

**BOARD ACTION REQUEST**  
**MULTIFAMILY FINANCE DIVISION**  
**JULY 14, 2016**

Presentation, Discussion and Possible Action on the draft 2016 State of Texas National Housing Trust Fund Allocation Plan and directing that it be published in the *Texas Register*

**RECOMMENDED ACTION**

**WHEREAS**, on January 30, 2015, the U.S. Department of Housing and Urban Development ("HUD") published an interim rule for the National Housing Trust Fund ("NHTF") for states to implement the program;

**WHEREAS**, on March 12, 2015, Governor Abbott designated the Department as the state agency responsible for the administration of funds provided through NHTF;

**WHEREAS**, on May 5, 2016, HUD published the formula allocation amounts for NHTF, followed by guidance on how to submit the Allocation Plan;

**WHEREAS**, HUD requires the Allocation Plan to be a part of the State of Texas' One Year Action Plan and Consolidated Plan as amendments to both documents; and

**WHEREAS**, the Department has developed the draft 2016 State of Texas NHTF Allocation Plan, which reports on the intended use of funds received by the State of Texas from HUD for Program Year ("PY") 2016, beginning on February 1, 2016, and ending on January 31, 2017;

**NOW, therefore, it is hereby**

**RESOLVED**, that the draft 2016 State of Texas NHTF Allocation Plan, in the form presented to this meeting, is hereby approved for release for public comment, and

**FURTHER RESOLVED**, that the Executive Director and his designees are each hereby authorized, empowered and directed, for and on behalf of the Department, to cause notice of the draft 2016 State of Texas NHTF Allocation Plan to be published in the Texas Register and, in connection therewith, to make such non-substantive grammatical and technical changes as they deem necessary or advisable.

**BACKGROUND**

The Texas Department of Housing and Community Affairs ("TDHCA" or the "Department") prepared the draft 2016 State of Texas NHTF Allocation Plan ("Plan") in accordance with 24 CFR §91.320. The Plan was developed after conducting two roundtables in Austin and Houston and after receiving a significant amount of comment via letters and emails.

## II. GRANTEE INFORMATION

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**State:**

Texas

**FY 2016 HTF Allocation Amount:**

\$4,778,364

## III. CONSOLIDATED PLAN REQUIREMENTS

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### Citizen Participation Plan

The consolidated plan regulation at § 91.115 requires the State to include HTF in its citizen participation plan. Essentially, before adopting a consolidated plan, the State is required to adopt a citizen participation plan that describes the process for providing and encouraging citizens to participate in the development of the consolidated plan, the amendments to the consolidated plan and the performance report (CAPERS). For the purposes of HTF, the State is required to make the following information available to the public:

- the amount of HTF assistance the State expects to receive,
- the range of activities the State may undertake, including the estimated amount that will benefit extremely low-income households, and
- the State's plans to minimize displacement of persons and to assist any persons displaced.

If the State already conducted its citizen participation and included HTF in any citizen participation it performed for the other HUD formula grant programs, then the State does not need to conduct additional citizen participation for HTF. If the State has not yet conducted citizen participation or did not include HTF in the citizen participation it performed for other HUD formula grant programs, then it must conduct citizen participation to include HTF as part of its consolidated plan.

### Consolidated Plan Screen(s) To Revise

The following screen in the eCon Planning Suite consolidated plan template in IDIS must be revised to include HTF.

- ☒ **ES-05 / AP-05 Executive Summary:** § 91.320(b)- The Executive Summary includes seven narratives: (1) Introduction; (2) Summary of Objectives and Outcomes; (3) Evaluation of Past Performance; (4) Summary of the Citizen Participation and Consultation Process; (5) Summary of Public Comments; (6) Summary of Comments Not Accepted; (7) Summary.

- ☒ **PR-15 Citizen Participation:** § 91.115 and § 91.300(c)- revise this screen to provide a summary of the citizen participation efforts made for HTF, including efforts to broaden public participation, a summary of citizen comments or views on the plan, and a written explanation of comments not accepted and the reasons why these comments were not accepted.

#### **IV. STRATEGIC PLAN REQUIREMENTS**

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The State must amend the affordable housing section of the strategic plan to include specific objectives that describe proposed accomplishments the State hopes to achieve and must specify the number of extremely low-income families to which the State will provide affordable housing to (homeownership- § 93.302; rental- § 93.304) over a specific period of time. The State can complete this requirement by including HTF on the **SP-45 Goals screen**.

**Note: Directions on how to amend a plan are included at the end of this document.**

**Reminder:** 100 percent of FY 2016 HTF funds must benefit extremely low-income households; a minimum of 80 percent must be used for rental housing; up to 10 percent may be used for homeownership housing; up to 10 percent may be used for administrative costs.

#### **Strategic Plan Screen(s) To Revise**

In addition to updating the affordable housing section of the strategic plan, the following screens in the eCon Planning Suite consolidated plan template in IDIS must be revised to include HTF.

- ☒ **SP-10 Geographic Priorities:** § 91.315(a)(1)- revise this screen to discuss how investments are allocated geographically.

- ☒ **SP-25 Priority Needs:** § 91.315(a)(2)- revise this screen to indicate the general priorities for allocating investment of available resources among different needs.

- ☒ **SP-30 Influence of Market Conditions:** § 93.315(b)- revise this screen to describe how the characteristics of the housing market influenced the State's decisions regarding allocation priorities among the types of housing assistance.

- ☒ **SP-35 Anticipated Resources:** § 91.315(a)(4); § 91.320(c)(1) and (2)- revise this screen to identify the federal, state, local, and private resources expected to be available to the State to address priority needs and specific objectives identified in the strategic plan. Specifically, the State should add a program to this screen by

selecting "Add" in the *Action* column. This will open the **SP-36 Add Anticipated Resource** screen. The State should select "Other" in the *Anticipated Resource* field and enter "Housing Trust Fund" in the *Other Funding Source* field. The State should also select the "public - federal" radio button in the "Source" field and complete the rest of the fields on this screen for its HTF program.

