

# *2008 State of Texas Consolidated Plan One-Year Action Plan*



December 2007

Updated January 2008

Prepared by:

**Texas Department of Housing and Community Affairs**

Housing Resource Center

PO Box 13941

Austin, TX 78711-3941

Phone: (512) 475-3976

Fax: (512) 475-3746

[www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

**Office of Rural Community Affairs**

Community Development Division

PO Box 12877

Austin, TX 78711-2877

Phone: (512) 936-6701

Fax: (512) 936-6776

[www.orca.state.tx.us](http://www.orca.state.tx.us)

**Department of State Health Services**

HIV/STD Program

1100 W. 49th St.

Austin, TX 78756

Phone: (512) 533-3000

Fax: (512) 371-4672

[www.dshs.state.tx.us](http://www.dshs.state.tx.us)



*2008 State of Texas Consolidated Plan  
One-Year Action Plan*

**TABLE OF CONTENTS**

**INTRODUCTION .....1**

**EXECUTIVE SUMMARY .....2**

**GENERAL INFORMATION.....7**

**HOUSING ACTION PLAN: HOME INVESTMENT PARTNERSHIPS PROGRAM .....28**

**HOMELESS ACTION PLAN: EMERGENCY SHELTER GRANTS PROGRAM .....43**

**COMMUNITY DEVELOPMENT ACTION PLAN:.....50**

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.....50**

**NON-HOMELESS SPECIAL NEEDS ACTION PLAN: HOUSING OPPORTUNITIES FOR PERSONS  
WITH AIDS .....124**

**APPENDIX A: STANDARD FORM 424 AND STATE CERTIFICATIONS.....130**

**THE FORMS AND CERTIFICATIONS WILL BE INCLUDED IN THE FINAL VERSION OF THE  
ACTION PLAN TO BE SENT TO HUD. ....130**

**APPENDIX B: .....156**

**ACTION PLAN REQUIREMENTS.....156**



## INTRODUCTION

The Texas Department of Housing and Community Affairs (TDHCA), Office of Rural Community Affairs (ORCA) and Department of State Health Services (DSHS) have completed the *2008 State of Texas Consolidated Plan One-Year Action Plan* (“the Plan”) in accordance with 24 CFR §91.320. When the combined actions of TDHCA, ORCA, and DSHS are referenced in the Plan, the organizations are collectively referred to as “the State.”

The Plan reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year (PY) 2008. The Program Year begins on February 1, 2008, and ends on January 31, 2009. The performance report on PY 2007 funds will be available in May 2008. The Plan covers the State’s administration of the HOME Investment Partnerships Program (HOME), Emergency Shelter Grants Program (ESG), Community Development Block Grant Program (CDBG), and the Housing Opportunities for Persons with AIDS Program (HOPWA).

The Plan illustrates the State’s strategies in addressing the priority needs and specific goals and objectives identified in the *2005-2009 State of Texas Consolidated Plan*. The Plan consists of the following sections:

- Executive Summary. Provides a detailed synopsis of the One-Year Action Plan.
- General Information. A description of the State’s plan to undertake other activities that fulfill requirements of §91.320 (i) and (j).
- Action Plans. Program-specific plans for HOME, ESG, CDBG, and HOPWA illustrating funding guidelines and fund allocations as required under 24 CFR §91.320 (g).
- Form Applications and Certifications. Contains Standard Form 424, the application for federal resources, as well as HUD required certifications.

## EXECUTIVE SUMMARY

The 2008 One-Year Action Plan illustrates the combined actions of the Texas Department of Housing and Community Affairs (TDHCA), Office of Rural Community Affairs (ORCA) and Department of State Health Services (DSHS), referred to collectively as “the State.” In particular, this action plan addresses the priority needs and specific objectives identified in the *2005-2009 State of Texas Consolidated Plan*. The Consolidated Plan covers the State’s administration of the HOME Investment Partnerships Program (HOME), Emergency Shelter Grants Program (ESG), Community Development Block Grant Program (CDBG), and the Housing Opportunities for Persons with AIDS Program (HOPWA).

### Objectives and Outcomes

The 2008 One-Year Action Plan:

1. Reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year (PY) 2008
2. Explains the State’s method for distributing CDBG, ESG, HOME, and HOPWA program funds
3. Provides opportunity for public input on the development of the annual plan

The State’s progress in achieving the goals put forth in the One-Year Action Plan will be measured according to HUD guidelines (24 CFR 91.520) and outlined in the 2007 Annual Performance Report.

In accordance with the guidelines from HUD, the State complies with the new CPD Outcome Performance Measurement System. Program activities are categorized into the objectives and outcomes listed in the chart below.

	<b>OUTCOME 1</b> Accessibility	<b>OUTCOME 2</b> Affordability	<b>OUTCOME 3</b> Sustainability
<b>OBJECTIVE #1</b> Suitable Living Environment	Enhance Suitable Living Environment Through Improved/New Accessibility <b>(SL-1)</b>	Enhance Suitable Living Environment Through Improved/New Affordability <b>(SL-2)</b>	Enhance Suitable Living Environment Through Improved/New Sustainability <b>(SL-3)</b>
<b>OBJECTIVE #2</b> Decent Housing	Create Decent Housing with Improved/New Availability <b>(DH-1)</b>	Create Decent Housing with Improved/New Affordability <b>(DH-2)</b>	Create Decent Housing with Improved/New Sustainability <b>(DH-3)</b>
<b>OBJECTIVE #3</b> Economic Opportunity	Provide Economic Opportunity Through Improved/New Accessibility <b>(EO-1)</b>	Provide Economic Opportunity Through Improved/New Affordability <b>(EO-2)</b>	Provide Economic Opportunity Through Improved/New Sustainability <b>(EO-3)</b>

The objectives and outcomes as they apply to each of the four programs are listed below. The performance figures are based on actual performance during the Program Year (February 1<sup>st</sup> through January 31<sup>st</sup>) of current contracts and actual units and households served. In contrast, the performance measures reported to the Texas Legislative Budget Board for the State Fiscal Year (September 1<sup>st</sup> through August 31<sup>st</sup>) are based on projected units

and households at time of award. The HOME performance figures reported herein may include funding from several years as funds from previous years are deobligated and refunded.

**HOME Program Performance Measures**

<b>Outcomes and Objectives</b>	<b>Performance Indicators</b>	<b>Expected Number</b>
DH-2	Rental units assisted through new construction and rehabilitation	400
DH-2	Tenant-based rental assistance units	630
DH-2	Existing homeowners assisted through owner-occupied assistance	750
DH-2	First-time homeowners assisted through homebuyer assistance	560

**ESG Performance Measures**

<b>Outcomes and Objectives</b>	<b>Performance Indicators</b>	<b>Expected Number</b>
SL-1	Provide funding to support the provision of emergency and/or transitional shelter to homeless persons.	80,000
DH-2	The provision of non-residential services including homelessness prevention assistance.	4,500

**CDBG Performance Measures**

<b>Outcomes and Objectives</b>	<b>Performance Indicators</b>	<b>Expected Number</b>
SL-1	Neighborhood Facilities	1
SL-1	Water/Sewer Improvements	106
SL-2	Water/Sewer Improvements	42
SL-3	Water/Sewer Improvements	37
SL-1	Street Improvements	5
SL-2	Street Improvements	3
SL-3	Street Improvements	43
EO-3	Sidewalks	12
DH-1	Rehabilitation; Single Unit Residential	1
EO-1	ED Direct Financial Assistance for For-Profits	12
SL-1	ED Direct Financial Assistance for For-Profits	2

**HOPWA Performance Measures**

<b>Outcomes and Objectives</b>	<b>Performance Indicators</b>	<b>Expected Number</b>
DH-2	TBRA housing assistance	550
DH-2	STRMU housing assistance	700
DH-2	Supportive Services (restricted to case mgt., smoke detectors, and phone service)	1250
DH-1	Permanent Housing Placement (security deposits, application fees, credit checks)	20

**Evaluation of Past Performance**

The HOME Program committed \$54,343,328 with 2,142 total beneficiaries reported in PY 2006 (February 1, 2006, through January 31, 2007). Distribution of the funds by activity is described in the table below.

**HOME Funds Committed, PY 2006**

<b>Activity</b>	<b>Amount</b>
Homebuyer Assistance (all activities)	\$3,832,000
Owner Occupied Housing Assistance	\$34,828,144
Tenant Based Rental Assistance	1,470,643
CHDO Rental Development	\$8,372,552
CHDO Operating Expenses	\$216,000
Rental Housing Development	\$4,291,104
Rental Housing Preservation	\$1,332,885
<b>Total</b>	<b>\$54,343,328</b>

The ESG Program committed \$4,903,053 through 76 grants, with 122,784 total beneficiaries reported in PY 2006. Funds were used toward activities including renovation of buildings for use as emergency shelters, provision of essential services to the homeless, payment of operating costs of shelters, and development of homeless prevention services. The breakdown of the total funding is described in the table below.

**ESG Funds Committed, PY 2006**

<b>Use of Funding</b>	<b>Amount</b>
Funds Committed	\$4,822,849
Carry-In Funds Committed*	\$80,204
<b>Total</b>	<b>\$4,903,053</b>

\*Carry-In represents the unexpended fund balance from the prior year's allocation

During Program Year 2006, the Texas CDBG Program committed a total of \$73,641,333 through 272 awarded contracts. For contracts that were awarded with PY 2006 funds, 540,140 persons received service. Distribution of the funds by activity is described in the table below.

**CDBG Funds Committed, PY 2006**

<b>Fund</b>	<b>Program Description</b>	<b>2006 Total Obligation</b>
Community Development	Provides grants on a competitive basis to address public facility and housing needs such as sewer, water system, road, and drainage improvements.	\$41,142,9166
Community Development Supplemental Fund	Allocates additional funds among the 24 state planning regions using a different allocation formula. Same application and purposes as the Community Development Fund.	3,188,445
Texas Capital Fund	Provides financing for projects that create and retain jobs primarily for low- and moderate-income persons.	11,285,400
Colonia Construction Fund	Provides grants for colonia projects; primarily water, sewer and housing.	5,250,000
Colonia EDAP Fund	Provides grants for colonias for the cost of service lines, service connections, and plumbing improvements associated with	3,500,000



<b>Fund</b>	<b>Program Description</b>	<b>2006 Total Obligation</b>
	being connected to a Texas Water Development Board's (TWDB) Economically Distressed Areas Program (EDAP)-funded water and sewer system improvement project.	
Colonia Planning Fund	Colonia Area Planning Fund – provides grants for preliminary surveys and site engineering, provides assistance towards the cost of architectural services, mortgage commitments, legal services, and obtaining construction loans. Colonia Comprehensive Planning Fund - provides assistance that is used to conduct a complete inventory of the colonias that includes demographic, housing, public facilities, public services, and land use statistics.	65,068
Colonia Self-Help Centers	Provides grant funds for the operation of seven Self-Help Centers in colonias.	389,784
Planning / Capacity Building	Provides grants on a competitive basis to communities for planning activities that address public facility and housing needs.	654,200
Disaster Relief/ Urgent Need	Provides grants to communities on an as-needed basis for recovery from disasters such as floods or tornadoes and Urgent water and sewer needs of recent origin that are unanticipated and pose a serious public safety or health hazard.	557,900
STEP Fund	Provides grants to cities and counties for solving water and sewer problems with a self-help approach that requires local participation through donated labor and materials.	6,591,104
Micro-Enterprise Loan Fund	Provides a tool for rural communities to assist their very small businesses (5 or fewer employees) access capital.	816,516
Small Business Loan Fund	Provides a tool for rural communities to assist their small businesses access capital by providing awards to eligible cities and counties for loans to businesses with 100 or fewer employees.	200,000
<b>Total</b>		<b>\$73,641,333</b>

The HOPWA Program expended \$2,170,257 through 28 project sponsors, with 2,457 beneficiaries of housing assistance reported in PY 2006. Funds were used toward tenant-based rental assistance and emergency assistance to prevent homelessness of low-income persons with HIV/AIDS. Distribution of the funds by activity is described in the table below.

#### HOPWA Program Expenditures, PY 2006

<b>Eligible Activities</b>	<b>Amount</b>
Expenditures for TBRA	\$1,503,888
Expenditures for STRMU	\$487,728
Expenditures for Supportive Services	\$178,641
<b>Total</b>	<b>\$2,170,257</b>

## **Consultation and Public Participation**

The Action Plan was made available for public comment from September 10, 2007, through October 10, 2007. Public hearings were held at 6 locations across the state – Austin, Brownsville, Dallas, El Paso, Houston, and Lubbock – to allow citizens to respond and comment in a public forum. Written comment was also accepted at the public hearings, as well as by mail, fax, or email. Public notice of the draft comment period and the hearings was made through an announcement in the *Texas Register*, on the TDHCA website, as well as e-mail notifications to members of the agency’s e-mail list. Individuals who require a language interpreter at the hearings were able to receive this assistance upon request.

There was no public comment received during the September to October 2007 public comment period for the Action Plan. Public comment was collected by ORCA on the CDBG Action Plan prior to the public comment period.

## GENERAL INFORMATION

The following section outlines the State's strategies in regard to eight categories of required actions. These categories include Citizen Participation, Institutional Structure, Available Resources, Meeting Underserved Needs, Poverty Level Households, Needs of Public Housing, Monitoring, and Lead-Based Paint Initiatives.

### CITIZEN PARTICIPATION

#### SUMMARY OF CITIZEN PARTICIPATION PROCESS

The Action Plan was made available for a 30-day public comment period from September 10, 2007, through October 10, 2007. In addition, public hearings were held at 6 locations across the state: Austin, Brownsville, Dallas, El Paso, Houston, and Lubbock. Written comment was also accepted at the public hearings and by mail, fax, or email.

The notification process for the 6 public hearings included the following: a notice in the *Texas Register*, a TDHCA website posting; email to TDHCA email lists including over 3,000 cities, counties, developers, non-profit organizations, legislative contacts, advocacy groups, subcontractors, and other interested parties. Spanish speaking staff was in attendance at the hearings in El Paso and Brownsville to assist individuals who require a language interpreter. Persons with needs for interpretation of other languages or individuals at the other hearing locations were able to receive this assistance upon request.

A summary of the comments and the Staff's reasoned responses will be provided below in Part A, "Consolidated Plan Hearings."

ORCA held meetings between April 27, 2007 and May 3, 2007 to solicit public input on the CDBG-related portion of the Consolidated Plan. These hearings were held in 4 cities across the state: Austin, Crockett, Mathis and Lamesa. ORCA received comments, and this input was considered in the production of the draft version of the plan that was available for public comment as part of the Consolidated Plan hearings. A summary of these comments is provided below in Part B, "ORCA CDBG Action Plan Hearings."

#### SUMMARY OF PUBLIC COMMENT

##### A. Consolidated Plan Hearings

There was no public comment received on the Action Plan during the public comment period.

**B. ORCA CDBG 2008 Action Plan Hearings**

**Public Hearing, Austin, TX, April 27, 2007:**

**Russel Smith, President, Texas Renewable Energy Industries Association (TREIA)**

Mr. Smith came to the Austin public hearing and strongly supports the Renewable Energy Demonstration Pilot Program. Many of the renewable energy companies who belong to TREIA might be consultants/contractors for local governments that obtain funding through the pilot project.

**Patrick Van Heran, President, Sunergie Inc.**

Mr. Heran's company is working with several Texas communities, including Brady, Hondo, Gatesville and Gonzalez, on an ambitious renewable energy project. He supports ORCA's proposed new Renewable Energy Demonstration Pilot Program. This project involves cutting down mesquite and cedar on ranch land and transporting it into local towns for conversion to thermal energy for industrial facilities with large heat demands in these towns, including prisons. The waste product from burning the mesquite and cedar would be transported back to the ranchland and used as compost to build up the soil and enable local ranchers to raise more head per acre and to graze calves longer before they go to slaughter.

=====  
**Public Hearing, Crockett, TX, April 30, 2007**

**STEP:**

1. A suggestion was made to consider increasing the contract period from two years to three years. The primary reason cited was the challenge of administering this type of contract that relies heavily on self-help, local participation, and/or donated labor.
2. The issue of insurance and liability (both personal and property) was raised. The group indicated that although most grantees have volunteers sign a liability waiver, they questioned if this practice is legally binding.
3. A question was raised about the proposed change in the "Eligible Activities" section. The change from "equipment for installation of water and sewer if justification is provided" to "rental of equipment for installation of water and sewer if justification is provided" appears unclear. The group suggested that this activity include procurement or rental of equipment.
4. The group asked for consideration for some type of "baseline funding" for costing out STEP administrative activities instead of the current relatively low percentage of contract funds set aside for this budget category. Compared to Community Development projects, the group felt that successful STEP projects require a much higher level of support and involvement from the community administrators or contract consultants.
5. It was suggested that the labor force devoted to STEP projects be expanded to include both volunteer labor and force account labor.

6. The group asked that grantees be given more latitude in documenting volunteer labor activities. They felt it was difficult to maintain accurate, detailed records down to the level of documenting each volunteer's time sheet and their specific activity performed.

**Renewable Energy Demonstration Pilot Program:**

1. Opposed this new program as a stand alone program. They felt that deobligated funds returned to the CD program would be of more benefit to needy communities that did not get funded in the highly competitive CD program where funds are already limited.

2. Renewable Energy program - provide a clear definition of what constitutes renewable energy. They also suggested that energy conservation projects could be included in this program.

=====

Public Hearing, Mathis, TX, May 1, 2007

**Karen Kibbe,  
Managing Partner,  
Raymond K. Vann & Associates, LLC**

- Ineligible Activities. Was it an ORCA or HUD decision to not include televising/video taping line work or other investigative method as ineligible?

Renewable Energy Demonstration Pilot Program: does not favor use of limited funds for this project.

=====

Public Hearing, Lamesa, TX, May 3, 2007

**Chris Sharpe  
Panhandle Regional Planning Commission (COG) staff**

- Some Panhandle Regional Planning Commission RRC members appointed by the governors' office were never notified that they had been appointed to the RRC. Asked who is responsible in notifying RRC members that they are part of the committee. PRPC appreciates and supports ORCA field offices.

=====

**Janet Claborn  
City of Muleshoe**

- Ms. Claborn asked about opportunities for her community to apply for this funding. Several others at the Lamesa hearing also inquired about the project, including economic development corporation folks from Hereford, Floydada, Crosbyton and Levelland.

=====

**Mike Duran**

**Vice President**

**Gary R. Traylor & Associates**

- Concerning my comments regarding the RRC Committees: My concern is that ORCA reduced the RRC impact by not maintaining full Committee appointments. I realize that some RRC appointees did not fulfill their responsibility by not attending Scoring Meetings, however, some RRC's did not have full appointments. Therefore, in many cases, as few as 4 or 5 members' score made up an applicants score. With only a bare quorum of 7, when you take out the high and the low score, that leaves 5 scores, and if you have a conflict of interest that number is reduced even more. I believe this is a problem that must be addressed in the future.

=====

**Fred Vera**

**City Manager, Lamesa**

- Competition between larger rural communities not competitive with other smaller rural communities. The City of Lamesa has applied in the last 3-4 years and has not received an award. The competition is not fair. Smaller communities score better than mid-size cities. Some smaller cities have not raised their water rates etc. Need a three (3) tier competition between smaller communities competing with other smaller communities and mid-size cities competing with other mid-size cities with populations of 10 to 12,000.

**Mary Baiza, private consultant, had a similar comment as Fred Vera.**

**Lower Colorado River Authority**

Received two letters in support of the proposed ORCA renewable energy pilot project: one from Dan Kuehn, manager of LCRA wholesale power services, and one from Frank Morgan, manager of LCRA community services.

**Texas Farm Bureau**

Two emails in support of ORCA pilot project from Ned Meister, Director of Commodity and Regulatory Activities for Texas Farm Bureau. (Travis Brown, ORCA staff reports: the Texas Farm Bureau and the national Farm Bureau have been leaders in promoting the development of renewable energy as way for farmers and ranchers to develop new revenue streams and as an economic development tool for rural communities.)

**Russel Smith, President, Texas Renewable Energy Industries Association (TREIA)**

Russel also came to the Austin public hearing and spoke in support of the pilot project. Many of the renewable energy companies who belong to TREIA might be consultants/contractors for local governments that obtain funding through the pilot project.

**Patrick Van Heran, President, Sunergie Inc.**

Patrick came to the Austin public hearing on the action plan. He supports ORCA's proposed new Renewable Energy Demonstration Pilot Program. His company is working with several Texas communities, including Brady, Hondo, Gatesville and Gonzalez, on an ambitious renewable energy project. This project involves cutting down mesquite and cedar on ranch land and transporting it into local towns for conversion to thermal energy for industrial facilities with large heat demands in these towns, including prisons. The waste product from burning the mesquite and cedar would be transported back to the ranchland and used as compost to build up the soil and enable local ranchers to raise more head per acre and to graze calves longer before they go to slaughter.

**Janet Claborn, City of Muleshoe**

Janet attended the Lamesa public hearing on the action plan and asked about opportunities for her community to apply for this funding under the Renewable Energy Demonstration Pilot Program. Several others at the Lamesa hearing also inquired about the project, including economic development corporation folks from Hereford, Floydada, Crosbyton and Levelland. Janet followed up with a call to Travis Brown regarding details of the project. She and others are interested in funding to help with ethanol plants planned for their communities. They discussed a possible meeting with interested people in the Panhandle in the future.

**Jim White, Kent County Judge**

April 24, 2007 letter from Judge White in support of new Renewable Energy Demonstration Pilot Program.

**Dr. Norman Goldman, West Texas landowner**

April 25, 2007 letter from Dr. Goldman in support of new Renewable Energy Demonstration Pilot Program. He cited development of renewable energy resources in Texas as an overall benefit to all Texans.

**Joe Cox, Director of Regional Services, North Texas Regional Planning Council**

Joe emailed and later called Travis to inquire about the proposed Renewable Energy Demonstration Pilot Program. He said he has several cities in his region that might be good candidates for funding to put up small wind turbines to power wastewater treatment or water treatment plants.

**Harley Davis, Cooper community**

Harley called to discuss possible funding from the renewable energy pilot project to install solar panels on the Cooper community center to provide electricity for the center.

**Kevin Smith, Southwest Renewable Energy Inc.**

Kevin contacted ORCA staff about the proposed pilot project.

**Jim Peeples, AHL-Tech, Inc.**

Jim inquired about possible funding through the new renewable energy pilot project for his company's hybrid diesel locomotive project in East Texas.

**Steve Kerbow**

**Kerbow and Associates Consulting**

Recommends elimination of the Micro-enterprise Loan Fund, Small Business Loan Fund, and the Renewable Energy Demonstration Pilot Program and place these funds into the CD/CDS Fund.

**Barbara S. Reeves**

**Director, Community Services**

**City of Alice**

Asked about the source of funds for the Renewable Energy Demonstration Pilot Program based on the elimination of a footnote on page 23, asked why Goal 2 under the Performance Measures was eliminated, asked for the definition of efficiency, and asked why performances measures based on efficiency are needed.

## **INSTITUTIONAL STRUCTURE**

Understanding that no single entity will be able to address the enormous needs of the State of Texas, ORCA, TDHCA, and DSHS support the formation of partnerships in the provision of housing, housing-related, and community development endeavors. Considering that the limited amount of financial resources available for affordable housing, community service, and community development activities can be a major obstacle for a single agency to try to address the needs of the state, partnering with other organizations, as well as fund layering and leveraging, helps to stretch those funds that are available.

ORCA, TDHCA, and DSHS are primarily pass-through funding agencies and distribute federal funds to local entities that in turn provide assistance to households. Because of this, the agencies work with many housing and community development partners, including consumer groups, community based organizations, neighborhood associations, community development corporations, councils of governments, community housing development organizations, community action agencies, real estate developers, social service providers, local lenders, investor-owned electric utilities, local government, nonprofits, faith-based organizations, property managers, state and local elected officials, and other state and federal agencies.

There are many benefits to these partnerships: risk and commitment are shared; the principle of reciprocity requires that local communities demonstrate an awareness of their needs and a willingness to participate actively in solving problems, therefore local communities play an active role in tailoring the project to their needs; partners are able to concentrate specifically on their area of expertise; and a greater variety of resources ensure a well targeted affordable product.

## **HOME AND ESG**

The HOME Program encourages partnerships in order to improve the provision of affordable housing. Organizations receiving HBA/ADDI funds are required to provide homebuyer education classes to households directly, or coordinate with a local organization that will provide the education. In addition, organizations receiving TBRA funds must provide self-sufficiency services directly, or coordinate with a local organization that will provide the services.

TDHCA encourages ESG subrecipients to coordinate services with housing and other service agencies. Collaborative applications funded with ESG funds are required to coordinate services and to provide services as part of a local continuum of care. At the time the Department monitors ESG subrecipients, coordination efforts are reviewed.

## **CDBG**

CDBG funds are awarded to non-entitlement units of general local government thereby providing these communities with financial resources to respond to its community development needs. Such may include planning; constructing community facilities, infrastructure, and housing; and implementing economic development initiatives. Each applicant to the CDBG fund is required throughout its citizen participation process to inform local housing organizations of its intention to apply for CDBG funding through the CDBG and invite their input into the project selection process.

TxCDBG continues to coordinate with the Texas Department of Housing and Community Affairs, the Texas Department of Agriculture, the Texas Water Development Board, Annual State Agency Meeting on Rural Issues, and the 24 Regional Councils of Governments to further its mission and target beneficiaries of CDBG funds



through programs such as the Colonia Self-Help Centers, the Colonia Economically Distressed Areas Program, the Housing Tax Credit Program, and the Texas Capital Fund.

## **HOPWA**

DSHS contracts with eight Administrative Agencies which contract directly with the Project Sponsors serving all 26 HSDAs in the state to administer the HOPWA program, as well as a range of other HIV health and social services, including the Ryan White and the State Services grants. This structure ensures the coordination of all agencies serving people with HIV/AIDS, avoids duplication, saves dollars, and provides the best possible coordination of services for people with HIV/AIDS in each local community.

HOPWA program information is made available to all HIV service agencies in the HSDA and a referral network is established for potential clients. DSHS HOPWA clients are linked through their case managers to a comprehensive network of medical care and supportive services for persons living with HIV/AIDS and their families, consisting of 64 local providers across the state. HOPWA Project Sponsors collaborate locally with these providers to ensure that clients receive the services they need to begin treatment and remain in care. Additionally, Project Sponsors collaborate with local housing authorities in their areas to ensure that HOPWA clients are referred to the housing programs and services that best fit their needs and circumstances. Most notable is collaboration of Project Sponsors with local Section 8 housing programs.

## AVAILABLE RESOURCES

The Plan must describe the Federal resources expected to be available to address the priority needs and specific objectives identified in the strategic plan, in accordance with §91.315. Descriptions of the funding amounts for the specific HUD programs covered by this Plan are provided in each program's Action Plan section. The Plan must also describe resources from private and non-federal public sources that are reasonably expected to be made available to address the needs identified in the plan. The Plan must explain how Federal funds will leverage those additional resources, including a description of how matching requirements of the HUD programs will be satisfied. A description of the match requirements of the HUD programs covered by this Plan are provided in each program's Action Plan section.

## HOME PROGRAM

For the HOME Program, Section 2306.111(d) of the Texas Government Code requires that TDHCA use a Regional Allocation Formula (RAF) to allocate its HOME funding. This RAF objectively measures the affordable housing need and available resources in 13 State Service Regions TDHCA uses for planning purposes. To mitigate any inherent inequities in the way these resources are regionally allocated, the RAF compares each region's level of need to its level of resources. Regional funding adjustments are made based on the results of this comparison. The following available resources were determined to have been available or distributed in FY 2007 in the areas eligible for TDHCA HOME funds.

Source	Funding Level
Texas Housing Trust Fund	\$867,352
Housing Opportunities for Persons with HIV/AIDS	\$429,542
HUD PHA Capital Funds	\$32,200,371
HUD Housing Choice Vouchers (Sec. 8)	\$139,690,050
USDA Multifamily Development	\$4,565,687
USDA Rental Assistance	\$28,515,830
Housing Tax Credits	\$183,550,266
TXBRB Multifamily Tax Exempt Bond	\$29,919,340
Housing Tax Credits w/ MF Tax Exempt Bond	\$31,824,051
USDA Owner Occupied	\$38,824,561
TXBRB Single Family Bond	\$158,942,464
HUD HOME Investment Partnerships Program	\$23,831,296
Total	\$674,356,567

## HOPWA

Leveraged funds are absolutely essential for the provision of HOPWA program administration and supportive services for HOPWA clients in the state of Texas. DSHS, AAs, and Project Sponsors expect to continue to receive leveraged funds from federal, state, local, and private resources to administer the HOPWA program and to achieve established program objectives for 2008. Based on leveraged funds received in 2006, DSHS estimates \$190,364 in federal and state funds to provide HOPWA administration at the state level. In 2006, AAs and Project Sponsors reported receiving \$134,989 for Project Sponsor administration, \$83,030 for TBRA, \$54,239 for STRMU assistance, and \$1,629,160 for supportive services in leveraged funds and anticipate similar levels of leveraged resources for 2008.

## GENERAL INFORMATION ON OTHER PROGRAMS

TDHCA is required by State law to publish a *Program Guide* that outlines state and federal housing and housing-related programs available in Texas. The guide describes all TDHCA programs and includes housing-related programs from other state and federal agencies. This detailed document is organized by activity area and then by administering entity. For each specific program, contact information at the appropriate agency is provided. The 120-plus page document is updated annually and is currently available on line at <http://www.tdhca.state.tx.us/ppa/housing-center/pubs.htm> or in hard copy upon request.

## **MEETING UNDERSERVED NEEDS AND MITIGATING BARRIERS TO AFFORDABLE HOUSING**

The State has identified various obstacles that may affect the ability to meet underserved needs in Texas. They include the lack of affordable housing, lack of organization capacity, lack of organizational outreach, local opposition to affordable housing, regulatory barriers to affordable housing, and area income characteristics (particularly in rural areas). The State takes actions to mitigate these obstacles such as effectively using existing resources to administer programs, providing information resources to individuals and local areas, and coordinating resources. The following outlines those specific actions proposed by the program areas to meet underserved needs and develop affordable housing.

### **HOME AND ESG**

The HOME Program provides grant funds, deferred forgivable loans, and repayable loans to units of local government, nonprofit and for-profit organizations, community housing development organizations (CHDOs), and public housing authorities (PHAs). These funds are primarily used to foster and maintain affordable housing by providing rental assistance, rehabilitation, or reconstruction of owner-occupied housing units, down payment and closing cost assistance for the acquisition of affordable single family housing, and funding for rental housing development preservation of existing affordable or subsidized rental housing.

HOME funds may also be used in conjunction with the Housing Tax Credit Program to construct or rehabilitate affordable multifamily housing.

Regarding ESG, while TDHCA encourages the use of ESG funds to provide affordable transitional housing, the majority of funds are utilized to provide emergency shelter. These funds meet the needs of local homeless populations.

### **CDBG**

TxCDBG encourages affordable housing projects using several methods in the allocation of CDBG funds to the eligible communities that can participate in its programs, including favorable state scoring and regional prerogative to prioritize funding for housing infrastructure and rehabilitation. Each region is encouraged to set aside a percentage of the regional allocation for housing improvement projects, and housing applications are scored as high priority projects at the state level. Housing projects continue to be funded through the Colonia Self-Help Centers as well.

In addition, CDBG funding provides a cost savings for housing when CDBG funds are used to provide first-time water and wastewater services by installing water and sewer yardlines and paying impact and connection fees for qualifying residents. For PY 2008, the TxCDBG will make funds available through six different grant programs to provide water or sewer services on private property, with the vast majority being low and moderate income households.

The most commonly cited obstacle to meeting the underserved community development needs of Texas cities (aside from inadequate funding) is the limited administrative capacity of the small rural towns and counties the CDBG program serves. TxCDBG staff offers technical assistance to communities to promote successful CDBG projects.

CDBG funding also helps cities and counties study affordable housing conditions. The plans produced through a TxCDBG planning contracts provide both valuable data concerning a city's or county's affordable housing stock and planning tools for expanding their affordable housing. In PY 2008, TxCDBG will make funds available for

planning through the Planning and Capacity Building Fund, Colonia Comprehensive Planning Fund and Colonia Area Planning Fund.

The Colonia Self-Help Centers continue to address affordable housing needs in border counties by assisting qualifying colonia residents to finance, refinance, construct, improve or maintain a safe, suitable home in suitable areas.

Another obstacle to meeting underserved needs applies to colonias projects. There have been cases when a county applies to provide water service to an area, but more than one water supply corporation or city may have a Certificate of Convenience and Necessity (CCN) in that territory (CCNs have been issued which have overlapping territories). In these cases, a dispute over which water supply corporation/city has the right to serve the territory (and therefore collect the revenues) may arise. A public hearing process may be necessary to resolve this issue, which can then delay projects for months. TxCDBG will continue to work with regulatory agencies as appropriate to resolve issues in project areas in a timely manner.

