds that will respectively be administered by TDRA and TDHCA has not been finalized at this time, but it is estimated that the housing funds, which will be administered by TDHCA, will be not less than $871,500,523.

The first portion of Round III funding was made available to TDHCA from HUD, via TDRA, on March 27, 2009. Round IV funding has not been made available HUD published guidance as to how it will be administered on August 14, 2009.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Hurricane Rita: 1st Supplemental Funding (Round I)

Under the 1st Supplemental CDBG Disaster Recovery Program (referred to as Round I), there are three Councils of Governments (COGs) responsible for administering housing contracts to help restore and rebuild in areas of the state most directly impacted by Hurricane Rita. Of the $74.5 million, the total funding allocation administered by the COGs is $40,324,845 broken down as follows:

- Deep East Texas Council Of Governments (DETCOG) - $6,745,034
- Houston-Galveston Area Council (H-GAC) - $7,015,70
- South East Texas Regional Planning Commission (SETRPC) - $26,564,105
    - SETRPC - $16,964,225
    - Beaumont - $4,199,680
    - Port Arthur - $5,400,200

Cumulatively, the COGs have completed assistance to 482 households, have another 12 homes under construction, and have 18 more homes under contract pending the onset of construction activities. Program efficiencies have allowed for a greater number to be served than was originally anticipated. All program activities were on track for completion in summer 2009, but the additional efficiency and the ability created thereby to serve more households has necessitated an extension of the program. All program activities should be complete by October 31, 2009.

Project Summary As of July 1, 2009

	* No. to be Served per Contract	No. out for Bid	** Units Under Contract	No. Site-built Under Construction	Total Rehabilitated/ Reconstructed	No. of MHUs Delivered	Total No. Constructed/ Delivered
DETCOG	96	0	0	0	13	115	128
H-GAC	103	0	5	2	23	73	96
SETRPC	228	0	13	10	205	53	258
SETRPC	127	0	8	6	105	53	158
Beaumont	55	0	3	2	50	0	50
Port Arthur	46	0	2	2	50	0	50
Total	427	0	18	12	241	241	482

** Based on the contractual number of households that the COGs are required to be served with the funding allocation*
*** Total of MHUs ordered but not yet delivered and construction contracts signed for site-built units*

Hurricanes Katrina and Rita: 2nd Supplemental Funding (Round II)

The 2nd Supplemental CDBG Disaster Recovery Funding (referred to as Round II) is the second of two appropriations of CDBG funding to help restore and rebuild in areas of the state most directly impacted by Hurricane Rita, but it also addresses needs arising from Hurricane Katrina evacuees. TDHCA administers several housing activities including a state administered Homeowner Assistance Program, a rental restoration program, local funds awarded to the City of Houston for Public Services and the Sabine Pass Restoration Program, which provides disaster assistance to the residents of Sabine Pass.

The total funding allocation is $428,671,849, broken down as follows:

TDHCA administers the Housing Assistance Program through a contract management firm, which provides housing rehabilitation, reconstruction, new construction and elevation in the 22 county region affected by Rita. The goal of the program is to restore housing for at least 2800 families that received damage from Hurricane Rita. The program is expected to expend all funds by December 2010. The program totals include the following:

2nd Supplemental CDBG Disaster Recovery Activity	Available Funding	Amount Contracted per Activity	Cumulative Expenditures	% of Expenditures Disbursed	Balance Remaining
Rental Housing Stock Restoration Program (“Rental”)	$82,866,984	$82,779,333	$38,120,994.16	46.05%	$44,658,338.84
TDRA’s Restoration of Critical Infrastructure Program (Infrastructure)	$42,000,000	$42,000,000	$14,178,461.34	33.76%	$27,821,538.66
City of Houston and Harris County Public Service and CDP (“Houston/Harris”)	$60,000,000	$60,000,000	$32,044,926.50	53.41%	$27,955,073.50
Homeowner Assistance Program (“HAP”)	$210,371,273	$210,371,273	$29,158,705.28	13.86%	$181,212,567.72
Sabine Pass Restoration Program (“SPRP”)	$12,000,000	$12,000,000	$3,732,716.92	31.11%	$8,267,283.08
State Administration Funds (Used to Administer Funding)	$21,433,592	$21,433,592	$7,281,662.42	33.97%	$14,151,929.58
Total CDBG Round 2 Funding	$428,671,849	$426,952,198	$124,517,466.62	29.05%	$304,066,731.38

AS OF 6/30/09	HAP	SPRP	Total
Completed Applications	2,866	104	2,970
Eligibility Determined	1,854	106	1,960
Inspections Complete	1,701	111	1,812
Projects Assigned to Contractors	1,118	68	1,118
Benefit Selection Meetings Held	1,062	68	1,130
Closings	614	59	673
Construction Starts	490	46	536

Hurricanes Ike and Dolly: 3rd Supplemental Funding (Round III)

Under Hurricanes Ike and Dolly: 3rd Supplemental Funding (Round III), the councils of governments ("COGs") for the impacted counties were assigned the responsibility of determining how funds would be allocated through a Method of Distribution ("MOD") process. The objective of the MOD process was to have locals make the determinations as to the allocation amounts to each based public input and objective and verifiable data, and to determine the allocation between housing (TDHCA-administered) and non-housing (TDRA-administered) activities.

TDHCA is in the process of approving applications by the subrecipients identified in the MOD process to administer housing activities. Contracts must be executed between TDHCA and the each subrecipient before housing activities commence. Subrecipients include both COGs and COG-designated units of local government.

Six of the 11 affected COG regions have subrecipients that incurred FEMA-documented housing damage and, therefore, received housing allocations, and there will be 19 Subrecipients. The subrecipients and their allocation amounts are as follows:

Subrecipient	Amount of Housing Allocation
BVCOG	$0
Brazos Valley Affordable Housing Corporation	$948,929
DETCOG	$5,931,070
Subrecipient	Amount of Housing Allocation
ETCOG	$415,117
H-GAC	$11,077,719
Galveston	$160,432,233
Galveston County	$99,503,498
Harris County	$56,277,229
Houston	$87,256,565
Chambers County	$20,921,582
Liberty County	$8,878,923
Fort Bend County	$1,582,107
Montgomery County	$6,909,237.
LRGVDC	$0
Brownsville	$1,635,318
Cameron County	$3,093,750
Mission	$209,638
Hidalgo County	$2,000,000
Raymondville	$128,787
Willacy County	$412,500
SETRPC	$95,000,000
TOTAL	$562,614,202

Hurricanes Ike and Dolly: 4th Supplemental Funding (Round IV)

On June 10, 2009, HUD announced the allocation of the remaining $3.7 billion of the CDBG supplemental appropriation of disaster assistance to 11 states to help them recover from natural disasters that occurred in 2008. Texas received an additional allocation of approximately $1.7 billion. Allocation decisions as to housing and non-housing activities and local allocations within COG regions have not yet been made. TDHCA has been designated by the Governor to administer all housing activities under the allocation.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Hurricane Rita: 1st Supplemental Funding (Round I)

On December 30, 2005, President Bush signed legislation (HR 2863) providing $11.5 billion in disaster relief to five Gulf Coast states including $74.5 million for Texas. Through continued meetings since HR 2863 was signed, the state of Texas has identified over $1.5 billion in needed repairs related directly to Hurricane Rita.

The Texas Department of Housing and Community Affairs (TDHCA), at the direction of the Office of the Governor and in conjunction with the Texas Department of Rural Affairs (TDRA), has worked with the four affected Councils of Governments (COGs) to distribute funds under the CDBG Disaster Recovery Funds to Areas Most Impacted and Distressed by Hurricane Rita. The Department of Defense Appropriations Act, 2006 (Public Law 109-148, approved December 30, 2005) made a supplemental appropriation of $74,523,000 in CDBG funding to be used toward meeting unmet housing, infrastructure, public service, public facility, and business needs in areas of concentrated distress. TDHCA provides the state administration for housing, and TDRA provides the state administration for non-housing needs. TDHCA and TDRA used FEMA data to determine the distribution of housing and non-housing related damage across the eligible counties. The eligible applicants, per the State's Action Plan, are four Councils of Government (COGs) - Deep East Texas Council of Governments (DETCOG), East Texas Council of Governments (ETCOG), Houston-Galveston Area Council (HGAC), and the South East Texas Regional Planning Commission (SETRPC). These COGs applied on behalf of the eligible entitlement communities, non-entitlement communities, and federally recognized Indian Tribes within their region. The U.S. Department of Housing and Urban Development (HUD) has mandated that a minimum of fifty-five percent (55%) of the funds be allocated for housing. The availability of funds was announced February 13, 2006 in Volume 71, Number 29.

Pursuant to the notice, TDHCA staff began to craft an action plan and held public hearings to gather comment from the general public and the COGs. The application was made available on May 12, 2006, and application workshops were conducted. The COGs worked quickly to create a method of distribution for all of the jurisdictions in their respective areas. COG staff independently developed different methodologies basing their distribution on a variety of statistical information including FEMA, Texas Department of Insurance, and Census poverty data, as well as public input. Each COG attempted to define unmet needs specific to households below 80% of the area median family income.

Based on data from damage reports, three of the four COGs were eligible for an allocation of housing funds. In general, these COGs contracted with construction contractors to perform the proposed housing activities such as emergency repair, rehabilitation, reconstruction, demolition, etc. The Deep East Texas Council of Governments and The Houston-Galveston Area Council used this method to administer all of their housing funds. The Southeast Texas Regional Planning Commission also utilized this arrangement for the nonentitlement areas of their service region but made a direct allocation of funds to the entitlement cities of Beaumont, Port Arthur, and Orange.

Hurricanes Katrina and Rita: 2nd Supplemental Funding (Round II)
Congress recognized that the 1st Supplemental CDBG Disaster Recovery Funding authorized under PL 109-148 was not sufficient given the full impact that the 2005 hurricane season had on the entire gulf coast region. The 2nd Supplemental CDBG Disaster Recovery Funding authorized approximately $429 million to Texas to help restore and rebuild in areas most directly impacted by Hurricanes Rita and Katrina.

The 2nd Supplemental CDBG Disaster Recovery Funding (referred to Round II) is the second of two awards in CDBG funding to help restore and rebuild in areas of the state most directly impacted by Hurricane Rita, but it also addresses needs arising from Katrina evacuees. The total funding allocation is $428,671,849.

General Funding Information by Activity:
Restoration of Critical Infrastructure Program: The Texas Department of Rural Affairs (TDRA) administered activities awarded under this program through a contract with TDHCA and approved by TDHCA's Governing Board.

City of Houston: Funding of $20 million was allocated to the Houston Police Department for establishment of a Multi-Family Apartment Community Program. The funds were utilized to procure equipment and supplies to support the program and to staff the program with officers on overtime.

Funding of $20 million was also allocated to carry out rehabilitation of existing multi-family housing stock through the existing Apartment to Standards Program. These funds will provide rehabilitation of multi-family housing to the evacuee population.

Harris County: Funding of $20 million was allocated to provide services to the residents of Harris County among five different program components: Expanded Services to Hurricane Evacuees (Harris County Sheriff's Dept.), Evacuee Medical Services (Harris County Hospital District), Katrina Crisis Counseling Program (Mental Health and Mental Retardation Authority), Youth Offenders Services (Harris County Sheriff's Dept.) and the Disaster Housing Assistance Program Component (Harris County).

Multifamily Rental Housing Stock Restoration Program: On September 13, 2007, the TDHCA Board awarded $81.1 million to repair or rebuild seven Golden Triangle-area affordable multifamily rental properties damaged or destroyed by Hurricane Rita. An additional amount was subsequently awarded to Orange Navy Homes to address historical components of the development which also will result in additional affordable units. The construction work, once completed, will restore rental unit housing to 813 low-income individuals and families.

Homeowner Assistance Program (HAP) and Sabine Pass Restoration Program (SPRP): The Governor identified destruction done to individual homes as one of the most persistent and difficult issues to address in the aftermath of Hurricane Rita. To deal with this real need of Texans who have no other place to turn, the highest funding priority was the CDBG Homeowner Assistance Program (HAP), assisting homeowners whose family income was up to 80% of the area median family income. Funding in the amount of approximately $210 million was made available to serve homeowners of LMI income whose homes were damaged by Hurricane Rita. Part of this funding priority, $42 million (20% of the Homeowner Assistance Program funds), was targeted specifically for persons with special needs. There is a program goal to restore approximately 2800 homes.

In addition to HAP, there is the Sabine Pass Restoration Program (SPRP). While many communities in South East Texas were substantially impacted by Rita, the coastal community of Sabine Pass was nearly destroyed by the storm. To help address this extreme need, funding in the amount of $12 million was set aside to assist homeowners in the coastal community of Sabine Pass. Home rehabilitation and reconstruction assistance was made available for homeowners whose family income was up to 150% of the area median family income. Homeowners may also apply for assistance in an amount up to $30,000 to help defray the costs of elevating rehabilitated or reconstructed homes in accordance with FEMA advisory flood elevations or subsequent FEMA permanent maps. Additionally, a homeowner whose household includes a person with a disability or an elderly person may apply for an additional $15,000 in assistance for additional accessibility related costs.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Hurricane Rita: 1st and 2nd Supplemental Funding Hurricanes Katrina and Rita:
Activities conducted by CDBG funds must meet one of three National Objectives. Those objectives are identified as: Benefiting Low and Moderate Income persons; Preventing or Eliminating Slum or Blight, and Meeting Urgent Needs. The federal regulations require that at least 50% of the expenditures must be used for the national objective of benefiting persons of low and moderate income.