- ☒ **SP-45 Goals:** § 91.315(a)(4) and § 91.315 (b)(2)- revise this screen to summarize the State's priorities and the specific goals it intends to initiate and/or complete within the term of the strategic plan. The State must also ensure its five year goals include any accomplishments due to HTF funds and must also enter the number of extremely low-income families to which the State will provide assistance with its HTF funds.

## V. ANNUAL ACTION PLAN REQUIREMENTS

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The State must include HTF in its annual action plan or amend the plan to include HTF information as required in § 93.320(k)(5). The action plan must include an HTF allocation plan that describes the distribution of HTF funds, and establishes the application requirements and selection criteria of applications submitted by eligible recipients that meet the State's priority housing needs.

### Annual Action Plan Screen(s) To Revise

The following screens in the eCon Planning Suite consolidated plan template in IDIS must be revised to include HTF.

- ☒ **AP-15 Expected Resources:** § 91.320(c)(1) and (2)- revise this screen to provide a concise summary of the federal resources expected to be available. The HTF resources added to the **SP-35 Anticipated Resources** screen will carry over to this screen.
- ☒ **AP-20 Annual Goals and Objectives:** § 91.320(c)(3) and (e)- revise this screen to summarize the specific goals the State intends to initiate and/or complete within the term of the program year. Any HTF related goals and objectives entered on the **SP-45 Goals** screen will carry over to this screen.
- ☒ **AP-25 Allocation Priorities:** § 91.320(d)- revise this screen to describe the reasons for the State's allocation priorities and how the proposed distribution of funds will address the priority needs and goals of the strategic plan.

☒ **AP-30 Method of Distribution:** § 91.320(d) and (k5)- revise this screen to include a description of its method(s) for distribution for the “Other – Housing Trust Fund” selection based on the entry made on the **SP-35 Anticipated Resources** screen.

☒ **AP-50 Geographic Distribution:** § 91.320(f)- revise this screen to describe the geographic areas of the state in which it will direct assistance during the ensuing program year and provide rationale for its priorities in allocating investment geographically.

☒ **AP-55 Affordable Housing:** § 91.320(g)- revise this screen to specify goals for the number of homeless, non-homeless, and special needs households to be provided affordable housing within the program year.

☒ **AP-65 Homeless and Other Special Needs Activities:** § 91.320(h)- revise this screen to describe how HTF will help to address the State’s one-year goals and actions for reducing and ending homelessness, if applicable.

☒ **AP-75 Barriers to Affordable Housing:** § 91.320(i)- revise this screen to describe how HTF will help with any actions the State’s will take during the next year to reduce barriers to affordable housing, if applicable.

☒ **AP-85 Other Actions:** § 91.320(j)- revise this screen to describe how HTF will help with any actions the State will take during the next year to carry out the following strategies outlined in the consolidated plan:

- Foster and maintain affordable housing;
- Evaluate and reduce lead-based paint hazards;
- Reduce the number of poverty-level families;
- Develop institutional structure; and
- Enhance coordination.

In addition, the State must identify obstacles to meeting underserved needs and propose actions to overcome those obstacles using HTF funds, if applicable.

**HTF Funding Priorities-§ 91.320(k)(5)(i)**

The State is responsible for distributing HTF funds throughout the State according to its housing priority needs. In addition to revising the **AP- 30 Method of Distribution** screen in IDIS, the State must respond to the following questions.

1. Will the State distribute HTF funds through grants to subgrantees? If yes, describe the method for distributing HTF funds through grants to subgrantees and how the State will make those funds available to units of general local governments. If no, state N/A. Please attach response if you need additional space.

N/A

3. Will the State distribute HTF funds by selecting application submitted by eligible recipients? If yes, describe all the criteria that will be used to select applications and the relative importance of these criteria. At a minimum, as required in § 91.320(k)(5)(i), the selection criteria must include:

- Priority based upon geographic diversity
- Applicant's ability to obligate HTF funds
- Applicant's ability to undertake eligible activities in a timely manner
- For rental housing, the extent to which the project has Federal, State or local project-based rental assistance so rents are affordable to extremely low-income families
- For rental housing, the duration of the units' affordability period
- The merits of the application in meeting the State's priority housing needs (please describe)
- The extent to which application makes use of non-federal funding sources
- Other (please describe). Please attach response if you need additional space.

**Priority based upon geographic diversity**

As described in SP-10 Geographic Priorities The Texas NHTF will distribute NHTF funds through a competitive NOFA process. The funds will initially be available geographically, based on the proportion of Extremely Low Income Renter households to the total population of Renter Households in each of thirteen State Service Regions. A minimum will be calculated for each region as a ratio of the available allocation divided by thirteen, and available competitively within each region prior to collapse into a statewide competition.

**Applicant's ability to obligate HTF funds**

The applicant's experience in completion of similar projects, as evidence by TDHCA's Experience Requirement, along with the ability to present a complete application package are threshold requirements that indicate the ability to timely obligate NHTF funds.

**Applicant's ability to undertake eligible activities in a timely manner**

Application criteria including readiness to proceed as evidenced by site control, appropriate zoning, architectural plans, and evidence of financing will be considered.

**For rental housing, the extent to which the project has Federal, State or local project-based rental assistance so rents are affordable to extremely low-income families**

Of highest priority in the evaluation of applications will be the creation of new units serving ELI households that would not otherwise exist. While the availability of project-based rental assistance will be considered, only applications that demonstrate the ability to meet Underwriting requirements will be funded.

**For rental housing, the duration of the units' affordability period**

The minimum 30-year affordability period will be secured with a Land Use Restriction Agreement ("LURA") as a threshold requirement. While Applications that propose a longer affordability period could have a scoring advantage, they still must provide evidence of feasibility for the entire affordability period.