## **HOPWA**

The Texas HOPWA program continues to meet underserved needs in several ways.

As assessed regularly by Ryan White needs assessments in all HSDAs, housing needs are high among people living with HIV/AIDS. The Texas HOPWA program meets the needs of this underserved population throughout the state by providing essential housing and utilities assistance as part of a comprehensive medical and supportive services system. As a result, people living with HIV/AIDS and their families are able to maintain safe and affordable housing, reduce their risk of homelessness, and access medical care and supportive services.

In 2006, Project Sponsors reported a continuing need to serve eligible HIV-positive persons who have been incarcerated or need assistance paying security deposits to transition into affordable permanent housing. Security deposit payments continue to be a barrier to permanent housing for HOPWA clients and eligible individuals because security deposit assistance is not an eligible activity in the STRMU and TBRA programs. To address this need, DSHS implemented a new program activity in August 2007, Permanent Housing Placement, to further meet the needs of eligible HIV-positive persons to transition into permanent housing. The Permanent Housing Placement program allows Project Sponsors to provide assistance to HOPWA clients and eligible persons for reasonable security deposits and costs associated with application fees and credit checks.

In addition, DSHS is in the process of developing an updated funding allocation formula to address the changing needs of local communities and to maximize and target HOPWA funding to HSDAs that are in greatest need. DSHS will consider a variety of factors including but not exclusive to HIV/AIDS morbidity, poverty level, housing costs and needs, homelessness data, program waitlists, and program expenditures.

## **POVERTY-LEVEL HOUSEHOLDS**

According to the 2000 US Census, Texas has the ninth highest poverty rate among the states: 15.4 percent compared to the national rate of 12.4 percent. The federal government defined the poverty threshold for 1999 as \$17,029 in income for a family of four, and many poor families make substantially less than this. Poverty can be self-perpetuating, creating barriers to education, employment, health, and financial stability.

ORCA, TDHCA, and DSHS have an important role in addressing Texas poverty. These agencies seek to reduce the number of Texans living in poverty, thereby providing a better future for all Texans. This means trying to provide long-term solutions to the problems facing people in poverty and targeting resources to those with the greatest need.

## **HOME AND ESG**

Through the HOME Tenant-Based Rental Assistance Program, TDHCA assists households with rental subsidy and security and utility deposit assistance for a period not to exceed 24 months. As a condition to receiving rental assistance, households must participate in a self-sufficiency program, which can include job training, GED classes, or drug dependency classes. The HOME Program enables households to receive rental assistance while participating in programs that will enable them to improve employment options and increase their economic independence and self-sufficiency.

The ESG Program funds activities that provide shelter and essential services for homeless persons, as well as intervention services for persons threatened with homelessness. Essential services for homeless persons include medical and psychological counseling, employment counseling, substance abuse treatment, transportation, and other services.

For individuals threatened with homelessness, homelessness prevention funds can be used for short-term subsidies to defray rent and utility arrearages for households receiving late notices, security deposits, and payments to prevent foreclosure.

## **CDBG**

A substantial majority, 88%, of TxCDBG funds are obligated to cities and counties under the funding competitions meeting the national objective to “principally benefit low and moderate income persons.” TxCDBG encourages the funding of communities with a high percentage of persons in poverty through its application scoring. The CDBG projects under this national objective are required to serve 51 percent low to moderate income persons; however, an application receives full points only if a minimum of 60 percent of the project beneficiaries are of low to moderate income. In addition, the CDBG allocation formula used to distribute Community Development and the Community Development Supplemental funds among regions includes a variable for poverty. The percentage of persons in poverty for each region is factored into the allocation formula in order to target funding toward the greatest need.

The CDBG economic development funds have been instrumental in creating infrastructure and jobs. By creating and retaining jobs through assistance to businesses and then providing lower income people access to these jobs, TxCDBG can be a very effective anti-poverty tool. This potential will be further maximized by providing jobs that offer workplace training and education, fringe benefits, opportunities for promotion, and services such as child care. In addition, programs that improve infrastructure affords the opportunity to upgrade existing substandard housing (such as in the colonias) and build new affordable housing where none could exist before.

## **HOPWA**

The DSHS HOPWA Program serves HIV positive persons based on income eligibility criteria of no more than 80 percent of the area median income with adjustments for family and household size, as determined by HUD income limits. With varying poverty levels and housing needs in each HSDA across the state, some Project Sponsors may set stricter local income limits to maximize and target HOPWA resources to those with very low-income or poverty-level income. While many of the HOPWA clients assisted may be at poverty-level, this is not a requirement under 24 CFR 574.3.

## **NEEDS OF PUBLIC HOUSING**

The future success of Public Housing Authorities (PHAs) will center on ingenuity in program design, emphasis on resident participation towards economic self-sufficiency, and partnerships with other organizations to address the needs of this population. While the State of Texas does not have any direct or indirect jurisdiction over the management or operations of PHAs, it is important to maintain a relationship with these service providers.

## **HOME AND ESG**

Because PHAs are eligible applicants under the HOME Program, TDHCA sends notices of funding availability to all PHAs in the state. At HOME application workshops, application processes are discussed in detail, including those related to HBA. Furthermore, staff of PHAs, especially those receiving HOME funds and those with Section 8 Homeownership programs, are targeted by TDHCA's Texas Statewide Homebuyer Education Program for training to provide homebuyer education opportunities and self-sufficiency tools for PHA residents.

In addition to PHAs that have received HOME funds to provide homebuyer assistance in their areas, PHAs have also received HOME tenant-based rental assistance funds, enabling them to provide additional households with rental assistance and services to increase self-sufficiency.

PHA residents are eligible to receive assistance and services from ESG grantees.

In addition to HOME and ESG activities related to PHAs, TDHCA performs certifications of consistency with the State's Consolidated Plan. In 1999, TDHCA, as required by 24 CFR §903.15, started a certification process to ensure that the annual plans submitted by PHAs in an area without a local Consolidated Plan are consistent with the State of Texas's Consolidated Plan.

## **CDBG**

Litigation concerning CDBG funding and public housing authorities, known as *Young v. Martinez*, focused attention and funds on these areas in the past. The State provided three funding set-asides to address Court-ordered activities under the Final Order and Decree for the litigation, obligating a total of \$13,664,753.18 for 62 *Young v. Martinez* Fund projects in PHA areas. To date, over \$13 million of that total has been requested for drawdown with approximately \$72,584 remaining to be requested in two open contracts. Although the litigation has been settled, TxCDBG continues to serve public housing areas through other funding categories as residents of PHAs qualify as low to moderate income beneficiaries for CDBG projects.

## **HOPWA**

The HOPWA program administered by DSHS does not provide public housing assistance. However, Project Sponsors coordinate closely with local housing authorities for client referrals and to address local housing issues.



## MONITORING

The State ensures compliance with program and comprehensive planning requirements through various compliance measures.

### HOME AND ESG

TDHCA has established oversight and monitoring procedures within the TDHCA Portfolio Management and Compliance and Community Affairs divisions to ensure that activities are completed and funds are expended in accordance with contract provisions and applicable state and federal rules, regulations, policies, and related statutes. TDHCA's monitoring efforts are guided by both its responsibilities under the HOME and ESG programs and its affordable housing goals for the State of Texas. These monitoring efforts include the following:

- Identifying and tracking program and project results
- Identifying technical assistance needs of subrecipients
- Ensuring timely expenditure of funds
- Documenting compliance with program rules
- Preventing fraud and abuse
- Identifying innovative tools and techniques that support affordable housing goals
- Ensuring quality workmanship in funded projects
- Long-term compliance

#### Identifying and Tracking Program and Project Results

HOME contract and project activities are tracked through the TDHCA Contract Database (CDB) system, including pending projects, funds drawn, and funds disbursed through the internet-based system, HUD's IDIS, and other reports generated as needed. The CDB provides information necessary to track the success of the program and identify process improvements and administrator training needs. IDIS tracks HOME Program data such as commitment and disbursement activities, the number of units developed, the number of families assisted, the ongoing expenditures of HOME funds, and beneficiary information.

Other resources utilized by TDHCA to track project results include an asset management division and loan servicing division. If either of these areas identifies problems, steps are taken to resolve the issue, including project workouts and oversight of reserve accounts. Real Estate Analysis, the division for underwriting economic feasibility pre-award, is also responsible for identification of high risk contracts, and is responsible for review of housing sponsored annual financial statements and other asset management functions during the affordability period.

ESG project and contract activities are tracked through TDHCA's website, which maintains an Oracle-based reports system. This system maintains funds drawn, funds expended, performance data, and other reports as needed. ESG data such as commitment and disbursement activities, number of persons assisted, ongoing expenditures, and program activities are also tracked through HUD's IDIS.

#### Identifying Technical Assistance Needs Subrecipients

Identification of technical assistance needs for HOME and ESG subrecipients is performed through analysis of administrator management practices, analysis of sources used by TDHCA to track technical assistance such as information captured in the Central Database, review of documentation submitted, desk reviews based on the requirements identified in the Compliance Supplement and State Affordable Housing Program requirements,

project completion progress, results of on-site audits and monitoring visits, and desk reviews conducted by Department staff.

### **Ensuring Timely Expenditure of Funds**

TDHCA ensures adequate progress is made toward committing and expending HOME and ESG funds. Regular review of internal reports and data from IDIS is performed to assess progress of fund commitment and to ensure that all funds are committed by the expiration date of 24 months from the last day of the month in which HUD and TDHCA enter into an Agreement. Performance deadlines for spending and matching funds are reviewed on a quarterly basis to track expenditure totals. HOME set-aside requirements are also tracked. The Department has also added performance benchmarks as further incentive of timely expenditure of funds.

### **Documenting Compliance with Program Rules**

Compliance with program rules is documented through contract administration and other formal monitoring processes. Staff document compliance issues as part of their ongoing contract management reviews and notify administrators of any noncompliance and required corrective action. On-site reviews, including physical onsite project site inspections of a representative sample of project sites, on-site reviews of client files, shelters, and the delivery of services are conducted with summarized reports identifying necessary corrective actions.

TDHCA has developed a set of standards for HOME administrators to follow to ensure that subcontractors and lower-tiered organizations entering into contractual agreements with administrators perform activities in accordance with contract provisions and applicable state and federal rules, regulations, policies, and related statutes.

TDHCA maintains a database to document an administrator's compliance history with rental housing developments. During the application process the compliance history is gathered, the database is researched, and input from all divisions within TDHCA is requested. If issues of material noncompliance are found, then the applicant is not eligible for future funding until the issues are resolved. The compliance history is considered by TDHCA's Board prior to finalizing awards.

### **Preventing Fraud and Abuse**

TDHCA monitors for potential fraud and mismanagement of funds through the assistance of written agreements with HOME administrators and review of supporting documentation throughout the HOME contract period to ensure that activities are eligible, through information gathered from outside sources and Department staff, and through onsite monitoring visits of HOME and ESG subrecipients. If fraud or mismanagement of funds is found, sanctions are enforced and disallowed costs are refunded to TDHCA. Also, if fraud or mismanagement of funds is suspected, TDHCA will make referrals and work closely with HUD, the State Auditor's Office, the Inspector General, the Internal Revenue Service, and local law enforcement agencies as applicable.

### **Identifying Innovative Tools and Techniques that Support Affordable Housing Goals**

Staff identifies innovative tools and techniques to support affordable housing goals by attending trainings and conferences, maintaining contact with other state affordable housing agencies, and through the HUD internet listserv and HUD website.

### **Ensuring Quality in Funded Projects**

Ensuring the administrator provides the committed product, amenities and compliance with accessibility requirements is a Departmental priority. Staff ensures the quality of workmanship in HOME-funded projects

through the inspection process. TDHCA staff, in conjunction with Manufactured Housing Inspectors conduct inspections to substantiate the quality of the work performed. Deficiencies and concerns are identified during an initial inspection, with corrective action required by construction completion. The clearance of a final inspection is required of all rental housing developments funded by the Department.

TDHCA staff has attended trainings and become familiar with the construction standards of Section 504, Rehabilitation Act of 1973. Manufactured Housing Inspection Staff assisting with conducting inspections have been given the necessary tools to thoroughly complete these inspections and are provided annual training by Department staff on the procedures, expectations, and accessibility requirements.

Other processes used to ensure quality workmanship have included plan reviews. With the 2006 commitments the Department will require plans to have architectural sign off on specifications, and confirm compliance with committed amenities and compliance with any accessibility requirements.

### **Long-Term Compliance**

The PMC Division is responsible for long term monitoring of income eligibility and tenure of affordability for applicable HOME projects. In other cases where contracts require long-term oversight (such as land use restrictive covenants), reporting and enforcement procedures have been implemented.

The PMC division performs on-site monitoring visits in accordance with the requirements of the HOME Program and Department policies and procedures, as described in the Financing/Loan Agreements, Deed Restrictions, and Regulatory and Land Use Restriction Agreement. If a property participates in more than one housing program, the most restrictive monitoring procedure is followed.

### **Risk Management**

HOME contracts are monitored based on a risk assessment model that is updated on an annual basis or more frequently if required. Some of the elements of the Risk Assessment Model may include the type of activity, existence of a construction component, Davis/Bacon requirements, results of previous on-site visits, status of the most recent monitoring report, amount funded, previous administrator experience, entity type, and Single Audit status. In addition to the results of the risk assessment survey, referrals from division staff are considered when determining in depth monitoring reviews or required technical assistance. An emphasis is placed on monitoring of contracts within the current draw period and contracts with projects in the affordability period as defined by HUD.

If complaints are received by TDHCA, they are considered a risk management element and will be reviewed in detail. Supplemental monitoring activities will be performed to ensure program compliance and detection of possible fraud or mismanagement.

The Risk Assessment Model is also implemented for ESG. Some of the elements of the Risk Assessment Model include the following: length of time since last on-site visit, results of last on-site visit, status of most recent monitoring report, timeliness of grant reporting, total amount funded during assessment period, total amount funded for all TDHCA contracts during assessment period, number of TDHCA contracts funded during assessment period, and Single Audit Status. In addition to the results of the risk assessment survey consideration is also given to recommendations made from other TDHCA divisions regarding performance with other TDHCA funded programs. All ESG subrecipients are monitored annually.

## **Sanctions**

Based on the results of ongoing HOME monitoring, sanctions are imposed for noncompliance issues based on the severity of noncompliance, which may include delays in project set-ups, draw request processing, questioned/disallowed costs, suspension of the contract, or contract termination. When necessary, the Executive Director executes a referral to the State Auditor's Office for investigation of fraud as required by Section 321.022(a) of the Texas Government Code. Sanctions imposed affect future application requests and scoring. In addition, if fraud or mismanagement of funds is suspected, TDHCA will make referrals and work closely with HUD, the State Auditor's Office, the Inspector General, the Internal Revenue Service, and local law enforcement agencies as applicable.

The results of ongoing ESG monitoring will also determine if sanctions are imposed for noncompliance issues. Sanctions range from the use of the cost reimbursement method of payment, deobligation of funds, suspension of funds, and termination of the contract. TDHCA's legal staff is notified and referrals are made to the Attorney General's Office. Sanctions imposed affect the future consideration of ESG applications for funding.

## **CDBG**

The monitoring function of the TxCDBG has four components: project implementation, contract management, audit, and monitoring compliance.

### **Project Implementation**

Prior to the award of funds, each community is evaluated for compliance in prior contracts. The application scoring process at the state level includes a scoring factor for past performance on CDBG contracts. In addition, once a funding recommendation has been made the contract is routed through the Program Development, Compliance and Fiscal Operations Departments to verify that no outstanding issues in previously awarded contracts prevent the contract execution for the recommended award.

### **Contract Management**

All open TxCDBG projects are assigned to a specific Regional Coordinator who is responsible for contract compliance and project management. All projects have formal contracts that include all federal and state requirements. Regional Coordinators monitor progress and compliance through formal reporting procedures. Program Specialists for Labor Standards and Environmental compliance also exist under the Project Management function. Additionally, all reimbursement requests require complete supporting documentation before payment is made.

### **Audit**

The audit function is authorized by OMB A-133, which requires that governmental units and nonprofit organizations spending more than \$500,000 in either federal or state funds during their fiscal years ending after December 31, 2003, submit a copy of a Single Audit to the Agency. A Single Audit is required for desk review by ORCA regardless of whether there are findings noted in the audit pertaining to CDBG funds, since it is an additional monitoring tool used to evaluate the fiscal performance of grantees.

### **Monitoring Compliance**

The on-site programmatic reviews are conducted on every CDBG contract prior to close-out to ensure the contractual obligations of each grant are met. The projects are considered available for review when 75 percent of

the contracted funds have been drawn down, and for construction projects, when construction has been substantially completed. Interim monitoring reviews may be conducted as necessary.

The areas reviewed include procurement procedures paid with CDBG funds or with match dollars, accounting records including copies of cancelled checks, bank statements and general ledgers (source documentation is reviewed at the time of draw requests), equipment purchases and/or procurement for small purchases, on-site review of environmental records, review of any applicable construction contracts, file review of any applicable client files for rehabilitation services, review of labor standards and/or a review of local files if internal staff used for construction projects, and a review of documentation on hand pertaining to fair housing and civil rights policies.

In addition to the formal monitoring function described above, the staff of the Compliance Division communicates with the staff of the Community Development Division as needed to evaluate issues throughout the contract implementation phase of CDBG contracts in order to identify and possibly resolve contract issues prior to the monitoring phase of the project.

## HOPWA

A team of 10 DSHS Field Operations consultants and managers monitor the AAs' HOPWA administration activities and the AAs monitor the Project Sponsors for HOPWA program compliance. This monitoring involves periodic site visits, technical assistance, and the submission of quarterly progress reports. Desk audits are conducted by the Contract Management Unit at the division level in DSHS. Additionally, fiscal audits are conducted as part of a centralized service of DSHS, the Contract Monitoring and Oversight Section, directly under the Chief Operations Officer.

Administrative Agencies and Project Sponsors are required to comply with HUD regulations, the DSHS Program Manual and their contractual Statement of Work. The DSHS HOPWA program manual is located at <http://www.dshs.state.tx.us/hivstd/fieldops/hopwa.shtm>. The HOPWA monitoring tool is located at [http://www.dshs.state.tx.us/hivstd/fieldops/page\\_02/hopwa.doc](http://www.dshs.state.tx.us/hivstd/fieldops/page_02/hopwa.doc). The HOPWA Statement of Work is located at [http://www.dshs.state.tx.us/hivstd/funding/hopwa/HOPWA\\_Renewal.doc](http://www.dshs.state.tx.us/hivstd/funding/hopwa/HOPWA_Renewal.doc). Principles for fiscal administration are established by the Texas Uniform Grants Management Standards located at <http://www.governor.state.tx.us/divisions/stategrants/files/UGMS062004.doc>. The requirements for project monitoring are established by DSHS in the Administrative Agency Core Competencies document located at [http://www.dshs.state.tx.us/hivstd/pops/pdf/pdf\\_administrative\\_duties\\_standards.pdf](http://www.dshs.state.tx.us/hivstd/pops/pdf/pdf_administrative_duties_standards.pdf).

DSHS plans to distribute a revised HOPWA Program Manual that will provide improved program guidelines for quality HOPWA program implementation and compliance in August 2007. In turn, this will assist Project Sponsors to provide better HOPWA services for HOPWA clients and the local community. The revised program manual incorporates HUD technical assistance and program level input via a public comment period to assure local needs are addressed. The HOPWA monitoring tools will also be revised according to revised program activities and regulations. Additionally, DSHS will also implement an STRMU tracking tool to ensure all Project Sponsors are compliant with the 21-week maximum assistance statute for STRMU clients.

## LEAD-BASED PAINT HAZARDS

The health risks posed by lead-based paint to young children are the most significant health issue facing the housing industry today. According to *The Prevalence of Lead-Based Paint in U.S. Housing* (Environmental Health Perspectives, October 2002), 38 million homes have conditions that are likely to expose families to unsafe levels of lead. These homes are disproportionately older housing stock typical to low income neighborhoods, and the potential for exposure increases as homeowners and landlords defer maintenance. This older housing stock is the target of rehabilitation efforts and is often the desired “starter home” of a family buying their first home.

## HOME AND ESG

The HOME Program requires lead screening in housing built before 1978 for its Owner Occupied Rehabilitation Assistance Program. Rehabilitation activities fall into three categories: 1) Requirements for federal assistance up to and including \$5,000 per unit; 2) Requirements for federal assistance from \$5,000 per unit up to and including \$25,000 per unit; and 3) Requirements for federal assistance over \$25,000 per unit.

Requirements for federal assistance up to and including \$5,000 per unit are: distribution of the pamphlet “Protect Your Family from Lead in Your Home” is required prior to renovation activities; notification within 15 days of lead hazard evaluation, reduction, and clearance must be provided; receipts for notification must be maintained in the administrator file; paint testing must be conducted to identify lead based paint on painted surfaces that will be disturbed or replaced or administrators may assume that lead based paint exist; administrators must repair all painted surfaces that will be disturbed during rehabilitation; if lead based paint is assumed or detected, safe work practices must be followed; and clearance is required only for the work area.

Requirements for federal assistance from \$5,000 per unit up to and including \$25,000 per unit include all the requirements for federal assistance up to and including \$5,000 per unit and the following: a risk assessment must be conducted prior to rehabilitation to identify hazards in assisted units, in common areas that serve those units and exterior surfaces or administrators can assume lead based paint exist and; clearance is required for the completed unit, common areas which serve the units, and exterior surfaces where the hazard reduction took place.

Requirements for federal assistance over \$25,000 per unit included all the requirements for federal assistance from \$5,000 per unit up to and including \$25,000 per unit and the following: if during the required evaluations lead-based paint hazards are detected on interior surfaces of assisted units, on the common areas that serve those units or on exterior surfaces including soils, then abatement must be completed to permanently remove those hazards; and if lead based paint is detected during the risk assessment on exterior surfaces that are not disturbed by rehabilitation then interim controls may be completed instead of abatement.

For ESG, TDHCA evaluates and reduces lead-based paint hazards for conversion, renovation, or rehabilitation projects funded with ESG funds, and tracks work in these efforts as required by Chapter 58 of the Environmental Protection Act.

## **CDBG**

The TxCDBG encourages the reduction of lead-based hazards through favorable scoring under its Community Development and Community Development Supplemental Funds for the replacement of lead fixtures and other lead hazards that are an imminent public health threat. In addition, lead-based paint mitigation is a common activity eligible under housing rehabilitation that is funded under the Colonia Construction Fund, Community Development and Community Development Supplemental Funds. Each contract awarded requires the sub-grantee to conform to Section 302 of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4831(b)) and procedures established by the TxCDBG in response to the Act.

In accordance with CDBG state regulations and the Lead-Based Paint Poisoning Prevention Act, TxCDBG has adopted a policy to eliminate as far as practicable the hazards of lead poisoning due to the presence of lead-based paint in any existing housing assisted under the CDBG. In addition, this policy prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance. Abatement procedures should be included in the housing rehabilitation contract guidelines for each project and must appear in the approved work write-up documentation for all homes built prior to 1978 that will be rehabilitated, as outlined in the Housing Rehabilitation Manual.

## **HOPWA**

DSHS requires Project Sponsors to give all HOPWA clients the lead-based paint pamphlet entitled "Protect Your Family from Lead in Your Home" (Environmental Protection Agency) during the intake process. The client's case record must include documentation that a copy of the pamphlet was given to the client.

For each HOPWA household, the case manager must certify the following:

If the structure was built prior to 1978, and there is a child under the age of six who will reside in the property, and the property has a defective paint surface inside or outside the structure, the property cannot be approved until the defective surface is repaired by at least scraping and painting the surface with two coats of non-lead based paint. Defective paint surface means: applicable surface on which paint is cracking, scaling, chipping, peeling or loose. If a child under age six residing in the HOPWA-assisted property has an Elevated Blood Lead Level, paint surfaces must be tested for lead-based paint. If lead is found present, the surface must be abated in accordance with 24 CFR Part 35.

## HOUSING ACTION PLAN: HOME INVESTMENT PARTNERSHIPS PROGRAM

### FEDERAL RESOURCES EXPECTED PY 2008

The purpose of the HOME Investment Partnerships (HOME) Program is to expand the supply of decent, safe, and affordable housing for extremely low, very low, and low income households, and to alleviate the problems of excessive rent burdens, homelessness, and deteriorating housing stock. HOME strives to meet both the short-term goal of increasing the supply and the availability of affordable housing. TDHCA provides technical assistance through application and implementation workshops to all recipients of HOME funds to ensure that all participants meet and follow the state implementation guidelines and federal regulations.

The State of Texas HOME Program is receiving \$39,776,588 in HOME funds (not including \$266,637 of American Dream Downpayment Initiative (ADDI) funds from HUD for PY 2008. The HOME Program also estimates approximately \$2.5 million in program income.

### ALLOCATION OF PY 2008 FUNDS

TDHCA will use the following method for allocating funds:

Use of Funds	Estimated Available Funding	% of Total HOME Allocation
Administration Funds (10% of PY 2008) *	\$3,977,659	10%
CHDO Project Funds Set Aside (15% of PY 2008) **	\$5,966,488	15%
CHDO Operating Expenses Set Aside (5% of CHDO Set Aside) *	\$298,324	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 Preservation Program	\$2,000,000	5%
Rental Housing Development Program	\$3,000,000	7%
General Funds for Single Family Activities	\$23,034,117	54%
Total PY 2008 HOME Allocation***	\$42,276,588	102%
PY 2008 American Dream Downpayment Initiative (ADDI) Funds***	\$266,637,000	—
Total Estimated Funding Available for Distribution	\$42,009,951	—

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

\*\*\$1,000,000 will be reserved from this set-aside for the Colonia Model Subdivision Program. If sufficient applications are not received for this activity, the remaining funds will be used for other CHDO-eligible activities. TDHCA may set aside 10% of the annual CHDO set-aside for Predevelopment Loans.

\*\*\*Calculations include \$2,500,000 in estimated program income.



The following targets will be used to distribute General Funds for Single Family Activities:

Activity	Funding Amount	% of Available Funding
Homebuyer Assistance	\$3,455,118	15%
Owner Occupied Housing Assistance	\$16,123,882	70%
Tenant Based Rental Assistance	\$3,455,118	15%
Total Estimated Funding Available for Distribution	\$23,034,117	100%

## ESTIMATED PY 2008 BENEFICIARIES

Based on estimated PY 2007 program activity, TDHCA calculates that the number of PY 2008 beneficiaries assisted will be approximately 1,931 low, very low, or extremely low income households. On the basis of historical performance, TDHCA estimates that approximately 60 percent of those households will be minority households.

## DEFINITIONS

**Basic Access Standards** (as required by §2306.514, Texas Government Code): These requirements apply only to newly constructed single family housing.

- (1) at least one entrance door, whether located at the front, side, or back of the building:
  - (A) is on an accessible route served by a ramp or no-step entrance; and
  - (B) has at least a standard 36-inch door;
- (2) on the first floor of the building:
  - (A) each interior door is at least a standard 32-inch door, unless the door provides access only to a closet of less than 15 square feet in area;
  - (B) each hallway has a width of at least 36 inches and is level, with ramped or beveled changes at each door threshold;
  - (C) each bathroom wall is reinforced for potential installation of grab bars;
  - (D) each electrical panel, light switch, or thermostat is not higher than 48 inches above the floor; and
  - (E) each electrical plug or other receptacle is at least 15 inches above the floor; and
- (3) if the applicable building code or codes do not prescribe another location for the breaker boxes, each breaker box is located not higher than 48 inches above the floor inside the building on the first floor.

A person who builds single family affordable housing to which this section applies may obtain a waiver from TDHCA of the requirement described by Subsection (a)(1)(A) if the cost of grading the terrain to meet the requirement is prohibitively expensive.

**Colonia:** As defined in §2306.581, Texas Government Code:

- (1) "Colonia" means a geographic area that is located in a county some part of which is within 150 miles of the international border of this state, that consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, and that:

(A) has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under Section 17.921, Water Code; or

(B) has the physical and economic characteristics of a colonia, as determined by the department.

**Community Housing Development Organization (CHDO):** A private nonprofit organization with a 501(c)(3) or (4) federal tax exemption. The CHDO must include providing decent, affordable housing to low income households as one of its purposes in its charter, articles of incorporation, or bylaws. It must serve a specific, delineated geographic area: Either a neighborhood, several neighborhoods, city, town, village, county, or contiguous multi-county area (but not the entire state). CHDOs are certified by TDHCA as eligible applications are awarded HOME CHDO funds.

**Consortium:** An organization of geographically contiguous units of general local government that act as a single unit of general local government for purposes of the HOME program.

**Extremely Low Income Family:** Family whose income is between 0 and 30 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.

**Low Income Family:** Family whose income does not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.

**Non-Participating Jurisdiction:** A state or unit of general local government that does not receive an annual allocation of HUD program funds and is not part of a HUD Consortium.

**Participating Jurisdiction:** A state or unit of general local government that receives an allocation of HOME Program funds directly from HUD.

**Persons with Disabilities:** A household composed of one or more persons, at least one of whom is an adult, who has a disability. A person is considered to have a disability if the person has a physical, mental, or emotional impairment that

- is expected to be of long-continued and indefinite duration,
- substantially impedes his or her ability to live independently, and
- is of such a nature that such ability could be improved by more suitable housing conditions.

**Special Needs Populations:** Includes the following: persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, the homeless, and migrant farmworkers.

**Very Low Income Family:** Family whose income does not exceed 50 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.

## **ELIGIBLE APPLICANTS**

- Units of General Local Government
- Nonprofit and For-Profit Organizations
- Community Housing Development Organizations (CHDOs)
- Public Housing Authorities (PHAs)

## ELIGIBLE SERVICE AREAS

Per Section 2306.111(c), TDHCA shall expend 95 percent of HOME funds for the benefit of non-PJ areas of the state. Five percent of HOME funds shall be expended for the benefit of persons with disabilities who live in any area of the state.

## DESCRIPTION OF ACTIVITIES

### OWNER-OCCUPIED HOUSING ASSISTANCE (OCC)

Rehabilitation or reconstruction cost assistance is provided to eligible homeowners for rehabilitation or reconstruction of their existing home. The home must be the principal residence of the homeowner.

At the completion of the assistance, all properties must meet the International Residential Code and local building codes. If a home is reconstructed, the applicant must also ensure compliance with the universal design features in new construction, established by §2306.514, Texas Government Code, required for any applicants utilizing federal or state funds administered by TDHCA in the construction of single family homes.

The available funding for this activity is approximately \$15 million, which may only be used in non-PJs. This amount does not include any Housing Program for Persons with Disabilities OCC funding that may be issued under a separate NOFA.

### TENANT-BASED RENTAL ASSISTANCE (TBRA)

Rental subsidy and security and utility deposit assistance is provided to tenants, in accordance with written tenant selection policies, for a period not to exceed 24 months.

The available funding for this activity is approximately \$3.2 million, which may only be used in non-PJs. This amount does not include any Housing Program for Persons with Disabilities TBRA funding that may be issued under a separate NOFA.

### HOMEBUYER ASSISTANCE (HBA)

Down payment and closing cost assistance is provided to homebuyers for the acquisition of affordable single family housing. This activity may also be used for the following:

- Construction costs associated with architectural barrier removal in assisting homebuyers with disabilities by modifying a home purchased with HOME assistance to meet their accessibility needs.
- Acquisition and rehabilitation costs associated with contract for deed conversions to serve colonia residents.
- Construction costs associated with the rehabilitation of a home purchased with HOME assistance.
- Acquisition or new construction costs for the replacement of manufactured housing.

Eligible first time homebuyers may receive up to \$10,000 for down payment and closing costs in the form of a 2<sup>nd</sup> or 3<sup>rd</sup> lien. Eligible homebuyers who meet the definition of persons with disabilities may receive loans up to \$15,000 for down payment and closing costs, regardless of the location of the property. Under the Contract for Deed program, assistance for the combined cost of deed conversion and rehabilitation cannot exceed HUD's 221(d)(3) limits per unit. HBA is an eligible HOME activity under the CHDO set-aside if the CHDO is the owner, sponsor or developer of the project. HBA loans are to be repaid at the time of resale of the property, refinance of the first lien, repayment of the first lien, or if the unit ceases to be the assisted homebuyer's principal residence. If any of these occur before the end of the loan term, the amount of recapture will be based on the pro-rata share of the remaining loan term and the shared net proceeds in the event of sale of the housing unit.

At the completion of the assistance, all properties must meet the International Residential Code or the Colonia Housing Standards, if located in a colonia, and local building codes. Compliance with the basic access standards in new construction, established by §2306.514, Texas Government Code, is also required for any applicants utilizing federal or state funds administered by TDHCA in the construction of single family homes.