Households must meet certain eligibility criteria to qualify under the Low or Moderate Income objective. Assistance can not be provided until eligibility is determined and documented. The eligibility determination process contains multiple tasks such as determination of annual income, documentation of ownership status, and evaluation to ensure there is no duplication of assistance. Additional elements to qualify for the Housing Assistance Program include:

- Requirement to own or rent a single family residence (including manufactured housing units, duplexes, or townhomes) on the date of the storm.
- The unit must have been the primary residence on the date of the storm.
- The damaged home was a single family residence (including manufactured housing units, duplexes, or condominiums).
- The home was damaged or destroyed on the date of the storm as a direct result of the specific Hurricane.
- The household income must be 80% or less of Area Median Family Income.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Hurricane Rita: 1st Supplemental Funding (Round I)
Three COGs; Southeast Texas Regional Planning Commission (SETRPC), Deep East Texas COG (DETCOG) and Houston-Galveston Area Council (H-GAC) received funding for housing activities under Rita Round I. TDHCA monitored to ensure compliance with regulations, to ensure benchmarks were timely achieved, and to assure that homes were restored to meet construction standards and local codes. Funds under Rita I are expected to be expended and the program closed October 2009.

Hurricanes Katrina and Rita: 2nd Supplemental Funding (Round II)

The 2nd Supplemental CDBG Disaster Recovery Funding (referred to as Round II) is the second of two awards in CDBG funding to help restore and rebuild in areas of the state most directly impacted by Hurricane Rita. The total funding allocation is $428,671,849. As stated in previous questions, funding was broken down to fund $20 million to the Houston Police Department for establishment of the Housing Safety Component. An additional $20 million was allocated to carry out rehabilitation of existing multi-family housing stock through the existing Apartment to Standards Program in Houston. Funding of $20 million was allocated to provide services to the residents of Harris County among five different program components: Expanded Services to Hurricane Evacuees (Harris County Sheriff's Dept.), Evacuee Medical Services (Harris County Hospital District), Katrina Crisis Counseling Program (Mental Health and Mental Retardation Authority), Youth Offenders Services (Harris County Sheriff's Dept.) and the Disaster Housing Assistance Program Component (Harris County). These programs were administrated by Houston and Harris County. Amendments to Harris County's programs have been made to meet the changing needs of the Katrina evacuees. An apartment rehabilitation program component has most recently been added to utilize these funds to assist with recovery. TDHCA provides monitoring and oversight activities.

The TDHCA Board awarded $82.7 million to repair or rebuild seven Golden Triangle-area affordable multifamily rental properties damaged or destroyed by Hurricane Rita. TDHCA provides monitoring and oversight of the construction or rehabilitation of the developments through completion. Once construction is complete the assets will be monitored by the Compliance and Asset Oversight Division of TDHCA.

The remaining funds were allocated to the state administered Homeowner Assistance Program and Sabine Pass Restoration Program. TDHCA administers the program through a contractor manager procured in accordance with state requirements following the issuance of a Request for Proposals. ACS is the contract manager. Although ACS alone has direct responsibility to TDHCA for the full scope of its contract, it uses two subcontractors: Reznick for determining and documenting eligibility and Shaw for construction oversight.

A weekly meeting is held with ACS to update TDHCA with construction progress processes and expenditures and there are extensive daily interactions between TDHCA staff and ACS on all aspects of these programs. TDHCA staff also provides regional field office oversight and extensive on-site oversight and interaction with ACS, its procured subcontractors, local authorities, and individual benefit recipients. TDHCA staff also coordinates extensively with HUD oversight staff.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Hurricane Rita: 1st Supplemental Funding (Round I)

HUD issued Community Development Block Grant (CDBG) funding associated with the Department of Defense Appropriations Act,2006 (Public Law 109-148, approved December 30, 2005) for disaster relief of unmet housing and infrastructure needs resulting from Hurricane Rita in the most impacted and distressed areas of Texas. Public law 109-148

Hurricanes Katrina and Rita: 2nd Supplemental Funding (Round II)

Public Law 109-234 (effective June 15, 2006) provided $5.2 billion supplemental appropriation of CDBG Disaster Recovery Funding for *"necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of Hurricanes Katrina, Rita, or Wilma."* In reviewing the totality of the need in the five state region covered by the law, $428,671,849 was specifically allocated to Texas by the Secretary of HUD. As further provided for under the law, *"funds provided under this heading shall be administered through an entity or entities designated by the Governor of each State."* Governor Rick Perry designated TDHCA as this entity for the State of Texas.

Hurricanes Ike and Dolly (first allocation)
HUD issued CDBG funding associated with the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, (Public Law 110-329), enacted on September 30, 2008.

Hurricanes Ike and Dolly (second allocation) – pending
HUD issued a second appropriation of CDBG funding under Public Law 110-329, approved September 30, 2008. The "Second 2008 Act" appropriated $6.5 billion to remain available until expended for necessary expenses related to disaster relief, long term recovery and restoration of infrastructure, housing and economic revitalization in areas affected by disasters in 2008. The Action Plan is currently under development however it is anticipated that approximately $850 million will be allocated to housing activities administrated by TDHCA.

FEMA Alternative Housing Pilot Program
FEMA awarded TDHCA funds under the Alternative Housing Pilot Program to provide temporary and permanent panelized housing on single lots and a group site to allow FEMA to evaluate and test the long term characteristics of the housing model and the effects of housing on those displaced by disasters. The funding was authorized under the Homeland Security Act of 2002, H.R. 5005-8, P.L. 107-296, and public law 109-234, Emergency Supplemental Appropriations Act for Defense, The Global War on Terror, and Hurricane Recovery, 2006. Two-hundred and fifty thousand ($250,000) of state Housing Trust Funds were pledged to this program to provide assistance with accessibility and energy efficiency costs. None of the HTF funds have been expended.

Disaster Contingency Fund
HB 4409 (81st Legislature, regular session) amended Tex. Gov't. Code, Chapter 418, to require the Department to enter into prep positioned contracts for emergency temporary housing in the event of a declared disaster. The payment for any such procurement may be from the disaster contingency fund created by Tex. Gov't. Code, §418.073.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

The HOME program provides similar but not identical assistance through the owner occupied rehabilitation program and the development and/or rehabilitation of affordable rental properties. The low income housing tax credit program provides financing for the development and/or rehabilitation of affordable rural properties and is subject to augmentation and/or alternative funding via the tax credit assistance program and/or the tax credit exchange created by the American Recovery and Reinvestment Act of 2009. The Housing Trust Fund has the ability to provide similar assistance, but at present its appropriated funding is programmed for other uses.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The CDBG disaster recovery program administered under Rita Rounds I and II and Ike/Dolly's first allocation have specific policies and procedures in place to screen applicants for potential duplication of benefit issues. This will also be a feature of Ike/Dolly's second allocation programs.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Rita Round I is administered by the Councils of Government in the impacted area. They receive technical assistance and regular monitoring from Department staff.

K. If contracted expenditures are made through this program please provide:
- the amount of those expenditures in fiscal year 2008;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

2008 Grant Expenditures and Encumbrances: $438,528,406, associated with the following:

1st Supplemental Funding (Rd I) – Public Law 109-148 appropriated $74,523,000 from the US Department of Housing and Urban Development (HUD) for housing recovery efforts related to Hurricane Rita. Please note that while TDHCA is the lead agency, only $1,579,820 associated with administrative expenses is reflected in TDHCA's budget because the funds flowed through Texas Department of Rural Affairs (TDRA). TDHCA administered the funds in conjunction with TDRA. TDHCA administered $40,259,276 associated with housing. TDRA administered the balance to address infrastructure damage.

2nd Supplemental Funding (Rd II) – Public Law 109-236 appropriated $428,671,849 from the US Department of Housing and Urban Development (HUD) for housing recovery efforts related to Hurricane Rita and to address the needs arising from Katrina evacuees. TDHCA is the lead agency; unlike the first supplemental, all funds flow through TDHCA. TDHCA directly administered $386,584,198 associated with housing needs. TDRA administered the balance to address infrastructure damage.

Alternative Housing Pilot Program (AHPP) – Federal Emergency Management Agency (FEMA) appropriated $16,471,725 to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005.

<u>The number of contracts accounting for those expenditures;</u>

1st Supplemental Funding (Rd I) – Funding was allocated to Deep East Texas Council of Governments (DETCOG), Houston-Galveston Area Council (HGAC), and the South East Texas Regional Planning Commission (SETRPC). Collectively, the COGS are responsible for administering housing contracts to help restore and rebuild in areas of the state directly impacted by Hurricane Rita. A total of 3 contracts were executed to perform these activities.

2nd Supplemental Funding (Rd II) – Funding was allocated for the following activities: public service and multifamily rehabilitation (City of Houston); community development programs and multifamily rehabilitation (Harris County); multifamily restoration programs (Point North, Orange Navy Homes, Virginia Estates, Brittany Place I & II and Gulf Breeze I & II; Homeowner Assistance Programs/Sabine Pass Restoration Program (Affiliated Computer Services, Inc.). A total of 10 contracts were executed to perform these activities.

Alternative Housing Pilot Program (AHPP) – Funding was distributed only to the Heston Group, USA through a FEMA grant to demonstrate an alternative housing solution to the FEMA trailer for response to disasters.

A short summary of the general purpose of those contracts overall;

1st Supplemental Funding (Rd I)

In general, the three COGs contract with construction contractors to perform housing activities such as emergency repair, rehabilitation, reconstruction, demolition, etc. The Deep East Texas Council of Governments and The Houston-Galveston Area Council use this method to administer all of their housing funds. The Southeast Texas Regional Planning Commission also utilizes this arrangement for the nonentitlement areas of their service region but made a direct allocation of funds to the entitlement cities of Beaumont, Port Arthur and Orange. The State Action plan identifies 22 counties designated for Round I assistance.

2nd Supplemental Funding (Rd II)

The City of Houston allocated funds to the Houston Police Department for establishment of the Housing Safety Component, composed of civilian and officer personnel. Funding was also provided to the Apartment to Standards Program to carry out rehabilitation of existing multifamily housing stock to the evacuee population. Harris County was allocated funds to provide services through five different community development program components. Funding was allocated for Multifamily Rental Housing Stock Restoration Program to repair or rebuild seven affordable multifamily rental properties. The construction work, once completed, will restore rental unit housing to approximately 838 low-income individuals and families.

The largest share of the funding is provided to the CDBG Homeowner Assistance Program (HAP) for homeowners whose family income is up to 80% of the area median family income. Funding is made available in the form of a grant to homeowners of LMI income whose homes were damaged by Hurricane Rita. $42 million (20%) was targeted specifically for persons with special needs.

In addition to HAP, the Sabine Pass Restoration Program (SPRP) was developed to address the destruction to the coastal community of Sabine Pass. Twelve million dollars of home rehabilitation and reconstruction assistance was made available for homeowners whose family income is up to 150% of the area median family income.

Alternative Housing Pilot Program (AHPP) – FEMA solicited states to propose alternative housing pilot program proposals. Texas presented a number of such proposals to FEMA, and FEMA selected a design produced by the Heston Group, Italy. The product, referred to as a "Heston home," is a pre-fabricated, panelized solution which has been designed so that it can be deployed quickly and built to accommodate a diverse population in the areas affected by the 2005 Hurricanes.

TDHCA has determined that Heston USA has not met the requirements of its contract and has terminated the contract. This has been carefully coordinated with FEMA. *See the section on current contracting problems below*.

The methods used to ensure accountability for funding and performance

The Division's Disaster Recovery Monitoring Plan incorporates the following oversight controls, monitoring activities and testing methodologies, including the Fraud, Waste and Abuse Prevention and Detection Policy to meet oversight and monitoring responsibilities:

- Eligibility – Disaster Recovery programs assist low to moderate income families. In addition to the established eligibility controls and process at the subrecipient level, the Division will further minimize the potential for non-compliance, waste, fraud and abuse by independently monitoring eligibility criteria and, in particular, review of support documents used to establish program eligibility.
- Procurement & Contract– The majority of Disaster Recovery funds will be expended through services provided by general construction contractors. The Division will ensure compliance with federal contracting and procurement requirements through a review of files. Furthermore, each contractor's budget and expenditures will be tracked and analyzed to ensure expenditures meet contract and program requirements.

- **Disbursement and Transactions Testing** – Source and/or support documents are used to establish eligibility and allowability of program costs. The Division utilizes a three tier review methodology to determine allowability and validity of program expenditures. The first level review will occur during the reimbursement request process. The second level review will occur through expenditure sampling performed during desk reviews. The third level review will occur through sampling of expenditures performed during on-site monitoring reviews.
- Scheduled monitoring visits coupled with frequent interaction with contractors gives the Division the ability to address program and/or contract issues before they become systematic.

<u>A short description of any current contracting problems:</u>
There have been no significant problems with the 1st Supplemental Funding (Round I) and 2nd Supplemental Funding (Round II). Both internal and external monitoring and/or audit reviews have not identified any instances of ineligibility or disallowed costs. Issues that have arisen are a result of program criteria established to ensure assistance to the targeted population, which has impacted the speed with which assistance has been provided. TDHCA has continued to work diligently to minimize delays in assistance, meeting with ACS and its subcontractors, Reznick and Shaw, to streamline processes. The array of approved building contractors has been expanded. TDHCA staff has worked with local authorities, HUD, and others to remove bottlenecks. A major historical obstacle, the clearing of title for recipients, has been addressed by both TDHCA governing board policy and by recent legislation. All of these factors had combined to impede the efficiency of the ACS solution, but now that they have been largely addressed, the program is exhibiting greatly improved efficiency. As of August 5, 2009 for the HAP and SPRP programs, there were 525 of the anticipated 2,800 homes actually under construction and 190 homes actually completed.

Alternative Housing Pilot Program (AHPP) – The successful implementation of the AHPP, intended by FEMA to provide an extended test for the Heston home, has been frustrated by the inability of Heston USA to perform in accordance with its contract. After extended efforts to "re-set the contract," TDHCA, after conferring at length with FEMA, decided that it needed to terminate the contract and seek an alternative provider for the installation of these homes. TDHCA's partners for a required FEMA group site, first Harris County and then the City of Houston, have had difficulty in identifying and producing a site that will meet the FEMA requirements. These obstacles will necessitate obtaining an extension of the AHPP agreement with FEMA.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

HB 4409 (81st Legislature, regular session) assigned to the Department the requirement that it arrange pre-positioned contracts for the delivery of emergency temporary housing in the event of a declared disaster, with such housing to be paid for from the disaster contingency fund created under Tex. Gov't. Code, Chapter 418.

