

# *Texas Department of Housing and Community Affairs*

## *2014-2015 Housing Trust Fund Biennial Plan*



### **Texas Department of Housing and Community Affairs**

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Community Affairs on June 13, 2013*

**Introduction and Purpose**

During the Regular Session of the 83<sup>rd</sup> Legislature, the Department was appropriated General Revenue for the Housing Trust Fund (“HTF”) in the amount of \$11,825,000 for the 2014-2015 biennium. Rider 9(c) of the General Appropriations Act (GAA) requires the Department to provide an annual report to the Legislative Budget Board, the House Appropriation Committee, and the Senate Finance Committee no later than October 1st detailing the Department’s plan to expend funds from the Housing Trust Fund. To promote the expeditious use of these funds, this document shall serve as the “annual plan” for the 2014-2015 HTF appropriation.

**Appropriation Details**

The Department annually receives loan repayments and accrues interest to the Housing Trust Fund. Rider 8 of the General Appropriation Act (GAA) clarifies that included in funds appropriated each year under the Housing Trust Fund strategy A.1.3 is an estimated \$1,600,000 per year in loan repayments and interest earnings.

	<b>FY2014</b>	<b>FY2015</b>	<b>Total Biennium</b>
<b>Total Annual Appropriation</b>	\$5,900,000	\$5,925,000	\$11,825,000

Rider 9(d) of the GAA requires that:

*“Out of funds appropriated above in Strategy A.1.3, Housing Trust Fund, all funds above those retained for administrative purposes in fiscal year 2014 and fiscal year 2015 and above amounts required in Sections (a) of this rider, shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, no later than October 1 of each fiscal year.”*

Rider 16 of the GAA requires that:

*“Out of funds appropriated above, in Strategy A.1.3, Housing Trust Fund, the Texas Department of Housing and Community Affairs shall establish an Interagency Contract to provide 10 percent, not to exceed \$4,300,110 for the 2014-15 biennium (\$4,200,110 for grants and \$100,000 for administration), to the appropriate fund or account with the Texas Veterans’ Commission for the purpose of administering a Veterans Housing Assistance Program that will assist Texas veterans and their families in obtaining, maintaining or improving housing.”*

The Department shall withhold approximately \$1,064,250 (10%) for the biennium for Department administrative costs.

The total biennial funding is outlined in the following chart.

**2014-2015 Biennial Funds for Housing Trust Fund**

Use of Funds	Amount
<b>Total Biennial Appropriation</b>	<b>\$11,825,000</b>
Less 10% for TVC for a Veterans Housing Assistance Program	(\$1,182,500)
<b>Net Balance for TDHCA Programming</b>	<b>\$10,642,500</b>
Less 10% Administration for TDHCA	(\$1,064,250)
<b>Net Balance Available for TDHCA Programming</b>	<b>\$9,578,250</b>
Less \$3M/year for Texas Bootstrap Program*	(\$6,000,000)
Less \$1,789,125/year for Amy Young Barrier Removal Program	(\$3,578,250)
<b>Total Remaining to be Programmed</b>	<b>\$0</b>

*\*Per Section 2306.7581 (a-1) of the Texas Government Code, at least \$3,000,000 each state fiscal year is required.*

**Biennial Funding and Allocation Considerations**

Statutory requirements direct how the funds can be programmed for use. Listed below are several statutory considerations that are factored into the HTF Plan.

**Texas Bootstrap Loan Program**

Pursuant to Section 2306.7581, Texas Government Code, the Department is required each fiscal year to transfer at least \$3 million to the owner-builder revolving fund (more commonly known as the “Texas Bootstrap Loan Program”) from either HOME funds, HTF monies, or from money appropriated by the legislature to the Department. Because of the demand by nonparticipating jurisdictions, more onerous federal limitations, and extensive reporting associated with the HOME Program, the Department has determined that the use of HOME funds is not ideal to accomplish the goals of the Texas Bootstrap Loan Program. The most practical appropriated source available for the Department to meet the statutory transfer requirement is the Housing Trust Fund.

**Eligible Entities to Receive Funds**

Pursuant to Section 2306.202, Texas Government Code, the Department is required to target funds for specific types of eligible entities. Section 2306.202 states:

“In each biennium the first \$2.6 million available through the HTF for loans, grants, or other comparable forms of assistance shall be set aside and made available exclusively for local units of government, public housing authorities, and nonprofit organizations. Any additional funds may also be made available to for-profit organizations so long as at least 45 percent of available funds in excess of the first

\$2.6 million shall be made available to nonprofit organizations for the purpose of acquiring, rehabilitating, and developing decent, safe, and sanitary housing.

The remaining portion shall be distributed to nonprofit organizations, for-profit organizations, and other eligible entities.” Tex. Gov’t Code §2306.202(a)

Regional Allocation Formula (“RAF”)

As specified in Section 2306.111(d-1), Texas Government Code, funds are not required to be allocated according to the RAF if:

“(2) the funds or credits are allocated by the department primarily to serve Persons with Disabilities; or

(3) the funds are housing trust funds administered by the department under Sections 2306.201-2306.206 that are not otherwise required to be set aside under state or federal law and do not exceed \$3 million for each programmed activity during each application cycle.” Tex. Gov’t Code §2306.111(d-1)(2) & (3)

However, as noted on page 6 of this Plan, a regional approach is being applied to the Amy Young Barrier Removal Program to promote dissemination geographically.