The available funding for this activity is approximately \$3.2 million, which may only be used in non-PJs. This amount does not include the Housing Program for Persons with Disabilities HBA funding, which may be issued under a separate NOFA, nor does it include ADDI funds, which are only available upon reauthorization. HBA may also be awarded through the CHDO Set-Aside and the Contract for Deed Set-Aside.

## **RENTAL HOUSING DEVELOPMENT AND PRESERVATION**

Awards for eligible applicants are to be used for the acquisition, construction, and rehabilitation of affordable multifamily rental housing.

TDHCA will not provide funding for the refinancing and/or acquisition of affordable housing developments that were constructed within the past 5 years. Eligible applicants include nonprofit organizations, CHDOs, units of general local government, for-profit entities, sole proprietors, and public housing authorities.

Owners are required to make housing units available to low, very low, and extremely low income families and must meet long-term rent restrictions. A standard underwriting review will be performed on applications under this activity. TDHCA generally make awards in form of a loan, however grants may be recommended to TDHCA's Board based on the underwriting review. Owners of rental units assisted with HOME funds must comply with initial and long-term income restrictions and keep the units affordable for a minimum period. Housing assisted with HOME funds must, upon completion, meet all applicable local, state, and federal construction standards and building codes. Additionally, the owner and/or all future owners of a HOME-assisted rental project must maintain all units in full compliance with local, state, and federal housing codes, which include, but are not limited to, the International Residential Code, Texas Government Code, and Section 504 of the 1973 Rehabilitation Act for the full required period of affordability.

The use of HOME Rental Housing Development funds will be limited to those allowable under 24 CFR Part 92. Eligible expenses and activities may further be limited by TDHCA in accordance with state legislation. Rental Housing Development funds may also be used for the acquisition and/or rehabilitation (including barrier removal activities) for the preservation of existing affordable or subsidized rental housing. Additionally, TDHCA will ensure that all multifamily rental housing developments are built and managed in accordance with its Integrated Housing Rule, 10 TAC §1.15.

Approximately \$3 million is available for Rental Housing Development and approximately \$2 million is available for Rental Housing Preservation. Funding for these activities may only be used in non-PJs. This amount does not include the Housing Program for Persons with Disabilities Rental Development funding which may be issued under a separate NOFA.

## **ADMINISTRATIVE EXPENSES**

This allowable cost is for the reimbursement of costs associated with the planning administration of the HOME Program. Up to 10 percent of the sum of the Fiscal Year HOME basic formula allocation may be set aside for HOME Administrative expenses. Up to 4 percent of the Administrative Expenses Set-Aside may be provided to applicants receiving HOME funds for the cost of administering the program. For-profit organizations are not eligible to receive administrative funds. TDHCA will retain the remaining 6 percent of the Administrative

Expenses Set-Aside to cover the internal cost of administering the statewide program. TDHCA may utilize these funds for construction and Section 504 inspection costs as needed.

### **AMERICAN DREAM DOWNPAYMENT INITIATIVE**

The American Dream Downpayment Initiative (ADDI) was signed into law on December 16, 2003, and was created to help first time homebuyers with down payment and closing cost assistance. ADDI aims to increase the homeownership rate, especially among lower income and minority households, and revitalize and stabilize communities.

Under ADDI, the definition of a first time homebuyer is an individual and his or her spouse who have not owned a home during the three year period prior to the purchase of a home with assistance under the ADDI program. The term also includes displaced homemakers and single parents. The minimum amount of ADDI funds in combination with HOME funds that must be invested in a project is \$1,000. The amount of ADDI assistance provided to any family may not exceed the greater of six percent of the purchase price of a single family housing unit or \$10,000. This assistance is in the form of a second- or third-lien loan. In order to ensure the suitability of households receiving ADDI assistance, first time homebuyers will be required to participate in a homebuyer counseling course.

The American Dream Downpayment Assistance Act authorized up to \$200 million nationally annually for fiscal years 2004 – 2007. Approximately \$266,637 will be reserved for down payment assistance. These funds must be used in non-PJs. ADDI funding may, at the discretion of TDHCA, include funds for rehabilitation for first time homebuyers in conjunction with home purchases assisted with ADDI funds. The rehabilitation may not exceed 20 percent of the annual ADDI allocation. These funds are included in the 15 percent allocated for HBA. In accordance with 24 CFR 92.320, applicants must submit a plan for conducting targeted outreach to residents and tenants of public and manufactured housing and to other families assisted by public housing agencies.

TDHCA will continue to promote ADDI through the public hearings held in six cities across the state. The program will also be promoted around the state through a Texas Association of Realtors continuing education course for which Department staff provide information. The course was designed to improve the state homeownership rate and to educate Realtors about the availability of affordable housing products.

Since Texas has a large number of manufactured housing units and manufactured housing dealers, questions from real estate agents always arise about the availability of low interest rate loan funds and the availability of down payment assistance. Through continuing education courses and outreach, TDHCA is able to inform real estate agents about how ADDI can assist manufactured housing buyers. In addition, TDHCA will work closely with the Manufactured Housing Division to create awareness of ADDI funds directly to eligible first time homebuyers.

TDHCA also operates a First Time Homebuyer Program hotline. Over 1,200 calls are received on average per month. Interested homebuyers are provided literature and made aware of the various products and programs available

### **CHDO SET-ASIDE**

A minimum of 15 percent of the annual HOME allocation, approximately \$6,150,000 (plus \$307,500 in operating expenses) is reserved for CHDOs. CHDO set-aside projects are owned, developed, or sponsored by the CHDO, and result in the development of rental units or homeownership. Development includes projects that have a construction component, either in the form of new construction or the rehabilitation of existing units. If the CHDO owns the project in partnership, it or its wholly-owned for-profit or nonprofit subsidiary must be the

managing general partner. These organizations can apply for multifamily rental housing acquisition, rehabilitation, or new construction, as well as for the acquisition, rehabilitation, or new construction of single family housing (through direct funding or loan guarantees). CHDOs can also apply for homebuyer assistance if their organization is the owner or developer of the single family housing project. These funds may only be used in non-PJs.

Once awarded, a CHDO development must remain controlled by a certified CHDO for the entire affordability term.

In accordance with 24 CFR 92.208, up to 5 percent of the State's CHDO Set-Aside may be used for operating expenses for CHDOs. In accordance with 92.300(a)(2)(f), A CHDO may not receive HOME funding for any fiscal year in an amount that provides more than 50 percent or \$50,000, whichever is greater, of the CHDOs total operating expenses in that fiscal year. TDHCA may award CHDO Operating Expenses in conjunction with the award of CHDO Development Funds, or through a separate application cycle not tied to a specific activity. In addition, TDHCA may elect to set aside up to 10 percent of funding for predevelopment loans funds, which may only be used for activities such as project-specific technical assistance, site control loans, and project-specific seed money. Predevelopment loans must be repaid from construction loan proceeds or other project income. In accordance with 24 CFR 92.301, TDHCA may elect to waive predevelopment loan repayment, in whole or in part, if there are impediments to project development that TDHCA determines are reasonably beyond the control of the CHDO.

#### **CONTRACT FOR DEED CONVERSIONS**

The 80th Legislature passed Appropriations Rider 6 to TDHCA's appropriation, which requires TDHCA to spend no less than \$4 million for the biennium on contract for deed conversions for families that reside in a colonia and earn 60 percent or less of the applicable area median family income (AMFI). Furthermore, TDHCA is targeted to convert no less than 200 contracts for deeds into traditional notes and deeds of trust. The intent of this program is to help colonia residents become property owners by converting their contracts for deeds into traditional mortgages. Households served under this initiative must not earn more than 60 percent of AMFI and the home converted must be their primary residence. The properties proposed for this initiative must be located in a colonia as identified by the Texas Water Development Board colonia list or meet TDHCA's definition of a colonia. These funds may only be used in non-PJs.

To help TDHCA meet this mandate, \$2,000,000 in PY 2008 HOME program funds will be targeted to assist households described under this initiative. These funds are a statutorily required set-aside and are not subject to the Regional Allocation Formula, pursuant to §2306.111(d-1)(2) of the Texas Government Code.

#### **COLONIA MODEL SUBDIVISION LOAN PROGRAM SET-ASIDE**

Per Subchapter GG of Chapter 2306, Texas Government Code, the intent of this program is to provide low-interest-rate or possible interest-free loans to promote the development of new, high-quality residential subdivisions or infill housing that provide alternatives to substandard colonias, and housing options affordable to individuals and families of extremely low and very low income who would otherwise move into substandard colonias. TDHCA will only make loans to CHDOs it has certified and for the types of activities and costs described under the previous section regarding CHDO Set-Aside. \$1,000,000 dollars will be targeted to assist households described under this initiative. These funds will not be subject to the Regional Allocation Formula. These funds may only be used in non-PJs.

These funds are a State mandated set-aside and are not subject to the Regional Allocation Formula, pursuant to §2306.111(d-1)(2) of the Texas Government Code.

## **HOUSING PROGRAMS FOR PERSONS WITH DISABILITIES**

Approximately \$2 million of directed assistance for persons with disabilities will be issued under a separate NOFA or NOFAs including eligible activities for Rental Development, TBRA, and HBA with optional rehabilitation activities. This NOFA or NOFAs, separate from the regular HOME activity funding, will provide up to \$500,000 for Rental Development; \$1.5 million for TBRA and HBA with optional rehabilitation. This NOFA or NOFAs will indicate that the recipients of tenant based rental assistance must meet the Texas State definition used by the Promoting Independence Advisory Committee. Funding awards associated with tenant based rental assistance will allow up to 6 percent administration costs with no match requirement. Recognizing that there are additional costs associated with assisting persons with disabilities, this NOFA or NOFAs will include the potential to increase the maximum application amount above that of the general HBA with optional rehabilitation activity funding. Funding awards associated with HBA with optional rehabilitation will allow up to 6 percent administration costs with no match requirement. For the first 120 days, the funds will be awarded through a competitive application process within each activity. After 120 days, any funds remaining in the NOFA or NOFAs will be made available for Rental Development, TBRA, and HBA with optional rehabilitation on a non-competitive, first-come, first-served basis.

Within the requirements of 2306.111(c) of the Texas Government Code as described below, applications under the \$2 million NOFA or NOFAs may serve any area of the state. In its administration of federal housing funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 USC Section 12701 et. seq.), TDHCA shall expend 95 percent of these funds for the benefit of non-participating small cities and rural areas that do not qualify to receive funds under the Cranston-Gonzalez National Affordable Housing Act directly from the United States Department of Housing and Urban Development. Five percent of these funds shall be expended for the benefit of persons with disabilities who live in any area of the state. Eligible applicants include nonprofits, for-profits, units of general local government, and public housing authorities with a documented history of working with special needs populations, or working in partnership with organizations with a documented history of working with special needs populations. The Department may include incentive points in one or more of these NOFAs to encourage a preference for recipients who will help to transition persons with disabilities from institutions.

TDHCA will ensure that all housing developments are built and managed in accordance with its Integrated Housing Rule, 10 TAC §1.15. In addition, funds for rental development may only be used to bring the units for persons with disabilities to be at 30 percent of Area Median Family Income or below.

Additionally, in accordance with 10 TAC §53, applicants applying for HOME funds under the Tenant-Based Rental Assistance programs should propose targeting at least 5 percent of the number of units proposed in the application for persons who meet the definition of persons with disabilities.

## **SPECIAL NEEDS POPULATIONS**

Subject to the availability of qualified applications, TDHCA has a goal to allocate a minimum of 20 percent of the annual HOME allocation to applicants serving persons with special needs. Eligible applicants include nonprofits, for-profits, units of general local government, and PHAs with documented histories of working with special needs populations. All HOME Program activities will be included in attaining this goal. Additional scoring criteria may be established under each of the eligible activities to assist TDHCA in reaching its goal.

## FUNDING DISTRIBUTION

Subject to Texas Government Code §2306.111, HOME funds will be distributed according to the established Regional Allocation Formula (RAF). The 2008 RAF distributes funding for the following activities:

- CHDO Project Funds,
- Rental Housing Preservation Program,
- Rental Housing Development Program,
- Single Family Activity Program.

Senate Bill 1908, passed during the 80<sup>th</sup> session of the Texas Legislature, affected changes to the allocation of HOME funds. Funds for the Housing Program for Persons with Disabilities are not regionally allocated and are therefore not factored into the formula below.

The table below shows the draft regional funding distribution for all of the activities distributed under the RAF, except for the ADDI funds, which will be distributed under the RAF if re-authorized by Congress. Targeted funding amounts for each activity will also be established using the percentages generated by the RAF.

### 2008 Targeted Distribution of Funds under the RAF

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	\$1,806,138	5.6%	\$1,805,803	100.0%	\$335	0.0%
2	Abilene	\$1,185,677	3.7%	\$1,160,586	97.9%	\$25,091	2.1%
3	Dallas/Fort Worth	\$5,659,827	17.7%	\$1,737,644	30.7%	\$3,922,182	69.3%
4	Tyler	\$4,068,199	12.7%	\$3,172,779	78.0%	\$895,420	22.0%
5	Beaumont	\$1,880,350	5.9%	\$1,702,882	90.6%	\$177,468	9.4%
6	Houston	\$2,272,433	7.1%	\$932,492	41.0%	\$1,339,941	59.0%
7	Austin/Round Rock	\$1,361,443	4.3%	\$766,555	56.3%	\$594,888	43.7%
8	Waco	\$1,501,825	4.7%	\$798,792	53.2%	\$703,033	46.8%
9	San Antonio	\$1,633,550	5.1%	\$1,025,036	62.7%	\$608,514	37.3%
10	Corpus Christi	\$2,314,752	7.2%	\$1,917,919	82.9%	\$396,832	17.1%
11	Brownsville/Harlingen	\$5,624,379	17.6%	\$4,078,419	72.5%	\$1,545,960	27.5%
12	San Angelo	\$1,624,679	5.1%	\$1,133,886	69.8%	\$490,793	30.2%
13	El Paso	\$1,066,747	3.3%	\$592,177	55.5%	\$474,570	44.5%
Total		\$32,000,000	100.0%	\$20,824,970	65.1%	\$11,175,030	34.9%

TDHCA does not provide priorities for allocating investment geographically to areas of minority concentration as described in Section 91.320(d). However, the geographic distribution of HOME funds to minority populations is analyzed annually. TDHCA is statutorily required by the Texas Government Code to provide a comprehensive statement on its activities during the preceding year through a document called the *State of Texas Low Income Housing Plan and Annual Report*. Part of this document describes the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by TDHCA.



## **REVIEW OF APPLICATIONS**

All programs will be operating and announced by the release of either an open or competitive cycle Notice of Funding Availability. Applicants must submit a completed application to be considered for funding, along with an application fee determined by TDHCA and outlined in the NOFA and/or application guidelines. Applications containing false information and applications not received by the deadline will be terminated and notified in writing. All applications must be received by TDHCA by 5 pm on the date identified in the NOFA and/or application materials, regardless of method of delivery.

Applications received by TDHCA in response to an Open Application Cycle NOFA will be handled in the following manner. TDHCA will accept applications on an ongoing basis, until such date when it provides notice to the public that the Open Application Cycle has been closed. Each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a “received date” based on the date and time it is physically received by TDHCA. Then, each application will be reviewed on its own merits in three review phases, as applicable. Applications will continue to be prioritized for funding based on their “received date” unless they do not proceed into the next phase(s) for review. Applications proceeding in a timely fashion through a phase will take priority over applications that may have an earlier “received date” but that did not timely complete a phase of review.

Applications received by TDHCA in response to a Competitive Application Cycle NOFA will be reviewed for threshold and scoring criteria in accordance with the rules for application review published in the NOFA and/or application materials.

## **SELECTION PROCESS**

All applications for funds are reviewed for threshold requirements regarding application documentation and compliance with Department requirements on previously awarded contracts. Qualifying applications are funded only if the score meets or exceeds the minimum threshold score established in the State of Texas HOME Program Rules. Applications may be recommended up to the limit of funds available per activity and region. Applications submitted for development activities will also receive a review for financial feasibility and underwriting. Applications will be reviewed and recommended for funding in the manner prescribed in the State of Texas HOME Program Rules. In any of the activities, the Department may integrate incentive points for applicants to further meet the needs of persons with disabilities.

## **MATCH REQUIREMENTS**

TDHCA will provide matching contributions from several sources for HOME funds drawn down from the State’s HOME Investment Trust Funds Treasury account within the fiscal year. The State sources include the following:

- Loans originated from the proceeds of single family mortgage revenue bonds issued by the State. TDHCA will apply no more than 25 percent of bond proceeds to meet its annual match requirement.
- Match contributions from the State’s Housing Trust Fund to affordable housing projects that are not HOME assisted, but that meet the requirements as specified in 24 CFR 92.219(b)(2).
- Eligible match contributions from State recipients, as specified in 24 CFR 92.220.
- Match contributions from local political jurisdictions provided through the abatement of real estate property taxes for affordable housing properties developed and owned by qualified CHDO applicants.

Additionally, TDHCA will continue to carry forward match credit.

## **DEOBLIGATED HOME PROGRAM FUNDS**

When administrators have not successfully expended the HOME funds within their contract period, TDHCA deobligates the funds and pools the dollars to award applicants according to TDHCA's Deobligation Policy as defined in 10 TAC §1.19.

## **APPLICABLE FEDERAL AND STATE REGULATIONS**

HOME funds will be distributed in accordance with the eligible activities and eligible costs listed in 24 CFR 92.205–92.209 and 10 TAC Chapter 53. All local administrators will be required to execute certifications that the program will be administered according to federal HOME regulations and State HOME Rules.

Developments receiving funding from TDHCA must comply with accessibility standards required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), as amended, and specified under 24 CFR Part 8, Subpart C. This includes a provision that a minimum of 5 percent of the total dwelling units or at least one unit, whichever is greater, must be made accessible for individuals with mobility impairments. An additional 2 percent of the total number of dwelling units or at least one unit, whichever is greater, must be accessible for individuals with hearing or vision impairments. In the event that a project does not meet the requirements of Section 504, TDHCA will consider using HOME deobligated funds for eligible Section 504 activities with the purpose of bringing noncompliant projects into compliance when appropriate and when such a request is supported by circumstances beyond the control of the administrator. This provision will not apply if Section 504 activities were included as part of the budget in contracts between TDHCA and administrators.

## **THE PLANNING PROCESS AND PUBLIC PARTICIPATION**

The planning process will include a review of the federal and state regulations that govern the HOME Program, the regional needs assessment, and Department goals and mandates.

The *2008 State of Texas Consolidated Plan: One-Year Action Plan (Draft for Public Comment)* was available for public comment from September 10, 2007, through October 10, 2007. Additionally, TDHCA held 6 public hearings in which constituents are given the opportunity to make general comments on the direction of all Department programs. During this time, citizens and organizations were encouraged to send written comment on the Plan via mail, email, or fax.

Any amendments made to the HOME Program Rules are published in the *Texas Register* for a 30-day comment period. The HOME Program also receives public comment during TDHCA Board of Directors meetings.

## **MINORITY PARTICIPATION**

TDHCA encourages minority employment and participation among all applicants under the HOME Program. All applicants to the HOME Program are required to submit an affirmative marketing plan as part of the application process. Additionally, TDHCA encourages applicant outreach to Historically Underutilized Businesses.

## RECAPTURE PROVISIONS UNDER HOMEOWNERSHIP PROGRAMS

If the participating jurisdiction intends to use HOME funds for homebuyers, the guidelines for resale or recapture must be described as required in 24 CFR 92.254(a)(5).

TDHCA has elected to utilize the recapture provision under 24 CFR 92.254(a)(5)(ii) as its method of recapturing HOME funds under any program the State administers that is subject to this provision.

1. The following methods of recapture would be acceptable to TDHCA and will be identified in the note prior to closing:
  - a. Recapture the amount of the HOME investment reduced on a prorata share based on the time the homeowner has owned and occupied the unit measured against the required affordability period. The recapture amount is subject to available shared net proceeds in the event of sale or foreclosure of the housing unit.
  - b. In the event of sale or foreclosure of the housing unit, if the shared net proceeds (i.e., the sales price minus closing costs; any other necessary transaction costs; and loan repayment, other than HOME funds) are in excess of the amount of the HOME investment that is subject to recapture, then the net proceeds may be divided proportionately between TDHCA and the homeowner as set forth in the following mathematical formulas:
 
$$\text{(HOME investment / (HOME investment + homeowner investment)) X net proceeds = HOME amount to be recaptured}$$

$$\text{(HOME investment / (HOME investment + homeowner investment)) X net proceeds = amount to homeowner}$$
2. The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the homebuyer to buy the dwelling unit. This is also the amount upon which the affordability period is based. This includes any HOME assistance that reduced the purchase price from fair market value to an affordable price, but excludes the amount between the cost of producing the unit and the market value of the property (i.e., the development subsidy). The recaptured funds must be used to carry out HOME-eligible activities. If HOME funds were used for development subsidy and therefore not subject to recapture, the resale provisions at 24 CFR 92.254(a)(5)(i) apply.
3. Upon recapture of the HOME funds used in a single family homebuyer project with more than one unit, the affordability period on the rental units may be terminated at the discretion of TDHCA.

In certain instances, TDHCA may choose to utilize the resale provision at 24 CFR 92.254(a)(5)(i) under any program the State administers that is subject to this provision.

1. The following method of resale would be acceptable to TDHCA and will be identified in the note prior to closing:
  - a. Resale requirements must ensure that, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability, the housing is made available for subsequent purchase only to a buyer whose family qualifies as a low or very low income family and will use the property as its principal residence.
  - b. The resale requirement must also ensure that the price at resale provides the original HOME-assisted owner a fair return on investment (including the homeowner's investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of low or very low income homebuyers.
  - c. The period of affordability is based on the total amount of HOME funds invested in the housing.
2. Except as provided in paragraph 24 CFR 92.254(a)(5)(i)(B), deed restrictions, covenants running with the land, or other similar mechanisms must be used as the mechanism to impose the resale requirements.

## **OTHER FORMS OF INVESTMENT**

If a participating jurisdiction intends to use other forms of investment not described in §92.205(b), a description of the other forms of investment must be provided.

The State is not proposing to use any form of investment in its HOME Program that is not already listed as an eligible form of investment in 24 CFR 92.205(b).

## **REFINANCING DEBT**

If the State intends to use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under 24 CFR § 92.206(b).

TDHCA may use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds as described in 24 CFR § 92.206(b). TDHCA shall use its underwriting and evaluation standards, codified at 10 TAC §§1.31-1.36 and its HOME Program Rule at 10 TAC §53, 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;
- Sets a minimum funding level for rehabilitation on a per unit basis;
- Requires a review of management practices 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;
- State whether new investment is being made to maintain current affordable units, and or create additional affordable units;
- Specifies the required period of affordability;
- Specifies that HOME funds may be used throughout the entire jurisdiction, except as TDHCA may be limited by the Texas Government Code; and
- States that HOME funds cannot be used to refinance multifamily loans made or insured by any Federal program, including CDBG.

## **CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING**

In accordance with the guidelines from HUD, TDHCA will comply with the new CPD Outcome Performance Measurement System. Compliance will be attained through the creation and development of additional tracking screens in TDHCA's central database to enable the Department to capture information needed for input into IDIS. HOME Program eligible activities will be categorized into the objectives and outcomes listed in the chart below. It is anticipated most HOME Program eligible activities will be categorized as Outcome #2 and Objective #2.

The performance figures are based on actual performance during the Program Year (February 1st through January 31st) of current contracts and actual units and households served. In contrast, the performance measures reported to the Texas Legislative Budget Board for the State Fiscal Year (September 1st through August 31st) are based on projected units and households at time of award. The HOME performance figures reported herein may include funding from several years as funds from previous years are deobligated and refunded.

	<b>OUTCOME 1</b>	<b>OUTCOME 2</b>	<b>OUTCOME 3</b>
<b>OBJECTIVE #1</b> <b>Suitable Living Environment</b>	Enhance Suitable Living Environment Through Improved/New Accessibility	Enhance Suitable Living Environment Through Improved/New Affordability	Enhance Suitable Living Environment Through Improved/New Sustainability
<b>OBJECTIVE #2</b> <b>Decent Housing</b>	Create Decent Housing with Improved/New Availability	<b>Create Decent Housing with Improved/New Affordability (DH-2)</b>	Create Decent Housing with Improved/New Sustainability
<b>OBJECTIVE #3</b> <b>Economic Opportunity</b>	Provide Economic Opportunity Through Improved/New Accessibility	Provide Economic Opportunity Through Improved/New Affordability	Provide Economic Opportunity Through Improved/New Sustainability

**HOME Program Performance Measures**

<b>Outcomes and Objectives</b>	<b>Performance Indicators</b>	<b>Expected Number</b>
DH-2	No. of rental units assisted through new construction and rehabilitation	400
DH-2	No. of tenant-based rental assistance units	630
DH-2	No. of existing homeowners assisted through owner-occupied assistance	750
DH-2	No. of first-time homeowners assisted through homebuyer assistance	560

**HOME PROGRAM ACTIONS**

This section describes how the HOME Program addresses the following: affordable housing, public housing resident initiatives, lead-based paint hazards, poverty-level households, and institutional structure.

**AFFORDABLE HOUSING**

The HOME Program provides grant funds, deferred forgivable loans, and repayable loans to units of local government, nonprofit and for-profit organizations, community housing development organizations (CHDOs), and public housing authorities (PHAs). These funds are primarily used to foster and maintain affordable housing by providing rental assistance, rehabilitation, or reconstruction of owner-occupied housing units, down payment and closing cost assistance for the acquisition of affordable single family housing, and funding for rental housing development preservation of existing affordable or subsidized rental housing.

**PUBLIC HOUSING RESIDENT INITIATIVES**

Because PHAs are eligible applicants under the HOME Program, TDHCA sends notices of funding availability to all PHAs in the state. At HOME application workshops, application processes are discussed in detail, including those related to HBA. In addition to PHAs that have received HOME funds to provide homebuyer assistance in

their areas, PHAs have also received HOME tenant-based rental assistance funds, enabling them to provide additional households with rental assistance and services to increase self-sufficiency.

### **LEAD-BASED HAZARDS**

The HOME Program requires an environmental site assessment and the abatement of lead-based paint if the structure being rehabilitated was constructed prior to 1978. There is significant training, technical assistance, and oversight of this requirement on each contract funded under the HOME Program.

### **POVERTY-LEVEL HOUSEHOLDS**

Through the HOME Tenant-Based Rental Assistance Program, TDHCA assists households with rental subsidy and security and utility deposit assistance for a period not to exceed two years. As a condition to receiving rental assistance, households must participate in a self-sufficiency program, which can include job training, GED classes, or drug recovery classes. The HOME Program enables households to receive rental assistance while participating in programs that will enable them to improve employment options and increase their economic independence and self-sufficiency.

### **INSTITUTIONAL STRUCTURE**

The HOME Program encourages partnerships in order to improve the provision of affordable housing. Organizations receiving HBA funds are required to provide homebuyer education classes to households directly, or coordinate with a local organization that will provide the education. In addition, organizations receiving TBRA funds must provide self-sufficiency services directly, or coordinate with a local organization that will provide the services.

## HOMELESS ACTION PLAN: EMERGENCY SHELTER GRANTS PROGRAM

### FEDERAL RESOURCES EXPECTED PY 2008

TDHCA expects to receive \$5,157,329 for PY 2008. This estimate is based on the State's ESG allocation for PY 2007, which was \$5,157,329.

### RECIPIENTS

Recipients of ESG funds are units of general local government and private nonprofit organizations.

### ESTIMATED PY 2008 BENEFICIARIES

It is estimated that in PY 2008 76 private nonprofit entities and units of general local government will be funded to administer projects that will provide shelter and related services to homeless persons and/or intervention services to persons at risk of homelessness. Activities administered by several of these funded entities will involve collaborative efforts with 17 other sub entities. It is estimated that 79,000 homeless persons will be assisted in PY 2008.

### TARGETED BENEFICIARIES

The targeted beneficiaries are homeless individuals and individuals at risk of homelessness.

### FUNDING DISTRIBUTION

TDHCA has administered the Emergency Shelter Grants Program (ESG) since 1987. TDHCA will administer the S-04-DC-48-0001 ESG funds in a manner consistent with the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. Sec 11371 *et seq.*). TDHCA will obligate PY 2008 ESG funds through a statewide competitive application process. ESG funds are reserved for each of the State's 13 Uniform State Service Regions based on the poverty population of each region taken from the 2000 US Census. A portion of the State's ESG allocation may be reserved to fund an eligible special initiative homelessness prevention project. In the past, this project has addressed the expansion of the number of homeless coalitions, the provision of training and technical assistance on homeless issues, and the maintenance of a homeless information resource library.

### OBJECTIVES

The objectives of ESG consist of the following:

- Help improve the quality of emergency shelters for the homeless.
- Make additional emergency shelters available.
- Help meet the costs of operating and maintaining emergency shelters.
- Provide essential services so that homeless individuals have access to the assistance they need to improve their situations.
- Provide emergency intervention assistance to prevent homelessness.

The State's strategy to help homeless persons includes: community outreach efforts to ensure that homeless persons and persons at risk of homelessness are aware of available services, providing funding to support emergency shelter and transitional housing programs, helping homeless persons make the transition to permanent

housing and independent living through comprehensive case management, and supporting other efforts to address homelessness. This strategy is outlined below.

Helping low income families avoid becoming homeless:

- TDHCA awards ESG funds using the competitive process described in the ESG One-Year Action Plan. In that process, up to 30 percent of the State's ESG annual allocation is made available to support homelessness prevention activities, and up to 30 percent of the ESG annual allocation is made available to provide essential services. Homelessness prevention efforts include short-term rent and utility assistance for homeless individuals and families and, if they meet certain criteria, those who are at-risk of losing their housing.
- Applicants for ESG funding are required to demonstrate coordination with other providers in their communities as part of the ESG scoring criteria. ESG grant recipients are encouraged to maximize all community resources when providing homelessness prevention assistance to ensure the appropriate use of these limited resources.

Reaching out to homeless persons and assessing their individual needs:

- Each application for ESG funding includes information about the outreach process and case management system used by the applicant organization.
- Each application for ESG funding includes a description of services provided to homeless persons. This description is evaluated during the application review process as a criterion for receiving ESG funding.

ESG grant recipients will be required to report on outcomes achieved by homeless persons assisted. Reporting on outcomes will provide TDHCA with information on the long-term impact of the services provided such as the attainment of transitional housing or permanent housing, obtaining a GED or high school diploma or the achievement of other education and training goals, obtaining job skills, job placement, etc.

Addressing the emergency shelter and transitional housing needs of homeless persons:

- ESGP grants provide support to organizations that provide emergency services, shelter, and transitional housing to homeless persons and families.
- To ensure equitable distribution of funding, a portion of the ESGP allocation is reserved for each of the 13 regions in the state on the basis of the poverty population in each region. TDHCA expects to fund 78 projects in PY 2008. (See the ESGP Obligation Process later in this section.)

Helping homeless persons make the transition to permanent housing:

- ESGP funds can be used to pay rent and utility deposits as well as first month's rent for homeless individuals making the transition to permanent housing.

Supporting other efforts to address homelessness:

- In 2007, the TDHCA sponsored the State's application to HUD for Continuum of Care funds for the Balance of State. HUD funded the Balance of State HMIS component of the application. The State may utilize ESGP funds to provide support for the HMIS project if determined an eligible activity by HUD. It is anticipated that it will take 4-5 years for the Balance of State areas of the State to fully implement an HMIS reporting system.
- If determined an eligible activity by HUD, the State may fund a special initiative project to improve HMIS delivery for shelters. The State will solicit applications from interested parties and a competitive grant award will be provided to support a special initiative project.

## **ELIGIBLE ACTIVITIES**

ESG funds may be used for the following eligible activities:



1. Renovation, major rehabilitation, or conversion of buildings to be used as emergency shelters for the homeless.
2. Provision of essential services, including, but not limited to, the following:
  - a. Assistance in obtaining permanent housing
  - b. Medical and psychological counseling and supervision
  - c. Employment counseling
  - d. Nutritional counseling
  - e. Substance abuse treatment and counseling
  - f. Assistance in obtaining other federal, state, and local assistance
  - g. Other services such as child care, transportation, job placement, and job training
  - h. Staff salaries necessary to provide the above services

These services may be provided only pursuant to Sec. 414 of the McKinney Act as amended by Sec. 832 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Sec. 11374), which requires that services funded with ESG must be provided in a nondiscriminatory manner.

3. Payment of maintenance, operation, and furnishings costs, except that not more than 10 percent of the amount of any ESG grant may be used to pay operation staff costs.
4. Developing and implementing homeless prevention activities as per Sec. 414 of the McKinney Act as amended by Sec. 832 of the Cranston-Gonzalez National Affordable Housing Act.