Pursuant to direction from the Office of the Governor, the Department was already in the process of attempting to procure such pre-positioned contracts. Possible sources of emergency temporary housing might include travel trailers, manufactured homes, and park model homes. Far and away the most rapidly deployable choice would be travel trailers, but in responding to recent disasters FEMA has encountered issues with the formaldehyde levels in these units. FEMA has indicated that individual states should decide what levels of formaldehyde are acceptable, and the State of Texas, through the U.S. Department of Heath and Human Services (USHHS), has made its own determination in this regard. The problem is that existing inventory of travel trailers may not be constructed of materials that will meet the new standard. Therefore, any party responding must make a material capital investment to produce or acquire the necessary units (estimated by the Office of the Governor to be on the order of 3000 units) and incur holding costs until such time, if any, as there is a disaster requiring delivery. This has, so far, posed a barrier to the pre-positioned contract approach since there are no funds that can be accessed pre-disaster.

Other possible responses, such as manufactured homes and/or park models, cannot be delivered as quickly and are not self-contained units. They must be sited and installed on appropriate foundations and be connected to water, electricity, and sewage disposal. They are also subject to a number of local requirements and restrictions.

The Department is first and foremost a housing finance agency. It does not possess the requisite capabilities to address many of the intersecting issues involved with the delivery of emergency temporary housing, such as:

- Pre-arranged logistics with local officials;
- Providing and installing emergency connectivity such as above-ground water, electricity and sewage connection and portable sewage collection or disposal systems);
- Hardening and/or temporary removal provision in the event of threat of another disaster ; and
- Development of more extensive preparation for the likelihood that what was intended as short term emergency temporary housing may be deployed for 1-2 years.

The potential for confusion and gaps in the emergency response is significant, and it might be more effective to centralize the pre-positioned contracts under a single state unit, such as the Division of Emergency Management.

Another issue is raised by the fact that under the three major disaster allocations there have been three different program structures and a fourth is forthcoming. These have involved COGs, other units of local government, and the state as primary administrators. On two the Department has administered the HUD grant and on the third (and anticipated fourth) that role has been assigned to TDRA. Drawing on the past experiences it might be helpful to develop the parameters for a single "optimal" program and have it pre-positioned and ready for swift execution in the event of the need for a disaster recovery response.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Program webpage: ttp://www.tdhca.state.tx.us/cdbg/index.htm.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities

Not a regulatory program.

O. For each regulatory program, if applicable, provide the following complaint information.

Not a regulatory program.

OTHER PROGRAMS

This section provides information on Department programs not in existence during state fiscal year 2008 including programs recently authorized by the Texas Legislature, the Housing and Economic Recovery Act of 2008 (HERA), or the American Recovery and Reinvestment Act of 2009 (Recovery Act).

HOUSING AND ECONOMIC RECOVERY ACT OF 2008 (HERA)

Neighborhood Stabilization Program Round 1 (NSP 1)

The purpose of the Neighborhood Stabilization Program Round 1(NSP 1) is to redevelop into affordable housing, or acquire and hold, abandoned and foreclosed properties in areas that are documented to have the greatest need for declining property values as a result of excessive foreclosures. The program allows a grantee to purchase abandoned, foreclosed or vacant homes and residential properties to rehabilitate, reconstruct or redevelop and sell or rent those properties to households earning 120% AMFI or below.

NSP funds are available under two separate rounds of funding from the U.S. Department of Housing and Urban Development: NSP1 authorized by Housing and Economic Recovery Act of 2008 and NSP2 authorized by the American Recovery and Reinvestment Act of 2009.NSP 1 is as a supplemental allocation to the Community Development Block Grant Program through an amendment to the existing *2008 State of Texas Consolidated Plan One-Year Action Plan*.

Units of local governments and other entities with the consent of the local governments are eligible to apply for these funds. According to the NSP 1 Action Plan Substantial Amendment, each subrecipient will be required to target as a goal at least 35% of their non-administrative allocation to benefit households with incomes less than or equal to 50% of AMFI. Subrecipients who are conducting only land banking activities are exempt from this requirement as the end direct benefit may not be realized for up to ten years. All activities must benefit households earning 120% AMFI or below.

Texas identified two tiers of counties with need based on the numbers and percentages of home foreclosures, subprime mortgage loans and the homes in default. Counties with the greatest need are identified as “Direct Allocation” counties. Remaining counties with significant need are eligible to apply for a pool of NSP funds and are referred to as “Select Pool” counties. The program is administered through the Neighborhood Stabilization Program division.

The TDHCA Governing Board has approved award of $96,897,006 in NSP 1 funding to subrecipients across the state. The remainder, $5,099,842 or 5% of the entire $101,996,848 awarded to Texas from HUD was retained for state administrative expenses. Contracts between the Department and subrecipients are expected to be executed by the end of August, 2009; the contracts will have two to three year time periods depending upon the types of activities awarded. The State of Texas must expend the entire $101,996,848 (including program income) by March 3, 2013.

National Foreclosure Mitigation Counseling (NFMC) Program

The NFMC Program, administered through NeighborWorks America, provides funding to HUD-Approved Housing Counseling Agencies for foreclosure counseling with the goal of helping to prevent foreclosure and result in the long-term affordability of the mortgage or another positive outcome for the homeowner.

TDHCA, partnering with six non-profit agencies (sub-grantees) specializing in foreclosure prevention and utilizing the administrative services of the Texas State Affordable Housing Corporation (TSAHC), applied for Round 2 funding in October 2008 and was awarded $491,490. The one year grant agreement was executed January 14, 2009.

In addition to using NFMC grant funds for counseling services, the participating counseling organizations have also been able to use the funds for outreach events such as telethons, direct mailings and newspaper and radio advertising to help promote the availability of no-cost counseling for borrowers facing foreclosure.

As a result of recaptured funds from prior award recipients and additional appropriations, NeighborWorks is offering another application cycle. Based on the success of the Department's current grant award, TDHCA is qualified to apply for and submit a streamlined application. Successful applicants, on behalf of their sub-grantees will be awarded funds for reimbursement of counseling sessions completed between July 1, 2009 and June 30, 2010.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

Homelessness Prevention and Rapid Re-Housing Program (HPRP)

HPRP provides homelessness prevention and rapid re-housing of persons that have become homeless. This includes financial assistance limited to rental assistance; security deposits; utility deposits and payments; moving cost assistance; and motel and hotel vouchers. Housing relocation and stabilization services are also provided through HPRP, limited to case management; outreach and engagement; housing search and placement; legal services; and credit repair.

Eligible applicants include units of general local government and private nonprofit organizations. HPRP provides services and financial assistance to either prevent families and individuals from becoming homeless or help those who are experiencing homelessness to be quickly re-housed and stabilized. There are two target populations eligible to receive assistance: Populations eligible for homeless prevention include individuals and families who are currently in housing but are at risk of becoming homeless and individuals and families who are experiencing homelessness (e.g. residing in emergency or transitional shelters or on the street) and need temporary assistance in order to obtain housing and retain it. All households served must earn less than or equal to 50% AMFI.

The program is administered through the Community Services section in the Community Affairs division. Funding for HPRP, in the amount of $41,472,772, is provided through the U.S. Department of Housing and Urban Development. The Department awarded $40,435,953 to 57 subrecipients in July 2009; the balance of funds, $1,036,819, is reserved for state administration. Contracts are in the process of being executed. The State of Texas must expend the funds by July 16, 2012.

Weatherization Assistance Program (WAP)

The Recovery Act Weatherization Assistance Program is an expansion of TDHCA's WAP. The program helps low-income Texans control energy costs to ensure a healthy and safe living environment. Qualified households may receive weatherization materials installed in their residences and/or energy conservation education.

Eligible applicants for WAP funding are units of general local government and nonprofit organizations. For the Criteria Based Awards Pool (cities that exceed a $1,000,000 award), nonprofit organizations must secure a letter from an eligible city granting the nonprofit organization the authority to apply on their behalf. All individuals and households served must earn less than 200% of the national poverty guideline.

The Energy Assistance Section in the Department's Community Affairs division administers the program. Funding for the program, in the amount of $326,975,732, is made available through the U.S. Department of Energy. The Department awarded approximately $288 million to 66 subrecipients in July 2009, with the balance of funds being utilized for state administration and training and technical assistance. The State of Texas must expend the funds by March 31, 2012.

Community Services Block Grant (CSBG)

CSBG is an expansion of TDHCA's CSBG Program. CSBG assists local Community Action Agencies (CAA) and other eligible entities serving all 254 Texas counties to provide local essential services to those living in poverty. Activities typically allowed under the program include: Administrative support for poverty programs, such as Head Start, Weatherization Assistance and Meals on Wheels; and Direct services such as credit counseling, short-term rental assistance and transportation.

Entities eligible for Recovery Act CSBG funding are current recipients of CSBG funding. All individuals and households served must earn less than 200% of the national poverty guidelines.

The program is administered by the Department's Community Services Section within the Community Affairs. Funding for the program, in the amount of $48,148,071, is made available through the U.S. Department Health and Human Services. The Department has made available $47,666,590 to 48 subrecipients in August 2009. The balance of funds reflects one percent of the total amount awarded to TDHCA and will be used for benefit enrollment coordination as specified in the Recovery Act. The subrecipients must render services by September 30, 2010.

Tax Credit Assistance Program (TCAP)

TCAP supports the development or rehabilitation of affordable rental housing. Funding will be distributed according to the HTC Qualified Allocation Plan (QAP) and is subject to HTC rent and income and use restrictions.

TCAP provides HOME Program funds, in the amount of $148,354,769, through the U.S. Department of Housing and Urban Development for Housing Tax Credit (HTC) developments awarded in 2007, 2008 and 2009. Households served through the HTC program earn less than 60% AMFI.

TCAP awards will be finalized in October and November of 2009. All funds must be expended by February 17, 2012.

Housing Tax Credit Exchange

The Housing Tax Credit Exchange (HTC EX) program supports the development or rehabilitation of affordable rental housing. HTC EX allows Housing Tax Credit (HTC) allocating agencies, including TDHCA, to choose to receive a portion of their 2009 and returned 2008 HTCs in the form of a grant from the federal government rather than as tax credits. These funds will be available to assist 2007, 2008 and 2009 HTC developments.

HTC EX funds are made available through the U.S. Department of the Treasury. Households served through the HTC program earn less than 60% AMFI.

HTC EX awards will be finalized in October and November of 2009. All funds must be expended by January 2011, however as of the date of this publication federal officials are considering an extension of this deadline to December 31, 2011.

Down Payment Assistance Programs

The Texas Department of Housing and Community Affairs (TDHCA) has released two new down payment assistance programs - the Mortgage Advantage Program and the 90-Day Down Payment Assistance Program. Both programs are designed to monetize the Federal First Time Homebuyer Tax Credit enacted within the American Recovery and Reinvestment Act of 2009 by helping Texas families purchase their first home. The programs are intended to allow the borrower to take advantage of the legislation by receiving a short term loan prior to filing for and receiving the federal first time homebuyer tax credit. Program funds are available on home purchases prior to December 1, 2009.

Under the Mortgage Advantage Program, TDHCA has made available on a first come, first serve basis to participating mortgage lenders approximately $1 million in down payment assistance for use in conjunction with the 2009 Texas Mortgage Credit Program and approximately $1.5 million in down payment assistance for use in conjunction with The Texas First Time Homebuyer Program (Bond 70).

Under the 90-Day Down Payment Assistance Program, TDHCA has made available $5 million in down payment assistance to be used in conjunction with first lien mortgage loans originated by the lender.

Funds are available through the Department's network of participating lenders. A $250 administrative fee is charged to all borrowers. Borrowers sign a second lien note and deed of trust at closing that amortizes for a two to five year term depending on the program. Borrowers are offered a deferment period with zero percent interest to incentivize them to repay before the repayment period begins.

Funds to support these programs are derived from repayments from prior programs, fees from premium Private Activity Cap bonds and the Department's Mortgage Credit Certificate Programs.

Neighborhood Stabilization Program Round 2 (NSP 2)

The purpose of the Neighborhood Stabilization Program Round 2 (NSP 2), similar to NSP 1, is to redevelop into affordable housing or acquire and hold abandoned and foreclosed properties in areas that are documented to have the greatest need for declining property values as a result of excessive foreclosures. The program allows a grantee to purchase abandoned, foreclosed or vacant homes and residential properties to rehabilitate, reconstruct or redevelop and sell or rent those properties to households earning 120% AMFI or below.

The US Department of Housing and Urban Development (HUD) released a NOFA for NSP 2, as authorized by the American Recovery and Reinvestment Act of 2009. Unlike the initial Neighborhood Stabilization Program (NSP 1) created under HERA, which included a minimum allocation to all states, NSP 2 will be fully competitive on a national basis.

The Department submitted an application requesting $110 million in NSP 2 funds on July 16, 2009. The State of Texas is proposing a "balance of state" model to establish a statewide target geography without forcing direct competition with local and regional applicants who can otherwise compete successfully on a national scale. HUD announcements on NSP 2 awards are anticipated in December 2009.

OTHER PROGRAMS

Foreclosure Prevention Response

The Department for the past 10 years has administered the Texas Statewide Homebuyer Education Program (TSHEP), which provides instruction to local nonprofit organizations regarding the principles and applications of comprehensive pre- and post-purchase homebuyer education and to certify participants as providers.

The TSHEP curriculum includes basic foreclosure prevention training for counselors who work directly with homeowners in or facing foreclosure. The program is currently offering courses involving "Best practice" case studies, as well as developing and implementing an effective foreclosure program.

The Department is also a founding entity and active participant in the Texas Foreclosure Prevention Task Force (TFPTF), an association of more than 50 organizations representing government, the financial services and lending industry and the nonprofit sector working together to avert home mortgage foreclosures.

