Texas Department of Housing and Community Affairs

2020-2021 Housing Trust Fund Biennial Plan

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The Texas Department of Housing and Community Affairs
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Introduction and Purpose

During the Regular Session of the 86th Legislature, the Department was appropriated General Revenue for the Housing Trust Fund (HTF) in the amount of $10,443,402 for the 2020-2021 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. The Department generates this plan biennially to promote strategic long-term planning and the expeditious use of these funds.

The HTF was established in 1991 by the 72nd Texas Legislature, Senate Bill 546, to provide loans, grants, or other comparable forms of assistance to income-eligible individuals and households to finance, acquire, rehabilitate and develop decent, safe and sanitary housing. Funding sources consist of appropriations or transfers made to the fund, unencumbered fund balances, and public or private gifts or grants.

Appropriation Details

The Department annually receives loan repayments and accrued interest that contribute to the HTF. Rider 8 of the GAA strategy A.1.3 and A.1.4, clarifies that an estimated $2,400,000 per year in interest earnings and loan repayments are included in funds appropriated each year under the HTF.

	FY2020	FY2021	Total Biennium
Total Annual General Revenue Appropriation	$5,184,451	$5,258,951	$10,443,402

Rider 9(a) of the GAA requires that:

> *"Out of funds appropriated above in Strategy A.1.3…and A.1.4,…all funds above those retained for administrative purposes in fiscal year 2020 and fiscal year 2021 shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, during September of each fiscal year."*

The Department shall withhold approximately $1,044,340 (10%) for the biennium for Department administrative costs.

The total estimated biennial funding and usage are outlined in the following chart.

Estimated 2020-2021 Biennial Funds for Housing Trust Fund

Use of Funds	Amount
Total Biennial Appropriation	**$10,443,402**[1]
Less 10% Administration for TDHCA	($1,044,340)
Net Balance Available for TDHCA Programming	**$9,399,062**
Less $3M/year for Texas Bootstrap Program*	($6,000,000)
Less $1,699,531/year for Amy Young Barrier Removal Program	($3,399,062)
Total Remaining to be Programmed	**$0**

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

Biennial Funding and Allocation Considerations

Statutory requirements listed below direct how the funds may be programmed for use. Due to the demand for current HTF activities, the proposed HTF plan does not include any new activities.

Texas Bootstrap Loan Program

Tex. Gov't Code Section 2306.7581 establishes a transfer requirement for the Texas Bootstrap Loan Program, stating that the Department must dedicate at least $3 million to the program each fiscal year from HOME funds, HTF monies, or from funds appropriated by the legislature. The Department has determined that HOME funds are not the best resource to accomplish the goals of the Texas Bootstrap Loan Program because of the demand by nonparticipating jurisdictions, additional federal limitations, and extensive HOME Program reporting requirements. The Housing Trust Fund is the most practical appropriated source available for the Department to meet the Bootstrap Program's statutory transfer requirement.

Eligible Entities to Receive Funds

Pursuant to Tex. Gov't Code Section 2306.202, the Department must target funds for specific types of eligible entities. Section 2306.202(a) 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."

[1] This amount estimates approximately $2,400,000 per year in interest earnings and loan repayments. $250,000 will also be reserved for Single Family workout activities as further described herein.

Regional Allocation Formula (RAF) and Geographic Dispersion

As specified in Tex. Gov't Code Section 2306.111(d-1), 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."

The Amy Young Barrier Removal Program serves only Persons with Disabilities. However, as noted on page 6 of this plan, to promote geographic dispersion of the competitive Amy Young Barrier Removal Program funds, the funds will be released geographically in order to maximize opportunity for regions with historically low involvement to participate.

HTF Plan Administration

In approving the HTF plan, the Board authorizes staff to proceed with issuing Notices of Funding Availability (NOFA) and make any needed amendments to the NOFAs to expedite utilization of funds. Funds may be committed and expended via contracts and reservation agreements. HTF programs may utilize various income determination methods noted in the general program descriptions in the HTF plan or outlined in the HTF Rule.

Using no more than $250,000 per biennium of the HTF loan repayments and interest earnings *that exceed the requirements under Rider 8 of the GAA* (see Rider 8 of the GAA under "Appropriation Details" on page 2), the HTF may be used to respond to unanticipated, unique challenges that may arise in the course of implementing approved Single Family program contracts, activities, or assets. For example, if a household has been displaced for the rehabilitation of their home, and the Department faces subsequent eligibility concerns with the contractor performing that rehabilitation, these funds could expedite the completion of the rehabilitation so that the household may return to a safe, completed home as soon as possible.