## **RECIPIENT REQUIREMENTS**

Recipients of ESG funding are required to meet certain minimum specifications that include, but are not limited to, the following:

1. Being a unit of general local government or private nonprofit organization.
2. Documenting, in the case of a private nonprofit organization, that the proposed project has the approval of the city, county, or other unit of local government in which the project will operate.
3. Providing for the participation of homeless or formerly homeless individuals on their board of directors or other policy-making entity.
4. Assuring that ESG subrecipients obligate funds within 180 days from the date that TDHCA received the award letter from HUD.
5. Documentation of fiscal accountability, as specified in the application.
6. Proposing to undertake only eligible activities.
7. Demonstrating need.
8. Assuring ability to provide matching funds.
9. Demonstrating effectiveness in serving the homeless, including the ability to establish, maintain, and/or improve the self-sufficiency of homeless individuals.
10. Assuring that homeless individuals will be involved in the provision of services funded through ESG, to the maximum extent feasible, through employment, volunteerism, renovating, maintaining or operating facilities, and/or providing direct services to occupants of facilities assisted with ESG funds.
11. Assuring the operation of an adequate, sanitary, and safe homeless facility.
12. Assuring that it will administer, in good faith, a policy designed to ensure that the homeless facility is free from the illegal use, possession, or distribution of drugs or alcohol by its beneficiaries.

13. Assuring that it will develop and implement procedures to ensure the confidentiality of records of any individual receiving assistance as a result of family violence.
14. Proposing a sound plan consistent with the State of Texas Consolidated Plan, the McKinney-Vento Homeless Assistance Act, and all other assurances and certifications.
15. Assuring the participation in the development and implementation, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of person from publicly funded institutions and systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) to prevent such discharge from immediately resulting in homelessness for such persons. ESG funds are not to be used to assist such persons in place of State and local resources.
16. Assuring that it will meet HUD's standards for participation in a local Homeless Management Information System and the collection and reporting of client-level information.

## **FUND OBLIGATION PROCESS**

TDHCA will obligate PY 2008 ESG funds to units of general local government or to private nonprofit organizations which have local government approval to operate a project which assists homeless individuals. TDHCA will evaluate all applications received and award funds in accordance with the application specifications. This statewide competitive application process will allow ESG funds to be distributed equitably.

The State's anticipated ESG allocation for PY 2008 is \$5,157,329 less 5 percent (\$257,866) for state administration costs. TDHCA reserves ESG funds for each of the 13 Uniform State Service Regions. Funds are reserved for each region in direct proportion to the percentage of poverty population that exists in each region according to the most recent county Census data. Applicants compete only against other applicants in their Uniform State Service Region.

TDHCA is statutorily required by the Texas Government Code to provide a comprehensive statement on its activities during the preceding year through a document called the *State of Texas Low Income Housing Plan and Annual Report*. Part of this document describes the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by TDHCA.

TDHCA issues a notice of funding availability (NOFA) and posts an application to its website. Applications are also provided directly to any organization or individual upon request. As the applications are received, they are sorted by region and numbered consecutively. Teams review the applications according to assigned regions, using a standardized review instrument. A variety of factors, as per the application instructions, are evaluated and scored to determine each application's merit in identifying and addressing the needs of the homeless population, as well as the organization's capacity to carry out the proposed project.

The top scoring applications in each region will be recommended for funding based on the amount of funds reserved for each region. Any application which receives a score below 70 percent of the highest raw score from the region will not be considered for funding. All available ESG funds are obligated each year through 12-month contracts.

## **APPLICABLE FEDERAL AND STATE REGULATIONS**

- 24 CFR 576 as amended;
- Title IV, Subtitle B of the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. sec, 11371 et seq.)
- 10 Texas Administrative Code, Chapter 5, Subchapter C.

## LEVERAGING RESOURCES

Section 576.51 of the ESG regulations state that each grantee must match the funding provided by HUD. Match resources must be provided after the date of the ESG grant award and must be provided in an amount equal to or greater than the ESG grant award. Resources used to match a previous grant may not be used to match a subsequent award. Sources of match may include, but are not limited to, unrestricted funds from the grant recipient, volunteer hours, the value of donated materials or buildings, or the fair market rent or lease value of a building used to provide services to the homeless population. Each applicant must identify the source and amount of match they intend to provide if they are selected for funding and may report monthly on the amount of match provided. ESG monitors review the match documentation during each on-site monitoring visit. A desk review is completed at the closeout of each contract to insure, among other things, that each ESG recipient has provided an adequate amount of match during the contract period.

## SPECIAL INITIATIVES AND PARTNERSHIPS

TDHCA is the lead agency in the Texas Interagency Council for the Homeless (TICH). TICH is charged with surveying and evaluating services for the homeless in Texas, assisting in the coordination and provision of services to homeless person throughout the State, increasing the flow of information among service providers and appropriate authorities, developing guidelines to monitor services to the homeless, providing technical assistance to the housing finance division of TDHCA in assessing housing needs for persons with special needs, establishing a central resource and information center for the State's homeless population, and developing a strategic plan to address the needs of the homeless in cooperation with TDHCA and the Health and Human Services Commission.

TDHCA also supports the Texas Homeless Network and the activities that address homelessness, including providing technical assistance to develop and strengthen homeless coalitions throughout Texas, distributing a statewide bimonthly newsletter on homelessness, maintaining an information resource center, workshops, and sponsoring an annual statewide conference on homeless issues.

## MONITORING

TDHCA monitors each ESG subrecipient annually. During the monitoring review, staff determine subrecipients' compliance with the ESG contract, ESG State Regulations, State Policy Issuances, 24 CFR Ch V, Part 576, OMB Circulars related to expenditure of funds, and requirements of Chapter 58 of the Environmental Protection Act as it relates to projects funded for rehabilitation, conversion, or renovation.

## CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING

ESG began reporting using the HUD CPD Outcome Performance Measurement System on September 1, 2006, with the implementation of the 2006 ESG contracts. TDHCA will continue to utilize this reporting system in 2008. In 2007, the HUD CPD Outcome Performance Measurement System became automated whereby subrecipients began to report performance data via a Web based application. TDHCA's monthly performance reports have been amended to include changes in reporting requirements required by HUD and to gather data on persons assisted with services which are outcome oriented and have a long-term impact. ESG activities related to renovation/rehabilitation, essential services, maintenance, operations, and furnishings will fall under HUD's Outcome 1, Availability/Accessibility, and Objective 1, Create a Suitable Living Environment (SL-1). ESG activities related to homelessness prevention will be reported under HUD's Outcome 1, Affordability and Objective 2, Provide Decent Housing. (DH-2)

<b>ESG Annual Action Plan Planned Project Results</b>			
<b>Outcomes and Objectives</b>	<b>Performance Indicators</b>	<b>Expected Number</b>	<b>Activity Description</b>
<b>SL-1</b> Availability/ Accessibility and Create a Suitable Living Environment	Accessibility for the purpose of creating a suitable living environment.	80,000	Provide funding to support the provision of emergency and/or transitional shelter to homeless persons.
<b>DH-2</b> Affordability and Provide Decent Housing	Affordability for the purpose of providing decent housing.	4,500	The provision of non-residential services including homelessness prevention assistance.

## ESG ACTIONS

This section describes how ESG addresses the following: affordable housing, public housing resident initiatives, lead-based pain hazards, poverty-level households, and institutional structure.

### AFFORDABLE HOUSING

While TDHCA encourages the use of ESG funds to provide affordable transitional housing, the majority of funds are utilized to provide emergency shelter. Fostering affordable housing is not an initiative for which TDHCA provides funding or that TDHCA monitors for the ESG Program.

### PUBLIC HOUSING RESIDENT INITIATIVES

Fostering public housing resident initiatives is not an initiative for which TDHCA provides funding or that TDHCA tracks for the ESG Program.

### LEAD-BASED HAZARDS

TDHCA evaluates and reduces lead-based hazards for conversion, renovation, or rehabilitation projects funded with ESG funds and tracks work in these efforts in the ESG Program as required by Chapter 58 of the Environmental Protection Act.

### POVERTY-LEVEL HOUSEHOLDS

While TDHCA encourages the use of ESG funds to help ESG clients lift themselves above the poverty line, it is not an initiative for which TDHCA provides funding or that TDHCA monitors for the ESG Program.

### INSTITUTIONAL STRUCTURE

TDHCA encourages ESG subrecipients to coordinate services with housing and other service agencies. Collaborative applications funded with ESG funds are required to coordinate services and to provide services as part of a local continuum of care. TDHCA reviews ESG subrecipients' coordination efforts during on-site and desk monitoring.

**CHRONIC HOMELESSNESS**

Based on the 78 Emergency Shelter Grants (ESG) Program organizations funded in FY 2007, it is estimated that 40 of the 78 organizations serve the chronically homeless. These 40 organizations have 1,721 beds available. Six of these organizations are Salvation Army organizations. These organizations are located across the State. While the Department does not have a complete "inventory" of the supportive services offered by the ESG funded organizations, the Department is beginning to collect information on the number of persons provided with supportive services in FY 2006. The range of supportive services include: legal advocacy, education, employment, housing, counseling, psychological treatment and/or psychological counseling, substance abuse treatment, medical assistance, parenting and budgeting classes, housing advocacy, transportation assistance, English-as-a- Second Language classes, and clothing.

The following inventory is an account of all the Emergency, Transitional Housing, and Permanent Supportive Housing beds reported in the 2007 Continuum of Care applications. These beds represent 245 Texas counties that applied for funding in 2007:

<b>Emergency Shelter</b>		
	Existing Beds	Unmet Need*
Family Beds	4,294	1,124
Individual Beds	6,499	5,087
<b>Total</b>	<b>10,793</b>	<b>6,211</b>
<b>Transitional Housing</b>		
	Existing Beds	Unmet Need*
Family Beds	4,914	3,442
Individual Beds	3,632	5,952
<b>Total</b>	<b>8,546</b>	<b>9,349</b>
<b>Permanent Supportive Housing</b>		
	Existing Beds	Unmet Need*
Family Beds	1,447	5,490
Individual Beds	2,179	245
<b>Total</b>	<b>3,626</b>	<b>5,735</b>

\*Estimate based on Continuum of Care applications

## **COMMUNITY DEVELOPMENT ACTION PLAN: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

### **PY 2008 GENERAL PROGRAM INFORMATION**

#### **COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM ADMINISTRATION**

The Office of Rural Community Affairs (ORCA) administers the State of Texas Community Development Block Grant Program (CDBG), called the Texas Community Development Block Grant Program (Tx CDBG). The Texas Department of Agriculture (TDA) administers the Texas Capital Fund through an interagency agreement between ORCA and TDA. The Tx CDBG will continue to fund the Colonia Self-Help Centers Fund but administration of that program will remain with the Texas Department of Housing and Community Affairs (TDHCA) Office of Colonia Initiatives through a Memorandum of Understanding between ORCA and TDHCA.

The mission of the Office of Rural Community Affairs is to assist rural Texans who seek to enhance their quality of life by facilitating, with integrity, the use of the resources of our state so that sustained economic growth will enrich the rural Texas experience for the benefit of all.

#### **PY 2008 TXCDBG LEVERAGED RESOURCES**

In order to support the goals, objectives, and outcomes of the Texas Community Development Block Grant Program and to encourage local commitments to the projects submitted for funding, match is required under most of the funding categories. The scoring criteria in the competitive funding categories give a scored weight to applicants that provide matching cash, in-kind labor, materials, and/or land and contributions from other sources. Leveraging resources other than local revenues, bonds, or loans from communities may include, but are not limited to the following:

- Texas Water Development Board,
- US Department of Agriculture – Rural Development, Natural Resource Conservation Service, Section 502 and Section 306c Programs,
- US Department of Homeland Security – Federal Emergency Management Agency,
- US Department of Treasury’s – North American Development Bank/Border Environment Cooperation Commission, and Small Business Administration,
- Texas Department of Transportation,
- Texas Department of Housing and Community Affairs – HOME Program, Housing Trust Fund, and Housing Assistance Council,
- Texas Department of Agriculture,
- Private businesses, organizations and/or Non-profits, and
- Banks and other lending institutions.

#### **Eligible Applicants**

Eligible applicants are nonentitlement general purpose units of local government including cities and counties that are not participating or designated as eligible to participate in the entitlement portion of the federal Community Development Block Grant Program (CDBG). Nonentitlement cities that are not participating in urban county

programs through existing participation agreements are eligible applicants (unless the city's population is counted towards the urban county CDBG allocation).

Nonentitlement cities are located predominately in rural areas and are cities with populations less than 50,000 thousand persons; cities that are not designated as a central city of a metropolitan statistical area; and cities that are not participating in urban county programs. Nonentitlement counties are also predominately rural in nature and are counties that generally have fewer than 200,000 persons in the nonentitlement cities and unincorporated areas located in the county.

Hidalgo County, a designated CDBG urban county, is eligible to receive assistance under the Texas Community Development Block Grant (Tx CDBG) Program Colonia Fund (and each fund category included under the Colonia Fund).

Counties eligible under both the Tx CDBG Colonia Fund and the Texas Water Development Board's Economically Distressed Areas Program (EDAP) are eligible under the Tx CDBG Colonia Economically Distressed Areas Program Fund. Non-entitlement cities located within eligible counties that meet other eligibility criteria, including the geographic requirements of the Colonia Fund, are also eligible applicants for the Tx CDBG Colonia Economically Distressed Areas Program Fund.

With the enactment of §43.905 of the Texas Local Government Code, a colonia that is annexed by a municipality remains eligible for five years after the effective date of the annexation to receive any form of assistance for which the colonia would be eligible if the annexation had not occurred. This only applies to a colonia annexed by a municipality on or after September 1, 1999.

### **Eligible Activities**

Eligible activities under the Texas Community Development Block Grant Program are listed in 42 U.S.C Section 5305. The Tx CDBG staff reviews all proposed project activities included in applications for all fund categories, except the Texas Capital Fund, to determine their eligibility. The Texas Department of Agriculture determines the eligibility of activities included in Texas Capital Fund applications.

All proposed activities must meet one of the following three National Program Objectives:

1. principally benefit low- and moderate-income persons; or
2. aid in the elimination of slums or blight; or
3. meet other community development needs of particular urgency which represent an immediate threat to the health and safety of residents of the community

Area benefit can be used to qualify street paving projects. However, for street paving projects that include multiple and non-contiguous target areas, each target area must separately meet the principally benefit low and moderate income national program objective. At least fifty-one percent (51%) of the residents located in each non-contiguous target area must be low and moderate income persons. A target area that does not meet this requirement cannot be included in an application for Tx CDBG funds. The only exception to this requirement is street paving eligible under the Disaster Relief/Urgent Need Fund.

### **Ineligible Activities**

In general, any type of activity not described or referred to in 42 U.S.C Section 5305 is ineligible. Specific activities ineligible under the Texas Community Development Block Grant Program are:

1. construction of buildings and facilities used for the general conduct of government (e.g. city halls, courthouses, etc.);
2. new housing construction, except as last resort housing under 49 CFR Part 24 or affordable housing through eligible subrecipients in accordance with 24 CFR 570.204;
3. the financing of political activities;
4. purchases of construction equipment (except in limited circumstances under the STEP Program);
5. income payments, such as housing allowances; and
6. most operation and maintenance expenses (including smoke testing, televising / video taping line work, or any other investigative method to determine the overall scope and location of the project work activities)

The Texas Capital Fund (TCF) will not accept applications in support of public or private prisons, racetracks and projects that address job creation/retention through a government supported facility. The Texas Capital Fund Program may be used to financially assist/facilitate the relocation of a business when certain requirements, as defined in the application guidelines, are met.

### **Primary Beneficiaries**

The primary beneficiaries of the Texas Community Development Block Grant Program are low to moderate income persons as defined under the U.S. Department of Housing and Urban Development (HUD) Section 8 Assisted Housing Program (Section 102(c)). Low income families are defined as those earning less than 50 percent of the area median family income. Moderate income families are defined as those earning less than 80 percent of the area median family income. The area median family can be based on a metropolitan statistical area, a non-metropolitan county, or the statewide non-metropolitan median family income figure.

### **Displacement of Persons Assisted**

Applicant localities must certify that they will minimize the displacement of persons as a result of activities assisted with Texas Community Development Block Grant Program grant funds.

## **ALLOCATION OF CDBG FUNDS**

### **Available Fund Categories**

Assistance is available in twelve funding categories under the Texas Community Development Block Grant Program as indicated below:

1. Community Development Fund
2. Community Development Supplemental Fund
3. Texas Capital Fund
4. Colonia Fund
  - 4a. Colonia Construction Fund
  - 4b. Colonia Economically Distressed Areas Program Fund
  - 4c. Colonia Planning Fund
    - (1) Colonia Area Planning Fund
    - (2) Colonia Comprehensive Planning Fund
  - 4d. Colonia Self-Help Centers Fund



5. Non-Border Colonia Fund
6. Planning and Capacity Building Fund
7. Disaster Relief/Urgent Need Fund
8. Tx CDBG STEP Fund
9. Microenterprise Loan Fund
10. Small Business Loan Fund
11. Section 108 Loan Guarantee Pilot Program
12. Renewable Energy Demonstration Pilot Program

## Description of Funds

### 1. Community Development Fund

This fund is available on a biennial basis (primarily for public facilities and housing assistance) for funding from program years 2007 and 2008 through a 2007 annual competition in each of the 24 state planning regions. Applications received by the 2007 program year application deadline were selected to receive grant awards from the 2007 and 2008 program year allocations. The scoring of the applications is shared between ORCA and the 24 Regional Review Committees.

Housing - Each region is encouraged to allocate eight percent (8%), or a greater or lesser percentage, of its Community Development Fund allocation to housing projects proposed in and for that region. Under a housing allocation, the highest ranked applications for housing activities, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing allocation level. If the region allocates a percentage of its funds to housing and applications conforming to the maximum and minimum amounts are not received to use the entire housing allocation, the remaining funds may be used for other eligible activities. (Under a housing allocation process, a community would not be able to receive an award for both a housing activity and an award for another Community Development/Community Development Supplemental Fund activity during the biennial process. Housing projects/activities must conform to eligibility requirements in 42 U.S.C Section 5305 and applicable HUD regulations.)

Funds for projects under the Community Development Fund are allocated among the 24 state planning regions through a formula based on the following factors:

- |                                     |     |
|-------------------------------------|-----|
| a. Non-Entitlement Population       | 30% |
| b. Number of Persons in Poverty     | 25% |
| c. Percentage of Poverty Persons    | 25% |
| d. Number of Unemployed Persons     | 10% |
| e. Percentage of Unemployed Persons | 10% |

To the extent possible, the information used to calculate the regional allocations through these factors will be based on the eligible nonentitlement applicants within each region. The current Community Development Fund regional allocation factors will continue in 2008 since the TxCDBG has reviewed and scored the applications for funding from program year 2007's allocation and the estimated 2008 allocation. Tx CDBG changes in actual regional allocations shall only reflect overall changes in the Texas Community Development Block Grant Program funding level and changes in eligible population, poverty characteristics, and unemployment characteristics. The population and poverty information used is from the current available decennial census data. The unemployment

information used is the current available annual average information. The Tx CDBG will continue to involve the non-entitlement communities and the public in a review of the regional allocation formula through public hearings, meetings of the ORCA Executive Committee, a standing Regional Allocation Task Force subcommittee of the ORCA Executive Committee, and input from the State Community Development Review Committee, Regional Councils of Governments, local and state government officials, and other interested parties.

Some regions in the state have a small number of eligible applicants and these regions may receive regional allocations large enough to allow each eligible applicant in that region to apply for an equal share of the regional allocations. The share available to each eligible applicant in the region may amount to an equal share based on the number of eligible applicants and the 2007 and 2008 regional allocations for that region. Or the share available to each eligible applicant in the region may be based on an allocation formula used by the region to allocate the funds available through the 2007 and 2008 regional allocations for the region. Each applicant in one of these regions must meet all state and federal eligibility requirements including but not limited to Tx CDBG applicant threshold requirements, federal requirements for eligible activities, and federal requirements that each activity in an application meet one of the three national program objectives. Applicants in these regions are scored by the Regional Review Committees and the Tx CDBG staff in accordance with the established Community Development Fund selection criteria. The total score received by each applicant in these regions determines if the applicant receives funding from the 2007 regional allocation or 2008 regional allocation. Depending on the State of Texas' CDBG allocations for the 2007 and 2008 program years, there could be a large variance between the 2007 and 2008 regional allocations. If the 2008 regional allocation for one of these regions decreases significantly from the 2007 regional allocation, then the total scores received by applicants in these regions could in fact prevent some of the applicants from receiving funds from the 2008 regional allocation.

A significant increase or decrease to the State's 2008 CDBG allocation may result in corresponding increases or decreases to the 2008 Community Development Fund allocation and correspondingly higher or lower regional allocations.

Applicants must demonstrate they are adequately addressing water supply and water conservation issues (in particular contingency plans to address drought-related water supply issues), as described in the application guidance.

Applications requesting funds for projects other than water and sewer must include a description of how the applicant's water and sewer needs would be met and the source of funding that would be used to meet these needs.

## **2. Community Development Supplemental Fund**

Funds under the Community Development Supplemental Fund are allocated among the 24 state planning regions through a formula using the same methodology that HUD uses to allocate CDBG funds to the non-entitlement state programs. The HUD factors, percentages, and methodology are specified in 42 U.S.C. 5306(d). The Tx CDBG will use available data to calculate the allocations to each region.

Using the HUD methodology, the allocation for each region shall be the greater of an amount that bears the same ratio to the allocation for all 24 regions available as either:

- (A) the average of the ratios between:

- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 25% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted two times - 50% weight); and
- the extent of housing overcrowding in the nonentitlement areas in that region and the extent of housing overcrowding in the nonentitlement areas of all 24 regions (counted one time - 25% weight);

OR

(B) the average of the ratios between:

- the age of housing in the nonentitlement areas in that region and the age of housing in the nonentitlement areas in all 24 regions (counted two and one half times - 50% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted one and one half times - 30% weight); and
- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 20% weight).

Activities eligible under the Community Development Supplemental Fund will be same as under the Community Development Fund.

The Tx CDBG will review the applications and proposed activities for eligibility under HUD CDBG program regulations. The Regional Review Committee (350 points) will score the applications received under this fund, with the exception that the Tx CDBG (10 points) will score the past performance factor.

The amount in this fund will be available during the same biennial application review and selection period as the Community Development Fund. An applicant would not need to apply separately under the Community Development Supplemental Fund. The maximum and minimum award amount in a region for the Community Development Supplemental Fund would be the same as the levels established for the Community Development Fund. The Regional Review Committee will consider and score applications for both the Community Development and Community Development Supplemental Funds at the same meeting using the applicable selection criteria. Similarly, the Tx CDBG will consider and score the applications for both funds at the same time using the applicable criteria.

Since applications are considered for funding under both the Community Development and Community Development Supplemental Funds during the same selection process, an eligible community may only submit one application under the Community Development Fund / Community Development Supplemental Fund for the 2007/2008 biennial competition.

A significant increase or decrease to the State's 2008 CDBG allocation may result in corresponding increases or decreases to the 2008 Community Development Supplemental Fund allocation.

#### **2a. Selection Process:**

1. In general, both the Community Development (CD) Fund and Community Development Supplemental (CDS) Fund scores will be considered under the first year's CD and CDS allocation to provide an applicant the greater award amount in the first year of competition, whether from the anticipated CD or CDS allocations.

2. Specifically, the Community Development Fund dollars for the first year will be allocated using the CD score until a marginal CD award amount remains for the anticipated first year allocation. A comparison will then be made to compare the preliminary first-year marginal CD applicant's CDS score with the remaining applicants and also if it could be offered a higher dollar award in the first year under the CDS Fund allocation. If its CDS score was higher than the next highest ranked applicant's CDS score and it would receive a higher award amount in the first year under the CDS allocation, it would be offered a first year CDS award. The remaining applicants would compete for the remaining CD and CDS first-year funds based on the method of providing the highest ranked applicants under the respective CD and CDS scoring criteria with the higher award amount, whether from the first year CD or CDS allocation.

3. In the second year, the Community Development Fund marginal funds may be used in the second year to fund a non-fully funded Community Development Supplemental Fund application.

4. If there are insufficient Community Development Supplemental Funds in the first year to fully fund an application, then the applicant may accept the amount available or wait for full funding in the second year by combining the two years.

5. If there are insufficient Community Development Supplemental Funds in the two years to fully fund an application, then Community Development Fund marginal funds may be used to fully fund the application. If marginal funds are not available to fully fund the application, the applicant may accept the amount of the funds available or, if declined, the funds will be part of the marginal competition.

### **3. Texas Capital Fund**

This economic development funding is used for projects that will create or retain permanent employment opportunities, primarily for low to moderate income persons, and for county economic and management development activities. Responsibility for this fund is contracted to the Texas Department of Agriculture through an interagency agreement. The funds may be used to provide financial assistance for eligible activities as cited in 42 U.S.C Section 5305, including the following activities.

- a. Infrastructure improvements to assist a for-profit entity or a non-profit entity.
- b. Acquisition of real property or to acquire, construct, reconstruct, or rehabilitate public facilities to assist a for-profit entity.
- c. Infrastructure improvements to assist Texas Main Street Program designated municipalities.
- d. Downtown Revitalization Program that is designed to foster and stimulate economic development in downtown areas by providing financial assistance for public improvements to non-entitlement cities. This program encourages the elimination of slum and blighted areas by targeting the renovation and/or construction of sidewalks, lighting, drainage and other infrastructure improvements in downtown areas. Communities eligible for the Texas Main Street Program are not eligible for the Downtown Revitalization Program.
- e. County economic and management development activities as approved by ORCA. Not more than five percent (5%) of the Texas Capital Fund allocation may be used for these activities. Section 487.352I of the Texas Government Code requires ORCA to "allocate not more than five percent of the funds allocated to the Department of Agriculture under the Texas Capital Fund to be used for county economic

and management development.” ORCA will review activities proposed for this assistance and determine if the activities are consistent with the federal law governing the CDBG program.

- f. Assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that:
- (1) creates or retains jobs for low- and moderate-income persons;
  - (2) prevents or eliminates slums or blight;
  - (3) meets urgent needs;
  - (4) creates or retains businesses owned by community residents;
  - (5) assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents; or
  - (6) provides technical assistance to promote any of the activities under subparagraphs (1) through (5).

The Texas Capital Fund program will require repayment for Real Estate and Infrastructure projects, as follows:

- a. Real Estate Development (including improvements to the business site) projects require full repayment with no interest accruing; and
- b. Infrastructure Program (awards for infrastructure or railroad improvements on private property require full repayment with no interest accruing).

#### 4. Colonia Fund

This fund is available to eligible county applicants for projects in severely distressed unincorporated areas which meet the definition as a “colonia” under this fund. Scoring of all the selection criteria for Colonia Fund applications is completed by Tx CDBG staff. The term “colonia” means any identifiable unincorporated community that is determined to be a colonia on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act (November 28, 1990). Except for fund categories where additional restrictions apply, a county can only submit applications on behalf of eligible colonia areas located within 150 miles of the Texas-Mexico border region, except that any county that is part of a standard metropolitan statistical area with a population exceeding 1,000,000 is not eligible under this fund.

##### 4a. Colonia Construction Fund

The allocation is available on a biennial basis for funding from program years 2007 and 2008 through a 2007 annual competition. Applications received by the 2007 program year application deadline are eligible to receive grant awards from the 2007 and 2008 program year allocations. Funding priority shall be given to Tx CDBG

applications from localities that have been funded through the Texas Water Development Board Economically Distressed Areas Program (TWDB EDAP) where the Tx CDBG project will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with access to the TWDB EDAP-funded water or sewer system. An eligible county applicant may submit one (1) application for the following eligible activities:

- (1) Assessments for Public Improvements – The payment of assessments (including any charge made as a condition of obtaining access) levied against properties owned and occupied by persons of low- and moderate-income to recover the capital cost for a public improvement.
- (2) Other Improvements – Other activities eligible under 42 U.S.C Section 5305 designed to meet the needs of colonia residents.

#### **4b. Colonia Economically Distressed Areas Program (CEDAP) Fund**

The allocation is distributed on an as-needed basis. Eligible applicants are counties, and nonentitlement cities located in those counties, that are eligible under the Tx CDBG Colonia Fund, including meeting the geographic requirements, and Texas Water Development Board's Economically Distressed Areas Program (TWDB EDAP). Eligible projects shall be located in unincorporated colonias; in colonias located in eligible nonentitlement cities that annexed the colonia and the application for improvements in the colonia is submitted within five (5) years from the effective date of the annexation; or in colonias located in eligible nonentitlement cities where the city is in the process of annexing the colonia where the improvements are to be made.

Eligible applicants may submit an application that will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with being connected to a TWDB EDAP-funded water and sewer system improvement project. An application cannot be submitted until the construction of the TWDB EDAP-funded water or sewer system begins.

Eligible program costs include water distribution lines and sewer collection lines providing connection to water and sewer lines installed through the Texas Water Development Board's Economically Distressed Areas Program (when approved by the Tx CDBG), taps and meters (when approved by the Tx CDBG), yard service lines, service connections, plumbing improvements, and connection fees, and other eligible approved costs associated with connecting an income-eligible family's housing unit to the TWDB improvements.

#### **4c. Colonia Planning Fund**

The allocation will be distributed through two separate annual competitions for applications that include planning activities targeted to selected colonia areas – Colonia Area Planning Fund, and for applications that include countywide comprehensive planning activities – Colonia Comprehensive Planning Fund. Applications received by the 2008 program year application deadline are eligible to receive a grant award from the 2008 program year allocation.

A county can only receive one-time assistance from the Colonia Comprehensive Planning Fund. Therefore, any county that has previously received a Colonia Comprehensive Planning Fund grant award may not submit another application for the Colonia Comprehensive Planning Fund.

In order to qualify for the Colonia Area Planning Fund, the county applicant must have a Colonia Comprehensive Plan in place that prioritizes problems and colonias for future action. The targeted colonia must be included in the Colonia Comprehensive Plan.

A Colonia Planning Fund application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

(1) Colonia Area Planning Fund

An eligible county may submit an application for eligible planning activities that are targeted to one or more colonia areas. Eligible activities include:

- Payment of the cost of planning community development (including water and sewage facilities) and housing activities;
- costs for the provision of information and technical assistance to residents of the area in which the activities are located and to appropriate nonprofit organizations and public agencies acting on behalf of the residents; and
- costs for preliminary surveys and analyses of market needs, preliminary site engineering and architectural services, site options, applications, mortgage commitments, legal services, and obtaining construction loans.

(2) Colonia Comprehensive Planning Fund

To be eligible for this fund, a county must be located within 150 miles of the Texas-Mexico border. The applicant's countywide comprehensive plan will provide a general assessment of the colonias in the county, but will include enough detail for accurate profiles of the county's colonia areas. The prepared comprehensive plan must include the following information and general planning elements:

- Verification of the number of dwellings, number of lots, number of occupied lots, and the number of persons residing in each county colonia
- Mapping of the locations of each county colonia
- Demographic and economic information on colonia residents
- The physical environment in each colonia including land use and conditions, soil types, and flood prone areas
- An inventory of the existing infrastructure (water, sewer, streets, drainage) in each colonia and the infrastructure needs in each colonia including projected infrastructure costs
- The condition of the existing housing stock in each colonia and projected housing costs
- A ranking system for colonias that will enable counties to prioritize colonia improvements rationally and systematically plan and implement short-range and long-range strategies to address colonia needs
- Goals and Objectives
- Five-year capital improvement program

#### **4d. Colonia Self-Help Centers Fund**

In accordance with Subchapter Z, Chapter 2306, Government Code, TDHCA has established self-help centers in Cameron County, El Paso County, Hidalgo County, Starr County, and Webb County. If deemed necessary and appropriate, TDHCA may establish self-help centers in other counties (self-help centers have been established in Maverick County and Val Verde County) as long as the site is located in a county that is designated as an economically distressed area under the Texas Water Development Board Economically Distressed Areas Program (EDAP), the county is eligible to receive EDAP funds, and the colonias served by the center are located within 150 miles of the Texas-Mexico border.

The geographic area served by each self-help center is determined by TDHCA. Five (5) colonias located in each self-help center service area are designated to receive concentrated attention from the center. Each self-help center sets a goal to improve the living conditions of the residents located in the colonias designated for concentrated attention within a two-year period set under the contract terms. TDHCA has the authority to make changes to the colonias designated for this concentrated attention.

The TDHCA grant contract for each self-help center must be executed with the county where the self-help center is located. TDHCA will enter into a Texas Community Development Block Grant Program contract with each affected county. Each county enters into a subcontract with a non-profit community action agency, a public housing authority, or a non-profit organization.

A Colonia Residents Advisory Committee was established and not fewer than five persons who are residents of colonias were selected from the candidates submitted by local nonprofit organizations and the commissioners' court of a county where a self-help center is located. One committee member shall be appointed to represent each of the counties in which a self-help center is located. Each committee member must be a resident of a colonia located in the county the member represents but may not be a board member, contractor, or employee of or have any ownership interest in an entity that is awarded a contract through the Texas Community Development Block Grant Program. The Advisory Committee shall advise TDHCA regarding:

- (1) the needs of colonia residents;
- (2) appropriate and effective programs that are proposed or are operated through the centers; and
- (3) activities that may be undertaken through the centers to better serve the needs of colonia residents.