Ongoing TFPTF activities include:

- Raising awareness about the nationally endorsed Homeownership Preservation Foundation and its HOPE Hotline number 888-995-HOPE, connecting callers with HUD certified foreclosure prevention counselors
- Conducting outreach/public awareness campaigns in conjunction with existing foreclosure prevention efforts and initiatives
- Developing means for financial support for local counseling partners assisting distressed homeowners with home retention options
- Identifying and promoting foreclosure prevention related data/resources specific to Texas Identifying potential legislative recommendations that support homeownership retention

To help promote Task Force activities and the national HOPE Hotline, TDHCA coordinated a series of media events in six of the state's 10 largest television markets. The events occurred between March and June 2008, receiving a cumulative coverage totaling one hour, 35 seconds and reaching an estimated 4.5 million viewers.
The Department also added a comprehensive list of resources to the Department's website for Texans facing foreclosure to supplement and create synergy with its TFPTF activities. In additional to providing answers to frequently asked questions and practical steps to avoid foreclosure, the website also offers useful links to other sources of information that include HUD, FHA, Freddie Mac and the Federal Reserve Bank of Dallas, among others.

Additionally, TDHCA hosted a series of foreclosure prevention and continuing education trainings around the state. The trainings include *Beginning to Intermediate Foreclosure Prevention Training* in El Paso, McAllen, Houston and Dallas in March and April 2008; *Foreclosure Intervention and Default Counseling Part I* in San Antonio, October 2008; and *Advanced Foreclosure Case Study and Developing and Implementing Foreclosure Programs Part II*, in Houston, July 2009.

Homeless Housing and Services Program (HHSP)

The Homeless Housing and Services Program (HHSP) was created by the Texas Legislature during the 81st Legislative Session in response to a request from the eight largest urban cities in Texas for funds to provide services to homeless individuals and families, including services such as construction, case management, and housing placement and retention. The Legislature appropriated $20M over the 2010-2011 biennium to be administered by the Department to fund the HHSP. Funding for HHSP shall be awarded through a competitive matching grant process whereby the eight largest cities with populations larger than 285,500 persons per the latest U.S. Census figures may seek funding for this purpose.

Funds will be made available to political subdivisions, housing finance corporations, for-profit corporations and nonprofits organizations to support local homelessness initiatives.

VIII. Statutory Authority and Recent Legislation

A. Fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2005 – 2009, or earlier significant Attorney General opinions, that affect your agency's operations.

Texas Department of Housing and Community Affairs Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	Authority/Impact on Agency
Texas Government Code Chapter 2306	Provides creation of agency and authority to conduct programs.
SB 1 Article VII Section 1	Provides funding and has footnotes that require certain program practices and direct activities of the agency.
Texas Government Code Chapters 1371 and 1372	Authority for private activity bond program and certain issuance requirements.
26 USC §42	Enabling for Low Income Housing Tax Credit (HTC)
42 USC §9901, et seq.	Enabling for Community Services Block Grant (CSBG)
42 USC §§12701-12839	Enabling for HOME Investment Partnerships Program (HOME)
42 USC §6861	Enabling for Weatherization Assistance Program (WAP)
42 USC §1437f	Enabling for Section 8 Program
42 USC §8621, et seq.	Enabling for Comprehensive Energy Assistance Program (CEAP)
42 USC §11461	Enabling for Emergency Shelter Grants Program (ESGP)
26 USC §143	Enabling for Mortgage Revenue Bond Program
PL 109-148	Disaster Recovery – Hurricane Rita I
PL 109-234	Disaster Recovery – Hurricane Rita II
PL 110-329	Disaster Recovery – Hurricane Ike
PL 110-289	Housing and Economic Recovery Act of 2008 (HERA)
PL 111-5	American Recovery and Reinvestment Act of 2009 (ARRA)
Attorney General Opinions	
Attorney General Opinion No.	Impact on Agency
GA-0208	Provides certain restrictions on scoring of tax credit applications and development of the QAP.
GA-0497	Provides guidance on rule construction regarding limitations for inclusion of Public Housing Authorities Resident Councils for scoring of tax credit applications
GA-0455	Whether portions of §2306.6710, Texas Government Code, are unconstitutional because the legislative letters unduly influence the executive branch decisions.

B. Provide a summary of recent legislation regarding your agency by filling in the chart below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation).

Texas Department of Housing and Community Affairs
Exhibit 14: 81st Legislative Session Chart

Legislation Enacted in the 81st Legislative Session

Bill Number	Author	Summary of Key Provisions/Intent
HB 434	Lucio III	Requires that any TDHCA application, form, and/or educational material from the Energy Crisis Intervention Program, the Weatherization Assistance Program, and the Low-Income Home Energy Assistance Program has to be provided in English, Spanish, and any "other appropriate language."
HB 492	Zerwas	Expands the state's current faith-and community-based health and human services network; pairs state agencies and stakeholders initiatives for increased partnership. Requires TDHCA executive director and other state agencies, in consultation with the Governor, designate one employee from each agency to serve as a liaison for faith-and community-based organizations.
HB 2275	Raymond	The bill creates a task force – includes TDHCA in that task force -- to develop uniform standards for subdivisions in the unincorporated areas of counties near the international border and in economically distressed counties.
HB 2450	Eiland	Bill directs TDHCA to draft rules that would allow the agency to establish clear title on a home whose owner is submitting an application for disaster recovery housing assistance. Bill also has TDHCA and GDEM establishing a pilot project to reconstruct or provide temporary housing for persons displaced by a natural disaster
HB 2840	Solomons	Adds TDHCA to the Residential Mortgage Fraud Task Force and also adds TDHCA to confidential information-sharing agreements with other agencies about mortgage fraud.
HB 4275	Menendez	Bill gives TDHCA flexibility and rulemaking authority to implement tax credit-related ARRA funds outside of existing statutory parameters.
HB 4409	Larry Taylor	Directs TDHCA to contract for temporary or emergency housing in the wake of a natural disaster
SB 679	Lucio	Bill makes substantial changes to the Texas Bootstrap Loan Program by changing award caps and total loan amounts, and sweat equity requirements of the owner-builder
SB 1717	West	Prohibits tax credit owners from locking out or threatening to lock out tenants unless through a judicial process or if construction/repair or an emergency is ongoing. Bill also prohibits owners from seizing personal property unless they earn the right through court or if the tenant abandons the unit. Bill also requires all housing sponsors of multifamily developments who get funds from the state or the feds must submit a quarterly unit vacancy report to TDHCA and that TDHCA must supply that report to members of the Legislature if requested.
SB 1878	Nelson	Creates a coordination council run by TDHCA with 15 members of various housing and health services agencies, groups. Contains various working tasks for the council and includes TDHCA staffing responsibilities. Based on LBB Govt Effectiveness and Efficiency Report.
SB 2064	West	The bill affects the duties and issuance procedures of bonds for the Bond Review Board. The bill also includes language about "construction-phase" financing for tax credit/bond deals in Section 18 of the bill

Legislation Not Passed in the 81st Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
HB 222	Menendez	Among other things the bill authorizes the state regulation of the game of poker and creates gaming revenue which is transferred to TDHCA: 50% used for homeless services, 50% in Housing Trust Fund. The bill made it out of committee but did not pass the House.
HB 261	Berman	Says that state agency may not adopt a rule or policy under which the agency will not fully enforce the laws of this state or federal law, including laws relating to immigrants or immigration. The bill was left in committee
HB 266	Berman	Statewide omnibus bill that discourages illegal immigration and immigrants in Texas as a matter of public policy. Requires state agencies to verify resident status of all new employees. The bill was left in committee.
HB 495	Zerwas	Dictates procedure for how state agencies are to distribute printed materials to Legislature. The bill was left in committee.
HB 547	Raymond	Pertains to civil actions filed against state agencies. The bill was left pending in committee.
HB 555	Menendez	Affects HTC program by expanding boundaries of area where neighborhood organizations can make comment on an application. Also requires TDHCA to award max points in category to applicants who have no neighborhood organizations in area where their application is. The bill was left in committee.
HB 563	Menendez	Same bill as HB 555 but adds provisions to change current point scoring system to a tiered system and also eliminates any scoring items not defined currently in statute. The bill passed out of its House committee and out of the House but was left in Senate committee.
HB 576	Sheffield	Defines how state agencies are to electronically seek Legislature approval prior to distributing publications. Passed out of House committee but left on House floor.
HB 581	Dukes	Places additional requirements, including required cost analyses, on state agencies seeking to outsource service(s). The bill was left in committee.
HB 703	Rose	Among other things bill directs DADS to incorporate fall prevention guidelines into state housing planning documents. The bill passed out of the House but was left in Senate committee.
HB 955	Villarreal	Directs TDHCA to create new program – Volunteer Income Tax Assistance Program to be funded through a small percentage of state TANF funds. Bill passed out of House committee but was left on House Local and Consent Calendar.
HB 1182	Turner	Reconstitutes System Benefit Fund and sets it up outside the Treasury and includes language mandating energy assistance programs through TDHCA. Passed by House but left in Senate committee.
HB 1412	Bohac	Expands notification requirements for housing tax credit developers and expands letters-for-scoring opportunities for neighborhood organizations to include any neighborhood organization that has boundaries either containing the proposed development site or within one-half mile of the site. The bill was left in committee.
HB 1429	Bohac	Adds new provision for housing tax credit applicants that all notification letters they send out must be done by certified mail. The bill was left pending in committee.

Legislation Not Passed in the 81st Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
HB 1553	Burnam	Would require TDHCA and 13 other state agencies to produce a climate adaptation plan and how each agency's programs would affect climate issues. The bill passed out of House committee but was never set on House calendar.
HB 1589	Rose	Comprehensive bill that directs HHSC to draft and implement a strategic plan that reforms state system for supports and services for persons with disabilities. TDHCA is mentioned as serving as a resource to the strategic plan's steering committee. The bill was left in committee.
HB 1627	Naishtat	Directs TDHCA to enter into an MOU with HHSC to provide $1 annually under LIHEAP to every family receiving food stamps if the household is not already receiving energy assistance benefits. The bill passed out of House committee but was never set on House calendar.
HB 1961	Brown	Requires the department by rule to adopt policies to ensure that each recipient and subrecipient who receives funds– including bond assistance – must be a citizen of the U.S. or authorized to be in the country by the federal agency for citizenship and immigration. The bill was left in committee.
HB 2121	Olivo	Expands notification requirements for housing tax credit developers and expands letters-for-scoring opportunities for neighborhood organizations to include any neighborhood organization that has boundaries either containing the proposed development site or within 500 feet of the site. Passed out of House but left in Senate committee.
HB 2296	Y. Davis	Bill makes substantial changes to the Texas Bootstrap Loan Program by changing award caps and total loan amounts, and sweat equity requirements of the owner-builder. The bill passed out of House committee but was never set on House calendar.
HB 2297	Y. Davis	Bill affects the housing tax credit program by raising the cap an applicant can receive in one single application round from $2 million to $3 million. The bill also ties the cap amount to a price index of sorts based on the Consumer Price Index from the US Bureau of Labor Statistics. This index is to be evaluated during even-numbered years starting on 1/1/12. The bill was left in committee.
HB 2308	Y. Davis	Essentially creates a single family loan program through TDHCA designed to serve low income families and designed to have extra protections against foreclosure. Passed House and passed Senate committee but not set on Senate calendar
HB 2309	Y. Davis	Creates forms to be filed by mortgage servicers with county clerks to contain extensive information on real property foreclosure sales and debtors associated with them. TDHCA is directed to collect and publish the data online. The bill was left pending in committee.
HB 2343	Menendez	Bill extends TDHCA's Sunset Date to from 2011 to 2015. The bill was left in committee.
HB 2629	Rodriguez	Bill directs TDHCA to add incentives in its QAP for applicants to use energy-saving devices and energy conservation measures in their developments. The bill was left in committee.

Legislation Not Passed in the 81st Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
HB 2674	Y. Davis	Bill directs the department to seek and administer federal funds that would support local homeless initiatives by political subdivisions, housing finance corporations, for profits and nonprofits. The bill was left in committee.
HB 2675	Y. Davis	Bill directs the department to create a foreclosure prevention program that offers information and assistance to homeowners in foreclosure or near to foreclosure due to adverse personal circumstances. Directs the department to seek federal funding to run the program. The bill was left in committee.
HB 2761	Martinez Fischer	Bill would direct TDHCA to work with the Finance Commission to develop a foreclosure prevention assistance form that would be provided to all homeowners when they close a loan, when they default, when they receive a delinquent notice, or a right to cure letter. The bill was left pending in committee.
HB 2827	Turner	Creates a new division within TDHCA dedicated to emergency housing. New division would have new ED and board per existing structure much like Manufactured Housing. The bill passed House and Senate committee but did not make Senate calendar.
HB 2888	Martinez	Bill would require that any development TDHCA funds reserve units for very low-income tenants and accept Section 8 or other rental voucher tenants. Bill also directs TDHCA to establish rules to enforce these measures. Bill also included language from HB 955. The bill passed the Legislature but was vetoed by the Governor.
HB 3161	Y. Davis	TDHCA is directed to conduct a study of the effectiveness of its SLIHP and to provide the results of the study to the Legislature by 12/1/10. Bill also contains language funding the HTF through a document recording fee. The bill made it out of House committee but not onto House calendar.
HB 3162	Y. Davis	Bill directs TDHCA to establish a long-range housing plan that covers at least six years and proscribes the contents of the plan. The bill made it out of House committee but not onto House calendar.
HB 3163	Y. Davis	Creates dedicated funding source for Housing Trust Fund by establishing document recording fee -- $10 per document and mandates that funds be sent to TDHCA for purposes identified in statutory language on the Housing Trust Fund. The bill made it out of House committee but not onto House calendar.
HB 3165	Y. Davis	Companion bill to SB 1717 which passed the Legislature and was signed into law by the Governor.
HB 3168	Y. Davis	Has TDHCA and GDEM establishing a pilot project to reconstruct or provide temporary housing for persons displaced by a natural disaster. The bill passed out of House committee but did not make onto House calendar. Language from bill was added to HB 2450 which passed Legislature and was signed into law by the Governor.
HB 3171	Y. Davis	Makes some minor tweaks to the administrative portion of TDHCA’s enabling statute including encouraging maximum use of funds. The bill was left in committee.