If a balance exists from the previous biennium, the Department shall transfer only the necessary amount to replenish this fund to a maximum balance of $250,000 at the start of the biennium. The Department anticipates that the need to use HTF excess loan repayments and interest earnings for Single Family Program workouts will be infrequent and used as a last resort only, such as when it poses severe practical challenges, or it is impossible to use federal funds. These funds will be for internal disposition, and neither households nor program administrators will be able to apply for these funds.

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. Prior to any programming, the Department shall withhold 10% of such funds for Department administrative costs.

Lastly, in approving the HTF plan, the Board authorizes the use of late fees collected from HTF borrowers for Single Family asset management activities. These funds will allow the Department to budget for the necessary transactions that arise in the course of Single Family asset management, such as paying off first lien holders on delinquent single family properties on which the Department is in second or lower lien position; paying off taxing authorities to avoid tax foreclosure; securing and preparing abandoned properties to return to the marketplace; related travel and administrative costs, etc. The HTF will utilize these late fees for Single Family asset management activities only when the appropriate solution cannot reasonably be addressed with other funds.

Texas Bootstrap Loan Program: $6 million from the 2020-2021 Appropriation

Program Description: The Texas Bootstrap Loan Program makes funds available to state-certified Nonprofit Owner-Builder Housing Providers (NOHPs) and Colonia Self-Help Centers 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). Tex. Gov't Code Section 2306.7581(a-1) requires the Department to make at least $3,000,000 available each fiscal year for mortgage loans to households with income not exceeding 60% of Area Median Family Income (AMFI) or the statewide income limits, whichever is greater. Funding is available until August 31, 2021, or until all funding has been reserved.

Maximum Loan Amount: Bootstrap loans shall not exceed $45,000 per household. Eligible entities must apply to access a reservation system that makes funds available on a first-come, first-served basis.

Eligibility Requirement: Owner-Builders must have a household income not exceeding 60% of the AMFI or the statewide income limits, 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 state-certified Nonprofit Owner-Builder Housing Provider or Colonia Self-Help Center. The Department will define household income limits in accordance with the U.S. Department of Housing and Urban Development HOME Investment Partnership Program Income Limits.

Administrative Fees: The Department will pay an administrative fee equal to 10% of the loan amount to Administrators upon project completion.

Geographic Dispersion: 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 RAF is not applicable to this funding due to the set-aside requirements of Tex. Gov't Code Section 2306.753(d). Furthermore, the remaining one-third of the fund balance does not exceed the $3,000,000 ceiling cited in Tex. Gov't Code Section 2306.111(d-1)(3).

Other Considerations: If balances exist from previous Bootstrap funding cycles, those funds will be made available to Bootstrap activities. 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 for funding the Texas Bootstrap Loan Program and for targeting nonprofit organizations. This activity achieves significant leveraging of other public and private funding sources, promotes the Department's mission and provides for repayment to the Housing Trust Fund.

Amy Young Barrier Removal Program: $3,399,062 from the 2020-2021 Appropriation

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 AMFI or the statewide income limits, 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 correcting hazardous and unsafe housing conditions, as approved by the Department. Funding is available until August 31, 2021, or until all funding has been reserved.

Maximum Assistance Amount: One-time grants will not exceed $20,000 per household. Eligible entities must apply to access a reservation system that makes funds available on a first-come, first-served basis adjusted for the geographic dispersion process noted below. The maximum number of reservations per Administrator is further detailed in the Program NOFA.

Eligibility Requirements: Administrators may include Units of General Local Government, Councils of Governments, Nonprofit Organizations, Local Mental Health Authorities, and Public Housing Authorities. Administrators must demonstrate competence in accessibility standards and applicable building codes further detailed in the HTF Rule. Program beneficiaries must have a household income not exceeding 80% of the AMFI or the statewide income limits, whichever is greater. The Department will define household income limits in accordance with the U.S. Department of Housing and Urban Development HOME Investment Partnership Program Income Limits.

Administrative Fees: The Department will pay an administrative fee equal to 10% of the hard and soft costs to Administrators upon project completion.

Geographic Dispersion: The RAF does not apply to funds primarily serving Persons with Disabilities. However, the HTF Rule promotes geographic dispersion to ensure that all rural and urban subregions have an opportunity to access funds before they must compete on a first-come, first-served basis with the rest of the state.

Each year of the biennium, each state region will receive at least $100,000 (enough for five fully funded activities). The remaining funds shall be released geographically over time as prescribed by the HTF Rule. Over the course of the biennium, any additional funds beyond the original program allocations that derive from HTF loan repayments, interest earnings, deobligations, and other HTF funds in excess of those funds required under Rider 8 (see page 4 of this plan) may be made available statewide, and not geographically dispersed.