The purpose of each center is to assist low income and very low income individuals and families living in colonias located in the center's designated service area to finance, refinance, construct, improve or maintain a safe, suitable home in the designated service area or in another suitable area. Each self-help center may serve low income and very low income individuals and families by:

- (1) providing assistance in obtaining loans or grants to build 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 eligible services that the self-help center, with TDHCA approval, 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 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) monthly programs to educate individuals and families on their rights and responsibilities as property owners; and
- (12) providing access to computers, the internet, and computer training.

A self-help center may not provide grants, financing, or mortgage loan services to purchase, build, rehabilitate, or finance construction or improvements to a home in a colonia if water service and suitable wastewater disposal are not available.

## **5. Non-Border Colonia Fund**

This fund is available on a biennial basis to eligible county applicants for projects in severely distressed unincorporated areas located farther than 150 miles from the Texas-Mexico border and non-entitlement counties, or portions of counties, within 150 miles of the Texas-Mexico border that are not eligible for the Colonia Fund because they are located in a standard metropolitan statistical area that has a population exceeding 1,000,000, as specified the Cranston-Gonzalez National Affordable Housing Act. Non-border colonia areas would be an identifiable unincorporated community that is determined to be colonia-like on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act (November 28, 1990). Scoring of all the selection criteria for Non-Border Colonia Fund applications is completed by Tx CDBG staff.

## **6. Planning And Capacity Building Fund**

This fund is available on a biennial basis to assist eligible cities and counties in conducting planning activities that assess local needs, develop strategies to address local needs, build or improve local capacity, or that include other needed planning elements (including telecommunications and broadband needs). All planning projects awarded under this fund must include a section in the final planning document that addresses drought-related water supply contingency plans and water conservation plans. Applications received by the 2007 program year application deadline were eligible to receive grant awards through a statewide competition for funding from the 2007 and 2008 program year allocations.

A significant increase or decrease to the State's 2008 CDBG allocation may result in corresponding increases or decreases to the 2008 Planning and Capacity Building Fund allocations.

## **7. Disaster Relief/Urgent Need Fund**

Disaster Relief assistance is available through this fund as needed for eligible activities in relief of disaster situations where either the Governor has proclaimed a state disaster declaration or has requested a federal disaster declaration. Tx CDBG may prioritize throughout the program year the use of Disaster Relief assistance funds based on the type of assistance or activity under consideration and may allocate funding throughout the program year based on assistance categories. Depending on the nature and extent of the damage caused by the natural disaster, priority for the use of Tx CDBG funds is the restoration of basic human needs such as water and sewer facilities, housing, and roads.

Urgent Need assistance is contingent upon the availability of funds for activities that will restore water or sewer infrastructure whose sudden failure has resulted in death, illness, injury, or pose an imminent threat to life or health within the affected applicant's jurisdiction. The infrastructure failure must not be the result of a lack of maintenance and must be unforeseeable. As an initial step, Tx CDBG undertakes an assessment of whether the situation is reasonably considered unforeseeable. An application for Urgent Need assistance will not be accepted by the Tx CDBG until discussions between the potential applicant and representatives of the Tx CDBG, the Texas Commission on Environmental Quality (TCEQ), and the Texas Water Development Board (TWDB) have taken place. Through these discussions, a determination shall be made whether the situation meets Tx CDBG Urgent Need threshold criteria; whether shared financing is possible; whether financing for the necessary improvements is, or is not, available from the TWDB; or that the potential applicant does, or does not, qualify for TWDB assistance. If Tx CDBG funds are still available, a potential applicant that meets these requirements will be invited to submit an application for Urgent Need funds.

To qualify for Disaster Relief funds:

- The situation addressed by the applicant must be both unanticipated and beyond the control of the local government.
- The problem being addressed must be of recent origin. For Disaster Relief assistance, this means that the application for assistance must be submitted no later than 12 months from the date of the Presidential or Governor's declaration.
- Under Disaster Relief, funds will not be provided under FEMA's Hazard Mitigation Grant Program unless ORCA receives satisfactory evidence that the property to be purchased was not constructed or purchased by the current owner after the property site location was officially mapped and included in a designated flood plain area.
- Each applicant for these funds must demonstrate that adequate local funds are not available, i.e., the entity has less than six months of unencumbered general operations funds available in its balance as evidenced by the last available audit required by state statute, or funds from other state or federal sources are not available to completely address the problem.
- Tx CDBG will consider whether funds under an existing Tx CDBG contract are available to be reallocated to address the situation.
- The distribution of these funds will be coordinated with other state agencies.

To qualify for Urgent Need funds:

- The situation addressed by the applicant must not be related to a proclaimed state disaster declaration or a federal disaster declaration.
- The situation addressed by the applicant must be both unanticipated and beyond the control of the local government.
- The problem being addressed must be of recent origin. For Urgent Need assistance, this means that the situation first occurred or was first discovered no more than 30 days prior to the date that the potential applicant provides a written request to the Tx CDBG for Urgent Need assistance. The Urgent Need Fund will not fund projects to address a situation that has been known for more than 30 days or should have been known would occur based on the applicant's existing system facilities.
- Each applicant for these funds must demonstrate that local funds or funds from other state or federal sources are not available to completely address the problem.
- The distribution of these funds will be coordinated with other state agencies.
- The infrastructure failure cannot have resulted from a lack of maintenance.
- Urgent Need funds cannot be used to restore infrastructure that has been cited previously for failure to meet minimum state standards.
- The infrastructure failure cannot have been caused by operator error.
- The infrastructure requested by the applicant cannot include back-up or redundant systems.
- Tx CDBG will consider whether funds under an existing Tx CDBG contract are available to be reallocated to address the situation.
- The Urgent Need Fund will not finance temporary solutions to the problem or circumstance.

Construction on an Urgent Need fund project must begin within ninety (90) days from the start date of the Tx CDBG contract. The Tx CDBG reserves the right to deobligate the funds under an Urgent Need Fund contract if the grantee fails to meet this requirement.

Each applicant for Urgent Need funds must provide matching funds. If the applicant's 2000 Census population is equal to or fewer than 1,500 persons, the applicant must provide matching funds equal to 10 percent of the Tx CDBG funds requested. If the applicant's 2000 Census population is over 1,500 persons, the applicant must provide matching funds equal to 20 percent of the Tx CDBG funds requested. For county applications where the beneficiaries of the water or sewer improvements are located in unincorporated areas, the population category for matching funds is based on the number of project beneficiaries.

## **8. Tx CDBG STEP Fund**

Funds will be available for grants on a competitive award basis to cities and counties to provide grant assistance to cities and communities recognizing the need and willingness to solve water and sewer problems through the Texas Small Towns Environment Program (STEP) self-help techniques. The program will accept applications two times a year and utilize a competitive process to evaluate, score and award these projects.

Cities and counties receiving 2007 and 2008 Community Development Fund/Community Development Supplemental Fund grant awards for applications that did not include water, sewer, or housing activities are not eligible to receive a 2008 STEP Fund grant award. However, the Tx CDBG will give consideration to a city's or county's request to transfer funds (that are not financing basic human needs activities such as water, sewer, or

housing activities) under a 2007 or 2008 Community Development Fund/Community Development Supplemental Fund grant award to finance water and sewer activities that will be addressed through self-help.

The Texas STEP approach to solving water and sewer needs recognizes affordability factors related to the construction and operations/maintenance of the necessary water or sewer improvements and then initiates a local focus of control based on the capacity and readiness of the community's residents to solve the problem through self-help. By utilizing the community's own resources (human, material and financial), the necessary water or sewer construction costs, engineering costs, and related administration costs can be reduced significantly from the cost for the installation of the same improvements through conventional construction methods.

Tx CDBG staff will provide guidance, assistance, and support to community leaders and residents willing to use self-help to solve their water and sewer problems.

#### Eligible Activities

For the Tx CDBG STEP Fund eligible activities are limited to:

- the installation of facilities to provide first-time water or sewer service
- the installation of water or sewer system improvements
- ancillary repairs related to the installation of water and sewer systems or improvements
- the acquisition of real property related to the installation of water and sewer systems or improvements (easements, rights of way, etc.)
- sewer or water taps and water meters
- water or sewer yard service lines (for low and moderate income persons)
- water or sewer house service connections (for low and moderate income persons)
- plumbing improvements associated with providing water or sewer service to a housing unit
- water or sewer connection fees (for low and moderate income persons)
- rental of equipment for installation of water or sewer
- reasonable associated administrative costs
- reasonable associated engineering services costs

#### Ineligible Activities

- any activity not described in the preceding ELIGIBLE ACTIVITIES section is ineligible under the Tx CDBG STEP Fund unless the activity is approved by the Texas Community Development Block Grant Program
- temporary solutions, such as emergency inter-connects that are not used on an on-going basis for supply or treatment and back-ups not required by the regulations of the Texas Commission on Environmental Quality.

The Tx CDBG will not reimburse for force account work for construction activities on the STEP project.

#### Funding Cycle

Applications are accepted two times a year for Texas STEP Funding as long as funds are available. Funds will be divided among the two application periods. After all projects are ranked, only those that can be fully funded will be awarded a grant. There will be no marginally funded grant awards.

The Tx CDBG will not accept an application for STEP Fund assistance until Tx CDBG staff and representatives of the potential applicant have evaluated the self-help process and Tx CDBG staff determine that self-help is a feasible method for completion of the water or sewer project, the community is committed to self-help as the means to address the problem, and the community is ready and has the capacity to begin and complete a self-help project. If it is determined that the community meets all of the STEP criteria then an invitation to apply for funds will be extended to the community and the application may be submitted.

#### Threshold Criteria

The self-help response to water and sewer needs may not be appropriate in every community. In most cases, the decision by a community to utilize self-help to obtain needed water and sewer facilities is based on the community's realization that it cannot afford even a "no frills" water or sewer system based on the initial construction costs and the operations/maintenance costs (including debt service costs) for water or sewer facilities installed through conventional financing and construction methods.

The following are threshold requirements for the Texas STEP framework. Without all these elements the project will not be considered under the Texas STEP fund:

- 1) one or more sparkplugs (preferably three)—local leaders willing to both lead and sustain the effort;
- 2) readiness—local perception of the problem and the willingness to take action to solve it;
- 3) capacity—manpower including some skills required to solve the problem;
- 4) 40% Savings off of retail price; and
- 5) must be performed predominately by community volunteer workers.

Upon completion of the project, the award recipient will be required to certify that work was performed predominately by community volunteer workers and a minimum of 40 percent savings off of retail prices was maintained (or the savings percentage specified in the application if greater).

Some of the key points staff will review for these thresholds include but are not limited to the following:

- 1) one or more sparkplugs (preferably three)—local leaders willing to both lead and sustain the effort; Leaders that have been identified and agreed on by the community.
  - at least two of the three sparkplugs must be residents and not local officials (local officials may serve as sparkplugs).
  - one should be detailed enough to maintain the paperwork needed for the project.
  - one should have some knowledge or skills to lead the self-help effort.
  - And one can have a combination of these skills or just be the motivator and problem solver of the group. These are not absolutes but the best scenario for any project.
- 2) readiness—local perception of the problem and the willingness to take action to solve it;

- a strong local perception of the problem
- community perception that local implementation is the best and maybe only solution
- community has confidence that they can do it adequately
- community has no strong competing priority
- local government is supportive and understands the urgency
- public and private willingness to pay additional costs if needed (fees, hook-ups for churches, other)
- effort and attention have already been given to local assessment of the problem
- enthusiastic, capable support by the community from the county or regional field staff of the regulatory agency.

3) capacity— manpower including some skills required to solve the problem.

- Skilled workers within the community (heavy equipment operation, pipe laying, electrician, plumber, engineer, water operator, construction skills)
- List of Volunteers by task
- Possible equipment in community (not a requirement)
- Letters stating support from local businesses in form of donation of supplies or manpower.
- Letter from service provider supporting project and agreeing to provide service.
- CPA Letter documenting that applying locality has financial and management capacity to compete project

4) 40% Savings off of retail price.

Documentation of the 40% savings off of the retail price,

- Two engineering break-outs of cost, one that shows the retail construction cost and another that shows the self-help cost and demonstrates the 40% savings.
- Back-up documents of material quotes, pledges of equipment
- List of Volunteers by task
- Determination of appropriate technology and feasibility of project. (letter from engineer)

## **9. Microenterprise Loan Fund**

This fund is available on a semi-annual basis for funding from available program income through a statewide competition. An eligible city or county submits the application and must contract with a non-profit organization (economic development corporation, community development corporation, etc.) for the purpose of establishing a local loan program that directly assists for-profit microenterprise businesses. Proceeds from the repayment of the loans will be retained by the non-profit organization. A microenterprise is a commercial enterprise that has five (5) or fewer employees, one (1) or more of whom owns the enterprise. The microenterprise receiving the loan assistance must commit to creating or retaining jobs that will not exceed a maximum cost of \$25,000 per job. The jobs created or retained by the microenterprise must principally benefit low and moderate income persons. The funds cannot be used by the microenterprise for debt service, refinancing, or payment of the business owner's salaries. Eligible activities under this fund are:

- Working capital (purchase of raw materials, inventory, rent, utilities, salaries, and others needed for business operations)
- Machinery and equipment (cars and trucks considered rolling stock would not be an eligible use of funds)
- Real estate improvements

#### **10. Small Business Loan Fund**

This fund is available on an “as-needed” basis for funding from available program income through a statewide competition. Applications received by the application deadlines are eligible to receive grant awards from available program income. An eligible city or county submits the application for the purpose of supporting for-profit small businesses through a loan meeting a gap financing need. Retention of the proceeds from the repayment of the loans will meet the same requirements for program income that apply to Texas Capital Fund contracts. A small business is a for-profit business with less than one hundred (100) employees. The small business receiving the loan assistance must commit to creating or retaining jobs that will not exceed a maximum cost of \$25,000 per job. The jobs created or retained by the small business must principally benefit low and moderate income persons. The funds cannot be used by the small business for debt service, refinancing, or payment of the business principal’s salaries. Eligible activities under this fund are:

- Working capital (purchase of raw materials, inventory, rent, utilities, salaries, and others needed for business operations)
- Machinery and equipment (cars and trucks considered rolling stock would not be an eligible use of funds)
- Real estate improvements

#### **11. Section 108 Loan Guarantee Pilot Program**

Section 108 is the loan guarantee provision of the Housing and Community Development Act Community Development Block Grant (CDBG) program. The loan is made by a private lender to an eligible non-entitlement city or county. The United States Department of Housing and Urban Development (HUD) guarantees the loan; however, Tx CDBG must pledge the state’s current and future Community Development Block Grant nonentitlement area funds to cover any losses. In order to provide eligible non-entitlement communities an additional funding source, the State is authorizing a loan guarantee pilot program consisting of one application up to a maximum of \$500,000 for a particular project. An application guide containing the submission date and qualifications will be available for applicants interested in being selected as the pilot project under this program.

An eligible non-entitlement city or county would prepare a loan guarantee application for submission to HUD. However, under the State Section 108 program, the following conditions apply:

- a. ORCA will not provide a commitment for an application submitted to HUD for a Section 108 guarantee unless ORCA has reviewed the application, conducted an underwriting analysis, and specifically recommended its approval.
- b. ORCA will charge the eligible non-entitlement city or county receiving the Section 108 loan a non-refundable loan loss reserve fee at the rate of one percent per annum on the principal amount outstanding. The funds from the one percent fee would be used for any debt service payments ORCA would need to pay on account of the loan, or to cover any loan losses, if the recipient does not make its Section 108 loan payments.
- c. The application must be only for an activity eligible under the State Program.

- d. ORCA will require the locality to submit adequate information necessary to track all loan repayments made by any third party borrowers such as assisted businesses;
- e. ORCA will monitor compliance with program requirements.

#### Eligible Activities

The project must meet a national objective of CDBG Program: (1.) principally benefit low- and moderate-income persons; (2.) aid in the elimination of slums or blight; or (3.) meet other community development needs of particular urgency which represent an immediate threat to the health and safety of residents of the community. In addition, the State program is specifically restricting eligibility to economic development activities eligible under CDBG Program. Other activities eligible under the HUD regulations will not be eligible under the pilot phase of this program.

The maximum repayment period for a Section 108 guaranteed loan under the Tx CDBG will be twenty years.

The Tx CDBG will not establish a funded loss reserve. ORCA anticipates entering into a Reimbursement Agreement with the community providing for recovery of amounts required to be paid by the Tx CDBG. Should the Tx CDBG be required to cover any Section 108 loan payments not made by the recipient of the loan guarantee, it would first use funds that have been collected from the additional one percent per annum fee charged on the loan.

The Section 108 Loan Guarantee Program is authorized under Section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308) as part of the Community Development Block Grant Program. Regulations for the program are located in the Code of Federal Regulation at 24 CFR, Part 570, Subpart M.

## **12. Renewable Energy Demonstration Pilot Program**

The TxCDBG will develop a renewable energy pilot program funded solely through deobligated funds / program income for demonstration projects that employ renewable energy for at least 20% of the total energy requirements, (excluding the purchase of energy from the electric grid that was produced with renewable energy).

The priority will be for projects that are connected with providing public facilities to meet basic human needs such as water or waste water. It is anticipated that the projects funded would meet the National Objective of benefiting a “target area” where at least 51 percent of the residents are low and moderate income persons, although the project would be allowed to qualify under other National Objective alternatives. The maximum amount of the project would be \$500,000 and the minimum would be \$50,000.

(One example of a pilot program might be helping rural towns in thirsty West Texas install wind turbines to power desalination plants that would clean up brackish well water and make it drinkable, which at least one university in Texas is developing for a community in Texas.)

The projects will be selected on the following basis (which are assigned points under Section IV(C)(15) of this Action Plan):



(A) Type of Project: Primarily used in conjunction with providing public facilities to meet basic human needs such as water or waste water and/or benefit to low/moderate-income persons.

(B) Innovative Technology / Methods – A project that would demonstrate the application of innovative technology and/or methods.

(C) Duplication in Other Rural Areas – A project that could have widespread application (although it would not need to be applicable in every portion of the state.)

(D) Long-term Cost / Benefit and Texas Renewable Energy Goals – Projects that demonstrate long term cost / benefit analysis including benefits to the human environment and consistency with Texas renewable energy goals.

(E) Partnership / Collaboration – Projects that have a demonstrated partnership and collaboration with other entities focusing on promoting renewable energy including universities, funding agencies, associations, or businesses.

(F) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses – percent of portion of total project receiving TxCDBG funds is leveraged with other funds.

(G) Location in Rural Areas – Projects that benefit cites with populations under 10,000 and/or counties under 100,000.

**C. ALLOCATION OF AVAILABLE FUNDS BY FUND CATEGORY**

The U.S. Department of Housing and Urban Development has not yet announced the State’s 2008 program year CDBG allocation. The State’s 2008 allocation could be lower than the 2007 allocation of \$73,611,737.

The amount available for Tx CDBG assistance will be the 2008 State CDBG allocation amount plus an estimated \$2,000,000 in program income. Funds will be allocated according to the following percentages of the State’s 2008 allocation upon the execution of the grant agreement with HUD:

FUND	2008 PERCENT	AMOUNT AVAILABLE
Community Development Fund	40.0	
Community Development Supplemental Fund	21.1	
Non-Border Colonia Fund	0.61 <sup>6</sup>	
Texas Capital Fund (TCF)	14.51	
Program Income		\$ 2,000,000
Colonia Fund		
Colonia Construction Fund	6.84	
Colonia EDAP Fund	2.72	
Colonia Planning Fund	0.44	

*ACTION PLAN*

---

FUND	2008 PERCENT	AMOUNT AVAILABLE
Colonia Self-Help Centers Fund	2.50	
Planning And Capacity Building Fund	0.90	
Disaster Relief/Urgent Need Fund		
Disaster Relief Fund	4.10	
Urgent Need Fund	0 <sup>1</sup>	
Tx CDBG STEP Fund	3.14	
Microenterprise Loan Fund	0.00 <sup>2</sup>	
Small Business Loan Fund	0.00 <sup>3</sup>	
Section 108 Loan Guarantee Pilot Program	0.00 <sup>4</sup>	
Renewable Energy Demonstration Pilot Program	0.00 <sup>5</sup>	
Administration - Percentage	2.00	
Administration - \$100,000	0.1358	
Technical Assistance	1.00	

Note: The percentages shown above are based on the State's actual 2007 allocation percentages. Changes to the above percentages may occur if the State's 2008 CDBG allocation is higher or lower than the 2007 allocation of \$73,611,737.

Deobligated funds/program income notes:

- <sup>1</sup> Deobligated funds and/or program income sufficient to replenish to \$1,000,000 is made available for the Urgent Need Fund on the first day of PY 2008. Based on a Tx CDBG Program determination of respective demand for financial assistance under the Urgent Need and Disaster Need portions of the Disaster Relief/Urgent Need Fund, Urgent Need funds may be used for Disaster Need projects.
- <sup>2</sup> Deobligated funds and/or program income sufficient to replenish to \$1,200,000 is made available for the Microenterprise Loan Fund on the first day of PY 2008.
- <sup>3</sup> Deobligated funds and/ or program income not to exceed \$1,000,000 is available for the Small Business Loan Fund. The allocation or portion of the allocation, for Small Business Loan Fund may be allocated to the Microenterprise Loan Fund, and vice versa, based on a Tx CDBG Program determination of respective demand for financial assistance under these funds.
- <sup>4</sup> Loan guarantee commitments totaling no more than \$500,000 are authorized.
- <sup>5</sup> Deobligated funds and/or program income of \$500,000 is made available on the first day of PY 2008. The amounts for these fund categories may be adjusted during PY 2008 as needed.

### Summary of Activities That Utilize 1% Technical Assistance Funding

## Technical Assistance Performed Through the Community Development Program

The Texas Community Development Block Grant Program will conduct numerous on-site technical assistance visits funded with the one percent technical assistance (1% TA) set-aside approved by HUD. These visits will be conducted throughout the year when the Tx CDBG staff recognizes that assistance is needed at the local level or when assistance is requested by the grantees.

Tx CDBG Community Development staff, including ORCA field office staff, will visit localities that are preliminarily recommended for funding to verify information provided in the applications, to view the project sites, to distribute Project Implementation Manuals, and to provide technical assistance regarding the initial Tx CDBG project implementation procedures.

Other technical assistance visits will be conducted with 1% TA funds for special cases dealing with investigations, compliance issues, and to help contractor localities comply with all program requirements.

The 1% TA funds are utilized for a portion of staff salaries which allows Tx CDBG staff to provide greater one-on-one technical assistance to the small communities throughout the contract period.

The Texas Department of Agriculture is using 1% technical assistance funds for on-site technical assistance on the Texas Capital Fund program.

The Texas Department of Housing and Community Affairs is using 1% technical assistance funds for on-site technical assistance on the Colonia Self-Help Centers program.

The Tx CDBG is utilizing the 1% technical assistance funds to introduce, facilitate, and provide community access to the Texas Small Towns Environment Program (Texas STEP) which targets water and wastewater needs. Staff visits localities that are interested in utilizing the Texas STEP method of self-help and provides technical assistance on the development of a financial framework, managing a self-help project and building capacity within a community through self-help.

The Tx CDBG may utilize the 1% technical assistance funds to support Tx CDBG activities related to ORCA's disaster relief efforts. State efforts for response to disasters and the mitigation of the consequences of disasters have required that ORCA dedicate considerable resources for disaster recovery efforts.

In 2008, the Tx CDBG will use a portion of the 1% technical assistance to provide outreach information regarding the CDBG program to local officials of non-entitlement cities and counties. The technical assistance will include information on the application process, program administration, and to improve their capacity to implement a CDBG program.

The 1% technical assistance funds will also be used by each of the 24 State Planning Regions to provide non-project specific technical assistance to cities and counties that are eligible for Tx CDBG funds in each region.

The 1% technical assistance funds may be used to support the operations of the border colonia technical assistance field offices.

The 1% technical assistance funds may be used to support the operations of ORCA' technical assistance field offices in West Texas, South Texas, and East Texas and other ORCA Community Development-related field office activities.

### **Deobligated Funds, Unobligated Funds, and Program Income**

(a) Deobligated funds, unobligated funds and program income generated by Texas Capital Fund projects shall be retained for expenditure in accordance with the Consolidated Plan. Program income derived from Texas Capital Fund projects will be used by the Tx CDBG for eligible Texas Community Development Block Grant Program activities in accordance with the Consolidated Plan.

Any deobligated funds, unobligated funds, program income, and unused funds from this year's allocation or from previous years' allocations derived from any Texas Community Development Block Grant Program Fund, including program income recovered from Texas Capital Fund local revolving loan funds, and any reallocated funds which HUD has recaptured from Small Cities may be redistributed among the established 2008 program year fund categories, for otherwise eligible projects. The selection of eligible projects to receive such funds is approved by the Executive Director and the Executive Committee of ORCA on a priority needs basis with eligible disaster relief and urgent need projects as the highest priority, followed by, any awards necessary to resolve appeals under fund categories requiring publication of contract awards in the *Texas Register*, TCF projects, special needs projects, projects in colonias, housing activities, and other projects as determined by the Executive Director of ORCA. Other purposes or initiatives may be established as a priority use of such funds within existing fund categories by the Executive Committee of ORCA. Should the Tx CDBG be required to make payments to HUD to cover any loan payments not made by any recipient of a Section 108 loan guarantee, it would first use any available deobligated funds.

If a portion of the State's 2008 Community Development Block Grant allocation is rescinded by the federal government, or if the State's 2008 allocation is decreased or increased significantly from the State's 2007 allocation, the Tx CDBG may make corresponding changes within the fund allocation percentages as required.

(b) Re-distribution of Funds Recaptured from Withdrawn Awards. Should the applicant fail to substantiate or maintain the claims and statements made in the application upon which the award is based, including failure to maintain compliance with application thresholds in Section III, F.(1) through F.(4), within a period ending 90 days after the date of the Tx CDBG's award letter to the applicant, the award will be immediately withdrawn by the Tx CDBG (excluding the colonia self-help center awards). Should the applicant fail to execute the Tx CDBG's award contract (excluding Texas Capital Fund and colonia self-help center contracts) within 60 days from the date of the letter transmitting the award contract to the applicant, the award will be withdrawn by the Tx CDBG. For an award that is withdrawn from an application, the Tx CDBG follows different procedures for the use of those recaptured funds depending on the fund category where the award is withdrawn.

(1) Funds recaptured under the Community Development Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive an award from the first year regional allocation. Funds recaptured under the Community

Development Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year regional allocation. Any funds remaining from the second year regional allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the region as long as the amount of funds still available exceeds the minimum Community Development Fund grant amount. Any funds remaining from the second year regional allocation that are not accepted by an applicant from the region or that are not offered to an applicant from the region may be used for other Tx CDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section.

(2) Funds recaptured under the Community Development Supplemental Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive an award from the first year regional allocation. Funds recaptured under the Community Development Supplemental Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year regional allocation. Any funds remaining from the second year regional allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the region as long as the amount of funds still available exceeds the minimum Community Development Supplemental Fund grant amount. Any funds remaining from the second year regional allocation that are not accepted by an applicant from the region or that are not offered to an applicant from the region may be used for other Tx CDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section. This process would also apply to an application under the Community Development Supplemental Fund that received a portion of its funds from Community Development marginal funds. The Community Development marginal funds would be provided to the replacement application.

(3) For both the Community Development Fund and Community Development Supplemental Fund (including applications funded with a portion from each of the two funds), if there are no remaining unfunded eligible applications in the region from the same biennial application period to receive the withdrawn funding, then the withdrawn funds may be used for other Tx CDBG fund categories and, if unallocated to another fund, are considered as deobligated funds, subject to the procedures described in paragraph (a) of this section.

(4) Funds recaptured under the Planning and Capacity Building Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that statewide competition that was not recommended to receive an award from the first year allocation. Funds recaptured under the Planning and Capacity Building Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that statewide competition that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year allocation. Any funds remaining from the second year allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the statewide competition. Any funds remaining from the second year allocation that are not accepted by an applicant from the statewide competition or that are not offered to an applicant from the statewide competition may be used for other Tx CDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section.

(5) Funds recaptured under the Colonia Construction Fund from the withdrawal of an award remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(6) Funds recaptured under the Colonia Planning Fund from the withdrawal of an award remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(7) Funds recaptured under the Colonia Economically Distressed Areas Program Fund from the withdrawal of an award remain available to potential Colonia Economically Distressed Areas program fund applicants during that program year. Any funds remaining from the program year allocation that are not used to fund Colonia Economically Distressed Areas Program Fund applications within twelve months after the Tx CDBG receives the federal letter of credit would remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(8) Funds recaptured under the Non-Border Colonia Fund from the withdrawal of an award remain available to potential Non-Border Colonia Fund applicants during that program year and, if unallocated within the non-border colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(9) Funds recaptured under the program year allocation for the Disaster Relief/Urgent Need Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

(10) Funds recaptured under the Small Towns Environment Program (STEP) Fund from the withdrawal of an award will be made available in the next round of STEP competition following the withdraw date in the same program year. If the withdrawn award had been made in the last of the two competitions in a program year, the funds would go to the next highest scoring applicant in the same STEP competition. If there are no unfunded STEP applicants, then the funds would be available for other Tx CDBG fund categories. Any unallocated STEP funds are subject to the procedures described in paragraph (a) of this section.

(11) Funds recaptured under the Microenterprise Loan Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

(12) Funds recaptured under the Small Business Loan Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

(13) Funds recaptured under the Texas Capital Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

**D. PROGRAM INCOME**

Program income is defined as gross income received by a state, a unit of general local government or a subrecipient of a unit of general local government that was generated from the use of CDBG funds. When program income is generated by an activity that is only partially funded with CDBG funds, the income shall be prorated to reflect the percentage of CDBG funds used. Any remaining program income must be used to establish an approved Revolving Loan Fund (RLF) or returned to the State.

The State may use up to the maximum allowable percentage of the amount recaptured and reportable to HUD each year for administrative expenses under the Texas Community Development Block Grant Program. This amount will be matched by the State on a dollar-for-dollar basis.

Program income includes, but is not limited to, the following:

- Payments of principal and interest on loans using CDBG funds
- Proceeds from the sale of loans made with CDBG funds
- Gross income from the use or rental of real or personal property acquired by the unit of general local government or a subrecipient with CDBG funds
- Gross income from the use, sale, or rental of real property and/or real property improvements owned by the unit of general local government or subrecipient that was constructed or improved with CDBG funds
- Gross income from the use of infrastructure improvements constructed or improved with CDBG funds
- Funds collected through special assessments, impact fees or other additional fees from benefiting businesses, if the special assessments or fees are used to recover all or part of the CDBG portion of public improvements
- Proceeds from the disposition of equipment purchased with CDBG funds
- Interest earned on funds held in an RLF account

#### 1. Texas Capital Fund Program Income

For program income generated through Texas Capital Fund projects, communities that elect to participate in the recapture of program income for use at the local level through a designated Revolving Loan Fund (RLF) will be limited to receiving one Texas Capital Fund contract award per program year. If a community elects not to participate in the recapture of program income, the community may apply for as many Texas Capital Fund awards as it has eligible projects. This determination must be made at the time of the original award and cannot be changed with subsequent awards.

A local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the Tx CDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for economic development in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended. The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to the Tx CDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original Tx CDBG contract programmatic close date. Every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. (Tx CDBG may consider a “phase-in period” covering the time period required to bring the RLF cash level into compliance with this new policy for

existing RLFs, particularly those with large amounts of cash in the RLF that must be loaned to meet the new requirements.) If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report to the State program income account balances reflecting amounts received and disbursed and the status of outstanding loans or leases. Such report should also include information regarding RLF loans, leases, and commitments made.

If the local government elects not to participate in program income recapture, fails to meet all requirements of this section or requirements identified in Section 6 of its TCF/Tx CDBG contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state. This section, "Texas Capital Fund Program Income," replaces the Texas Capital Fund Program Income Sections of the Final Statements for program years 1989, 1990, 1991, 1992, 1993, 1994, and 1995 and affects all TCF local revolving loan funds established by contracts awarded in program years 1989, 1990, 1991, 1992, 1993, 1994, and 1995. The following provisions, however, do not apply: 1) "The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to Tx CDBG approval of an RLFP must be returned to the State." 2) "...every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived." 3) "...contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state."

## 2. Program Income Generated Through Housing Activities

For program income generated through housing activities funded through the Housing Fund or Tx CDBG fund categories other than the Texas Capital Fund, a local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the Tx CDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for housing activities principally benefiting low to moderate income persons in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended.