(continued on page 13)



The merits of the application in meeting the State's priority housing needs  
The TX NHTF will prioritize housing needs of Extremely Low Income Households in accordance with the Analysis of Impediments and the high opportunity measures of the Texas Qualified Allocation Plan.

The extent to which application makes use of non-federal funding sources  
The proportion of leveraged of non-federal fund sources in relation to the NHTF funds requested will be part of the scoring criteria for competitive applications. Applications with the highest proportionate leverage will have an advantage in scoring.



**Recipient Application Requirements- § 91.320(k)(5)(ii)**

1. Will the State require that all recipient applications contain a description of the eligible activities to be conducted with HTF funds as required in § 93.200- Eligible activities?

Yes ☒

No ☐

2. Will the State require that each eligible recipient certify that housing assisted with HTF funds will comply with HTF requirements?

Yes ☒

No ☐

**Performance Goals and Benchmarks- § 91.320(k)(5)(iii)**

The plan must include performance goals and benchmarks against which the State will measure its progress, consistent with the State's goals established at § 91.315(b)(2). To comply with this requirement, the State will include HTF housing goals in the housing table on the **SP-45 Goals** and **AP-20 Annual Goals and Objectives** screens in the eCon Planning Suite consolidated plan template in IDIS.

**VI. OTHER REQUIREMENTS**

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**Maximum Per-unit Development Subsidy Amount- § 91.320(k)(5) and § 93.300(a)**

The State must establish its own maximum limitations on the total amount of HTF funds that can be invested per-unit for development of non-luxury housing. The limits must be reasonable, based on actual costs, and adjusted for the number of bedrooms and geographic location of the project. The State may choose to develop its own limits or adopt limits used in other federal programs such as HOME or Low-Income Housing Tax Credit and must submit them with its HTF allocation plan. The State must submit a description of how the HTF maximum per-unit development subsidy amounts were established or a description of how existing limits developed for another program and being adopted for HTF meet the HTF requirements.

Indicate below what maximum per-unit development subsidy limits the State will use for its FY 2016 HTF program.

- ☐ State developed its own maximum per-unit development subsidy limits and the limits are attached.

☒ State adopted limits used in other federal programs and the limits are attached.

**Rehabilitation Standards - § 91.320(k)(5)(iv) and § 93.301(b)**

If the State intends to use its HTF funds for housing being rehabilitated, it must establish rehabilitation standards that all HTF-assisted housing undergoing rehabilitation must meet at the time of project completion in accordance with § 93.301(b). The standards must provide enough details on what work is required, how that work should be performed and what materials should be used. The State's standards may refer to applicable codes or may establish requirements that exceed the minimum requirements of the codes. At a minimum, the rehabilitation standards must address:

- Health and safety;
- Major systems;
- Lead-Based Paint;
- Accessibility;
- Disaster Mitigation;
- State and local Codes, Ordinances, and Zoning Requirements; and
- Inspectable Areas and Observable Deficiencies from HUD's Uniform Physical Condition Standards identified by HUD as applicable to HTF-assisted housing.

Indicate below if the State will use HTF funds for rehabilitation of housing.

☒ The State plans to use HTF funds for the rehabilitation of housing and has attached its rehabilitation standards.

☐ The State will not use HTF funds for rehabilitation of housing.

**Resale and/or Recapture Provisions- § 91.320(k)(5)(v) and § 93.304(f)**

If the State intends to use HTF funds to assist first-time homebuyers, it must set forth the guidelines for resale or recapture and obtain HUD specific, written approval, as required in § 93.304(f). Approval of the consolidated plan or annual action plan under § 91.500 or the failure to disapprove the consolidated plan or annual action plan does not satisfy the requirement for specific HUD approval for resale or recapture guidelines.

Indicate below if the State intends to use HTF funds for first-time homebuyers.

☐ The State will use HTF funds to assist first-time homebuyers and has attached the applicable resale/recapture provisions.

☒ The State will not use HTF funds to assist first-time homebuyers.

TDHCA may develop a first-time homebuyer program for NHTF in future, but that use is not contemplated immediately. If there is sufficient funding and demand in the future to implement an NHTF Homebuyer program, the State will develop the required specific provisions at that time and submit them for approval.

**HTF Affordable Homeownership Limits- § 91.320(k)(5)(vi) and § 93.305**

HTF funds may only be invested for the provision of modest housing for homeownership. This means the housing has a purchase price for the type of single family housing that does not exceed 95 percent of the median purchase price for the area for newly constructed or standard housing. If the State plans to use HTF funds for homebuyer assistance, and does not use the HTF affordable homeownership limits established by HUD, it must determine 95 percent of the median purchase price for single family housing for designated areas across the State. If the State will determine its own affordable homeownership limits, it must determine the limits using the methodology described in § 93.305(a)(2).

Indicate below if the State will use HTF funds for homeownership housing and what affordable homeownership limits it will use.

- ☐ The State will use HTF funds for homeownership housing and will use the HUD issued limits.
- ☐ The State will use HTF funds for homeownership housing and has determined its own affordable homeownership limits and the limits are attached.
- ☒ The State will not use HTF funds for homeownership housing.

**State Limited Beneficiaries or Preferences- § 91.320(k)(5)(vii)**

The State may limit the beneficiaries or give preferences to a particular segment of the extremely low-income population only if described in the action plan. Any limitation or preference must not violate non-discrimination requirements at § 93.350 and the State must not limit or give preferences to students. The State may also allow rental housing owners to limit tenants or give a preference in accordance with § 93.303(d)(3), only if such limitation or preference is described in the action plan.

Indicate below if the State will limit beneficiaries or give preferences to a particular segment of the extremely low-income population.

- ☒ The State will limit beneficiaries and/or give preferences to the following segments of the extremely low-income population. The groups listed have also been identified in the action plan.
- ☐ The State will not limit beneficiaries and/or give preferences to any segments of the extremely low-income population.