Legislation Not Passed in the 81st Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
HB 3172	Y. Davis	Bill states that if another state agency receives funds from HUD and receives more than 50% of those program funds intended for the state, it must transfer that program to TDHCA. If it is less than 50%, it must enter into an MOU with TDHCA. The bill was left in committee.
HB 3219	Chavez	Companion bill to SB 1878 which passed Legislature and was signed into law by the Governor.
HB 3241	Martinez	Among other things, the bill creates a work group to discuss issues facing counties which contain colonias. A representative from TDHCA is to be on the work group. The bill was left pending in committee.
HB 3430	Menendez	Bootstrap bill that included language on loan amounts, lien position, etc. The bill was left in committee.
HB 3431	Menendez	Bill abolishes TSAHC and rolls it into TDHCA and provides direction to the department on how to use funds from transfer. The bill passed out of House committee but did not make it onto House calendar.
HB 3432	Menendez	Bill included some administrative clean-up language for Section 2306 of the Texas Government Code and included the creation of a public housing authority board within TDHCA's board. The bill was left in committee.
HB 3482	Coleman	TDHCA is to create a form sent by mortgage servicers to mortgagees prior to a foreclosure that informs the debtor they have a right to enter into mediation. The bill was left pending in committee.
HB 3535	Y. Davis	Bill exempts tax credit nonprofit set-aside from the regional allocation formula. The bill was left in committee.
HB 3536	Y. Davis	Requires TDHCA to collect statistical information on how many multifamily units are in each census tract and how many occupants are in each of these units and report this to the Census Bureau. The bill was left pending in committee.
HB 3540	Y. Davis	Large omnibus bill creating a Texas Housing Independence Campaign, task force, and various programs with multiple agencies. The bill passed out of House committee but did not make it onto House calendar.
HB 3928	Guillen	Bill attempts to solve current lien issue with disaster housing by providing new options for persons to prove ownership of a homestead. The bill was left pending in committee.
HB 4094	Y. Davis	A fair housing bill that creates a Governors Fair Housing Council with TDHCA and other state agencies and to be chaired by TDHCA. Responsibilities include programs reviews and an annual report on the council's progress. The bill was passed out of House committee but did not make it onto House calendar.
HJR 117	Turner	Joint resolution creating a constitutional amendment that would provide no more than $100 million to TDHCA to expend for temporary or emergency housing. The bill was left in committee.
SB 123	Ellis	Restricts any appropriation from the System Benefit Fund to only those purposes identified in Section 39.903 of the Utilities Code and no other law. The bill was left in committee.

Legislation Not Passed in the 81st Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
SB 265	Hinojosa	Amends Sec. 39 of the Utilities Code and directs PUC to adopt and enforce rules that electric utilities establish a system benefit fund outside the state treasury. Purpose of said fund is limited to what is described in this section of statute. The bill passed out of committee but was left on Senate calendar.
SB 464	Zaffirini	Re-constitutes System Benefit Fund with a number of measures dictating who is eligible and how funds are collected. The bill was left in committee.
SB 509	Carona	Bill states that no later than June 1st of each year, a state agency has to provide the agency's proposed publicity expenditures to its oversight committees in the Legislature. The bill goes on to say that on a vote of a majority of the committee, a statement either supporting or opposing a proposed expenditure may be sent to the agency. The bill was left in committee.
SB 744	Wentworth	Bill redefines the Community Housing Development Organization (CHDO) property tax exemption. The bill would: (1) permit certain limited partnerships to qualify for community housing development corporation (CHDO) property tax exemptions; and (2) delete the current-law requirement that housing projects must be built after December 1, 2001 in order to qualify for a CHDO exemption. The bill was left in committee.
SB 934	Lucio	Creates dedicated funding source for Housing Trust Fund by establishing document recording fee -- $10 per document and mandates that funds be sent to TDHCA for purposes identified in statutory language on the Housing Trust Fund. The bill was left in committee.
SB 950	West	Creates dedicated funding source for the Housing Trust Fund by establishing a document recording fee ($10) per documents dealing with real property. The bill was left pending in committee.
SB 980	Lucio	Creates forms to be filed by mortgage servicers with county clerks to contain extensive information on real property foreclosure sales and debtors associated with them. TDHCA is directed to collect and publish the data online. The bill was left in committee.
SB 990	Lucio	Creates a rural land bank program of which TDHCA is to develop the rules and guidelines for the program. The bill was left in committee.
SB 991	Lucio	Bill requires that TDHCA ensures that housing tax credit applications for rural developments considered small scale (< 33 units) are not placed at disadvantage in the QAP. The bill was left in committee.
SB 1060	Ellis	Comprehensive bill that directs HHSC to draft and implement a strategic plan that reforms state system for supports and services for persons with disabilities. TDHCA is mentioned as serving as a resource to the strategic plan's steering committee. The bill made it out of committee but not onto the Senate calendar.
SB 1375	West	Creates the Texas Savvy Homeowner Program for mortgage loans administered by TDHCA or TSAHC. Program is designed to educate homeowners on re-financing options and is mandatory. Program can be administered by TDHCA or a non-profit approved by HUD. The bill passed the Senate and made it out of House committee but did not make House calendar.

Legislation Not Passed in the 81st Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
SB 1861	Ellis	Creates an alternative weatherization program to be run by TDHCA on a pilot program basis using fed stimulus funds via ARRA. The bill passed the Senate and passed the House committee but did not make the House calendar.
SB 1943	West	A fair housing bill that creates a Governors Fair Housing Council with TDHCA and other state agencies and to be chaired by TDHCA. Responsibilities include programs reviews and an annual report on the council's progress. The bill passed out of Senate committee but not on Senate calendar.
SB 1944	West	Bill creates a tax credit for taxable entities providing charitable contributions to eligible nonprofit owner-builder loan programs (Bootstrap). The bill was left in committee.
SB 2169	Ellis	Creates a statewide policy workgroup on smart growth and adds TDHCA as a member. The bill passed the Legislature but was vetoed by the Governor.
SB 2280	Ellis	Creates a large state Re-entry Policy Council to help determine how to integrate inmates into the community after they have been released from jail/prison. TDHCA is a member. The bill passed out of Senate committee but did not make Senate calendar.
SB 2287	Lucio	Bill creates a Small Municipality and Rural Area Housing Development fund and program to be administered by TDRA. Bill directs TDHCA to work with TDRA in identifying possible additional funds for the program. The bill was left in committee.
SB 2288	Lucio	Large bill creates a Small Municipality and Rural Area Housing Development fund and program to be administered by TDRA. Directs TDHCA to work with TDRA in identifying additional available funds for program. Creates a new division within TDHCA to work this initiative, includes language from SB 991, SB 1026, and SB 990, including adding a farm worker housing pilot project. The bill passed the Senate and out of House committee but did not make House calendar.
SB 2289	Lucio	Bill is a funding mechanism for the Housing Trust Fund with the authorization to have TDHCA issue general obligation bonds to fund the HTF not to exceed $50 million in one year. Needs a constitutional amendment (see SJR 46 below). The bill was left in committee.
SB 2290	Lucio	Bill contains language of SB 2288 without language from SB 991, SB 1026, and SB 990. The bill was left in committee.
SB 2291	Lucio	Directs TDHCA to create a regional CDC for rural housing as a pilot program and a statewide CDC for migrant labor housing and the latter is to implement the findings from the TDHCA report issued in 2007 on migrant labor housing. The bill was left in committee.
SB 2292	Lucio	Creates a natural disaster housing reconstruction council and program of which TDHCA is an integral member both from a staffing and funding aspect. The bill passed the Senate and the House committee but did not make the House calendar.
SB 2294	Lucio	Affects the BRB rules and the state's PAB program and provides the BRB with flexibility to temporarily change rules to help the state facilitate federal legislation. The bill was left in committee.

Legislation Not Passed in the 81st Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
SJR 46	Lucio	Would provide the constitutional amendment to have TDHCA issue general obligation bonds to help fund the Housing Trust Fund. The bill was left in committee.

IX. Policy Issues

Policy Issue 1: Housing Trust Fund and Bootstrap Expenditures

A. Brief Description of Issue

The Housing Trust Fund, described earlier in this document, is an excellent source of flexible non-federal funds whose growth is critical to increasing the supply of affordable housing in Texas. However, there are several statutory requirements that pose challenges to the efficient and timely use of the funds. With funds not being expended promptly, the program may appear to not justify increases. As is, TDHCA is limited in the extent to which success can be measured and more funds requested.

B. Discussion

TDHCA, as the state agency responsible for providing affordable housing to low income Texans, strives to expand to the greatest extent possible the total resources available for those activities. As such, TDHCA has historically made, and will continue to make, requests for Housing Trust Fund resources during the Legislative Appropriation Request process. During that process it is critical that TDHCA be in a position to report clear successes with funds – in households served and in dollars expended timely. The TDHCA Board has been effective in programming HTF funds in ways that serve as many households as possible, while using the flexible funds to address very hard to serve populations. However, there are several statutory issues that make the timely expenditure of funds more challenging – both delaying assistance to Texans and indicating lack of effective programming of funds. Remedies to these issues would allow funds to move more quickly and enhance expenditure rates.

The primary delay in the use of funds is the “2/3 set-aside” requirement for the Owner-Builder Loan Program, more commonly known as the Texas Bootstrap Loan Program. As noted earlier in this report, TDHCA is statutorily required to fund the Texas Bootstrap Loan Program with a minimum of $3 million per year. Due to the success of this program, and the many benefits to very low income households, the program for the 2010-2011 biennium has been increased to $10 million. Section 2306.753(d), Texas Government Code, which requires that two-thirds (2/3) of the “dollar amount of loans made must be made to borrower whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, Water Code [Economically Distressed Areas.]” In order to accomplish this requirement, Texas Bootstrap Loan Program funds are reserved specifically for the 2/3 set-aside. Unfortunately, the 2/3 set-aside remains significantly undersubscribed each year due to limited number of nonprofit organizations which undertake self-help housing construction projects in those communities. The nonprofit organizations are required to qualify, organize and supervise groups of families in the construction of their own home. Because these funds cannot be collapsed together with the 1/3 set-aside, they continue to roll forward and remain uncommitted and unavailable to the balance of the state.

C. Possible Solutions and Impact

As it relates to the Bootstrap Program, TDHCA staff is currently instituting several possible solutions.

1. TDHCA has developed a Bootstrap Capacity Building Program specifically to build the capacity of nonprofit organizations in self-help housing construction located in Economically Distressed counties of Texas (2/3 set-aside). TDHCA hopes to accomplish this by providing intensive technical assistance, as well as facilitating mentoring partnerships between new or less experienced nonprofit organizations and more experienced nonprofits. These less experienced nonprofits will be able to benefit from their mentor nonprofit organization’s expertise in areas where additional training, technical and supervisory assistance is needed. Examples of this are: mortgage financing, on-site construction and program management. The goal is to increase acquisition, rehabilitation, reconstruction or new construction of affordable single family housing through self-help housing construction in accordance to the Texas Bootstrap Loan Program. Staff hopes that by helping develop nonprofits qualified to administer the program, they will increase participation in the program.

2. TDHCA is also educating and encouraging nonprofit organizations in counties not currently classified as Economically Distressed Areas (EDAs) to work with their counties to inform them of the benefits of and steps to becoming EDAs.

Unfortunately, these are both efforts that may not have an immediate or significant impact on the unexpended balance of funds. As such, an additional statutory solution may be needed. Ideally, the statute would be changed to allow the two-thirds set-aside to collapse into the general Bootstrap Loan Program funds if they are not requested after an initial period of time. TDHCA will continue capacity building and outreach efforts, but this change will allow the funds to be utilized throughout the state if the EDAs do not ultimately request the funds.

POLICY ISSUE 2: ASSET RESOLUTION

A. Brief Description of Issue

Asset resolution. Through the federal HOME Investment Partnerships (HOME) program, the Department provides funds for development of affordable housing, including affordable rental housing. As required by the federal rules and state program rules, multifamily housing developments funded under the HOME program are subject to a minimum affordability period, generally 30 years. Development owners must maintain records of compliance with state and federal rules and the Department provides ongoing compliance monitoring of all HOME funded properties to ensure compliance. Compliance requirements include documentation that tenants meet state and federal income qualifications, documentation that housing rents are restricted at affordable levels, and assurance that housing units are maintained over the affordability period.

The U.S. Department of Housing and Urban Development (HUD) oversees the HOME Investment Partnerships program and monitors the Department to ensure that all HOME funds are administered in accordance with federal program rules and requirements. When a property fails to remain in compliance with state and federal requirements the Department has several methods of enforcement. Those measures could include taking back the developments through foreclosure or agreement and either operating them directly as affordable rental properties or transferring them to other owners capable of operating them in compliance with the requirements of the HOME program. Once HOME funds have been awarded to assist a development, no more HOME funds may be invested for that project during the federal affordability period. The two most common forms of assistance are major rehabilitation and new construction. Either may be administered as either a loan or a grant.

B. Discussion

There are a number of different compliance problems that an affordable rental housing property may encounter. However, some of the more common ones include:

1) "Prior management" failed to complete rehabilitation and absconded with the funds.
2) Required records are not maintained and required reports are not filed.
3) Premises are leased to ineligible tenants.
4) The property does not produce cash flow as projected and is allowed to deteriorate because of inadequate funds for maintenance.
5) Subsequent owner does not participate in the program.

Further, on the older multifamily loans in the Department's HOME portfolio, the Department is in the second lien position and has limited solutions. In most of these instances, the Department will need to have a ready source of cash to fund related costs such as payment of prior lien indebtedness, correction of physical condition violations, and asset management costs. At times there are properties which simply cannot be viably operated as affordable rental housing under the HOME program, in which case the Department will need to repay HUD with non-federal funds.

C. Possible Solutions and Impact

The Department needs appropriate additional funds for use in addressing these issues. If such funding is not available, the Department's ability to restructure and address these properties is severely limited, potentially creating repayment liability to HUD of a greater magnitude.

POLICY ISSUE 3: SERVING THE LOWEST INCOME HOUSEHOLDS

A. Brief Description of Issue

Needs of persons at 30% of area median income (AMI) is acute. The majority of the funding tools available to the Department focus on the housing needs of households earning between 50% and 80% of the area median income particularly with regard to the production of new affordable housing. Subsidizing households below that level generally require ongoing financial support and linkages to other public and private services outside of the Department's control or sphere of influence.