The RLFP must be submitted for approval at least sixty (60) days prior to the termination date of the contract award generating the program income. This requirement shall also apply to 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, and 2004 Housing Fund contract awards. Program income generated by the contract award prior to Tx CDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original Tx CDBG contract programmatic close date. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. (Tx CDBG may consider a "phase-in period" covering the time period required to bring the RLF cash level into compliance with this new policy for existing RLFs, particularly those with large amounts of cash in the RLF that must be loaned to meet the new requirements.) If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.



Communities electing to retain program income through an approved RLF are required to monitor and report the amount of program income recaptured to the state with updates concerning the status of outstanding loans or leases on a quarterly basis, including but not limited to payments received and amendments to the original loan or lease agreement, as required by the Tx CDBG.

If the local government elects not to participate in program income recapture or an RLFP is not approved prior to the contract close-out, then all program income must be returned to the Tx CDBG.

### 3. Microenterprise Loan Fund Program Income

Program income will be handled in accordance with HUD regulations. Additional guidance will be included in the application guidelines.

### 4. Small Business Loan Fund Program Income

A local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the Tx CDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for economic development in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended. The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to the Tx CDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original Tx CDBG contract programmatic close date. Every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. (Tx CDBG may consider a “phase-in period” covering the time period required to bring the RLF cash level into compliance with this new policy for existing RLFs, particularly those with large amounts of cash in the RLF that must be loaned to meet the new requirements.) If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report to the State program income account balances reflecting amounts received and disbursed and the status of outstanding loans or leases. Such report should also include information regarding RLF loans, leases, and commitments made.

If the local government elects not to participate in program income recapture, fails to meet all requirements of this section or requirements identified in Section 6 of its TCF/Tx CDBG contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state.

## APPLICATION INFORMATION

## **TYPES AND NUMBER OF APPLICATIONS**

The following two types of applications are permitted under the Texas Community Development Block Grant Program:

### **1. Single Jurisdiction Applications**

An eligible applicant may submit one application on its own behalf. When certain situations exist, which will be defined in Tx CDBG application guides, an eligible city may submit an application which benefits persons residing inside of the extraterritorial jurisdiction of the city, and a county may submit a single jurisdiction application on behalf of a city. The submitting city or county is accountable to the Tx CDBG for financial compliance and program performance. If a city or county submits a single jurisdiction application, or its residents are the beneficiaries of a single jurisdiction application, then the city or county cannot participate in another single jurisdiction or multi-jurisdiction application for the same funding category. Local accountability cannot be assigned to another party.

An application from an eligible city or county for a project that would primarily benefit another city or county that was not meeting the Tx CDBG application threshold requirements would be considered ineligible.

### **2. Multi-Jurisdiction Applications**

Multi-Jurisdiction applications will be accepted from two or more eligible units of general local government where the application clearly demonstrates that the proposed activities will mutually benefit the residents of the city(ies)/county(ies) applying for such funds. One of the participating units of general local government must be designated to act as the authorized applicant for the multi-jurisdiction application and the authorized applicant is accountable to the Tx CDBG for financial compliance and program performance; however, all entities participating in the multi-jurisdiction application will be accountable for application threshold compliance. A multi-jurisdiction application generally cannot be submitted solely on the basis of administrative convenience. Any city or county participating in a multi-jurisdiction application may not submit a single jurisdiction application for the same funding category.

Under the Community Development Fund regional competitions, a multi-jurisdiction application that includes participating units of general local government from more than one state planning region will compete in the regional competition where the majority of the application activity beneficiaries are located.

## **APPLICATION CYCLES**

Since this is the second year of the biennial submission cycle of various funds with 2007 biennial cycles, the 2008 cycle for these biennial funds must remain unchanged. The biennial funding cycles for these fund categories will improve the timeliness of the expenditure of CDBG funds and therefore prove more cost effective.

The following table summarizes the proposed frequency of application submission for various application types. The application deadline dates are subject to change:

<b>TYPE OF APPLICATION</b>	<b>SUBMISSION CYCLE</b>	<b>APPLICATION DEADLINE</b>
----------------------------	-----------------------------	---------------------------------

TYPE OF APPLICATION	SUBMISSION CYCLE	APPLICATION DEADLINE
1. Community Development Fund	Biennial <sup>1</sup>	September and December 2006
2. Community Development Supplemental Fund	Biennial	September and December 2006
3. Non-Border Colonia Fund	Biennial	December 2006
4. Texas Capital Fund		
Real Estate Program	Four times annually	
Infrastructure Program	Four times annually	
Main Street Program	Annually	
Downtown Revitalization Program	Annually	
5. Colonia Fund:		
Construction Fund	Biennial	December 2006
EDAP Fund	As-needed	
Planning Fund	Annually	August 2007
6. Planning/Capacity Building Fund	Biennial <sup>1</sup>	September and December 2006
7. Disaster Relief/Urgent Need Fund:		
Disaster Relief	As needed	
Urgent Need	By notification	
8. Tx CDBG STEP Fund	Two times annually	
9. Microenterprise Loan Fund	Two times annually	
10. Small Business Loan Fund	As needed	
11. Section 108 Loan Guarantee Pilot Program	Annually	
12. Renewable Energy Demonstration Pilot Program	As announced, at least once annually.	

<sup>1</sup> The applications submitted for the program year 2008 Community Development Fund, Community Development Supplemental Fund, and Planning and Capacity Building Fund as part of the 2007/2008 biennial application process were scored and ranked. Applications will be funded to the extent that allocated 2008 funds are available. Applications submitted for the Colonia Construction Fund and Non-Border Colonia Fund will be scored and ranked. The final 2007 program year rankings under the Community Development Fund, Community Development Supplemental Fund, Planning and Capacity Building Fund, Colonia Construction Fund and Non-Border Colonia Fund will also be used to determine the 2007 applicants that are selected for funding from the 2008 program year allocations. Only one application may be submitted for the combined 2007 program year and 2008 program year period under the Community Development

Fund/Community Development Supplemental Fund, Colonia Construction Fund, Non-Border Colonia Fund, and the Planning and Capacity Building Fund. Since applications are considered concurrently under both the Community Development and Community Development Supplemental Funds to determine the source of funds, only one Community Development Fund/Community Development Supplemental Fund application may be submitted for the 2007/2008 period (not one application for each fund).

**C. CONTRACT AWARDS**

With the qualified exceptions of the Texas Capital Fund, Colonia Fund, Non-Border Colonia Fund, and Disaster Relief/Urgent Need Fund, an applicant is eligible to receive only one grant award per fund. Maximum and minimum contract awards for any single project allowable under the Texas Community Development Block Grant Program are:

FUND	CONTRACT AWARD	
	MAXIMUM	MINIMUM
<b>Community Development Fund</b>		
Single Applicant	\$ 800,000 <sup>1</sup>	\$ 75,000 <sup>1</sup>
Multi-Jurisdiction Application	\$ 800,000 <sup>1</sup>	\$ 75,000 <sup>1</sup>
Community Development Supplemental Fund	1	1
Non-Border Colonia Fund	\$ 250,000	None
<b>Texas Capital Fund</b>		
Real Estate Program	\$ 750,000 <sup>2</sup>	\$ 50,000
Infrastructure Program	\$ 750,000 <sup>2</sup>	\$ 50,000
Main Street Program	\$ 150,000 <sup>3</sup>	\$ 50,000
Downtown Revitalization Program	\$ 150,000 <sup>3</sup>	\$ 50,000
<b>Colonia Fund</b>		
Construction Fund	\$ 500,000	\$ 75,000
EDAP Fund	\$ 500,000	None
Area Planning Fund	\$ 100,000 <sup>4</sup>	None
Comprehensive Planning Fund	\$ 200,000 <sup>4</sup>	None
<b>Planning/Capacity Building Fund</b>	\$ 50,000	None
<b>Disaster Relief/Urgent Need Fund</b>		
Disaster Relief Fund	\$ 350,000	\$ 50,000
Urgent Need Fund	\$ 250,000	\$ 25,000
<b>Tx CDBG STEP Fund</b>	\$ 350,000	None
<b>Microenterprise Loan Fund</b>	\$ 100,000	\$ 50,000
<b>Small Business Loan Fund</b>	\$ 150,000	\$ 50,000
<b>Section 108 Loan Guarantee Pilot Program</b>	\$ 500,000	\$ 400,000
<b>Renewable Energy Demonstration Pilot Program</b>	\$ 500,000	\$ 50,000

<sup>1</sup> Regional Review Committees are authorized to establish a grant maximum for their respective regions between \$250,000 and \$800,000 for a single jurisdiction application and between \$350,000 and \$800,000 for a multi-jurisdiction application. The maximum amount for a housing activity application is the same as other Community Development Fund applications in the region. The maximum and minimum amounts for the

Community Development Supplemental Fund are the same maximum and minimum amounts established for the Community Development Fund in the region.

- 2 The maximum contract award amount allows for administrative costs as outlined in the Texas Capital Fund Application Guidelines. The maximum award amount may be increased to an amount greater than \$750,000, but may not exceed \$1,000,000, if a unit of local government is applying for an award to provide infrastructure or real estate development improvements on behalf of a specific business, and that specific business will create or retain a designated number of jobs at a cost per job level that qualifies for the increased award amount. These increased award amounts are referred to as "jumbo" awards. The number of jobs, the cost per job, and the maximum percentage of Texas Capital Fund financing of the total project costs that will qualify an application for the increased award amount will be defined in Texas Capital Fund Application Guidelines. Texas Capital Funds are not specifically reserved for projects that could receive up to the \$1,000,000 increased maximum grant amount, however, projects that receive an amount greater than \$750,000 may not exceed \$2,000,000 in total awards during the program year.
- 3 Texas Capital Funds are specifically reserved for Main Street and the Downtown Revitalization infrastructure activities. The maximum award amount for a Main Street or Downtown Revitalization project is \$150,000. Main Street Program projects may not exceed \$600,000 in total awards. The Downtown Revitalization Program projects may not exceed \$1,200,000 in total awards.
- 4 For the Colonia Planning Fund thirty-three percent (33%) of the total allocation is allocated to the Colonia Area Planning Fund and sixty-seven percent (67%) is allocated to the Colonia Comprehensive Planning Fund. Any unobligated funds under either of these two funds may be allocated to the other Colonia Planning Fund category, the Colonia Construction Fund, the Planning/Capacity Building Fund, or other Tx CDBG Fund categories if necessary to use the funds within the required obligation period. The maximum grant award for the Colonia Comprehensive Planning Fund is set at \$200,000. However, a sliding scale may be used to establish smaller maximum grant amounts based on an eligible county's total unincorporated area population.

Amounts shown are maximum funding levels or contract "ceilings," since the Program can fund only the actual, allowable, and reasonable costs of the proposed project, not to exceed these amounts. All grants, except Texas Capital Fund, awarded under the Texas Community Development Block Grant Program are subject to negotiation between ORCA and the applicant regarding the final grant amount. Texas Capital Fund applications are subject to negotiation between the Texas Department of Agriculture and the applicant regarding the final award amount.

### **Project Length**

All funded projects, except the Texas Capital Fund, Tx CDBG STEP Fund, and Colonia Self-Help Centers Fund projects, must be completed within two years from the start date of the contract agreement. The Texas Capital Fund Main Street and Downtown Revitalization program awards will be made for a twenty-four (24) month term. The other Texas Capital Fund programs and Tx CDBG STEP Fund projects must be completed within three years from the start date of the contract agreement. Contract end dates for Colonia Self-Help Centers contracts may be adjusted to account for each program year award. Waivers through a contract amendment of these requirements for any Tx CDBG contract will only be granted when a waiver request is submitted in writing to ORCA or TDA

(for Texas Capital Fund contracts) and ORCA or TDA finds that compelling circumstances exist outside the control of the local government that justify the approval of such a waiver.

## **REVIEW PROCESS**

### **1. Regional Review Committees (RRC) - Composition and Role**

There is a Regional Community Development Review Committee in each of the 24 state planning regions. Each committee will be comprised of 12 members appointed for two-year staggered terms by the Governor.

Each Regional Review Committee reviews and scores all applications within its region for the Community Development Fund/Community Development Supplemental Fund. Furthermore, the Regional Review Committees do not score but may review and comment on applications to other Tx CDBG fund categories. The scores for the Community Development Fund/Community Development Supplemental Fund and comments on other applications are forwarded to the Tx CDBG.

### **2. State Review Committee (SRC) - Composition and Role**

A State Community Development Review Committee comprised of 12 local elected officials appointed by the Governor for two-year terms is provided for by State statute. Chapter 487.353 of the Texas Government Code prescribes the duties of the State Review Committee. Paragraph (i) states the committee shall: (1) consult with and advise the executive director on the administration and enforcement of the community development block grant program; and (2) review funding applications of eligible counties and municipalities, and advise and assist the executive director regarding the allocation of program funds to those applicants. Paragraph (j) says the committee may annually recommend to the executive director a formula for allocating funds to each geographic state planning region.

### **3. Texas Capital Fund Review Process**

The Texas Capital Fund applications will be reviewed and evaluated by Texas Department of Agriculture staff in accordance with the established selection criteria. Recommendations will be made to the Commissioner of the Texas Department of Agriculture for final award.

### **4. Clearinghouse Review**

Regional review of projects will be consistent with guidelines adopted by the Governor's Office for review and comment under the Texas Review and Comment System and Chapter 391, Texas Local Government Code.

### **5. Regional Water Plans**

Water activities included in Tx CDBG applications must be consistent with Regional Water Plans promulgated by Senate Bill 1. (Passed during the 75<sup>th</sup> State of Texas Legislative Session)

## Applicant Threshold and Past Performance Requirements

A city or county must meet the following requirements in order to submit an application or to receive funding through the Texas Community Development Block Grant Program:

1. Demonstrate the ability to manage and administer the proposed project, including meeting all proposed benefits outlined in its application, by using the following criteria:
  - a. Provide the roles and responsibilities of local staff designated to administer or work on the proposed project. Also, include a plan of project implementation;
  - b. Indicate intention to use a third-party administrator, if applicable; or
  - c. If local staff, along with a third-party administrator, will jointly administer the proposed project, the respective roles and responsibilities of the designated local staff.
2. Demonstrate the financial management capacity to operate and maintain any improvements made in conjunction with the proposed project, by using the following criteria:
  - a. Evidence of a financial person on staff, or evidence of intent to contract financial oversight; and
  - b. Provide evidence or a statement certifying that financial records for the proposed project will be kept at an officially designated city/county site, accessible by the public, and will be adequately managed on a timely basis using generally accepted accounting principles.
3. Levy a local property (ad valorem) tax or local sales tax option.
4. Demonstrate satisfactory performance on all previously awarded Texas Community Development Block Grant Program contracts, by using the following criteria:
  - a. Exhibited past responses to audit and monitoring issues (over the most recent 48 months before the application due date) within prescribed times as indicated in ORCA's resolution letter(s);
  - b. Evidence related to past contracts (over the most recent 48 months before the application due date), through close-out monitoring and reporting, that the activity or service was made available to all intended beneficiaries, that low and moderate income persons were provided access to the service, or there has been adequate resolution of issues regarding beneficiaries served.
  - c. No outstanding delinquent response to a written request from Tx CDBG regarding a request for repayment of funds to Tx CDBG; or
  - d. Not more than one outstanding delinquent response to a written request from Tx CDBG regarding compliance issues such as a request for closeout documents or any other required information.
5. Resolve any and all outstanding compliance and audit findings on previous and existing Texas Community Development Block Grant Program contracts, by using the following criteria:
  - a. Applicant is actively participating in the resolution of any outstanding audit and/or monitoring issues by responding with substantial progress on outstanding issues within the time specified in the ORCA resolution process.
6. Submit any past due audit to ORCA in accordance with Title 10, Chapter 255, Subchapter A, Section 255.1 of the Texas Administrative Code.

- a. A community with one year's delinquent audit may be eligible to submit an application for funding by the established deadline, but may not receive a contract award if the audit continues to be delinquent by the awards meeting of the State Review Committee, as applicable, or for all other funding categories, prior to award by the Executive Director or by the Executive Committee for awards over \$300,000.

The Colonia Self-Help Center Fund and the Disaster Relief/Urgent Need Fund are exempt from the threshold.

- b. A community with two years of delinquent audits may not apply for additional funding and may not receive a contract award. This applies to all funding categories under the Texas Community Development Block Grant Program.

The Colonia Self-Help Center Fund may be exempt from this threshold, since funds for the self-help center funding is included in the program's state budget appropriation. Failure to meet the threshold will be reported to the Texas Department of Housing and Community Affairs for review and recommendation.

## **7. 12-Month Applicant Threshold Requirement**

Obligate at least fifty percent (50%) of the total Tx CDBG funds awarded under an open Tx CDBG contract within twelve (12) months from the start date of the contract or prior to the application deadlines and have received all applicable environmental approvals from Tx CDBG covering this obligation. This threshold is applicable to Tx CDBG contracts with an original 24-month contract period.

To meet this threshold, 50% of the Tx CDBG funds must be obligated through executed contracts for administrative services, engineering services, acquisition, construction, materials purchase, etc. The Tx CDBG contract activities do not have to be 50% completed, nor do 50% of the Tx CDBG contract funds have to be expended to meet this threshold.



Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories

Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories or when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund

---

Community Development Fund  
 Community Development Supplemental Fund  
 Colonia Construction Fund  
 Colonia Fund Planning  
 Disaster Relief / Urgent Need Fund  
 Planning/Capacity Building Fund  
 Non-Border Colonia Fund

---

Texas Capital Fund  
 Colonia Self-Help Centers Fund  
 Housing Rehabilitation Fund  
 Housing Infrastructure Fund  
 Texas STEP  
 Colonia Economically Distressed Areas  
 Disaster Recovery Initiative  
 Young vs. Martinez  
 Microenterprise Loan Fund  
 Small Business Loan Fund  
 Section 108 Loan Guarantee

**8. 24-Month Applicant Threshold Requirement**

Submit to ORCA the Certificate of Expenditures (COE) report showing the expended Tx CDBG funds and a final drawdown for any remaining Tx CDBG funds as required by the latest edition of the Texas Community Development Block Grant Program Project Implementation Manual. Any reserved funds on the COE must be approved in writing by Tx CDBG staff.

For purposes of meeting this threshold “expended” means that the construction and services covered by the Tx CDBG funds are complete and a drawdown for the Tx CDBG funds has been submitted prior to the application deadlines.

This threshold will apply to an open Tx CDBG contract with an original 24-month contract period and to Tx CDBG Contractors that have reached the end of the 24-month period prior to the application deadlines as described below:

**Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories**

**Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories or when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund**

---

Community Development Fund  
 Community Development Supplemental Fund  
 Colonia Construction Fund  
 Colonia Fund Planning  
 Disaster Relief / Urgent Need Fund  
 Planning/Capacity Building Fund  
 Non-Border Colonia Fund

---

Texas Capital Fund  
 Colonia Self-Help Centers Fund  
 Housing Rehabilitation Fund  
 Housing Infrastructure Fund  
 Texas STEP (original 24-month contract, extended to 36-months)  
 Colonia Economically Distressed Areas  
 Disaster Recovery Initiative

Young vs. Martinez  
Microenterprise Loan Fund  
Small Business Loan Fund  
Section 108 Loan Guarantee

9. **36-Month Applicant Threshold Requirement**

Submit to ORCA the Certificate of Expenditures (COE) report showing the expended Tx CDBG funds and a final drawdown for any remaining Tx CDBG funds as required by the latest edition of the Texas Community Development Block Grant Program Project Implementation Manual. Any reserved funds on the COE must be approved in writing by Tx CDBG staff.

For purposes of meeting this threshold “expended” means that the construction and services covered by the Tx CDBG funds are complete and a drawdown for the Tx CDBG funds has been submitted prior to the application deadlines.

This threshold is applicable for a previously awarded Tx CDBG contract with an original 36-month contract period or a STEP 24-month contract, extended to 36 months, and to Tx CDBG Contractors that have reached the end of the 36-month period prior to the application deadlines as described below:

**Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories**

---

Texas STEP (original 36-month contract or original 24-month contract, extended to 36 months)

**Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories or when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund**

---

Texas Capital Fund (see Texas Capital Fund Section)  
Colonia Self-Help Centers Fund  
Housing Rehabilitation Fund  
Colonia Economically Distressed Areas  
Disaster Recovery Initiative  
Young vs. Martinez  
Microenterprise Loan Fund  
Small Business Loan Fund  
Section 108 Loan Guarantee

10. Tx CDBG funds cannot be expended in any county that is designated as eligible for the Texas Water Development Board Economically Distressed Areas Program unless the county has adopted and is enforcing the Model Subdivision Rules established pursuant to Section 16.343 of the Water Code.

11. Texas Capital Fund contractors must expend all but the reserved audit funds, or other reserved funds that are pre-approved by Texas Department of Agriculture staff, awarded under a Texas Capital Fund contract

executed at least 36 months prior to the current program year application deadline and submit to the Texas Department of Agriculture the Certificate of Expenditures required by the most recent edition of the Texas Capital Fund Implementation Manual. Texas Capital Fund contractors intending to submit a new application may not have an existing contract with an award date in excess of 48 months prior to the application deadline date, regardless of extensions granted.

12. Based on a pattern of unsatisfactory (a.) performance on previously awarded Texas Community Development Block Grant Program contracts, (b.) management and administration of Tx CDBG contracts, or (c) financial management capacity based on a review of official financial records and audits, ORCA (or TDA, in the case of the Texas Capital Fund applications) may determine that an applicant is ineligible to apply for Tx CDBG funding even though at the application date it meets the threshold and past performance requirements. ORCA (or TDA, in the case of Texas Capital Fund applications) will consider the most recent 48 months before the application due date. An applicant would still remain eligible for funding under the Disaster Fund.

## APPLICATION SELECTION CRITERIA

### GENERAL DESCRIPTION

All projects under the Community Development Fund, Colonia Fund (except for the Colonia Economically Distressed Areas Program Fund and Colonia Self-Help Centers Fund), Non-Border Colonia Fund, and the Planning And Capacity Building Fund are evaluated and rated in accordance with a numerical point system based on the following three major criteria:

- (1) community/economic distress factors of the applicant
- (2) project impact/design
- (3) other considerations

The points awarded under these criteria are combined to rank the projects in descending order. The projects in each fund are selected based on this descending order and the availability of dollars in each fund. For the Community Development Fund, the points under these criteria are divided between the Tx CDBG (350 points) and each of the 24 Regional Review Committees (350 points). For the statewide and regional competitions, the Tx CDBG staff scores the project impact/design factors.

In the event that one or more of the following occur, the TxCDBG staff will re-score the 2008 applications based on the TxCDBG scoring criteria established as the state's scores under section IV (C)(1)(a-e) of the 2007 Action Plan:

1. HUD does not accept the revised RRC scoring system described in the 2009 Action Plan.
2. RRC fails to approve an objective scoring methodology for the 2009-2010 biennial competition to the satisfaction of ORCA.

The TxCDBG will award 2008 funds for a region after its RRC has adopted an objective scoring as described in the 2009 Action Plan. In the event the RRC does not adopt objective scoring for PY 2009, TxCDBG will award PY 2008 funds for a region after the region's applications have been re-scored using the State scoring method as described above.

Texas Capital Fund Real Estate Program, and Infrastructure Program projects are evaluated based upon selection criteria that include, but are not limited to:

- (1) Jobs
- (2) Business Emphasis
- (3) Feasibility
- (4) Community Need

Texas Capital Fund Main Street Program and Downtown Revitalization Program projects are evaluated based upon selection criteria that include, but are not limited to:

- (1) Community Profile
- (2) Project Feasibility
- (3) Leverage Ratio
- (4) Aiding in the Elimination of Slum an/or Blight Conditions

The final assignment of points for an applicant to the Community Development Fund, Colonia Fund, Non-Border Colonia Fund, or the Planning And Capacity Building Fund is the total of the points received in the above-mentioned criteria. All funding recommendations for the PY 2007 and PY 2008 Community Development Fund, Community Development Supplemental Fund, and Planning And Capacity Building Fund are provided to the State Review Committee for their recommendations. In addition, a grant award exceeding \$300,000 is reviewed by the ORCA Executive Committee and must receive Executive Committee approval before the award is official. Awards are then provided to ORCA's Executive Director for final award.

Except for Main Street Program applications, Texas Capital Fund applications are reviewed and evaluated by Texas Department of Agriculture staff. The Texas Department of Agriculture staff and the Texas Historical Commission review and evaluate the Main Street Program applications. Recommendations for all Texas Capital Fund applications will be made to the Commissioner of the Texas Department of Agriculture for final award.

In accordance with Section 2310.403, Government Code, preference will be given to applications from governing bodies of communities designated as defense economic readjustment zones over other eligible applications for Tx CDBG grants and loans if at least fifty percent (50%) of the grant or loan will be expended for the direct benefit of the readjustment zone and the purpose of the grant or loan is to promote Tx CDBG-eligible economic development in the community or for Tx CDBG-eligible construction, improvement, extension, repair, or maintenance of Tx CDBG-eligible public facilities in the community.

Disaster Relief/Urgent Need applications must meet the threshold factors as discussed under the "Description of Funds" section.

**Readiness to Proceed Requirements:** In order to determine that the project is ready to proceed, the applicant must provide in its application information that:

- a. Identifies the source of matching funds and provides evidence that the applicant has applied for the non-local matching funds, and for local matching funds, evidence that local matching funds would be available.
- b. Provides written evidence of a ratified, legally binding agreement, contingent upon award, between the applicant and the utility that will operate the project for the continual operation of the utility system as proposed in the application. For utility projects that require the applicant or service provider to obtain a Certificate of

Convenience and Necessity for the target area proposed in the application, provides written evidence that the Texas Commission on Environmental Quality has received the applicant or service provider's application.

c. Where applicable, provide a written commitment from service providers, such as the local water or sewer utility, stating that they will provide the intended services to the project area if the project is constructed.

Any applicant's cash match included in the Tx CDBG contract budget may not be obtained from any person or entity that provides contracted professional or construction-related services (other than utility providers) to the applicant to accomplish the purposes described in the Tx CDBG contract, in accordance with 24 CFR Part 570.

### Resources for Descriptions of Selection Criteria by Fund Category

Starting on the next page, the descriptions for the selection criteria for each fund category provide a basic framework of the selection criteria and selection factors used to distribute the funds under each fund category. Additional information on the selection criteria, selection factors and methods used to determine scores for these fund categories is provided in the application guide for each fund category and in the Texas Administrative Code at 10 T.A.C., Part 6, Chapter 255, Subchapter A. Community Development Fund and Community Development Supplemental Fund applications are scored by Tx CDBG Staff and by Regional Review Committees. The selection criteria, selection factors and methods used by each Regional Review Committee to determine scores for the Community Development Fund/Community Development Supplemental Fund are adopted by each Regional Review Committee and then made available to each eligible applicant in the region.

The information currently available for fund categories in the Texas Administrative Code may not yet reflect changes to selection criteria contained in this 2008 Action Plan for the 2008 program year. Any changes to the selection criteria will be published in the *Texas Register* prior to final adoption.

The Texas Administrative Code can be found on the Texas Secretary of State website at [www.sos.state.tx.us](http://www.sos.state.tx.us). Listed below are the Tx CDBG fund categories that are currently contained in the Texas Administrative Code.

Texas Administrative Code, Title 10 T.A.C., Part 6, Chapter 255, Subchapter A

Section	Section Title
255.1	General Provisions
255.2	Community Development Fund
255.3	Young v. Martinez Fund
255.4	Planning/Capacity Building Fund
255.5	Disaster Relief Fund
255.6	Urgent Need Fund
255.7	Texas Capital Fund
255.8	Regional Review Committees
255.9	Colonia Fund
255.10	Housing Fund
255.11	Small Towns Environment Program Fund
255.12	Microenterprise Loan Fund
255.13	Small Business Loan Fund

Section	Section Title
255.14	Section 108 Loan Guarantee Pilot Program
255.15	Community Development Supplemental Fund
255.16	Non-Border Colonia Fund

**Description of Selection Criteria by Fund Category**

<b>1. COMMUNITY DEVELOPMENT FUND</b>	<b>700 Total Points Maximum</b>
--------------------------------------	---------------------------------

**a. Community Distress -- 55 Points (Maximum)**

- Percentage of persons living in poverty 25 points
- Per Capita Income 20 points
- Unemployment Rate 10 points

**b. Benefit To Low/Moderate-Income Persons -- 40 Points (Maximum)**

Applicants are required to meet the 51 percent low/moderate-income benefit for each activity as a threshold requirement. Any project where at least 60 percent of the Tx CDBG funds benefit low/moderate-income persons will receive 40 points.

**c. Project Impact -- 0 - 175 Points (Maximum)**

Information submitted in the application or presented to the Regional Review Committees is used by a committee composed of Tx CDBG staff to generate scores on the Project Impact factor.

Each application is scored by a committee composed of Tx CDBG staff. Each committee member separately evaluates an application and assigns a score within a predetermined scoring range based on the application activities. The separate scores are then totaled and the application is assigned the average score. The scoring ranges used for Project Impact scoring are:

ACTIVITIES	SCORING RANGE
• Water, Sewer, and Housing	175 - 145
• Eligible Public Facilities Located In A Defense Economic Readjustment Zone	175 - 145
• Street Paving, Drainage, Flood Control and Accessibility Activities for Persons With Disabilities	160 - 130
• Fire Protection, Health Clinics, and Facilities Providing Shelter For Persons With Special Needs (Hospitals, Nursing Homes, Convalescent Homes)	145 - 125
• Community/Senior/Social Services Centers	135 - 115

## SCORING

ACTIVITIES	RANGE
• Demolition/Clearance, Code Enforcement	135 - 115
• Gas/Electrical Facilities and Solid Waste Disposal	130 - 110
• Access to Basic Telecommunications	125 - 105
• Jails, Detention Facilities	125 - 105
• All Other Eligible Activities	115 - 85

Multi-activity projects which include activities in different scoring ranges receive a combination score within the possible range. As an example, a project including street paving and demolition/clearance activities is scored within a range of 160-115. If the project included a water activity also, the possible range would be 175-115.

Other factors that are evaluated by the Tx CDBG staff in the assignment of scores within the predetermined scoring ranges for activities include, but are not limited to, the following:

- Each application is scored based on how the proposed project will resolve the identified need and the severity of the need within the applying jurisdiction.
- Projects addressing basic human needs such as water, sewer, and housing generally are scored higher than projects addressing other eligible activities.
- Projects providing a first-time public facility or service generally receive a higher score than projects providing an expansion or replacement of existing public facilities or services.
- Public water and sewer projects providing a first-time public facility or service generally receive a higher score than other eligible first-time public facility or service projects.
- Projects designed to bring existing services up to at least the state minimum standards as set by the applicable regulatory agency are generally also given additional consideration.
- For water and sewer projects addressing state regulatory compliance issues, the extent to which the issue was unforeseen.
- Projects designed to address drought-related water supply problems are generally also given additional consideration.
- Water and sewer projects providing first-time water or sewer service through a privately-owned for-profit utility or an expansion/improvement of the existing water or sewer service provided through a privately-owned for-profit utility may, on a case-by-case basis, receive less consideration than the consideration given to projects providing these services through a public nonprofit organization.
- Projects designed to conserve water usage may be given additional consideration.
- Water and sewer projects from applicants that demonstrate a long term commitment to reinvestment in the system and sound management of the system may be given additional consideration (including those that have remained in compliance with health and TCEQ system requirements).
- Consideration will be given to those water and sewer systems that have agreed to undertake improvements to their systems at TCEQ's recommendation but are not under an enforcement order because of this agreement.
- Projects that consider ORCA's Community Viability Index in establishing the issues to be addressed.

- Projects that use renewable energy technology for not less than 10% of the total energy requirements, (excluding the purchase of energy from the electric grid that was produced with renewable energy).

**d. Matching Funds -- 60 Points (Maximum)**

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request 60 points
- Match at least 4% but less than 5% of grant request 40 points
- Match at least 3%, but less than 4% of grant request 20 points
- Match at least 2%, but less than 3% of grant request 10 points
- Match less than 2% of grant request 0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request 60 points
- Match at least 7.5% but less than 10% of grant request 40 points
- Match at least 5%, but less than 7.5% of grant request 20 points
- Match at least 2.5%, but less than 5% of grant request 10 points
- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 60 points
- Match at least 11.5% but less than 15% of grant request 40 points
- Match at least 7.5%, but less than 11.5% of grant request 20 points
- Match at least 3.5%, but less than 7.5% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 60 points
- Match at least 15% but less than 20% of grant request 40 points
- Match at least 10%, but less than 15% of grant request 20 points
- Match at least 5%, but less than 10% of grant request 10 points
- Match less than 5% of grant request 0 points

Tx CDBG funds cannot be used to install street/road improvements in areas that are not currently receiving water or sewer service from a public or private service provider unless the applicant provides matching funds equal to at least fifty percent (50%) of the total construction cost budgeted for the street/road improvements. This requirement will not apply when the applicant provides assurance that the street/road improvements proposed in



the application will not be impacted by the possible installation of water or sewer lines in the future because sufficient easements and rights-of-way are available for the installation of such water or sewer lines.