### **Refinancing of Existing Debt- § 91.320(k)(5)(viii) and § 93.201(b)**

If the State will use HTF funds for refinancing of existing debt, it must establish refinancing guidelines and include them in its consolidated plan. The State's refinancing guidelines must describe the conditions under which it will refinance existing debt. At a minimum, the guidelines must demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing. Refinancing of existing debt is only eligible if it is necessary to reduce the overall housing costs and to make the housing more affordable.

Indicate below if the State will permit the refinancing of existing debt.

☒ The State will permit the refinancing of existing debt and the conditions under which the State will refinance existing debt are attached. (Please see the next page)

☐ The State will not permit the refinancing of existing debt.

### **VII. GRANTEE CERTIFICATIONS**

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In addition to submitting an HTF allocation plan, the State must submit all the required certifications identified at § 91.225 (for new action plans). If the State is amending the action plan to include HTF, it must resubmit the following certification to include HTF:

☒ Consistency with plan- The jurisdiction must submit a certification that the housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan. Where the HOPWA funds are to be received by a city that is the most populous unit of general local government in an EMSA, it must obtain and keep on file certifications of consistency from the authorized public officials for each other locality in the EMSA in which housing assistance is provided. HTF must be included in this certification.

### **VIII. REQUIRED FORMS**

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In addition to submitting an HTF allocation plan, the State must submit and/or complete the following standard forms for its HTF program.

- Standard form- 424: Application for Federal Assistance (§ 91.320(a))
- Standard form- 1199 A : Direct Deposit Sign up Form

TDHCA may use HTF funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HTF funds as described in 24 CFR §93.201(b). TDHCA shall use its underwriting and evaluation standards, site and development requirements, and application and submission requirements found in the Uniform Multifamily Rules, for refinanced properties in accordance with its administrative rules. At a minimum, these rules require the following:

- that rehabilitation is the primary eligible activity for developments involving refinancing of existing debt;
- that a minimum funding level is set for rehabilitation on a per unit basis;
- that a review of management practices is required to demonstrate that disinvestments in the property has not occurred;
- that long-term needs of the project can be met;
- that the financial feasibility of the development will be maintained over an extended affordability period;
- that whether new investment is being made to maintain current affordable units and/or creates additional affordable units is stated;
- that the required period of affordability is specified;
- that the HTF funds may be used throughout the entire jurisdiction (except as TDHCA may be limited by the Texas Government Code) is specified; and
- that HTF funds cannot be used to refinance multifamily loans made or insured by any Federal program, including CDBG, is stated.

The comments or views not accepted have been included in Attachment A: Public Comment on the 2016 One Year Action Plan and Staff's Reasoned Responses. Because of the flexible nature of the Plan development, all comments are considered for revisions.

## **7. Summary**

The consolidated planning process occurs once every five years, so creating a comprehensive 2015-2019 Consolidated Plan was vital for CDBG, HOME, ESG, ~~and~~ HOPWA, and NHTF. Because of the Consolidated Plan's authority to govern these programs, research from multiple sources, including other government plans, peer-reviewed journals, news sources, and fact sheets were used; valuable public input was gathered through roundtable meetings, council/workgroup meetings, public hearings, online surveys, and an online forum; and an expansive public input process was included in the development of the Consolidated Plan. Similarly, roundtables and meetings were held to discuss the NHTF, and written input was considered prior to Amendment of the Consolidated Plan for this new fund source. Topics at the roundtables included the geographic distribution of HTF, threshold requirements for HTF-funded developments, cross cutting requirements applicable to HTF, and the forms of HTF assistance. TDHCA also received several emails and letters from disability advocates, nonprofit developers, supportive housing advocates, and fair housing advocates. The 2015-2019 Consolidated Plan is now carried out through Annual Action Plans, which provide a concise summary of the actions, activities, and the specific federal and non-federal resources that will be used each year to address the priority needs and specific goals identified by the Consolidated Plan.

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1			Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$	
NHTF	public-federal	Acquisition, rehabilitation and new construction of housing for extremely low-income households	4,778,364			4,778,364	TDHCA's NHTF Program goals are described in the Strategic Plan Section 45 for multifamily and single family activities. NHTF Multifamily Development Funds can be layered with 4% HTC's and 9% HTC's, and TDHCA Multifamily Direct Loan funds, including HOME, HOME-CHDO, and TCAP Loan Repayment. In addition, TDHCA's Section 811 PRA, a project-based supportive housing program for persons with disabilities, and TDHCA's Section 8 HCV may be used within NHTF developments. In addition, TDHCA also develops rules that govern all multifamily programs, including the HOME Multifamily Direct Loan Program, known as the Uniform Multifamily Rules. If implemented, Single family NHTF homebuyer activity may be coordinated with TDHCA's My First Texas Home Program, which can supplement down payment assistance, and the MCC Program, which provides a yearly tax credit of up to \$2,000 annually that reduced the homebuyers' federal income tax liability. NHTF Single family development would be governed by requirements in TDHCAs Single Family Umbrella Rule.
			4,778,364			4,778,364	19,113,456

Table 5-12 - Expected Resources - Priority Table

certain grants, while other grants award points to encourage local match; a sliding scale allows smaller communities to contribute less match funding than larger communities. Match funds may be provided by the applicant, or by a water or sewer utility benefiting from the project. Economic development (ED) projects benefiting private business require 1-for-1 match commitment, with the business most often providing this substantial match. Recent updates to the Colonia SHC Program rules have capped program assistance at \$50,000 per household for reconstruction and new construction, and \$40,000 per household for rehabilitation. These limits encourage administrators to leverage funds with other resources as well as assist more households than in prior years.