B. Discussion

TDHCA receives federal and state funding sources for housing activities that primarily provide a one time or initial infusion to lower the burden of funds needed to start a housing development. Both single family ownership and multifamily rental housing has an ongoing operating and maintenance need for funds. These funds are required to pay for repairs and maintenance, utilities, taxes, insurance, management oversight and debt service. Even when a housing unit is delivered using 100% grant and equity funding sources with no debt service, households earning less than 30% to 40% of the area median income will have to spend a significantly disproportionate share of their income (more than 30%) to stay in the unit overtime. In addition senior households and households which have a member(s) with a disability face additional challenges that often require additional housing related services (e.g. physical access adaptations, communication enhancements, independent living assistance) which are not part of an initial housing budget. None of the funding sources currently available to the Department allow for their use to be in the form of a long term reserve to fund such ongoing needs. The tools currently available to address the ongoing cost of permanent housing issues are limited to emergency utility assistance through the Comprehensive Energy Assistance Program, short term tenant based rental assistance through the HOME Investment Partnership Program of HUD and Section 8 assistance for limited areas of the State that do receive a direct allocation of Section 8 assistance also through HUD. These existing tools are designed to be temporary and do not address the permanent housing related needs.

C. Possible Solutions and Impact

The creation of a dedicated trust that would commit annual funding up front for a more permanent period of a minimum ten but a maximum thirty year period would require a new state source of funds and statutory changes to obligate the Department to continue to subsidize units in a development beyond the two year biennium. In addition, legislation passed in the 2009 session, SB1878, provided for the creation of an interagency council to address issues involving service enriched housing particularly to assist elderly citizens age in place and housing related services to citizens with disabilities, this councils mandate could be expanded to oversee the implementation of funding to provide such integrated services as well as explore services needed more generally for the poorest of the poor, households at or below 30% of the area median income.

POLICY ISSUE 4: LACK OF FLEXIBILITY IN THE HOUSING TAX CREDIT PROGRAM

A. Brief Description of Issue

Efficiencies in administration are lost because of the highly proscribed regulations of the Low Income Housing Tax Credit (HTC) application cycle.

B. Discussion

Due to concerns that arose several sessions ago about lack of transparency in the award process, TDHCA's governing statute contains some very proscriptive parameters that can make Department operations difficult and put process over substance.

Several examples exist, but one of the most pressing is found in Texas Government Code, 2306.6724, "Deadlines for allocation in low income housing." For instance, the community has requested a two year Qualified Allocation Plan (QAP), but because subsection (a) of this section requires a plan be submitted each year by September 30, a two year plan would not be allowable.

Also because applications are due not later than March 1 of the application year, the TDHCA governing Board cannot provide any discretion or flexibility when unique circumstances arise. This past year, for example, the passage of ARRA made available additional funds on February 17, 2009. Unfortunately, because awarded credit applications are statutorily required and the tax credit cycle is limited to a single award round (combination of §2306.6702(4) and §2306.1111, Texas Government Code), there was no way to allow the relief provided under the federal law without a statutory change. Luckily, the Legislature happened to be in session this year, so such statutory change did occur (Texas Government Code, §2306.6736). Had the legislature not been in session, the Department would not have been able to maximize Recovery Act resources.

Another issue related to the proscribed deadlines is the requirement that Representatives and Senators be notified prior to the application deadline of March 1. Due to an error in mapping a rural area, the wrong Senator was recently notified of a development. Unaware of this error, this incorrect Senator sent the Department a letter of support. After the application deadline, the property owner discovered their error and contacted the correct Senator and obtained their support for the development. Unfortunately, because of the requirement that the Senator be notified in advance of the application deadline in statute, there was no way to allow the application to move forward as they did not meet the statutory notification deadline.

C. Possible Solutions and Impact

One possible solution to this lack of flexibility is to limit the number of hard dates in the statute and allow some Board discretion for providing changes in the rules for just cause or simple error. While all of the current statutory concepts could still be included - such as rule development, notification requirements and scoring - more flexibility could be built into how these concepts are developed, which would provide a more user-friendly system that focuses on substance of the applications and developments.

POLICY ISSUE 5: ROLE IN DISASTER RECOVERY

A. Brief Description of Issue

The Department has played a central role during the last five years in long-term disaster recovery, providing funding, to finance the repair, rehabilitation, and replacement of housing damaged by hurricanes. The primary source of this funding has been federal CDBG supplemental appropriations.

Through initiatives directed by the Office of the Governor and through statutory changes enacted by the 81st Texas Legislature, the Department has been called upon to expand its disaster recovery role to include emergency temporary housing in the immediate aftermath of declared disasters. In response to the gubernatorially mandated recovery work, TDHCA created a permanent Division of Disaster Recovery. Additionally, HB 4409 requires the Department to enter into pre-positioned contracts for emergency temporary housing following a disaster. As set forth in that bill, funding may be from the disaster contingency fund established under TEX. GOV'T. CODE, §418.073.

Historically the Department has acted as a housing finance agency providing funding for a variety of housing activities. The actual repair, restoration and replacement activities have been carried out by others with the Department providing funding only. Moving into the worlds of providing emergency temporary housing is an entirely different matter. It involves logistical demands, financial resources, and staffing expertise that are not available within the Department.

B. Discussion

Providing emergency temporary housing in the wake of a disaster presents extreme challenges in several areas:

1) Products. There are a very limited number of housing solutions that can be made available quickly. Each involves its own unique requirements and limitations.
   a. Shelter in existing structures (other homes and apartments, hotels and motels). A significant disaster will place huge demands on these sources. Typically people will identify and select these on their own and if they involve costs FEMA will provide vouchers or some other mechanism of payment or reimbursement. Although hotel and motel space might be made accessible quickly (if available), it is not well-suited to extended occupancy. This is a critical shortcoming because long term housing repair, restoration, or replacement solutions typically take a year or longer. The process is as follows: CDBG disaster funds are appropriated, HUD develops allocation plans, public hearings are held, state plans are developed, HUD program rules are published, then allocation occurs and grant agreements are executed, the logistics of the employed solution are put in place, and extensive state and federal requirements, including environmental review processes, are undertaken, all before construction can legally commence.
   b. Travel trailers. Following FEMA use of travel trailers in responding to emergency housing needs after recent Gulf Coast hurricanes, a significant issue with the formaldehyde levels in travel trailers was identified. Although the state has developed new formaldehyde standards, such units are generally not available. The cost to have a significant number of new, compliant units manufactured would be significant. The Department has no appropriated funds available for this activity. Although travel trailers might be delivered and made accessible quickly (if available), they are not well-suited to extended occupancy.
   c. Manufactured homes. Although these units may be installed relatively quickly and are more suited to long term use than hotels, motels, and travel trailers, they involve additional factors, such as site preparation, the need for skilled and licensed installers, and the need for utility, water and wastewater connections. Additionally, manufactured homes have been historically hard for urban areas to deal with in light of zoning restrictions and other requirements.
   d. Park model homes. While these present many of the same attributes as manufactured homes, they are smaller and less suited to greater numbers of occupants.

2) Logistics. For any of these solutions, other than hotel and motel space, there are a host of logistical challenges and critical decision points. The Department is not experienced or staffed in these areas. Some of the key issues involved are:
   a. Who makes the call that any or all of these possible types of units are needed, how many and of what sort, and where are they to be located and delivered?
   b. Will permitting and zoning issues be pre-cleared or addressed on a "blanket" basis? If not, what will the requirements be?
   c. How will utilities and water and wastewater hookups be handled?
   d. Will there be group sites? If so, what advance preparation will be done, if any? If nothing is done in advance, to whom will the responsibility fall?
3) Finances. Presumably reimbursement from FEMA will be pursued for all of these activities, should they occur. Pre-positioned contracts present a different issue, especially for travel trailers. Because inventory that meets new formaldehyde standards is generally non-existent, anyone committing to provide travel trailers for emergency housing purposes will require funds to have such trailers built. Furthermore, because there is an uncertainty as to when or where disaster may strike, anyone who has inventory will seek funding for the costs of storage, maintenance, and general readiness for delivery.

C. Possible Solutions and Impact

To deliver the optimal state government response to the logistical challenges of administering emergency temporary housing the state body tasked with such must have the trained and experienced staff, the relationships with local governmental decision-makers, ability to coordinate with other aspects of emergency response, and ability to access the non-housing essential resources such as site preparation, transportation, utility connection, etc. The Governor's Division of Emergency Management probably best fulfills these criteria, but whatever body oversees these activities needs to be provided with the essential funding to make possible the acquisition and storage of the necessary units. Absent this funding, the only possible solution requires placing reliance on existing retail sales and distribution networks for travel trailers (which likely will not meet the new formaldehyde standards), manufactured homes, and park models to commit to make their existing inventory available for emergency response.

POLICY ISSUE 6: RURAL HOUSING – UNIQUE NEEDS AND CAPACITY

A. Brief Description of Issue

As noted throughout this report, there is acute housing need across Texas. Rural Texas is no exception, and the challenges they face are unique.

B. Discussion

Rural Texas has several distinct housing demographics based on the most recent U.S. Census data analysis.

- Approximately 17% of all households in need of affordable housing in Texas are located in rural communities.
- The rate of substandard housing units is higher in rural areas for both renters and owners.
- The rates of cost burden and overcrowding are higher for rural homeowners than urban homeowners.
- The poverty rate is higher in rural areas than urban areas.
- The rate of cost burden for rural renters is similar to the rate for urban renters.
- Rural renters experience a lower rate of overcrowding than urban renters.

Additionally, there are several other factors, not directly correlated with data-based need, that add to rural housing challenges:

- Rural Texas appears to have higher rates of homeownership.
- Rural areas find it more challenging to attract developers of housing – either market rate or affordable – because of the more limited profitability of rural activities
- Rural areas are rarely direct recipients of federal housing funds, and have limited access to local funds, which makes leveraging funds more challenging than in urban areas
- Anecdotally, it is more expensive to develop housing in rural Texas because materials are harder to access, transportation costs for materials are higher, and skilled labor often has to be brought in
- Local governments and local nonprofits who would be typical applicants for affordable housing resources, often do not have the capacity (housing knowledge, financial resources, staff, etc.) to pursue housing activities
- Generally, in rental housing, market feasibility evaluations occur that indicate an amount of need that a proposed property could absorb. In rural areas, the need for a small community may not correlate to a sufficient number of units to make a development financially feasible.

C.Possible Solutions and Impact

TDHCA continues to develop solutions to these challenges which include:

1. Targeting of at least 95% of all HOME funds to rural Texas as is statutorily required. HOME funds allow a local community flexibility in addressing affordable housing needs.
2. Instituting the Capacity Building and Rural Expansion program under the Housing Trust Fund. This newly created HTF Program is designed to simultaneously provide funds to eligible rural applicants for both capacity building and construction. Many recipients of the Department's capacity building funds in the past have worked to expand construction program capacity, only to face challenges in locating resources. By partnering the two, the Department essentially provide "seed money" to fund their first affordable housing initiative, while committing the resources to building them as nonprofits/local governments with housing expertise.
3. Ensuring collaboration with several rural interest groups – including the Association of Rural Communities in Texas and Rural Rental Housing Association – to develop program changes that address their concerns and suggestions.

Other solutions could include marrying TDHCA funds with other state economic development funds so that the rural housing and economic development occur in tandem, and partnership with the manufactured housing industry to maximize creative affordable solutions with their products.

POLICY ISSUE 7: RESOURCES FOR HOMEOWNERSHIP AND THE BOND MARKET

A. Brief Description of Issue

Promoting responsible home-ownership is a high priority for the Department. One of the principal tools that TDHCA used to support this priority is offering first time homebuyer loans. The Department routinely issues bonds to finance first time homebuyer loans under the authority of TEX. GOV'T. CODE, §§2306.351 and 2306.352. In order to provide loan products that are financially attractive and prudently underwritten, the Department must take into account a host of factors, including prevailing market rates, interest rate markets and trends, and the market for bond investments. As provided for in TEX. GOV'T. CODE, §2306.351(b), the Department, in consultation with its underwriters and financial advisers, enters into necessary ancillary contracts tailored to the relevant factors at the time of issuance and, as markets conditions and other factors change, considers changes to these contracts. The Department's ability to meet the demands of the market and these contracts has a material bearing on the rating of the Department's bonded indebtedness and, therefore, the competitiveness of its pricing and the ability to place bonds. The market, and rating agencies in particular, have an expectation that an issuer such as the Department will have available financial resources commensurate with its overall position, including contracts of the sort described in TEX. GOV'T. CODE, §2306.351(b).

B. Discussion

The Department does not have specific, identified, and appropriated funds to address these market requirements. When each new bond issuance is structured, therefore, market conditions are assessed and the Department consults with its financial adviser to develop a specific plan for the ancillary contracts, such as hedges and liquidity facilities. Because the market takes into account not only the structure of the current issue but also the Department's overall posture (i.e. its bond indebtedness), the Department's challenges, and therefore its need for additional financial support, increases as its issued bonds increase.

While TDHCA's First Time Homebuyer Programs provide significant benefits to Texans, the function of offering home loans can be fraught with complexities and risks. The tendency is to think in terms of credit risks, but actually credit risks are generally among the easier risks to quantify and mitigate though the employment of well-developed and tested underwriting standards. This is exactly how TDHCA approaches that risk. However, far and away the hardest risks to manage are the interest rate risks. Mortgage loans are long term obligations. Even when they are made on a fixed rate basis they present interest rate risks because the ultimate borrowers may prepay at anytime, a feature known as "optionality." Investors in mortgage-related products typically have specific funding sources and desire to lock in a positive return or "spread" for the duration of their particular funding source. Variable rate mortgage loans simply compound this issue as rising loan prices often trigger prepayments, robbing the ultimate investor of their anticipated return.

In an effort to meet the many demands and parameters of both investors and borrowers, interest rate risk must be addressed, and the established approach, as reflected in TEX. GOV'T. CODE, §2306.351(b), is to employ hedging techniques. Hedges, however, are financial instruments and contractual obligations that carry costs and volatility themselves.