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Applications that include a housing rehabilitation and/or affordable new permanent housing activity for low- and moderate-income persons as a part of a multi-activity application do not have to provide any matching funds for the housing activity. This exception is for housing activities only. The Tx CDBG does not consider sewer or water service lines and connections as housing activities.

Demolition/clearance and code enforcement, when done in the same target area in conjunction with a housing rehabilitation activity, is counted as part of the housing activity. When demolition/clearance and code enforcement are proposed activities, but are not part of a housing rehabilitation activity, then the demolition/clearance and code enforcement are not considered as housing activities and are counted towards the ratio of local match to Tx CDBG funds requested. Any additional activities, other than related housing activities, are scored based on the percentage of match provided for the additional activities.

**e. Other Considerations -- 20 Points (Maximum)**

Ten (10) points of the 20 points are awarded to each applicant that did not receive a 2005 or 2006 Community Development Fund contract award.

An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.

- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

**f. Regional Review Committee (RRC) -- 350 Points (Maximum)**

- Project Priorities 100 points (Minimum)
- Local Effort 75 points (Minimum)
- Merits of the Project 175 points (Maximum)

In general, the RRC must establish the method its members will use to score each of the three factors, consistent with HUD regulations as determined by Tx CDBG. The method must be described in the RRC Guidelines and made available to communities in the region for use in preparing applications.

Housing - Each region is encouraged to allocate eight percent (8%) %, or a greater or lesser percentage, of its Community Development Fund allocation to housing projects proposed in and for that region. Under a housing allocation, the highest ranked applications for housing activities, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing allocation level. If the region allocates a percentage its funds to housing and applications conforming to the maximum and minimum amounts are not received to use the entire housing allocation, the remaining funds may be used for other eligible activities.

**(i) Project Priorities -- (100 Points Minimum for Highest Priority Level)**

The RRC must establish in the RRC Guidelines the priorities of project activities and the specific number of points that will be awarded for each priority level.

**(ii) Local Effort -- (75 points Minimum)**

Under the Local Effort category, the RRC reviews and scores based on efforts being made by applicants in utilizing local resources for community development. The RRC must establish the method its members will use to score this factor, consistent with HUD regulations as determined by Tx CDBG. The following questions are examples of questions that may be considered by the RRC and they may be revised, omitted or other criteria/factors may be considered as deemed appropriate:

1. What is the local ad valorem (property) tax rate? (including for counties the base rate and combined rates.)
2. What is the delinquency rate for the property tax for a specific time period?
3. What are the current tax rates levied by taxing districts in the jurisdiction and which taxes affect the proposed project area?
4. What is the total tax rate as of a certain date (from all jurisdictions) paid by the applicant's residents and the residents in the proposed project area?
5. When was the last tax rate or property valuation increase for the applicant's jurisdiction, including the project area?

6. Does the applicant levy the local sales tax option, 4A sales tax, 4B sales tax, or other local sales? If so, what is the tax rate(s) and the amount of sales tax revenue collected during previous 12 months?
7. What is the applicant's per capita bond (bond and long-term debt) indebtedness for principal only? For principal and interest? (Based on 2000 Census data as available)
8. What are the applicant's water and sewer rates (including residential rates) for the project area?
9. What would a household with 5,000 gallon/month usage pay in water and sewer bills (based on residential rates in the project area)?
10. When was the last increase in water and/or sewer rates (including residential rates) for the project area?
11. Historically, has the applicant or applicable utility funded improvements with local funds, bond debt, long-term debt, or grants?
12. Who provides the utilities in the project area?
13. What is the unencumbered reserve and how much was reserved for particular projects at the end of the last fiscal year?
14. Is there any information not specifically requested that the applicant would like to present to the Committee concerning their efforts locally?

(iii). Merits of the Project -- (175 Points Maximum)

The RRC awards points based on the merits of the project, particularly the severity of need of the project. This factor would not consider local effort, which is scored under the preceding factor. The RRC must establish the method its members will use to score this factor, consistent with HUD regulations as determined by Tx CDBG. The following questions are examples of questions that may be considered by the RRC and they may be revised, omitted or other criteria/factors may be considered as deemed appropriate:

1. What is the severity of the need for this project?
2. To what extent will this project resolve the problem?
3. Does the project appear to be the most feasible method of addressing the problem?
4. Does this project address the problem for only a small target area or for the entire community?
5. Is there an alternate method for the applicant to solve the problem, (i.e., has the applicant sought funding from other sources such as state and federal agencies)?
6. What is the cost in Tx CDBG dollars requested per beneficiary?
7. Has this project been submitted in the past?
8. Is there a clearly identified substantial "self-help" component provided for in the project (i.e., 10 percent or more of the total project costs)?

(iv) The committee must establish, as part of the organizational meeting, a scoring methodology for each of the selection factors listed under Local Effort and Merits of the Project consistent with HUD regulations, as determined by Tx CDBG. The scoring procedure must prescribe the method of documenting the committee member's score. The RRC may (A) further subdivide the broad selection factors/categories into smaller categories/increments and provide additional detail in the RRC scoring for the Local Effort and Merits of the Project; (B) select certain "Key questions/Considerations/Factors" that can be used to evaluate the broad selection factor/category and develop a specific number of scoring ranges, including a scoring range for Yes/No answers, or (C) a combination of A and B, which includes a subdivision of the categories into smaller increments and key questions/considerations with specific scoring ranges. Factors selected must be unambiguous in the method of

scoring them. As part of the process, the committee must retain documentation showing how each committee member awarded points under this factor and provide a copy of this documentation to the Tx CDBG.

The RRC is encouraged to assess the regional housing needs and the manner of determining that housing needs are addressed and appropriately considered as part of the review and scoring process. The RRC must determine at its organizational meeting whether it will have a housing set-aside and include the decision and amount of housing set-aside in the RRC Guidelines.

Each Regional Review Committee must score all of the three (3) required scoring factors.

### **Community Development Fund Marginal Competition**

Due to the two-year funding cycle proposed for program years 2007 and 2008, a Community Development Fund pooled marginal competition was not conducted for program year 2007. A pooled marginal competition may be conducted for program year 2008 using available funds if the State's 2008 allocation is not decreased significantly from the State's estimated 2008 Community Development/Community Development Supplemental Funds allocations.

All applicants whose marginal amount available is under \$75,000 will automatically be considered under this competition.

When the marginal amount left in a regional allocation is equal to or above the Tx CDBG grant minimum of \$75,000, the marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Alternatively, such marginal applicants may choose to compete under the pooled marginal fund competition for the possibility of full project funding.

This fund consists of all regional marginal amounts of less than \$75,000, any funds remaining from regional allocations where the number of fully funded eligible applicants does not utilize a region's entire allocation and the contribution of marginal amounts larger than \$75,000 from those applicants opting to compete for full funding rather than accept their marginal amount.

The scoring factors used in this competition are the Tx CDBG Community Development Fund scoring factors (maximum of 350 points). Applicants' scores on the Community Distress scoring factors will be recalculated based on the applicants competing in the marginal pool competition only. The Benefit To Low/moderate-Income Persons, Project Impact, Matching Funds, and Other Considerations scores are part of the total score received in this competition, but they are not rescored.

The marginal competition will incorporate the Community Development Supplemental Fund as described in Section IV (C) (2a).

<b>2. COMMUNITY DEVELOPMENT SUPPLEMENTAL FUND</b>	<b>360 Total Points Maximum</b>
---	---------------------------------

**a. Regional Review Committee (RRC) -- 350 Points (Maximum)**

- Project Priorities 100 points (Minimum)
- Local Effort 75 points (Minimum)
- Merits of the Project 175 points (Maximum)

**b. Past Performance - Tx CDBG scored 10 points (Maximum)**

In general, the RRC must establish the method its members will use to score each of the three factors, consistent with HUD regulations as determined by Tx CDBG. The method must be described in the RRC Guidelines and made available to communities in the region for use in preparing applications.

Housing - Each region is encouraged to allocate eight percent (8%), or a greater or lesser percentage, of its Community Development Fund allocation to housing projects proposed in and for that region. Under a housing allocation, the highest ranked applications for housing activities, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing allocation level. If the region allocates a percentage its funds to housing and applications conforming to the maximum and minimum amounts are not received to use the entire housing allocation, the remaining funds may be used for other eligible activities.

(i) Project Priorities -- (100 Points Minimum for Highest Priority Level)

The RRC must establish in the RRC Guidelines the priorities of project activities and the specific number of points that will be awarded for each priority level.

(ii) Local Effort -- (75 points Minimum)

Under the Local Effort category, the RRC reviews and scores based on efforts being made by applicants in utilizing local resources for community development. The RRC must establish the method its members will use to score this factor, consistent with HUD regulations as determined by Tx CDBG. The following questions are examples of questions that may be considered by the RRC and they may be revised, omitted or other criteria/factors may be considered as deemed appropriate:

1. What is the local ad valorem (property) tax rate? (including for counties the base rate and combined rates.)
2. What is the delinquency rate for the property tax for a specific time period?
3. What are the current tax rates levied by taxing districts in the jurisdiction and which taxes affect the proposed project area?
4. What is the total tax rate as of a certain date (from all jurisdictions) paid by the applicant's residents and the residents in the proposed project area?
5. When was the last tax rate or property valuation increase for the applicant's jurisdiction, including the project area?
6. Does the applicant levy the local sales tax option, 4A sales tax, 4B sales tax, or other local sales? If so, what is the tax rate(s) and the amount of sales tax revenue collected during previous 12 months?
7. What is the applicant's per capita bond (bond and long-term debt) indebtedness for principal only? For principal and interest? (Based on 2000 Census data as available)
8. What are the applicant's water and sewer rates (including residential rates) for the project area?

9. What would a household with 5,000 gallon/month usage pay in water and sewer bills (based on residential rates in the project area)?
10. When was the last increase in water and/or sewer rates (including residential rates) for the project area?
11. Historically, has the applicant or applicable utility funded improvements with local funds, bond debt, long-term debt, or grants?
12. Who provides the utilities in the project area?
13. What is the unencumbered reserve and how much was reserved for particular projects at the end of the last fiscal year?
14. Is there any information not specifically requested that the applicant would like to present to the Committee concerning their efforts locally?

(iii). Merits of the Project -- (175 Points Maximum)

The RRC awards points based on the merits of the project, particularly the severity of need of the project. This factor would not consider local effort, which is scored under the preceding factor. The RRC must establish the method its members will use to score this factor, consistent with HUD regulations as determined by Tx CDBG. The following questions are examples of questions that may be considered by the RRC and they may be revised, omitted or other criteria/factors may be considered as deemed appropriate:

1. What is the severity of the need for this project?
2. To what extent will this project resolve the problem?
3. Does the project appear to be the most feasible method of addressing the problem?
4. Does this project address the problem for only a small target area or for the entire community?
5. Is there an alternate method for the applicant to solve the problem, (i.e., has the applicant sought funding from other sources such as state and federal agencies)?
6. What is the cost in Tx CDBG dollars requested per beneficiary?
7. Has this project been submitted in the past?
8. Is there a clearly identified substantial "self-help" component provided for in the project (i.e., 10 percent or more of the total project costs)?

(iv) The committee must establish, as part of the organizational meeting, a scoring methodology for each of the selection factors listed under Local Effort and Merits of the Project consistent with HUD regulations, as determined by Tx CDBG. The scoring procedure must prescribe the method of documenting the committee member's score. The RRC may (A) further subdivide the broad selection factors/categories into smaller categories/increments and provide additional detail in the RRC scoring for the Local Effort and Merits of the Project; (B) select certain "Key questions/Considerations/Factors" that can be used to evaluate the broad selection factor/category and develop a specific number of scoring ranges, including a scoring range for Yes/No answers, or (C) a combination of A and B, which includes a subdivision of the categories into smaller increments and key questions/considerations with specific scoring ranges. Factors selected must be unambiguous in the method of scoring them. As part of the process, the committee must retain documentation showing how each committee member awarded points under this factor and provide a copy of this documentation to the Tx CDBG.

The RRC is encouraged to assess the regional housing needs and the manner of determining that housing needs are addressed and appropriately considered as part of the review and scoring process. The RRC must determine at

its organizational meeting whether it will have a housing set-aside and include the decision and amount of housing set-aside in the RRC Guidelines.

Each Regional Review Committee must score all of the three (3) required scoring factors.

**Past Performance** – Tx CDBG scored. An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

Marginal competition. The marginal competition will incorporate the Community Development Supplemental Fund as described in Section IV (C) (2a).

<b>3. TEXAS CAPITAL FUND</b>	<b>Real Estate, And Infrastructure Programs</b>
------------------------------	---

The selection criteria for the Real Estate, and Infrastructure Programs of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

- a. Creation or retention of jobs primarily for low to moderate income persons
- b. Creation or retention of jobs primarily in areas of above average unemployment and poverty
- c. Generation of a greater ratio of private investment to Texas Capital Fund investment
- d. Expansion of markets through manufacturing and/or value-added processing
- e. Provision of job opportunities at the lowest possible Texas Capital Fund cost per job
- f. Benefit to areas of the state most in need by considering job impact to community
- g. Assistance for small businesses and Historically Underutilized Businesses
- h. Feasibility of project and ability to create and/or retain jobs

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of business or

marketing plan; management experience of the business' principals; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

<b>4. TEXAS CAPITAL FUND</b>	<b>Main Street Program</b>
------------------------------	----------------------------

The selection criteria for the Main Street Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

- a. Aid in the elimination of slum or blight
- b. The applicant must have been designated by the Texas Historical Commission as a Main Street City
- c. Feasibility of project
- d. Generation of a greater ratio of private investment to Texas Capital Fund investment
- e. Texas Historical Commission scoring
- f. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of marketing plan; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

<b>5. TEXAS CAPITAL FUND</b>	<b>Downtown Revitalization Program</b>
------------------------------	--

The selection criteria for the Downtown Revitalization Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

- a. Aid in the elimination of slum or blight
- b. Feasibility of project
- c. Generation of a greater ratio of private investment to Texas Capital Fund investment
- d. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: strength of marketing plan and justification of minimum Texas Capital Fund contribution necessary to serve the project.

<b>6. COLONIA CONSTRUCTION FUND</b>	<b>430 Total Points Maximum</b>
-------------------------------------	---------------------------------

**a. Community Distress -- 35 Points (Maximum)**

- |   |           |
|---|-----------|
| • Percentage of persons living in poverty               | 15 points |
| • Per Capita Income                                     | 10 points |
| • Percentage of housing units without complete plumbing | 5 points  |
| • Unemployment Rate                                     | 5 points  |

**b. Benefit To Low/Moderate-Income Persons -- 30 Points (Maximum)**



A formula is used to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. The percentage of low to moderate income persons benefiting from each construction, acquisition, and engineering activity is multiplied by the Tx CDBG funds requested for each corresponding construction, acquisition, and engineering activity. Those calculations determine the amount of Tx CDBG benefiting low to moderate income person for each of those activities. Then, the funds benefiting low to moderate income persons for each of those activities are added together and divided by the Tx CDBG funds requested minus the Tx CDBG funds requested for administration to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. Points are then awarded in accordance with the following scale;

100% to 90% of Tx CDBG funds benefiting low to moderate income persons	30
89.99% to 80% of Tx CDBG funds benefiting low to moderate income persons	25
79.99% to 70% of Tx CDBG funds benefiting low to moderate income persons	20
69.99% to 60% of Tx CDBG funds benefiting low to moderate income persons	15
Below 60% of Tx CDBG funds benefiting low to moderate income persons	5

**c. Project Priorities -- 195 Points (Maximum)**

- Activities (service lines, service connections, and/or plumbing improvements) providing public access to EDAP-funded water or sewer systems 195
- First time public Water service activities (including yard service lines) 145
- First time public Sewer service activities (including yard service lines) 145
- Installation of approved residential on-site wastewater disposal systems for providing first time service 145
- Installation of approved residential on-site wastewater disposal systems for failing systems that cause health issues 140
- Housing Activities 140
- First time Water and/or Sewer service through a privately-owned for-profit utility 135
- Expansion or improvement of existing Water and/or Sewer service 120
- Street Paving and Drainage activities 75
- All Other eligible activities 20

A weighted average is used to assign scores to applications that include activities in the different Project Priority scoring levels. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for engineering and administration, a percentage of the total Tx CDBG construction dollars for each activity will be calculated. The percentage of the total Tx CDBG construction dollars for each activity will then be multiplied by the appropriate Project Priorities point level. The sum of these calculations determines the composite Project Priorities score.

**d. Project Design -- 140 Points (Maximum)**

Each application is scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- For projects other than water and waste water, whether the applicant has already met its basic water and waste water needs.
- Whether the project has provided for future funding necessary to sustain the project.
- The severity of need within the colonia area(s) and how the proposed project resolves the identified need. Additional consideration is given to water system improvements addressing the impacts from the current drought conditions in the state.
- The applicant will use Tx CDBG funds to provide water or sewer connections, yard service lines, and/or plumbing improvements associated with providing access for colonia residents to water or sewer systems funded by the Texas Water Development Board Economically Distressed Areas Program (EDAP).
- The applicant's past efforts (with emphasis on the applicant's most recent efforts) to address water, sewer, and housing needs in colonia areas through applications submitted under the Tx CDBG Community Development Fund or through the use of CDBG entitlement funds.
- The Tx CDBG cost per low/moderate income beneficiary.
- Whether the applicant has provided any local matching funds for administrative, engineering, or construction activities.
- If applicable, the projected water and/or sewer rates after completion of the project based on 3,000 gallons, 5,000 gallons and 10,000 gallons of usage.
- The ability of the applicant to utilize the grant funds in a timely manner.
- Whether the applicant has waived the payment of water or sewer service assessments, capital recovery fees, and any other access fees for the low and moderate income project beneficiaries.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

**e. Matching Funds -- 20 Points (Maximum)**

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request 20 points
- Match at least 2%, but less than 5% of grant request 10 points
- Match less than 2% of grant request 0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request 20 points
- Match at least 2.5%, but less than 10% of grant request 10 points
- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 20 points

- Match equal to or greater than 15% of grant request 20 points
- Match at least 3.5%, but less than 15% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 20 points
- Match at least 5%, but less than 20% of grant request 10 points
- Match less than 5% of grant request 0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Applications that include a housing rehabilitation and/or affordable new permanent housing activity for low- and moderate-income persons as a part of a multi-activity application do not have to provide any matching funds for the housing activity. This exception is for housing activities only. The Tx CDBG does not consider sewer or water service lines and connections as housing activities. The Tx CDBG also does not consider on-site wastewater disposal systems as housing activities.

Demolition/clearance and code enforcement, when done in the same target area in conjunction with a housing rehabilitation activity, is counted as part of the housing activity. When demolition/clearance and code enforcement are proposed activities, but are not part of a housing rehabilitation activity, then the demolition/clearance and code enforcement are not considered as housing activities. Any additional activities, other than related housing activities, are scored based on the percentage of match provided for the additional activities.

#### **Past Performance - 10 points (Maximum)**

An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.

- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

### **Colonia Construction Fund Marginal Applicant**

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. If the marginal amount available to this applicant is equal to or more than the Colonia Construction Fund grant minimum of \$75,000, the marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. In the event that the marginal amount remaining in the Colonia Construction Fund allocation is less than \$75,000, then the remaining funds will be used to either fund a Colonia Planning Fund application or will be reallocated to other established Tx CDBG fund categories.

<b>7. COLONIA ECONOMICALLY DISTRESSED AREAS PROGRAM FUND</b>
--

The allocation is distributed on an as-needed basis to eligible counties, and nonentitlement cities located in those counties, that are eligible under the Tx CDBG Colonia Fund and Texas Water Development Board's Economically Distressed Areas Program (TWDB EDAP). Unutilized funds under this program may be redistributed among the established 2008 program year fund categories, for otherwise eligible projects.

Eligible projects shall be located in unincorporated colonias; in colonias located in eligible nonentitlement cities that annexed the colonia and the application for improvements in the colonia is submitted within five (5) years from the effective date of the annexation; or in colonias located in eligible nonentitlement cities where the city is in the process of annexing the colonia where the improvements are to be made.

Eligible applicants may submit an application that will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with being connected to a TWDB EDAP-funded water and sewer system improvement project. An application cannot be submitted until the construction of the TWDB EDAP-funded water or sewer system begins.

Eligible program costs include water distribution lines and sewer collection lines providing connection to water and sewer lines installed through the Texas Water Development Board's Economically Distressed Areas Program (when approved by the Tx CDBG), taps and meters (when approved by the Tx CDBG), yard service lines, service connections, plumbing improvements, and connection fees, and other eligible approved costs associated with connecting an income-eligible family's housing unit to the TWDB improvements.

Tx CDBG staff will evaluate the following factors prior to awarding Colonia Economically Distressed Areas Program funds:

- The proposed use of the Tx CDBG funds including the eligibility of the proposed activities and the effective use of the funds to provide water or sewer connections/yard lines to water/sewer systems funded through EDAP.
- The ability of the applicant to utilize the grant funds in a timely manner.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- Cost per beneficiary.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

<b>8. COLONIA AREA PLANNING FUND</b>	<b>340 Total Points Maximum</b>
--------------------------------------	---------------------------------

**a. Community Distress -- 35 Points (Maximum)**

- |   |           |
|---|-----------|
| • Percentage of persons living in poverty               | 15 points |
| • Per Capita Income                                     | 10 points |
| • Percentage of housing units without complete plumbing | 5 points  |
| • Unemployment Rate                                     | 5 points  |

**b. Benefit To Low/Moderate-Income Persons -- 30 Points (Maximum)**

Points are then awarded based on the low to moderate income percentage for all of the colonia areas where planning activities are located according to the following scale;

100% to 90% of Tx CDBG funds benefiting low to moderate income persons	30
89.99% to 80% of Tx CDBG funds benefiting low to moderate income persons	25
79.99% to 70% of Tx CDBG funds benefiting low to moderate income persons	20
69.99% to 60% of Tx CDBG funds benefiting low to moderate income persons	15
Below 60% of Tx CDBG funds benefiting low to moderate income persons	5

**c. Matching Funds -- 20 Points (Maximum)**

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- |  |           |
|--|-----------|
| • Match equal to or greater than 5% of grant request   | 20 points |
| • Match at least 2%, but less than 5% of grant request | 10 points |
| • Match less than 2% of grant request                  | 0 points  |

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- |   |           |
|---|-----------|
| • Match equal to or greater than 10% of grant request     | 20 points |
| • Match at least 2.5%, but less than 10% of grant request | 10 points |
| • Match less than 2.5% of grant request                   | 0 points  |

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 20 points
- Match at least 3.5%, but less than 15% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 20 points
- Match at least 5%, but less than 20% of grant request 10 points
- Match less than 5% of grant request 0 points

The population category under which county applications are scored is based on the actual number of beneficiaries to be served by the colonia planning activities.

**d. Project Design -- 255 Points (Maximum)**

Each application is scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- The severity of need within the colonia area(s), how clearly the proposed planning effort will remove barriers to the provision of public facilities to the colonia area(s) and result in the development of an implementable strategy to resolve the identified needs.
- The planning activities proposed in the application.
- Whether each proposed planning activity will be conducted on a colonia-wide basis.
- The extent to which any previous planning efforts for colonia area(s) have been accomplished.
- The Tx CDBG cost per low/moderate-income beneficiary.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.

A Colonia Planning Fund application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

**Colonia Area Planning Fund Marginal Applicant**

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in the Colonia Area Planning Fund allocation will be reallocated to either fund additional Colonia Comprehensive Planning Fund applications, Colonia Construction Fund applications, or will be reallocated to other established Tx CDBG fund categories.

<b>9. COLONIA COMPREHENSIVE PLANNING FUND</b>	<b>200 Total Points Maximum</b>
---	---------------------------------

a. Community Distress -- 25 Points (Maximum)

- |   |           |
|---|-----------|
| • Percentage of persons living in poverty               | 10 points |
| • Per Capita Income                                     | 5 points  |
| • Percentage of housing units without complete plumbing | 5 points  |
| • Unemployment Rate                                     | 5 points  |

b. Project Design -- 175 Points (Maximum)

Each application will be scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- The severity of need for the comprehensive colonia planning effort and how effectively the proposed comprehensive planning effort will result in a useful assessment of colonia populations, locations, infrastructure conditions, housing conditions, and the development of short-term and long term strategies to resolve the identified needs.
- The extent to which any previous planning efforts for colonia area(s) have been accomplished.
- Whether the applicant has provided any local matching funds for the planning or preliminary engineering activities.
- The applicant's past performance on previously awarded Tx CDBG contracts.

A Colonia Planning Fund application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

#### Colonia Comprehensive Planning Fund Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in the Colonia Comprehensive Planning Fund allocation will be reallocated to either fund additional Colonia Area Planning Fund applications, Colonia Construction Fund applications, or will be reallocated to other established Tx CDBG fund categories.

<b>10. NON-BORDER COLONIA FUND</b>	<b>380 Total Points Maximum</b>
------------------------------------	---------------------------------

a. Community Distress -- 35 Points (Maximum)

- |   |           |
|---|-----------|
| • Percentage of persons living in poverty               | 15 points |
| • Per Capita Income                                     | 10 points |
| • Percentage of housing units without complete plumbing | 5 points  |

- Percentage of persons living in poverty 15 points
- Unemployment Rate 5 points

**b. Benefit To Low/Moderate-Income Persons -- 30 Points (Maximum)**

A formula is used to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. The percentage of low to moderate income persons benefiting from each construction, acquisition, and engineering activity is multiplied by the Tx CDBG funds requested for each corresponding construction, acquisition, and engineering activity. Those calculations determine the amount of Tx CDBG benefiting low to moderate income person for each of those activities. Then, the funds benefiting low to moderate income persons for each of those activities are added together and divided by the Tx CDBG funds requested minus the Tx CDBG funds requested for administration to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. Points are then awarded in accordance with the following scale;

100% to 90% of Tx CDBG funds benefiting low to moderate income persons	30
89.99% to 80% of Tx CDBG funds benefiting low to moderate income persons	25
79.99% to 70% of Tx CDBG funds benefiting low to moderate income persons	20
69.99% to 60% of Tx CDBG funds benefiting low to moderate income persons	15
Below 60% of Tx CDBG funds benefiting low to moderate income persons	5

**c. Project Priorities -- 145 Points (Maximum)**

- First time public Water service activities (including yard service lines) 145
- First time public Sewer service activities (including yard service lines) 145
- Installation of approved residential on-site wastewater disposal systems for providing first time service 145
- Installation of approved residential on-site wastewater disposal systems for failing systems that cause health issues 140
- Housing Activities 140
- First time Water and/or Sewer service through a privately-owned for-profit utility 135
- Expansion or improvement of existing Water and/or Sewer service 120
- Street Paving and Drainage activities 75
- All Other eligible activities 20

A weighted average is used to assign scores to applications that include activities in the different Project Priority scoring levels. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for engineering and administration, a percentage of the total Tx CDBG construction dollars for each activity will be calculated. The percentage of the total Tx CDBG construction dollars for each activity will then be multiplied by the appropriate Project Priorities point level. The sum of these calculations determines the composite Project Priorities score.



**d. Project Design -- 140 Points (Maximum)**

Each application is scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- For projects other than water and waste water, whether the applicant has already met its basic water and waste water needs.
- Whether the project has provided for future funding necessary to sustain the project.
- The severity of need within the colonia area(s) and how the proposed project resolves the identified need. Additional consideration is given to water system improvements addressing the impacts from the current drought conditions in the state.
- The applicant will use Tx CDBG funds to provide water or sewer connections, yard service lines, and/or plumbing improvements associated with providing access for non border colonia residents to water or sewer systems funded by the Texas Water Development Board Economically Distressed Areas Program (EDAP).
- The applicant's past efforts (with emphasis on the applicant's most recent efforts) to address water, sewer, and housing needs in colonia areas through applications submitted under the Tx CDBG Community Development Fund or through the use of CDBG entitlement funds.
- The Tx CDBG cost per low/moderate income beneficiary.
- Whether the applicant has provided any local matching funds for administrative, engineering, or construction activities.
- If applicable, the projected water and/or sewer rates after completion of the project based on 3,000 gallons, 5,000 gallons and 10,000 gallons of usage.
- The ability of the applicant to utilize the grant funds in a timely manner.
- Whether the applicant has waived the payment of water or sewer service assessments, capital recovery fees, and any other access fees for the low and moderate income project beneficiaries.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

**e. Matching Funds -- 20 Points (Maximum)**

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- |  |           |
|--|-----------|
| • Match equal to or greater than 5% of grant request   | 20 points |
| • Match at least 2%, but less than 5% of grant request | 10 points |
| • Match less than 2% of grant request                  | 0 points  |

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- |   |           |
|---|-----------|
| • Match equal to or greater than 10% of grant request     | 20 points |
| • Match at least 2.5%, but less than 10% of grant request | 10 points |
| • Match less than 2.5% of grant request                   | 0 points  |

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 20 points
- Match at least 3.5%, but less than 15% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 20 points
- Match at least 5%, but less than 20% of grant request 10 points
- Match less than 5% of grant request 0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Applications that include a housing rehabilitation and/or affordable new permanent housing activity for low- and moderate-income persons as a part of a multi-activity application do not have to provide any matching funds for the housing activity. This exception is for housing activities only. The Tx CDBG does not consider sewer or water service lines and connections as housing activities. The Tx CDBG also does not consider on-site wastewater disposal systems as housing activities.

Demolition/clearance and code enforcement, when done in the same target area in conjunction with a housing rehabilitation activity, is counted as part of the housing activity. When demolition/clearance and code enforcement are proposed activities, but are not part of a housing rehabilitation activity, then the demolition/clearance and code enforcement are not considered as housing activities. Any additional activities, other than related housing activities, are scored based on the percentage of match provided for the additional activities.

#### **Past Performance - 10 points (Maximum)**

An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the

application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

**Non-Border Colonia Fund Marginal Applicant**

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in this fund will be reallocated to the Community Development marginal calculation.

**11. PLANNING AND CAPACITY BUILDING FUND 430 Total Points Maximum**

**a. Community Distress -- 55 Points (Maximum)**

- Percentage of persons living in poverty 25 points
- Per Capita Income 20 points
- Unemployment rate 10 points

**b. Benefit to Low/Moderate Income Persons - 0 Points**

Applicants are required to meet the 51% low/moderate income benefit as a threshold requirement, but no score is awarded on this factor.

**c. Project Design -- 375 Points (Maximum)**

- (1) Program Priority 50 points

Applicant chooses its own priorities here.

- (2) Base Match 0 points

- Five percent match required from applicants with population equal to or less than 1,500.
- Ten percent match required from applicants with population over 1,500 but equal to or less than 3,000.

- Fifteen percent match required from applicants with population over 3,000 but equal to or less than 5,000.
- Twenty percent match required from applicants with population over 5,000.

(3) Areawide Proposals 50 points

Applicants with jurisdiction-wide proposals because the entire jurisdiction is at least 51 percent low/moderate-income qualify for these points. County applicants with identifiable, unincorporated communities may also qualify for these points provided that incorporation activities are underway. Proof of efforts to incorporate is required. County applicants with identifiable water supply corporations may apply to study water needs only and receive these points.

(4) Planning Strategy and Products 275 points

- New applicants receive up to 50 points while previous recipients of planning funds receive either up to 40 or 20 points depending on the level of implementation of previously funded activities. Recipients of Tx CDBG planning funds prior to PY 1995 will be considered new applicants for this scoring factor
- Up to 225 points are awarded for the applicant’s Proposed Planning Effort based on an evaluation of the following:
  - the extent to which any previous planning efforts have been implemented or accomplished;
  - how clearly the proposed planning effort will resolve community development needs addressed in the application;
  - whether the proposed activities will result in the development of a viable and implementable strategy and be an efficient use of grant funds; and
  - demonstration of local commitment.

<b>12. Tx CDBG STEP FUND</b>	<b>120 Total Points Maximum</b>
------------------------------	---------------------------------

The following is the selection criteria to be used by Tx CDBG staff for the scoring of assessments and applications under the Texas STEP Fund. The maximum score of 120 points is divided among five scoring factors:

**a. Project Impact - 60 Points (Maximum)**

Activity	Score
• First time service	60-40
• To address drought	60-40
• To address a severe impact to a water system (imminent loss of well, transmission line, supply impact)	60-40
• TCEQ relevant documentation or Texas Department of Health Imminent Threat to Health	60-40
• Problems due to severe sewer issues that can be addressed through the STEP	60-40

Activity	Score
process (documented)	
• Problems due to severe pressure problems (documented)	50-40
• Line replacement (water or sewer) other than for above	40-30
• All other proposed water and sewer projects that are not reflected above	30-20

A weighted average will be used to assign scores to applications that include activities in the different Project Impact scoring levels. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for engineering and administration, a percentage of the total Tx CDBG construction dollars for each activity will be calculated. The percentage of the total Tx CDBG construction dollars for each activity will then be multiplied by the appropriate Project Impact point level. The sum of these calculations will determine the composite Project Impact score.