#### NHTF Program Leverages

NHTF multifamily development may be used to leverage with the HTC Program, which was created by the Tax Reform Act of 1986 and authorizes 9% low-income housing tax credits in the amount of \$2.35 per capita for each state, and 4% low-income housing tax credits in amounts linked to the usage of the state's cap for issuance of tax exempt bond to finance affordable housing development. In Texas, this equates to approximately \$61,400,000 in 9% tax credits available to be awarded by TDHCA annually. These credits may be claimed each year for ten years and this represents potential tax credit value on the magnitude of \$610,000,000. The tax credits are syndicated to limited partner investors to yield cash for use in eligible development activities. Currently typical syndication rates range between 92% and 95%. TDHCA must develop a Qualified Allocation Plan ("QAP") for the selection of eligible developments to provide housing for the low-income tenants. NHTF provides increased leverage, allowing the property owners to utilize fewer tax credits and less private debt and local funding, therefore providing more efficient use of resources.

#### **If appropriate, describe publically owned land or property located within the jurisdiction that may be used to address the needs identified in the plan**

The Texas General Land Office manages state owned lands and mineral rights totaling approximately 13 million acres. Much of this is leased for the benefit of the Permanent School Fund, an endowment fund established in 1876 for the benefit of Texas public school education. There is currently no plan to use state owned land for affordable housing or community development goals; however, local jurisdictions occasionally donate land or property in support of activities designed to address the needs identified in the plan as part of their contribution to locally administered programs.

#### **Discussion**

HOPWA: Continuing with the discussion of collaboration begun in the Introduction of this section, DSHS is the lead for several HIV-related councils and workgroups which provide opportunities for collaboration and resource sharing across agencies, providers, and other pertinent stakeholders to assist PLWH in Texas. Some of the initiatives are Inter-Agency Council on HIV & Hepatitis, the Texas Black Women's Initiative, the Test Texas Coalition, and the Texas HIV Syndicate. The Texas HIV Syndicate is an integrated HIV prevention and care planning body made up of roughly 100 organizational leaders representing the full continuum of HIV engagement. The Texas HIV Syndicate uses the Texas HIV Plan as



	<b>If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)</b>	Guidelines, applications and additional program documentation can be found on TDA's website at <a href="http://www.texasagriculture.gov">www.texasagriculture.gov</a> .
	<b>Describe how resources will be allocated among funding categories.</b>	No funds will be allocated on the first day of the Program Year; however, the amount for this funding category may be adjusted during the 2015 PY as needed.
	<b>Describe threshold factors and grant size limits.</b>	Maximum \$250,000/Minimum \$25,000
	<b>What are the outcome measures expected as a result of the method of distribution?</b>	Meet other community development needs of particular urgency which represent an immediate threat to the health and safety of residents of the community.
2	<b>State Program Name:</b>	<u>NHTF</u>
1	<b>Funding Sources:</b>	<u>NHTF</u>
2	<b>Describe the state program addressed by the Method of Distribution.</b>	<u>The NHTF Program awards loans to for-profit and nonprofit multifamily developers to construct and rehabilitate multifamily affordable housing. Because the NHTF is required to benefit ELI households at 30% of AMI or less, the units will likely not be able to service a debt payment. The constraints on NHTF dictate that the funds be available as 0% interest, deferred payment loan, or as a 0% interest cash flow-loan loans, if required, to leverage with tax credits or other financing mechanisms.</u>
1	<b>Describe all of the criteria that will be used to select applications and the relative importance of these criteria.</b>	TDHCA's Uniform Multifamily Rules set forth a minimum set of requirements that document a project owner's readiness to proceed with the development as evidenced by site control, notification of local officials, the availability of permanent financing, appropriate zoning for the site, and a market and environmental study. Additionally, the development must be near certain community assets. <del>HOME</del> <u>TDHCA Multifamily Development Direct Loan</u> Program funds are typically awarded on a first-come, first-served basis, as long as the criteria above are met. For <del>HOME</del> <u>NHTF</u> Multifamily Development applications layered with 9% HTC's, the highest scoring applications in the 9% cycle that also request <del>HOME-NHTF</del> funds take priority over lower scoring <del>HOME-NHTF</del> Multifamily Development applications. <del>that may have been received earlier.</del> <u>Applications that will create new ELI units without preexisting vouchers or other rental subsidy will be prioritized, and additional criteria may be imposed for applications not layered with tax credits.</u>

2. The Colonia Fund directs funding to communities within 150 miles of the Texas-Mexico border. All remaining funds are distributed through state-wide competitions without geographic priorities.
3. For the Colonia SHCs, centers are established along the Texas-Mexico border in Cameron/Willacy, Hidalgo, Starr, Webb, Maverick, Val Verde, and El Paso counties as well as in any other county designated as an economically distressed area. The SHC Program serves approximately 28 colonias in seven border counties, which are comprised of primarily Hispanic households and have concentrations of very low-income households.

#### NHTF Geographic Priorities

The Texas NHTF will distribute NHTF funds through a competitive NOFA process. The funds will initially be available geographically, based on the proportion of Extremely Low Income Renter households to the total population of Renter Households in each of thirteen State Service Regions. A minimum will be calculated for each region as a ratio of the available allocation divided by thirteen, and available competitively within each region prior to collapse into a statewide competition.

#### **Geographic Distribution**

Target Area	Percentage of Funds
State of Texas	100

**Table 7Z - Geographic Distribution**

#### **Rationale for the priorities for allocating investments geographically**

##### **HOME Addresses Geographic Investments**

HOME funds are allocated geographically using a RAF, as described in Strategic Plan Section 10. This process directs funds to areas of the State that demonstrate high need. In addition, HOME funds administered by TDHCA are primarily used in areas that are not Participating Jurisdictions ("PJs") per statute. This results in more HOME funds in smaller communities than in the larger Metropolitan Statistical Areas ("MSAs") that receive HOME funds directly from HUD. The most updated RAF is online at <http://www.tdhca.state.tx.us/housing-center/pubs-plans.htm>.