C. Possible Solutions and Impact

The Department has limited and generally inadequate sources of funds for these activities. The appropriation of additional funds specifically for this purpose would be one solution. An alternative would be to draw upon the resources of other state agencies, most notably the Comptroller of Public Accounts, to provide some or all of the contractual services required. Without such a solution the Department will have to continue to issue bond indebtedness that is not properly supported.

X. OTHER CONTACTS

A. Fill in the following chart with updated information on people with an interest in your agency, and be sure to include the most recent e-mail address.

Texas Department of Housing and Community Affairs Exhibit 15: Contacts			
INTEREST GROUPS (groups affected by agency actions or that represent others served by or affected by agency actions)			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
ADAPT of Texas *Contact: Bob Kafka*	1640A E. 2nd St., Suite #100, Austin, TX 78702-4412	(512) 442-0252	adapt@adapt.org
Advocacy, Inc. *Contact: Sarah Mills*	7800 Shoal Creek Blvd., Suite #171-E, Austin, TX 78757	(512) 454-4816	smills@advocacyinc.org
Association of Rural Communities in Texas *Contact: Donna Chatham*	P. O. Box 200847, Austin, TX 78720-0847	(512) 331-1354	donna@arcit.org
Corporation for Supportive Housing *Contact: Dianna Lewis*	PO Box 18444, Austin, TX 78760	(512) 539-9641	dianna.lewis@csh.org
Rural Rental Housing Association of Texas, Inc. *Contact: Jeff Crozier*	417-C West Central, Temple, TX 76501	(254) 778-6111	office@rrhatx.com
Texas Affiliation of Affordable Housing Providers *Contact: Jim Brown*	814 San Jacinto Blvd., Ste. #408, Austin, TX 78701	(512) 476-9901	info@taahp.org
Texas Apartment Association *Contact: George Allen*	1011 San Jacinto Blvd., Ste.#600, Austin, TX 78701	(512) 479-6252	communications@taa.org
Texas Association of Builders *Contact: Scott Norman*	313 E. 12th St., Ste. #210, Austin, TX 78701	(512) 476-6346	info@texasbuilders.org
Texas Association of Community Action Agencies *Contact: Stella Rodriguez*	2512 IH 35-South, Suite #100, Austin, TX 78704-5772	(512) 462-2555	stella@tacaa.org
Texas Association of Community Development Corporations *Contact: Steve Carriker*	1524 South IH-35, Ste. # 310, Austin, TX 78704	(512) 916-0508	steve@tacdc.org
Texas Association of Counties *Contact: Karen Norris*	1210 San Antonio St., Austin, TX 78701	(512) 478-8753	karenn@county.org
Texas Association of Local Housing Finance Agencies *Contact: Jeanne Talerico*	5766 Balcones Drive #102, Austin, TX 78731	(512) 481-9933	jeanne@talhfa.org
Texas Association of Regional Councils *Contact: Penny Redington*	701 Brazos St., Ste. #780, Austin, TX 78701	(512) 478-4715	predington@txregionalcouncil.org
Texas Chapter of the National Association of Housing and Redevelopment Officials *Contact: Steve Shorts*	311 C. East 7th Street, Taylor, TX 76574	(512) 352-3231	thousingauth@austin.rr.com

INTEREST GROUPS (continued) (groups affected by agency actions or that represent others served by or affected by agency actions)			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
Texas Habitat for Humanity *Contact: Matt Hull*	55 IH-35 North, Suite #240, Austin, TX 78702	(512) 472-8788	matt@habitattexas.org
Texas Homeless Network *Contact: Ken Martin*	1713 Fortview Rd., Austin, TX 78704	(512) 482-8270	ken@thn.org
Texas Housing Association *Contact: Linda Bryant*	1106 Santa Fe Trail, Suite #1, Duncanville, TX 75137	(972) 572-2262	txtha@texas.net
Texas League of United Latin American Citizens *Contact: Joey Cardenas III*	P.O. Box 29, Louise, TX 77455-0029	(979) 648-2713	joey_cardenas@hotmail.com
Texas Legal Services Center *Contact: Randy Chapman*	815 Brazos St., Austin, TX. 78701	(512) 477-6000	rchapman@tlsc.org
Texas Low Income Housing Information Service *Contact: John Henneberger*	508 Powell St, Austin, TX 78701	(512) 477-8910	john@texashousing.org
Texas Manufactured Housing Association *Contact: D.J. Pendleton*	816 Congress Ave., Ste. # 940, Austin, TX 78701	(512) 459-1221	dpendleton@texasmha.com
Texas Municipal League *Contact: Frank Sturzl*	1821 Rutherford Lane, Suite #400, Austin, TX 78754	(512) 231-7490	exec@tml.org
Texas Ratepayers Organization to Save Energy Contact: Carol Biedrzycki	815 Brazos Street, Suite# 1100, Austin, TX 78701	(512) 472-5233	contact@texasrose.org
Texas United Independent Developers *Contact: Jim Shearer*	1122 Colorado St., Ste. #320, Austin, TX 78701	(512) 322-0020	jim@cap-con.net
United Cerebral Palsy of Texas *Contact: Jean Langendorf*	1016 La Posada, Suite 145 Austin, TX 78752	(512) 472-8696	info@ucptexas.org

INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS (that serve as an information clearinghouse or regularly interact with your agency)			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
Community Action Partnership *Contact: Donald Mathis*	1140 Connecticut Avenue, NW, Suite 1210, Washington, DC 20036	(202) 265-7546	dmathis@communityactionpartnership.com
Council of State Community Development Agencies *Contact: Dianne Taylor*	1825 K Street, N.W., Suite 515, Washington, D.C. 20006	(202) 293-5820	dtaylor@coscda.org
National Association for State Community Services Programs *Contact: Timothy Warfield*	400 North Capitol St., NW Suite 395, Washington DC 20001	(202) 624-5866	warfield@nascsp.org
National Association of Housing and Redevelopment Officials (NAHRO) *Contact: John Bohm*	PO Box 90487 Washington, DC 20090	(202) 289-3500	jbohm@nahro.org
National Association of Local Housing Finance Agencies *Contact: John Murphy*	2025 M. Street, NW, Suite 800, Washington, DC 20036	(202) 367-1197	jmurphy@nalhfa.org
National Council of State Housing Agencies *Contact: Barbara Thompson*	444 North Capitol Street, NW, Suite 438, Washington, DC 20001	(202) 624-7710	bthompson@ncsha.org
National Energy Assistance Directors Association: *Contact: Mark Wolfe*	1232 31st Street NW, Washington, DC 20007	(202) 333-5915	info@neada.org

INTERAGENCY NATIONAL AGENCIES (these federal agencies provide funds and oversight)			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
U.S. Department of Energy Office of State and Community Programs *Contact: Jean Diggs*	1000 Independence Ave., SW, EE-44, Washington, D.C. 20585	202-586-8506	jean.diggs@hq.doe.gov
U.S Department of Energy Golden Field Office Contact: Rob Desoto	1617 Cole Boulevard, Golden, CO 80401-3305	(303) 275-4843	rob.desoto@go.doe.gov
Low Income Home Energy Assistance Program; HHS, Administration For Children and Families; Office of Community Services, Division of Energy Assistance (DEA) Contact: Nick San Angelo	Aerospace Building, 5th Floor West , 370 L'Enfant Promenade, S.W., Washington, D.C. 20447	(202) 401-5306	
U.S. Department of Health and Human Services Office of Community Services Administration for Children & Families (CSBG) Contact: Isaac Davis	370 L'Enfant Promenade, SW, Washington, DC 20447	(202) 401-5335	Isaac.Davis@acf.hhs.gov
U.S. Department of Housing & Urban Development Ft. Worth Regional Office *Contact: Linda Hadley*	801 Cherry Street, Unit #45, Suite 2500, Ft. Worth, TX 76102	(817) 978-5957	Linda.T.Hadley@hud.gov

LIAISONS AT OTHER STATE AGENCIES (with which your agency maintains an ongoing relationship, e.g., the agency's assigned analyst at the Legislative Budget Board, or attorney at the Attorney General=s office)			
Agency Name/Relationship/ Contact Person	Address	Telephone	E-mail Address
Bond Review Board *Contact: Bob Kline*	P.O. Box 13292, Austin, TX 78711-3292	(512) 463-1741	kline@brb.state.tx.us
Comptroller of Public Accounts *Contact: Elton Brock*, Program Manager of Procurement Operations and Procurement Support	P.O. Box 13528, Capitol Station, Austin, TX 78711-3528	(512) 463-4444	
Council for Developmental Disabilities *Contact: Roger Webb*	6201 E. Oltorf, Suite 600, Austin, TX 78741-7509	(512) 437-5432	
Facilities Commission *Contact: James Barrington*, Division Director of Facilities Management Division	1711 San Jacinto, Austin, TX 78701	(512) 463-3446	james.barrington@tfc.state.tx.us
General Land Office *Contact: Ken Wallingford*	P.O. Box 12873, Austin, TX 78711-2873	(512) 463-5060	
Dept. of Public Safety – Governor's Division of Emergency Management *Contact: Jack Colley*	P.O. Box 4087, Austin, TX 78773-0220	(512) 424-2138	jack.colley@txdps.state.tx.us
Health and Human Services Commission *Contact: Sherri Hammack*	Brown-Heatly Building, 4900 N. Lamar Blvd., Austin, TX 78751-2316	(512) 424-6964	sherri.hammack@hhsc.state.tx.us
Dept. of Information Resources *Contact: Ronnie Porfirio*, Information Resources Analyst	P.O. Box 13564, Austin, TX 78711-3564	(512)475-2784	ronnie.porfirio@lbb.state.tx.us
Legislative Budget Board *Contact: Nora Velasco*	P.O. Box 12666, Capitol Station, Austin, TX 78711	(512) 475-2107	Nora.velasco@lbb.state.tx.us
Office of the Attorney General *Contact: Nichole Bunker-Henderson*	P.O. Box 12548, Austin, TX 78711-2548	(512) 463-2100	Nichole Bunker-Henderson@oag.state.tx.us
Texas Department of Rural Affairs *Contact: Charlie Stone*	P.O. Box 12877 Austin, TX 78711	(512) 936-6704	cstone@TDRA.state.tx.us
Office of State-Federal Relations *Contact: Ed Perez*	10 G Street NE, Suite 650, Washington DC 20002	(202) 638-3927	eperez@osfr.state.tx.us
Secretary of State *Contact: Coby Shorter*	P.O. Box 12887, Austin, TX 78711-2887	(512) 463-5770	Coby.shorter@sos.state.tx.us
State Affordable Housing Corporation *Contact: David Long*	P.O. Box 12637, Austin, TX 78711-2637	(512) 477-3555 Ext. 402	dlong@tsahc.org
State Office of Administrative Hearings *Contact: Cathleen Parsley, Chief Administrative Law Judge*	P.O. Box 13025, Austin, TX 78711-3025	(512) 475-4993	questions@soah.state.tx.us
Water Development Board *Contact: J. Kevin Ward, Executive Administrator*	1700 N. Congress Ave, Austin, TX 78701	(512) 463-7847	info@twdb.state.tx.us

LIAISONS AT OTHER STATE AGENCIES (continued) (with which your agency maintains an ongoing relationship, e.g., the agency's assigned analyst at the Legislative Budget Board, or attorney at the Attorney General=s office)			
Agency Name/Relationship/ Contact Person	Address	Telephone	E-mail Address
Texas Workforce Commission *Contact: Beverly Donoghue*	101 E. 15th Street, Rm. 252T, Austin, TX 78778-0001	(512) 936-2146	beverly.donoghue @twc.state.tx.us
Department of Aging and Disability Services *Contact: Marc Gold*	701 W. 51st Street, MC: W-619, Austin, TX 78714-9030	(512) 438-2260	marc.gold@dads.st ate.tx.us

XI. ADDITIONAL INFORMATION

A. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.

Texas Department of Housing and Community Affairs Exhibit 16: Complaints Against the Agency - Fiscal Years 2007 and 2008		
	FY 2007	FY 2008
Number of complaints received	142	123
Number of complaints resolved	94	93
Number of complaints dropped/found to be without merit	25 non-jurisdictional	24 non-jurisdictional
Number of complaints pending from prior years	23	6
Average time period for resolution of a complaint	17 days	19 days

Note: Figures exclude the Manufactured Housing Division complaints.

B. Fill in the following chart detailing your agency's Historically Underutilized Business (HUB) purchases.

Texas Department of Housing and Community Affairs Exhibit 17: Purchases from HUBs				
FISCAL YEAR 2006				
Category	Total $ Spent	Total HUB $ Spent	Percent	Statewide Goal
Heavy Construction	N/A			11.9%
Building Construction	N/A			26.1%
Special Trade	$4,950	$4,950	100.0%	57.2%
Professional Services	$219,408	$72,000	32.8%	20.0%
Other Services	$2,648,163	$979,327	36.9%	33.0%
Commodities	$519,326	$390,941	75.2%	12.6%
TOTAL	$2,017,271	$1,447,218	42.6%	

FISCAL YEAR 2007				
Category	Total $ Spent	Total HUB $ Spent	Percent	Statewide Goal
Heavy Construction	N/A			11.9%
Building Construction	N/A			26.1%
Special Trade	N/A			57.2%
Professional Services	$212,149	$84,700	39.9%	20.0%
Other Services	$1,974,614	$1,189,822	60.2%	33.0%
Commodities	$354,762	$304,877	85.9%	12.6%
TOTAL	$2,541,526	$1,579,399	62.1%	

FISCAL YEAR 2008				
Category	Total $ Spent	Total HUB $ Spent	Percent	Statewide Goal
Heavy Construction	N/A			11.9%
Building Construction	N/A			26.1%
Special Trade	N/A			57.2%
Professional Services	$272,217	$46,970	17.2%	20.0%
Other Services	$2,050,397	$1,145,388	55.8%	33.0%
Commodities	$376,244	$306,617	81.4%	12.6%
TOTAL	$2,698,859	$1,498,976	55.5%	

C. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy? (Texas Government Code, §2161.003; 34 TAC, Part 1, §20.15(b))

TDHCA has a HUB Plan that was established in 2000. TDHCA's percentages and the Statewide Goal are reviewed each year and any shortfalls are assessed with the HUB Plan to see what improvements could be made in that area. A Supplemental Letter is submitted to the Comptroller if a shortfall occurs and is part of the semiannual HUB reporting information.