HTF Plan Administration

In approving the HTF Plan, the Board authorizes staff to proceed with the issuance of Notices of Funding Availability in order to expedite utilization of funds. Funds may be committed and expended via contracts and/or the reservation system. HTF programs may utilize various income determination methods as further noted in the General Program Description provided in the HTF Plan or as outlined in the NOFAs.

In approving the HTF Plan, the Board authorizes the use of any funds from loan repayments, interest earnings, deobligations, and any other additional HTF funds as allowed by statute in excess of those funds required under Rider 8, to be programmed into current Department activities or activities approved in the HTF Plan. Current activities that may be funded using the additional HTF funds include the Contract for Deed Conversion Program.

General program descriptions follow.

**Texas Bootstrap Loan Program**

**Amount Recommended:** \$6 million from the 2014-2015 Appropriation.

**General Program Description:** The Texas Bootstrap Loan Program makes funds available to Colonia Self-Help Centers or state-certified Nonprofit Owner-Builder Housing Providers (NOHPs) to purchase or refinance real property on which to build or improve residential housing through self-help construction with very low-income households (Owner-Builders), including persons with special needs. Section 2306.7581 (a-1) of the Texas Government Code requires the Department to make at least \$3,000,000 available each fiscal year for mortgage loans to very low-income families (60% Area Median Family Income or the state median income, whichever is greater), not to exceed \$45,000 per unit. Approximately \$6,000,000 will be made available until August 31, 2015 or until all funding has been reserved.

**Maximum Loan Amount:** To expedite the expenditure of funds, entities must apply for access to a reservation system that makes funds available on a first-come, first-served. Loans from the Housing Trust Fund may not exceed \$45,000 per household. The total amount of amortized loans from the Department plus any other sources may not exceed \$90,000 per household.

**Eligibility Requirement:** Owner-Builders must have a household income not exceeding 60% of the Area Median Family Income or the state median income, whichever is greater; must have resided in Texas for the preceding six months; and must have successfully completed an owner-builder education class. Owner-Builders must agree to provide at least 65 percent of the labor necessary to build or rehabilitate the proposed housing by working through a Colonia Self-Help Center or a state-certified Nonprofit Owner-Builder Housing Provider. For Fiscal Years 2014-2015, the Texas Bootstrap Loan Program will define household income limits in accordance with the U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnership Program income tables.

**Administration Fees:** 6% of the loan amount is paid to Administrators upon completion of each house.

**Regional Allocation:** Two-thirds of the funds (approximately **\$4,000,000**) will be set-aside for Owner-Builders with property in census tracts with median incomes not exceeding 75% of the state median income per the most recent statistics available. The remaining one-third (approximately **\$2,000,000**) will be released statewide. The Regional Allocation Formula is not applicable to this funding due to the set-aside requirements of Section 2306.753(d) of the Texas Government Code. Furthermore, the remaining one-third of the fund balance does not exceed the \$3,000,000 threshold cited in Section 2306.111(d-1)(3) of the Texas Government Code.

**Other Considerations:** If balances exist from previous Bootstrap funding cycles, those funds will be made available to Bootstrap activities pursuant to the HTF Plan for the 2014-2015 biennium. Funds accumulated in the Owner-Builder Revolving Loan funds may also be made available in the HTF Plan. This use of funds achieves the statutory requirements of funding the Texas Bootstrap Loan Program and of targeting nonprofits. This activity also achieves significant leveraging, promotes homeownership and provides for repayment to the Housing Trust Fund.

**Amy Young Barrier Removal Program**

**Amount Recommended:** \$3,578,250 from the 2014-2015 Appropriation.

**General Program Description:** This program provides one-time grants of up to \$20,000 to Persons with Disabilities with household income not exceeding 80% of the Area Median Family Income (AMFI) or the state median income, whichever is greater. This program funds home modifications that increase accessibility for homeowners, tenants, and members of their household who have a disability, in addition to addressing housing-related health and safety hazards, as approved by the Department.

**Maximum Request Amount:** To expedite the expenditure of funds, Administrators must apply for access to a reservation system that makes funds available on a first-come, first served basis adjusted for regional considerations below. The maximum number of reservations per Administrator will be further detailed in the NOFA.

**Eligibility Requirements:** Administrators applying to access funding may include Units of General Local Government, Councils of Governments (COGs) Nonprofit Organizations, Local Mental Health Authorities and Public Housing Authorities. Administrators applying must demonstrate competence in accessibility standards and applicable building codes further detailed in the NOFA. Program beneficiaries must have a household income not exceeding 80% of the AMFI or the state median income, whichever is greater. For Fiscal Years 2014-2015, the Amy Young Program will define household income limits in accordance with the U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnership Program income limits. Further details are to be provided in the NOFA.

**Administration Fees:** 10% of the project costs are paid to Administrators upon completion of each project.

**Regional Allocation:** The RAF does not apply to funds made available primarily for Persons with Disabilities, however, staff will take the general principles of regional dispersion of funds into account in developing the initial NOFA to ensure that all urban and rural subregions have a reasonable opportunity to access Amy Young Barrier Removal funds in each year of the biennium.

- For 30 days from the initial release of funds, each region will be allocated funds utilizing the RAF. In addition, each region will be divided into urban and rural subregions.
- In cases where a rural subregion is not allocated enough funding for at least one unit (\$20,000), funds for that region will be redistributed from the urban subregion if sufficient funding is available.
- After 30 days from the initial release of funds, any remaining funds in the urban and rural subregions will collapse into a regional set aside.
- After 60 days from the initial release of funds, any funds available in any region will collapse into a statewide pool and will be made available on a first-come, first-served basis.

**Other Considerations:** This use of funds will serve Persons with Disabilities.