##### **ESG Addresses Geographic Investments**

CoC regions have funding made available for competition according to the combination of the region's proportionate share of the state's total homeless population, based on the most recent Point-in-Time count submitted to HUD by the CoCs and the region's proportionate share of people living in poverty, based on the most recent 5-year American Community Survey poverty data published by the Census Bureau. For the purposes of distributing funds, the percentage of statewide homeless population is weighted at 75% while the percentage of statewide population in poverty is weighted at 25%

##### **HOPWA Addresses Geographic Investments**

At the end of 2012, nearly 73,000 people in Texas were known to have HIV and it is estimated that an additional 17,000 people in Texas are living with HIV but are currently unaware of their status. The

number of Texans living with HIV increases each year and in order to meet the needs of low-income PLWH in Texas, many of whom live in areas of minority concentration, the HOPWA funding allocations are geographically distributed across the State and are allocated based on several factors, including unmet need.

Six cities in Texas have a population of over 500,000 (Austin, Dallas, Fort Worth, El Paso, Houston, and San Antonio), which are in MSAs funded directly from HUD for HOPWA. Although the Texas HOPWA program can operate in any area of the State, the State program serves all counties not covered under the MSAs' jurisdictions, with some overlap of counties between the State and the MSAs. As a result, Texas HOPWA covers all of the rural areas of the State, where many low-income HOPWA clients reside, and funding prioritization is based on areas with greater unmet need for PLWH.

#### CDBG Addresses Geographic Investments

Texas CDBG Funds for projects under the CD Fund are allocated by formula to 24 regions based on the methodology that HUD uses to allocate CDBG funds to the non-entitlement state programs (21.71% of annual allocation), along with a state formula based on poverty and unemployment (40% of annual allocation). In addition, 12.5% of the annual allocation is allocated to projects under the Colonia Fund categories, which must be expended within 150 miles of the Texas-Mexico border.

For the Colonia SHCs, state legislative mandate designates five centers along the Texas-Mexico border in specific border counties to address the long history of poverty and lack of institutional resources. Two additional counties have been designated as economically distressed areas and also operate centers through the program. These counties collectively have approximately 42,000 colonia residents who may qualify to access center services.

#### NHTF Addresses Geographic Investments

NHTF funds are allocated geographically using a Regional Allocation Formula, as described in Strategic Plan Section 10. Acknowledging that all regions of the State have a need to create housing for ELI households, the formula provides opportunity for access to NHTF. This process directs funds to areas of the State that demonstrate high need, but the very small amount of the PY 2016 allocation makes it difficult to fully differentiate.

#### **Discussion**

Many of the Target Areas available in the Integrated Disbursement and Information System ("IDIS"), HUD's electronic system in which this Plan has been entered, were too detailed for use at the macro-level; therefore, the State entered the "State of Texas" as a Target Area in Strategic Plan Section 10. Within Texas, each program relies on a formula to distribute funds geographically.

work towards a healthier outcome. Project Sponsors will address long-term goals with the clients to help them establish a financial plan that can assist them in maintaining their housing. Affordable housing needs are high among PLWH. DSHS will continue to update funding allocations to address the changing needs of local communities and to maximize and target HOPWA funding to HSDAs in greatest need. DSHS will consider a variety of factors including but not exclusive to HIV/AIDS morbidity, poverty level, housing costs and needs, and program waitlists and expenditures. Furthermore, funds are reallocated between HOPWA activities within HSDAs to meet changing needs during the project year.

#### CDBG Addresses Affordable Housing

Currently, CDBG funds primarily support affordable housing through water and sewer infrastructure for housing. The CDBG funding provides a cost savings for housing when used to install water and sewer yard lines and pay impact and connection fees for qualifying residents.

Housing rehabilitation projects are prioritized in several fund categories, and TDA encourages each region to set aside a percentage of the regional allocation for housing rehabilitation projects.

CDBG helps communities study affordable housing conditions, providing data on affordable housing stock and planning tools for expanding affordable housing. The Colonia SHCs continue to address affordable housing needs in border counties by assisting qualifying colonia residents to improve or maintain a safe, suitable home in suitable areas.

The OCI serves as a liaison to the Colonia SHCs to assist with securing funding and carrying out activities, such as low-interest mortgages, grants for self-help programs, revolving loan funds for septic tanks, and tool lending.

#### NHTF Addresses Affordable Housing

The NHTF Program provides to developments assisted by or through entities including, public organizations, nonprofit and for-profit organizations, and PHAs. These funds are primarily used to foster and maintain affordable housing by providing funding for preservation of existing affordable developments, or construction of new affordable developments.

In addition, credits awarded through the HTC program can be layered with awarded funds from the NHTF program. When more than one source of funds is used in an affordable housing project, the State is able to provide more units of affordable housing than with one funding source alone.

#### **Actions planned to reduce lead-based paint hazards**

##### HOME Addresses Lead-based Paint

The HOME Program requires lead screening in housing built before 1978 for all HOME eligible activities in accordance with 24 CFR §92.355 and 24 CFR Part 35, subparts A, B, J, K, M, and R. Furthermore, single-family and multifamily development activities in HOME increase the access to lead-based-paint-free housing through the construction of new housing or reconstruction of an existing housing unit.

The Texas NHTF will distribute NHTF funds through a competitive NOFA process. For any year that the NHTF allocation is less than \$10 million, the funds will initially be available geographically, based on the proportion of Extremely Low Income Renter households to the total population of Renter Households in each of thirteen State Service Regions. A minimum will be calculated for each region as a ratio of the available allocation divided by thirteen, and available competitively within each region prior to collapse into a statewide competition. If the allocation received by the State exceeds \$10 million, the Regional Allocation Formula used for the State's allocation of HOME funds will be used to distribute NHTF funds, although statutory requirements regarding benefit of areas not in Participating Jurisdictions or any HOME-specific setasides will not apply. If the State implements a homeownership program component using NHTF, the homeownership program only may use a different allocation method, based on proportionate need.