D. For agencies with contracts valued at $100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of $100,000 or more? (Texas Government Code, §2161.252; 34 TAC, Part 1, §20.14)

TDHCA includes the Historically Underutilized Business Subcontracting Plan (HSP) with every procurement solicitation over $100,000 or anticipated to be $100,000. All responses to these solicitations must include the HSP or the response is not considered responsive and is not considered for award.

E. For agencies with biennial appropriations exceeding $10 million, answer the following HUB questions.	
	Response / Agency Contact
1. Do you have a HUB coordinator? (Texas Government Code, §2161.062; 34 TAC, Part 1, §20.26)	Yes. Julie M. Dumbeck.
2. Has your agency designed a program of HUB forums in which businesses are invited to deliver presentations that demonstrate their capability to do business with your agency? (Texas Government Code, §2161.066; 34 TAC, Part 1, §20.27)	TDHCA does not have facility accommodations to host in-house forums, but the Department attends and co-hosts forums throughout each fiscal year.
3. Has your agency developed a mentor-protégé program to foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Texas Government Code, §2161.065; 34 TAC, Part 1, §20.28)	TDHCA has had a mentor protégé contract in the past and is currently working on developing additional avenues of mentor protégé contracting for the agency.

F. Fill in the chart below detailing your agency's Equal Employment Opportunity (EEO) statistics.[10]

Texas Department of Housing and Community Affairs Exhibit 18: Equal Employment Opportunity Statistics							
FISCAL YEAR 2006							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	18	0%	6.6%	22.22%	14.2%	16.67%	37.3%
Professional	199	12.56%	8.3%	39.20%	13.4%	65.83%	53.2%
Technical	20	15%	12.4%	15%	20.2%	25%	53.8%
Administrative Support	12	25%	11.2%	16.67%	24.1%	66.67%	64.7%
Service Maintenance	26	23.08%	13.8%	53.85%	40.7%	84.62%	39.0%
Skilled Craft	N/A	N/A	6.0%	N/A	37.5%	N/A	4.8%

FISCAL YEAR 2007							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	19	0%	9.0%	15.79%	23.7%	26.32%	38.8%
Professional	186	13.44%	11.7%	39.78%	19.9%	71.51%	54.5%
Technical	41	9.76%	17.0%	21.95%	27.0%	24.39%	55.6%
Administrative Support	16	25%	13.2%	43.75%	31.9%	75%	66.2%
Service/Maintenance	17	41.18%	12.8%	41.18%	44.8%	82.35%	39.7%
Skilled Craft	N/A	N/A	5.1%	N/A	46.9%	N/A	5.1%

[10] The Service/Maintenance category includes three distinct occupational categories: Service/Maintenance, Para-Professionals, and Protective Services. Protective Service Workers and Para-Professionals are no longer reported as separate groups. Please submit the combined Service/Maintenance category totals, if available.

FISCAL YEAR 2008							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	21	0%	9.0%	19.05%	23.7%	42.86%	38.8%
Professional	195	15.38%	11.7%	36.41%	19.9%	70.26%	54.5%
Technical	39	7.69%	17.0%	28.21%	27.0%	23.08%	55.6%
Administrative Support	16	25%	13.2%	31.25%	31.9%	68.75%	66.2%
Service/Maintenance	16	31.25%	12.8%	50%	44.8%	N/A	87.50%
Skilled Craft	N/A	N/A	5.1%	N/A	46.9%	N/A	5.1%

G. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?

Yes, the Department's Workforce Diversity Program/Affirmative Action Plan, is excerpted below:

1.2. Workforce Diversity Program/Affirmative Action Plan

1. Preface

The Department recognizes that full and equal participation of minorities, women, and disabled persons in all employment opportunities is a necessary component of any effective workforce diversity. However, the establishment of goals, objectives, responsibilities, action plans, and timetables to be implemented by management must comply with laws prohibiting employment discrimination.

2. Forward

Equal opportunity is issued and protected by state and federal laws. In the public sector of our society this means that all persons, regardless of age, race, color, religion, sex, national origin, veteran status, and disability will have equal access to positions in public service limited only by ability to do the job.

Voluntary Workforce Diversity Policies assure that equal employment opportunities are applicable to a variety of employment processes.

When the Executive Director or Director of Human Resources has reason to believe that a particular personnel policy and procedural system has maintained the current effects of past discrimination, he/she should take steps to remedy the situation. Such policy will be changed as soon as possible.

3. Policy Statement

The powers and duties exercised by the Commission on Human Rights Act were transferred to the Texas Workforce Commission civil rights division. Texas Labor Code, §21.001 states that the general purpose is to:

- secure for all persons within the state, freedom from discrimination in certain transactions concerning employment, and thereby to protect their interest in personal dignity, and to make available to the state their full productive capacities, to secure the state against domestic strife and unrest, to preserve the public safety, health and general welfare, and to promote the interests, rights, and privileges of individuals within the state.

In keeping with the spirit of this general purpose of the Act, the Department issues and affirms the following Affirmative Action Policy:

- It is the policy of the Department to maintain a commitment to the principles of equal employment for all employees and to applicants for employment.
- In order to fulfill this commitment, the Department has established and maintains this Workforce Diversity Policy to promote equality of employment treatment that conforms to federal and state law. This document is a written plan of action documenting the Department's commitment to assure an environment of equal opportunity for public employment. The plan includes goals and specific actions to be taken to reach the overall aim to be mindful of the diversity of the State of Texas. This plan however, does not create "set-aside" or establish "quotas" for any candidates. The plan will be reviewed annually and updated, as needed, by the Director of Human Resources and submitted to the Executive Director for approval.

4. Program Responsibilities

The Department's Workforce Diversity Policy shall have the support of the Executive Director and other management or supervisory personnel. Therefore, specific responsibilities shall be assigned and delegated to the Department and management personnel to ensure that the necessary authority is available to implement the provisions of the plan.

The Executive Director shall have ongoing responsibility for establishing affirmative action policies and monitoring the implementation of the Workforce Diversity Policy through periodic program reports. Further, the Executive Director assigns responsibility to the Director of Human Resources to review annually for purposes of revision or modification the Workforce Diversity Policy, work force analysis, and personnel policy and procedural systems including but not limited to recruitment, selection, promotions, job descriptions, classifications, compensation, discipline or other terms and conditions affecting the equal employment opportunities of applicants for employment or employees because of race, color, national origin, religion, sex, age or disability status.

The Director of Human Resources shall be designated as the Affirmative Action Officer for the Department with the authority for directing the Workforce Diversity Policy. It shall be the responsibility of the Director of Human Resources to ensure that compliance with the Department's workforce diversity policies are implemented in an efficient and effective manner. The Director of Human Resources shall provide periodic progress reports to the Executive Director outlining workforce diversity accomplishments and provide the necessary information required by the Executive Director for purposes of the Plan's annual review.

5. Program Goals

To ensure objectivity, consistency, uniformity, and job relatedness through design and implementation of appropriate personnel policy and procedural systems that affects the equal employment opportunities of the Department's employees and applicants for employment.

To ensure the elimination of any current effects of past discrimination, the Department's Workforce Diversity Policy shall establish monitoring and reporting systems.

6. Action Programs

a. Policy Dissemination: The Department shall provide its Workforce Diversity Policy to statewide minority, disability, and women's organizations for distribution to their respective members. The Department shall include, in notifications posted for vacant positions, information that it is an equal employment opportunity employer.

   As part of the orientation program, each new employee shall receive information on how to review the Department's Workforce Diversity Policy from the Department's intranet web site.

b. Recruitment: The Department is committed to an action oriented program of equal employment opportunity for all individuals regardless of age, race, color, religion, sex, national origin, or disability.

   To the extent possible, the Department shall utilize a wide range of recruiting sources to secure the maximum number of qualified minority, disabled, and female applicants for available positions within all classifications. Such sources may include statewide minority, disability, and female associated organizations, educational institutions, and newspapers. The Department shall continue to expand and update this list of such recruiting sources, including appropriate contact persons.

   Notices of vacant positions shall be posted in accordance with the regular posting policies. Such notices may be distributed to all recruitment sources previously identified. Where vacancies occur in classifications which have been identified as being underutilized, the Department shall target for purposes of recruitment minority, disability, and female applicant sources. An applicant flow record shall be maintained to determine the mix of candidates applying for vacant positions according to race, national origin, and sex.

   The Director of Human Resources is responsible for reviewing actions for EEO compliance.

c. Selection Procedures: The selection procedure which is in compliance with the Texas Commission on Human Rights Act should be based on three approaches:

   - Selection of qualified employees based on objective, job-related criteria which can be consistently applied, documented and measured;
   - The employer's workforce reflects equitable distribution within all job classification's for those classes covered by anti-discrimination laws; and

- A Workforce Diversity Policy based on sound statutory and constitutional principles as well as judicial interpretations.

d. New Employee Selection: A selection procedure for new employees includes, but is not limited to, the following elements:

e. Job Qualifications: Generally, minimum job qualifications incorporate education and experience. When utilizing these two criteria, the employer should be able to demonstrate job relatedness. Also, the employer should be able to demonstrate that neither of these criteria have a statistically measurable disproportionate impact on covered classes included in laws prohibiting employment discrimination such as age, race, color, religion, sex, national origin, veteran status and disability.

f. Applications: Applicants applying for a posted job vacancy will submit a State of Texas standard application form (resumes may be attached). The application must be received by the closing date of the job vacancy notice. The accuracy of statements contained in applications or resumes shall be certified by signature of the applicant.

g. Applicant Log: All applicants applying for the vacant position shall be listed on an applicant log.

h. Screening Applications: Each application shall be screened using an applicant rating schedule. This rating schedule shall be based on quantified, job-related experience and educational qualifications as set forth in the job description. Applicants shall be ranked on the basis of their cumulative score. The applicants in the highest numerical scores shall receive an interview.

i. Interviewing: Interviews shall be confined to the applicant's responses to job-related questions or by performing job-related practical exercises which can be measured.

j. Final Selection: The applicant receiving the highest cumulative score based on the interview, job-related experience, educational qualifications, and positive references shall be selected for the position. In those instances where certain qualifications or work experiences may be preferred and the Department is attempting to maintain work force equity, these factors may be quantified and added to the total cumulative score.

k. Notification of Employment: Following the selection of the most qualified applicant, he/she shall be notified by telephone and may be confirmed in writing. Likewise, applicants interviewed and not recommended for the position shall be notified in writing at the earliest opportunity.

l. Upward Mobility: The Director of Human Resources shall compile reports on promotional opportunities and selection of candidates promoted. The reports shall identify race, national origin, and sex of candidates promoted and reason selected.
In-service training programs shall be designed and implemented to increase promotional opportunities for employees. On-the-job training and cross-training programs shall be developed to expose employees to a broad range of job duties and experiences.

7. Discipline Procedures

The Department has a discipline system that is linked to specific policies and procedures with which Department employees are expected to comply. This disciplinary policy shall be adhered to in such a way as to ensure uniformity and consistency to conform to Department policies prohibiting discrimination. (Refer to Section 3.0 Disciplinary Policy)

8. Appeal Procedures

The Department has provided appeal procedures designed to resolve complaints of employment discrimination alleged by employees. These procedures shall provide aggrieved employees the opportunity to discuss their problems at several levels.

These procedures shall help to protect both the employee and the Department by providing both parties with the opportunity to have their position reviewed and considered by an impartial authority. These procedures shall provide safeguards against any and all occurrences of discrimination or any other preferential treatment which may adversely affect employees of the Department.

9. Monitoring the Workforce Diversity Policy Achievement

The Director of Human Resources shall be responsible for administering the Department's Workforce Diversity Policy and providing regular reports to the Executive Director. Utilizing such reports, the Executive Director shall monitor the implementation of the plan and identify any revisions necessary to assure effective application. Such reports may include the following:

Annual Workforce Diversity/EEO Progress Report: This narrative report shall include an itemized summary of the program's achievements, progress and shortcomings with accompanying recommendations.

Annual Workforce Analysis by Race, National Origin, Sex and EEO Category

The Department shall review the State of Texas Minority Hiring Reports (New Hire Detail and Work Force Detail) and the annual EEO-4 Report comparing EEO and job categories. These reports will provide a racial, ethnic, and gender profile of Department personnel by EEO category. EEO categories where minorities and females are under represented shall be identified. These work force profiles shall be compared to the percentages of otherwise qualified persons available in the relevant labor market (Texas Labor Code, §21.501).

10. Time Frame for Implementation

The Executive Director shall implement and review the action program previously identified in (§1.2.6) annually.

XII. AGENCY COMMENTS.

The agency is maximizing the delivery of services to those people targeted under statutory policies. There are obstacles to overcome to achieve even greater results, but the agency believes that it is making an impact on creating more safe decent and affordable housing. While the complexity of the federal programs and the limits on funding may not allow the agency to provide safe decent and affordable housing for all Texans, the Department produces more housing that other agencies across the country on a dollar for dollar basis. The Department's programs are governed by rules to provide transparency and the Department is very open to the public and advocates on how the Department awards funds and what is expected from the funds awarded.

Since the Department's last sunset review process, the agency has received new programs and seen an increase in funds that have required us to make changes because of the need to offer multiple funding streams for tax credits, HOME funds, weatherization and disaster recovery. This has changed the Department's look some, but also achieved increased administrative efficiencies allowing us to produce more housing with basically the same number of staff. Only recently, with the addition of disaster funding and HERA and ARRA funds, did the Department increase staff through Article IX requests.

The Department looks forward to working with the Sunset Commission to help make improvements, identify and eliminate anything extraneous to its mission, and make sure that Department programs and staff are dedicated to assisting those people identified by the legislature as needing housing assistance.