Affordable Housing Type	Market Characteristics that will influence the use of funds available for housing type
New Unit Production	<p>Market Analysis Section 15 reflects that there are not enough affordable housing units available for renters. Market Analysis Section 15 also shows that there is a lack of supply of housing, at only 3.3 month supply of inventory for sale.</p> <p>HOME use of New Unit Production</p> <p>Because HOME Multifamily funds used for the production of multifamily housing are typically paired with other resources such as housing tax credits and/or conventional financing, the availability of those other resources influences the use of funds for new construction. As with any development, the cost of land, materials, and labor are also factors. Finally, the demand for the housing from not only income-eligible tenants but those who exhibit an ability to pay rent is a primary market characteristic.</p> <p>For single-family HOME funds for new unit production, the CHDOs identify the needs for new housing in their communities before they apply.</p> <p>CDBG Program use of New Unit Production</p> <p>Office of Colonia Initiatives (“OCI”) anticipates that the rise of overall construction costs stems from the increase in prices for materials, labor, and land which may cause TDHCA to increase the average amount of assistance per household. With the increased assistance per household and lower amounts of funding per household, TDHCA may decrease the number of single family households serves with new construction.</p> <p><u>NHTF Program use of New Unit Production</u></p> <p><u>The Texas NHTF will provide funding for new construction of multifamily developments that meet TDHCA underwriting requirements. NHTF funds will be used for the production of multifamily rental housing for extremely low income households, which units will generally not generate sufficient income to pay operating costs, therefore NHTF will typically be leveraged by other resources such as HOME funds, housing tax credits and/or conventional financing, the availability of those other resources will impact the use of NHTF for new construction. As with any development, the cost of land, materials, and labor are also factors. Finally, the demand for the housing from not only income-eligible tenants but those who exhibit an ability to pay rent is a primary market characteristic.</u></p> <p><u>If NHTF is used for production of units for ownership, increasing costs for material, labor and land will factor into the assistance available for each unit, as will the availability of other fund sources to leverage NHTF. Because NHTF is required to serve extremely low income households, the availability of mortgage financing with an affordable payment will impact the amount of assistance required by households to reach sustainable ownership. Because of these factors, NHTF funds used for ownership may result on fewer households served than typical for other fund sources.</u></p>

Affordable Housing Type	Market Characteristics that will influence the use of funds available for housing type
Rehabilitation	<p>While only approximately 2% of the Texas housing stock is considered substandard per Needs Assessment Section 10, almost half of the housing stock is over 30 years old per Market Analysis Section 20. Older housing stock can be associated with necessary housing repairs. In addition, Market Analysis Section 10 discusses the need for barrier removal for persons with disabilities. Finally, Needs Assessment Section 30 establishes the need for rehabilitation in colonias.</p> <p><b>HOME use of Rehabilitation</b></p> <p>When a single-family housing unit or multifamily unit is determined to be in disrepair, the unit's suitability for rehabilitation varies by program. HOME takes each housing unit on a case-by-case basis, accounting for factors such as property value, construction costs, and type of rehabilitation to determine if the unit is suitable for rehabilitation or whether the household should be offered the option to rebuild.</p> <p><b>ESG use of Rehabilitation</b></p> <p>ESG has three eligible types of rehabilitation with subtly different definitions of what is considered a suitable property. ESG considers a shelter suitable for conversion rehabilitation where the cost of rehabilitation would exceed 75% of the value of the building after conversion. A unit is suitable for major rehabilitation if the costs of rehabilitation exceed 75% of the value of the building prior to rehabilitation or conversion. Finally, ESG considers a housing unit suitable for renovation rehabilitation where the costs of rehabilitation are 75% or less of the value of the building.</p> <p><b>CDBG use of Rehabilitation</b></p> <p>To address the condition of the housing stock, the CDBG Program has established a limit of \$25,000 dollars per home and a process to select homes for rehabilitation. The CDBG Program will consider adjustments based on a specific request from the subrecipient and that household's circumstances. Vacant and abandoned housing units are not precluded from consideration. The grant recipient is responsible for establishing priority based on local housing needs.</p> <p>For the OCI, the assistance limit is \$50,000 per household for reconstruction and new construction and \$40,000 per household for rehabilitation. The OCI encourages rehabilitation assistance if the activity requires less than \$40,000 to be brought up to minimum construction standards so that the maximum number of households may be served.</p> <p><u><b>NHTF use of Rehabilitation</b></u></p> <p><u>The Texas NHTF will provide funding for acquisition and rehabilitation of multifamily developments that meet TDHCA underwriting requirements. NHTF funds will be used for the production of multifamily rental housing for extremely low income households, which units will generally not generate sufficient income to pay operating costs, therefore NHTF will typically be leveraged by other resources such as HOME funds, housing tax credits and/or conventional financing, the availability of those other resources will impact the use of NHTF for acquisition and rehabilitation. As with any development, the cost of land, materials, and labor are also factors. Finally, the demand for the housing from not only income-eligible tenants but those who exhibit an ability to pay rent is a primary market characteristic.</u></p>

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1			Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$	
NHTF	public-federal	Acquisition, rehabilitation and new construction of housing for extremely low-income households	4,778,364			4,778,364	TDHCA's NHTF Program goals are described in the Strategic Plan Section 45 for multifamily and single family activities. NHTF Multifamily Development Funds can be layered with 4% HTC's and 9% HTC's, and TDHCA Multifamily Direct Loan funds, including HOME, HOME-CHDO, and TCAP Loan Repayment. In addition, TDHCA's Section 811 PRA, a project-based supportive housing program for persons with disabilities, and TDHCA's Section 8 HCV may be used within NHTF developments. In addition, TDHCA also develops rules that govern all multifamily programs, including the HOME Multifamily Development Program, known as the Uniform Multifamily Rules. If implemented, Single family NHTF homebuyer activity may be coordinated with TDHCA's My First Texas Home Program, which can supplement down payment assistance, and the MCC Program, which provides a yearly tax credit of up to \$2,000 annually that reduced the homebuyers' federal income tax liability. NHTF Single family development would be governed by requirements in TDHCA's Single Family Umbrella Rule.
			4,778,364			4,778,364	19,113,456



### CDBG Leverages and Provides Match

Nearly 80% of Texas CDBG grants include local matching fund commitments. Matching funds are required for certain grants, while other grants award points to encourage local match; a sliding scale allows smaller communities to contribute less match funding than larger communities.

Match funds may be provided by the applicant, or by a water or sewer utility benefiting from the project. Economic development projects benefiting private business require 1-for-1 match commitment, with the business most often providing this substantial match.

Recent updates to the Colonia SHC Program rules have capped program assistance at \$50,000 per household for reconstruction and new construction, and \$40,000 per household for rehabilitation. These limits encourage administrators to leverage their funds with other resources as well as assist more households than in prior years.

### NHTF Program Leverages

NHTF multifamily development may be used to leverage with the HTC Program, which was created by the Tax Reform Act of 1986 and authorizes 9% low-income housing tax credits in the amount of \$2.30 per capita for each state, and 4% low-income housing tax credits in amounts linked to the usage of the state's cap for issuance of tax exempt bond to finance affordable housing development. In Texas, this equates to approximately \$61,400,000 in 9% tax credits available to be awarded by TDHCA annually. These credits may be claimed each year for ten years and this represents potential tax credit value on the magnitude of \$610,000,000. The tax credits are syndicated to limited partner investors to yield cash for use in eligible development activities. Currently typical syndication rates range between 92% and 95%. TDHCA must develop a Qualified Allocation Plan ("QAP") for the selection of eligible developments to provide housing for the low-income tenants. NHTF provides increased leverage, allowing the property owners to utilize fewer tax credits and less private debt and local funding, therefore providing more efficient use of resources.

### **If appropriate, describe publically owned land or property located within the state that may be used to address the needs identified in the plan**

The Texas General Land Office manages state owned lands and mineral rights totaling approximately 13 million acres. Much of this is leased for the benefit of the Permanent School Fund, an endowment fund established in 1876 for the benefit of Texas public school education. There is currently no plan to use state owned land for affordable housing or community development goals; however, local jurisdictions occasionally donate land or property in support of activities designed to address the needs identified in the plan as part of their contribution to locally administered programs.

### **Discussion**

Continuing with the discussion of collaboration begun in the Introduction of this section, DSHS is the lead for several HIV-related councils and workgroups which provide opportunities for collaboration and resource sharing across agencies, providers, and other pertinent stakeholders to assist PLWH in Texas. Some of the initiatives are Inter-Agency Council on HIV & Hepatitis, the Texas Black Women's Initiative,

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
5	Tenant-Based Rental Assistance with HOME funding	2015	2019	Affordable Housing Non-Homeless Special Needs	State of Texas	Rental Assistance	HOME: \$28,055,875	Tenant-based rental assistance / Rapid Rehousing: 2550 Households Assisted
6	Households in new/rehabilitated multifamily units	2015	2019	Affordable Housing Non-Homeless Special Needs	State of Texas	Production of new units Rehabilitation of housing	HOME: \$37,742,675	Rental units constructed: 300 Household Housing Unit  Rental units rehabilitated: 75 Household Housing Unit
7	Households in new/rehabilitated multifamily units	2016	2019	Affordable Housing Non-Homeless Special Needs	State of Texas	Production of new units Rehabilitation of housing	NHMF: \$4,300,528	Rental units constructed: 50 Household Housing Unit  Rental units rehabilitated: 25 Household Housing Unit
8	HOPWA Tenant-Based Rental Assistance	2015	2019	Affordable Housing Non-Homeless Special Needs	State of Texas	Rental Assistance Homelessness Prevention	HOPWA: \$8,646,610	Tenant-based rental assistance / Rapid Rehousing: 2200 Households Assisted

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
198	HOME Administration	2015	2019	HOME Administration	State of Texas	Rental Assistance Production of new units Rehabilitation of housing Acquisition of existing units	HOME: \$12,287,815	
20	NHTF Adminisitratio	2016	2019	NHTF Adminisitratio	State of Texas	Production of new units Rehabilitation of housing Acquisition of existing units	NHTF: \$477,836	

Table 10 -- Goals Summary

### Goal Descriptions

1	Goal Name	Homeless Goals
	Goal Description	Goals for 5-year period based on Program Year ("PY") 2012 performance.
2	Goal Name	Construction of single family housing
	Goal Description	The number will be an estimation of households to be assisted through Single-Family HOME funds for new construction based on PY 2014 allocation and a planned shift in resources from multifamily to single-family activities.
3	Goal Name	Rehabilitation of single family housing
	Goal Description	The number will be an estimation of households to be assisted through Single-Family HOME funds for rehabilitation and new construction based on the PY 2014 allocation for general single family and persons with disabilities set-asides, and a planned shift in resources from multifamily to single-family activities.

OCI, funded with a set-aside of CDBG funds, estimates that 4,200 persons living in colonias will be assisted by the Colonia SHCs' affordable housing activities yearly.

The Texas NHTF is anticipated to serve 75 extremely low income renter households, if the allocation amount remains relatively constant. TDHCA estimates that similar to the HOME program, approximately 50 percent of those households will be minority households.

Disaster Recovery: As outlined in great detail in each of the Action Plans for the supplemental disaster assistance, the State of Texas had huge recovery efforts from each of the events it received funding for. While all of the programs are well under way, there remains unmet need that will still exceed the funds available to the State. This can be evidenced by the over subscription of most of the programs. Please refer to each program's Action Plan or the disaster recovery divisions most current Quarterly Progress Report for specific details: <http://www.glo.texas.gov/GLO/disaster-recovery/actionplans/index.html> and <http://www.glo.texas.gov/GLO/disaster-recovery/reports/index.html>.