Factors that are evaluated by the Tx CDBG staff in the assignment of scores within the predetermined scoring ranges for activities include, but are not limited to, the following:

1. how the proposed project will resolve the identified need and the severity of the need within the applying jurisdiction; and
2. projects designed to bring existing services up to at least the state minimum standards as set by the applicable regulatory agency are generally given additional consideration.

**b. STEP Characteristics, Merits of the Project, and Local Effort - 30 points (Maximum)**

The Tx CDBG staff will assess the proposal for the following STEP characteristics not scored in other factors:

1. degree work will be performed by community volunteer workers, including information provided on the volunteer work to total work;
2. local leaders (sparkplugs) willing to both lead and sustain the effort;
3. readiness to proceed – the local perception of the problem and the willingness to take action to solve it;
4. capacity – the manpower required for the proposal including skills required to solve the problem;
5. merits of the projects, including the severity of the need, whether the applicant sought funding from other sources, cost in Tx CDBG dollars requested per beneficiary, etc.; and
6. local efforts being made by applicants in utilizing local resources for community development.

**c. Past Participation and Performance - 15 Points (Maximum)**

An applicant would receive ten (10) points if they do not have a current Texas STEP grant.

An applicant can receive from five (5) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the

application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

**d. Percentage of Savings off of the retail price - 10 Points (Maximum)**

For STEP, the percentage of savings off of the retail price is considered a form of community match for the project. In STEP, a threshold requirement is a minimum of 40 percent savings off the retail price for construction activities.

For Communities that are equal to or below 1,500 in Population

55% or more Savings	10 points
50% - 54.99% Savings	9 points
45% - 49.99% Savings	7 points
41% - 44.99% Savings	5 points

For Communities that are above 1,500 but equal to or below 3,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	8 points
45% - 49.99% Savings	6 points
41% - 44.99% Savings	3 points

For Communities that are above 3,000 but equal to or below 5,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	7 points
45% - 49.99% Savings	5 points
41% - 44.99% Savings	2 points

For Communities that are above 5,000 but equal to or below 10,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	6 points
45% - 49.99% Savings	3 points
41% - 44.99% Savings	1 points

For Communities that are 10,000 or above in Population

55% or more Savings	10 points
50% - 54.99% Savings	5 points
45% - 49.99% Savings	2 points
41% - 44.99% Savings	0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

**e. Benefit To Low/Moderate-Income Persons - 5 Points (Maximum)**

Applicants are required to meet the 51 percent low/moderate-income benefit for each activity as a threshold requirement. Any project where at least 60 percent of the Tx CDBG funds benefit low/moderate-income persons will receive 5 points.

A project must score at least 75 points overall and 15 points under factor 12(b) to be considered for funding.

<b>13. MICROENTERPRISE LOAN FUND</b>	<b>120 Total Points Maximum</b>
--------------------------------------	---------------------------------

**a. Community Distress -- 50 Points (Maximum)**

- Percentage of Persons Living In Poverty

15 points
- Per Capita Income

15 points
- Population Loss

10 points
- Unemployment Rate

10 points

For Percentage of Persons Living In Poverty, Population Loss, and Unemployment Rate:

- Amount is greater than 150% of state median – Maximum points
- Amount is less than or equal to 150% but not less than 75% of state median - 1/2 maximum points
- Amount is less than 75% of state median – 1/4 of maximum points

For Per Capita Income:

- Amount is less than 75% of state median – Maximum points
- Amount is greater than or equal to 75% but less than 150% of state median - 1/2 maximum points
- Amount is greater than or equal to 150% of state median – 1/4 of maximum points

**b. Program Design -- 50 Points (Maximum)**

- Nonprofit Capacity 10 points
- Overall Program Design 10 points
- Technical Assistance and Counseling Services 5 points
- Citizen Involvement 5 points
- Business Involvement 5 points
- Potential Applicants 5 points
- Marketing Plan 5 points
- Terms 5 points

**c. Leverage Ratio -- 5 Points (Maximum)**

Score 5 points if matching dollars are greater than or equal to the following Ratios based on two separate population categories:

- Applicant's population less than 5,000 persons –1:1
- Applicant's population equal to or greater than 5,000 persons –1.25:1

**d. Previous Participation -- 10 Points (Maximum)**

- No previous Texas Capital Fund participation 10 points
- No open Texas Capital Fund contracts 5 points

**e. Rural Projects -- 5 Points (Maximum)**

- Cities with populations under 10,000, or
- Counties with populations under 100,000

An application must receive at least 50 points overall and 25 points under Program Design to be considered eligible for funding consideration.

<b>14. SMALL BUSINESS LOAN FUND</b>	<b>125 Total Points Maximum</b>
-------------------------------------	---------------------------------

**a. Community Distress -- 50 Points (Maximum)**

- Percentage of Persons Living In Poverty 15 points
- Per Capita Income 15 points
- Population Loss 10 points
- Unemployment Rate 10 points

For Percentage of Persons Living In Poverty, Population Loss, and Unemployment Rate:  
Amount is greater than 150% of state median – Maximum points



Amount is less than or equal to 150% but not less than 75% of state median - 1/2 maximum points  
 Amount is less than 75% of state median – 1/4 of maximum points

For Per Capita Income:

Amount is less than 75% of state median – Maximum points

Amount is greater than or equal to 75% but less than 150% of state median - 1/2 maximum points

Amount is greater than or equal to 150% of state median – 1/4 of maximum points

**b. Jobs -- 20 Points (Maximum)**

- Below \$10,000 per job 20 points
- Below \$15,000 per job 15 points
- Below \$20,000 per job 10 points
- Below \$25,000 per job 5 points

**c. Project Feasibility -- 30 Points (Maximum)**

The feasibility of each project is evaluated and scored based on the financial soundness of the project. Factors examined include:

- Firm commitments for financial investments
- The jobs to be created or retained
- The history of the business
- The current financial condition of the business (including a full review of the credit analysis)
- Cash flow projections
- The business or marketing plan supporting the businesses capacity to sustain operations beyond the period of program assistance including letters of intent to purchase products or services
- Management experience of the businesses' principals

**d. Leverage Ratio -- 5 Points (Maximum)**

A minimum ten percent (10%) equity injection by the assisted business is required.

Score 5 points if matching dollars are greater than or equal to the following ratios based on two separate population categories:

- Applicant's population less than 5,000 persons --1:1
- Applicant's population equal to or greater than 5,000 persons --1.25:1

**e. Previous Participation -- 10 Points (Maximum)**

- No previous Texas Capital Fund participation 10 points
- No open Texas Capital Fund contracts 5 points

**f. Innovative Projects -- 5 Points (Maximum)**

Projects that support a business addressing a community need or economic/population trend will receive additional consideration

**g. Rural Projects -- 5 Points (Maximum)**

- Cities with populations under 10,000, or
- Counties with populations under 100,000

An application must receive at least 50 points overall and 15 points under Project Feasibility to be considered for funding.

<b>15. SECTION 108 LOAN GUARANTEE PILOT PROGRAM</b>
---

<b>50 Total Points Maximum</b>
--------------------------------

Selection Criteria. Applications meeting threshold requirements of the application review and underwriting analysis will be scored based on the following:

**a. Community Need - 30 points (Maximum)**

(1) Unemployment - 10 points (Maximum). Five points awarded if the applicant's unemployment rate is higher than the state rate, indicating that the community is economically below the state average. Ten points awarded if the applicant's most recently available unemployment rate is 1.5% over the state rate. (For cities, the most recently available city rate will be used; for counties, the most recently available county or census tract rate, for where the business site is located, whichever is higher, will be used).

(2) Poverty - 10 points (Maximum). Awarded if the applicant's most recently available annual county poverty rate is higher than the annual state rate, indicating that the community is economically below the state average. Applicants will score 5 points if their rate meets or exceeds the state average and score 10 points if this figure exceeds the state average by at least 15%.

(3) Community Population (more Rural) - 10 points (Maximum). Points are awarded to applying cities with populations of 5,050 or less and counties with a total population of 35,000 or less, using 2000 census data. For cities: score 5 points if the city is located in a county with a population of 35,000 or less; and score 5 additional points if the population of the city is less than 5,050. For counties: score 5 points if the county population is less than 35,000 and score 5 additional points if the county population is less than 15,350.

**b. Jobs - 20 points (Maximum).**

(1) Job Impact (Jobs Created or Retained per Population of Community) - 10 points (Maximum). Awarded by taking the Business' total job commitment, created & retained, and dividing by applicant's 2000 unadjusted population. This equals the job impact ratio. Score 5 points if this figure exceeds the median job impact ratio for prior years; and score 10 points if this figure exceeds 200% of the ratio. County applicants should deduct the 2000

census population amounts for all incorporated cities, except in the case where the county is sponsoring an application for a business that is or will be located in an incorporated city. In this case the city's population would be used, rather than the county's.

(2) Cost per Job - 10 points (Maximum). Awarded by dividing the amount of Section 108 loan guarantee amount requested by the number of full-time job equivalents to be created and/or retained. Points are then awarded in accordance with the following scale:

- (i) Below \$15,000--10 points.
- (ii) Below \$20,000--5 points.

(c) In the event of a tie score and insufficient funds to approve all applications, the following tie breaker criteria will be used.

(i) The tying applications are ranked from lowest to highest based on poverty rate stated on the score sheet. Thus, preference is given to the applicant with the higher poverty rate.

(ii) If a tie still exists after applying the first criteria then applications are ranked from lowest to highest based on unemployment rate stated on the score sheet. Thus, preference is then given to the applicant with the higher unemployment rate.

<b>16. RENEWABLE ENERGY DEMONSTRATION PILOT PROGRAM</b>	<b>70 Total Points Maximum</b>
---	--------------------------------

(A) Type of Project: Primarily used in conjunction with providing public facilities to meet basic human needs such as water or waste water and/or benefit to low/moderate-income persons – up to 15 points.

(B) Innovative Technology / Methods – A project that would demonstrate the application of innovative technology and/or methods – up to 10 points.

(C) Duplication in Other Rural Areas – A project that could have widespread application (although it would not need to be applicable in every portion of the state.) – up to 10 points

(D) Long-term Cost / Benefit and Texas Renewable Energy Goals – Projects that demonstrate long term cost / benefit analysis including benefits to the human environment and consistency with Texas renewable energy goals – up to 10 points

(E) Partnership / Collaboration – Projects that have a demonstrated partnership and collaboration with other entities focusing on promoting renewable energy including universities, funding agencies, associations, or businesses – up to 10 points.

(F) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses – Percent of portion of total project receiving Tx CDBG funds is leveraged with other funds – 50% - 10 points, 25% - 5 points, 10% - 3 points, 5% - 1 point.

(G) Location in Rural Areas – Projects that benefit cities with populations under 10,000 and/or counties under 100,000 – 5 points.

## **PERFORMANCE MEASURES**

### **Goals, Objectives, Outcomes, Strategies, and Outputs**

Tx CDBG Strategic Plan Performance Measures:

The Tx CDBG currently has a performance measurement system in place that is part of its strategic plan and the Texas legislative budgeting process. The Tx CDBG has already implemented a performance measurement system that supports the HUD goals as stated in CPD Notice – 03-09, issued September 3, 2003, which “strongly encouraged each CPD formula grantee to develop and use a state or local performance measurement system.” In this notice, HUD asked the State CDBG programs, along with all other CDBG grantees, that currently have and use a state or local performance measurement system to “(1) describe, in their next Consolidated Plan or Annual Action Plan, the method they use to measure the outputs and outcomes of their CPD formula grant programs.”

The Tx CDBG has the following Performance Measures system in place for administering and evaluating the success of the CDBG non-entitlement program.

### **GOALS, OBJECTIVES AND OUTCOMES - For FY 2008-2009**

- Goal 1: Support Community and Economic Development Projects
- Objective 1: Fund Facility, Economic Development, Housing, and Planning Projects
- Outcome 1: Percent of the Small Communities’ Population Benefiting from Projects
- Outcome 2: Percent of Requested Project Funds Awarded to Projects Using Annual HUD Allocation

### **STRATEGIES AND EFFICIENCY, EXPLANATORY AND OUTPUT MEASURES - For 2007-2008**

- Goal 1: Support Community and Economic Development Projects
- Objective 1: Fund Facility, Economic Development, Housing and Planning Projects
- Strategy 1: Provide Grants for Community and Economic Development Projects
- Efficiency 1: Average Agency Administrative Cost per Contract Administered
- Output 1: Number of New Contracts Awarded
- Output 2: Number of Projected Beneficiaries from New Contracts Awarded
- Output 3: Number of Jobs Created/Retained through Contracts Awarded Annually
- Output 4: Number of Projected Beneficiaries from Self-Help Center Contracts Funded
- Output 5: Number of Programmatic Monitoring Visits Conducted
- Output 6: Number of Single Audit reviews Conducted Annually

HUD CDBG Performance Outcome Measurement System:

The TxCDBG has begun to implement the HUD CDBG Performance Outcome Measurement System, which is a nationwide reporting system based on standardized Objective categories, Outcome categories, and specific Output Indicators.

The outcome performance measurement system has three objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, produce nine possible outcome/objective combinations within which to categorize CDBG grant activities. Specific Output Indicators, many of which TxCDBG has used in the HUD Integrated Disbursement and Information System reporting system, will be used to provide the quantifiable information used to actually measure the outcome/objective combinations for the funded CDBG projects (such as the number of persons who have new access to water facilities).

#### **OTHER 2007 CDBG PROGRAM GUIDELINES COMMUNITY NEEDS ASSESSMENT**

Each applicant for TxCDBG funds must prepare an assessment of the applicant's housing and community development needs. The needs assessment submitted by an applicant in an application for the Community Development Fund must also include information concerning the applicant's past and future efforts to provide affordable housing opportunities in the applicant's jurisdiction and the applicant's past efforts to provide infrastructure improvements through the issuance of general obligation or revenue bonds.

#### **LEVERAGING RESOURCES Texas Capital Fund**

The following matching funds requirements apply under the Real Estate, Infrastructure, Main Street and Downtown Revitalization Program:

- a. The leverage ratio between all funding sources to the Texas Capital Fund (TCF) request may not be less than 1:1 for awards of \$750,000 or less (except for the Main Street and Downtown Revitalization programs which both require 0.1:1, or more match), and 4:1 for awards of \$750,100 to \$1,000,000.
- b. All businesses are required to make financial contributions to the proposed project. A cash injection of a minimum of 2.5% of the total project cost is required. Total equity participation must be no less than 10% of the total project cost. This equity participation may be in the form of cash and/or net equity value in fixed assets utilized within the proposed project. A minimum of a 33% equity injection (of the total projects costs) in the form of cash and/or net equity value in fixed assets is required, if the business has been operating for less than three years and is accessing the Real Estate program.

Over the past five program years the ratio of matching funds to Texas Capital Fund awards is approximately 3.75:1. If this ratio continues for the 2007 program year then the estimated amount of leveraged funds for the 2008 program year is approximately \$45 million.

## **MINORITY HIRING/PARTICIPATION**

The TxCDBG encourages minority employment and participation among all applicants under the Community Development Block Grant Program. All applicants to the Community Development Block Grant Program shall be required to submit information documenting the level of minority participation as part of the application for funding.

## **CITIZEN PARTICIPATION**

A grant to a locality under the Texas Community Development Block Grant Program may be awarded only if the locality certifies that it is following a detailed citizen participation plan that provides for and encourages citizen participation at all stages of the community development program. TxCDBG applicants and funded localities are required to carry out citizen participation in accordance with the Citizen Participation Plan requirements described in TxCDBG application guides.

## **CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING:**

The TxCDBG has begun to implement the CPD Outcome Performance Measurement System Reporting and has added the performance measurement objectives and outcomes to its new application guides. All applicants will be required to indicate the performance measures that best correspond with the activities they are proposing. TxCDBG staff will enter the objectives and outcomes in its internal application review database. Upon the award of the funds, TxCDBG will enter the performance measure information into the IDIS database. The TxCDBG staff will update the information in IDIS as needed. In addition, for existing open contracts, TxCDBG staff has entered the objectives and outcomes for these contracts into the IDIS system.

The TxCDBG has implemented the HUD CDBG Performance Outcome Measurement System, which is a nationwide reporting system based on standardized Objective categories, Outcome categories, and specific Output Indicators.

The proposed outcome performance measurement system has three objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, will produce nine possible outcome/objective combinations within which to categorize CDBG grant activities. Specific Output Indicators, many of which Tx CDBG has used in the HUD Integrated Disbursement and Information System reporting system, will be used to provide the quantifiable information used to actually measure the outcome/objective combinations for the funded CDBG projects (such as the number of persons who have new access to water facilities).

For PY 2008, the anticipated objectives and outcomes for the proposed eligible activities are shown below; however, both the actual objectives and outcomes for individual funded projects may vary within the eligible activities depending on the applicant's determination and selection:

<b>HUD Matrix Code</b>	<b>HUD Matrix Name</b>	<b>Objective</b>	<b>Outcome</b>	<b>Obj./ Out. Code</b>	<b>Expected Number</b>
03E	Neighborhood Facilities	Suitable Living Environment	Availability/ Accessibility	SL-1	1
03J	Water/Sewer Improvements	Suitable Living Environment	Availability/ Accessibility	SL-1	106
		Suitable Living Environment	Affordability	SL-2	42
		Suitable Living Environment	Sustainability	SL-3	37
03K	Street Improvements	Suitable Living Environment	Availability/ Accessibility	SL-1	5
		Suitable Living Environment	Affordability	SL-2	3
		Suitable Living Environment	Sustainability	SL-3	43
03L	Sidewalks	Economic Opportunity	Sustainability	EO-3	12
14A	Rehabilitation; Single Unit Residential	Decent Housing	Availability/ Accessibility	DH-1	1
18A	ED Direct Financial Assistance for For-Profits	Economic Opportunity	Availability/ Accessibility	EO-1	12
		Suitable Living Environment	Availability/ Accessibility	SL-1	2

## **NON-HOMELESS SPECIAL NEEDS ACTION PLAN: HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS**

### **INTRODUCTION**

The 2008 Action Plan for Housing Opportunities for Persons with AIDS (HOPWA) is part of the 2005–2009 State of Texas Consolidated Plan for program year 2008 (February 1, 2008, through January 31, 2009). Although this plan is part of the Consolidated Plan submitted to the US Department of Housing and Urban Development (HUD) by the Texas Department of Housing and Community Affairs, HUD will directly contract with the Texas Department of State Health Services (DSHS) for the HOPWA program, as it has done since 1992.

### **NEEDS STATEMENT**

In 2005, 56,012 Texas residents were known to be living with HIV/AIDS, a 36% increase over the number in 2000. Blacks and Whites each accounted for 38% of living HIV/AIDS cases in Texas, but Blacks only account for 12% of the general population. Hispanics made up 23% of living HIV/AIDS cases. Black persons bore the greatest burden of disease of any race/ethnicity in Texas. The living HIV/AIDS rate in 2005 for Blacks was 800 persons living with HIV/AIDS per 100,000, over four times higher than the rate for Whites (182) and nearly five times the rate in Hispanics (166). Blacks had the largest number of new HIV or AIDS cases diagnosed in 2005, followed by Whites and then Hispanics.

Loss of employment, underemployment, and lack of insurance quickly drain financial resources and can lead to loss of housing. While affordable housing declines, the need for housing may actually increase as people with HIV live longer due to improved medical treatments. On the other hand, as more people with HIV are able to return to work, DSHS anticipates that the number of those wait listed will remain stable.

Using an estimate made by the National Commission on AIDS that one-third to one-half of persons living with HIV/AIDS in 2005 are either homeless or at risk of homelessness, there may be from 18,652 to 28,006 people living with HIV/AIDS in Texas who are homeless or at risk of homelessness. Housing continues to rank high on the needs of people with HIV/AIDS as assessed regularly by the Ryan White planning process.

In 2007, DSHS distributed \$23,724,130 in Ryan White and State Services contracts to provide a wide array of health and social services for persons with HIV/AIDS. In 2006, \$82.0 million was spent on HIV medications.

The Texas HOPWA program fills the unmet need by providing emergency housing assistance and rental assistance. The continuation of HOPWA funding is critical in addressing the threat of homelessness for persons living with HIV/AIDS in Texas.

### **PROGRAM OBJECTIVES**

The Texas DSHS HOPWA program provides housing assistance and supportive services for income-eligible individuals living with HIV/AIDS and their families to establish or better maintain a stable living environment in housing that is decent, safe, and sanitary, to reduce the risk of homelessness, and to improve access to health care and supportive services.

### **PROGRAM ACTIVITIES**

The Texas DSHS HOPWA program proposes to continue the following activities.



### **SHORT-TERM RENT, MORTGAGE, AND UTILITY ASSISTANCE PROGRAM (STRMU)**

This program provides short-term rent, mortgage, and utility payments to prevent homelessness of the tenant or mortgagor of a dwelling. It enables low income individuals at risk of becoming homeless to maintain housing for a period not to exceed 21 weeks in any 52-week period. Qualified clients are assisted with rent, mortgage, and/or utilities, up to the annual STRMU cap established locally. The project sponsor makes payments directly to the provider with the client paying any balance due.

### **TENANT-BASED RENTAL ASSISTANCE PROGRAM (TBRA)**

This program provides tenant-based rental assistance, including assistance for shared housing arrangements. It enables income-eligible HIV-positive clients to pay their rent and utilities until they are able to secure other affordable and stable housing. Clients must contribute the greater of 10 percent of gross income or 30 percent of adjusted gross income towards their rent, or they must contribute the amount of public assistance received for that purpose. The project sponsor pays the balance of the rent up to the fair market rent value.

### **SUPPORTIVE SERVICES**

This program is limited primarily to case management to all HOPWA clients, and the purchase of smoke detectors and basic telephone service assistance.

### **PERMANENT HOUSING PLACEMENT SERVICES**

This program is limited to assistance for placement costs which may include application fees, related credit checks, and reasonable security deposits necessary to move persons into permanent housing, provided such deposits do not exceed the amount equal to two months of rent, and such funds would be designated to be returned to the program.

### **PROGRAM IMPROVEMENT ACTIVITIES**

DSHS is in the process of improving the HOPWA program in various areas. DSHS plans to revise quarterly progress reports to reflect revisions made to the federal reporting requirements in the CAPER, APR, and IDIS. In lieu of the changing federal reporting requirements, DSHS plans to develop a HOPWA module as part of the state's AIDS Regional Information and Evaluation System (ARIES) for improved data reporting and evaluation. These activities are in addition to a revised HOPWA program manual, monitoring tools, program worksheets, and an updated funding allocation formula. DSHS plans to provide training and technical assistance to Administrative Agencies (AAs) and Project Sponsors on program changes via multiple cost-efficient methods, including new web-based teleconference seminars and online technical assistance.

### **ANNUAL PROGRAM GOALS**

Based on prior-year performance and level funding from HUD, DSHS estimates that 700 households can be provided with short-term rent, mortgage, and utility payments, 550 households can be provided tenant-based rental assistance, and 20 households can be provided permanent housing placement during the 2008 project year. All households will be provided with supportive services funded through HOPWA, Ryan White, or other leveraged sources.

## PROJECT SPONSOR SELECTION PROCESS

DSHS selects eight AAs across the state through a combination of competitive Requests for Proposals (RFP) and intergovernmental agency contracts. The AAs act as an administrative arm for DSHS by administering the HOPWA program locally for a five year project period. This period is concurrent with the Ryan White Part B grant period, which delivers case management and other supportive services to HOPWA clients.

These AAs in turn select HOPWA Project Sponsors through local competitive processes that are open to all grassroots, faith-based, community-based organizations, and governmental agencies. Each AA contracts with one or more Project Sponsors who directly provide HOPWA services to eligible clients throughout the state's 26 HIV Service Delivery Areas (HSDA). Some Project Sponsors may change during 2008 due to local competitive processes.

## PROGRAM BUDGET

DSHS reserves three percent of the total award for administrative and indirect costs, including, personnel, supplies, travel, training/technical assistance, and contractual support for ARIES. Project Sponsors are allowed up to seven percent of their allocation for personnel or other administrative costs. The funding allocation is distributed geographically by HSDA and is based on a formula including HIV/AIDS morbidity, poverty level, and population distribution with annual adjustments for project sponsor funding needs.

The 2008 HOPWA Program budget based on level-funding of the 2007 grant award of \$2,733,000 is allocated as follows:

DSHS administration (3%)	\$81,990
(indirect costs, personnel, supplies, travel, training/technical assistance, contractual support for ARIES)	
Contractual	\$2,651,010
TBRA	\$1,631,144
STRMU	\$562,291
Supportive Services	\$262,005
Permanent Housing Placement	\$10,000
Project Sponsor Administration (7%)	\$185,570

## GEOGRAPHIC DISTRIBUTION

The funding allocations are geographically distributed across the state to the 26 HSDAs, excluding 35 counties located in the Eligible Metropolitan Areas (EMAs) that receive direct HOPWA funding from HUD. The 35 counties in the five directly-funded EMAs of Austin, Dallas, Fort Worth, Houston, and San Antonio are as follows: Bastrop, Caldwell, Hays, Travis, Williamson, Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman, Rockwall, Johnson, Parker, Tarrant, Wise, Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, Waller, Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson.

**ADMINISTRATIVE AGENCIES AND PROJECT SPONSORS**

The following chart summarizes the estimated 2008 HOPWA funding allocation for the eight AAs and their 26 Project Sponsors/HSDAs. The 2008 funding allocations are estimates based on 2007 funding levels and may change as the 2008 HUD award is received and contracts are negotiated.

<b>Administrative Agency</b>	<b>2008 funding allocation</b>	<b>Project Sponsor/HSDA</b>	<b>2008 funding allocation</b>
Alamo Area Council of Governments 8700 Tesoro Dr., Suite 700 San Antonio, TX 78217	169,433	Alamo Area Resource Center/San Antonio	69,093
		United Medical Centers/Uvalde	19,712
		Victoria City-County Health Department/Victoria	80,628
Brazos Valley Council of Governments P.O. Box 4128 Bryan, TX 77805-4128	300,156	Community Action, Inc./Austin	33,543
		San Angelo AIDS Foundation/Concho-Plateau	65,252
		United Way of the Greater Fort Hood Area/Temple-Killeen	75,134
		Project Unity/Bryan-College Station	38,728
		Waco/McLennan County Public Health District/Waco	87,499
Dallas County HHSD 2377 North Stemmons Frwy., Ste. 600 Dallas, TX 75207-2710	91,862	Dallas County Health and Human Services -HOPWA Program/Dallas	26,707
		Your Health Clinic/Sherman-Dennison	65,155
Houston Regional Resource Group 500 Lovett Boulevard, Ste. 100 Houston, TX 77006	665,269	AIDS Coalition of Coastal Texas/Galveston	51,650
		AIDS Foundation of Houston/Houston	30,163
		Health Horizons/Lufkin	159,666
		Special Health Resources for Texas, Inc. Longview/Tyler	156,132
		Special Health Resources for Texas, Inc. Paris/Texarkana	114,382
		Triangle AIDS Network/Beaumont-Port Arthur	153,276
Lubbock Regional MHMR Center P.O. Box 2828 1602 Tenth St. Lubbock, TX 79408-2828	337,049	Panhandle AIDS Service Organization/Amarillo	126,406
		Permian Basin Community Center/Permian-Basin	115,869
		Planned Parenthood Association of Lubbock/Lubbock	94,774

Planned Parenthood Center of El Paso 1801 Wyoming Avenue, Ste. 202 El Paso, TX 79902	360,815	Planned Parenthood Center of El Paso/El Paso	360,815
South Texas Development Council (STDC) P.O. Box 2187 4812 North Bartlett Laredo, TX 78044-2187	553,100	City of Laredo Health Department/Laredo	97,922
		Coastal Bend AIDS Foundation/Corpus Christi	101,640
		Valley AIDS Council/Brownsville	353,538
Tarrant County Health Department 1101 South Main St., Ste. 2500 Fort Worth, TX 76104-4802	173,326	AIDS Resources of Rural Texas – Abilene/Abilene	63,476
		AIDS Resources of Rural Texas – Weatherford/Fort Worth	56,048
		Wichita Falls Wichita County Health Department/Wichita Falls	53,802
<b>Total</b>	<b>2,651,010</b>		<b>2,651,010</b>

## CLIENT PARTICIPATION

Clients participate in shaping local approaches to meeting housing needs in three ways:

All areas conduct periodic needs assessment of client needs, and assessment of housing needs are included in such assessments. These assessments vary in methodology and depth with which housing needs are explored, which is appropriate given the varying needs for housing assistance in various areas of the state. Additionally, all Ryan White Part A councils in Texas have either completed special assessments of homeless persons or persons at risk for homelessness, or will be completing such assessments within the next year. Assessments in all EMAs are joint Ryan White Part A and B assessments.

All areas must have ways for community members, including clients, to have input into local priorities, allocations, and plans. All plans include discussions of how best to deliver services to meet the needs identified in assessments, and plans that prioritize expenditures on housing or identify housing needs that would include discussions of how best to meet these needs. Plans are written on three to four year cycles, but reviewed annually.

Finally, clients shape housing services via direct interactions with service providers. Through the intake system, HIV/AIDS clients are informed about the HOPWA program, assisted with the application, or referred directly to the HOPWA Project Sponsor. Clients' housing needs are also assessed regularly with case managers as circumstances change and as determined by clients' housing plans.

## OUTCOME MEASURES

DSHS HOPWA contractors must address the following outcomes pursuant to the new performance measurement outcome system mandated by HUD for implementation in 2006:

<b>Annual Action Plan - Planned Project Results</b>			
<b>Outcomes and Objectives</b>	<b>Performance Indicators</b>	<b>Expected Number</b>	<b>Activity Description</b>
DH-2	# of households served	550	TBRA housing assistance
DH-2	# of households served	700	STRMU housing assistance
DH-2	# of households served	1250 <sup>1</sup>	Supportive Services (restricted to case mgt., smoke detectors, and phone service)
DH-1	# of households served	20 <sup>2</sup>	Permanent Housing Placement (security deposits, application fees, credit checks)
Key	Availability/Accessibility	Affordability	Sustainability
Decent Housing	DH-1	DH-2	DH-3

<sup>3</sup> This is based on total TBRA and STRMU households expected to be served. All HOPWA households are expected to receive case management services funded by multiple funding streams, including Ryan White, HOPWA, and other leveraged resources.

<sup>2</sup> Permanent Housing Placement is a new program activity and a baseline measure of need for this program service is unknown. The expected number is estimated based on \$10,000 budgeted for 20 households.

## **APPENDIX A: STANDARD FORM 424 AND STATE CERTIFICATIONS**

The forms and certifications will be included in the final version of the Action Plan to be sent to HUD.

**Application for Federal Assistance SF-424**

Version 02

**\*1. Type of Submission:**

- Preapplication
- Application
- Changed/Corrected Application

**\*2. Type of Application**

- New
- Continuation
- Revision

\* If Revision, select appropriate letter(s)

\*Other (Specify) \_\_\_\_\_

3. Date Received:

4. Applicant Identifier:

5a. Federal Entity Identifier:

\*5b. Federal Award Identifier:

**State Use Only:**

6. Date Received by State:

7. State Application Identifier:

**8. APPLICANT INFORMATION:**

\*a. Legal Name: State of Texas

\*b. Employer/Taxpayer Identification Number (EIN/TIN):  
74-2610542

\*c. Organizational DUNS:  
806781902

**d. Address:**

\*Street 1: 221 East 11<sup>th</sup> Street  
Street 2: \_\_\_\_\_  
\*City: Austin  
County: Travis  
\*State: Texas  
Province: \_\_\_\_\_  
\*Country: USA  
\*Zip / Postal Code 78701-2410

**e. Organizational Unit:**

Department Name:  
Texas Department of Housing and Community Affairs

Division Name:

**f. Name and contact information of person to be contacted on matters involving this application:**

Prefix: Mr. \*First Name: Michael  
Middle Name: \_\_\_\_\_  
\*Last Name: Gerber  
Suffix: \_\_\_\_\_

Title: Executive Director

Organizational Affiliation:

\*Telephone Number: 512-475-3930

Fax Number: 512-475-9606

\*Email: michael.gerber@tdhca.state.tx.us

**Application for Federal Assistance SF-424**

Version 02

**\*9. Type of Applicant 1: Select Applicant Type:**

A. State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

\*Other (Specify)

**\*10 Name of Federal Agency:**

U.S. Department of Housing and Urban Development

**11. Catalog of Federal Domestic Assistance Number:**

14-239 \_\_\_\_\_

CFDA Title:

HOME Investments Partnership Program \_\_\_\_\_

**\*12 Funding Opportunity Number:**

\_\_\_\_\_

\*Title:

HOME Investments Partnership Program \_\_\_\_\_

**13. Competition Identification Number:**

\_\_\_\_\_

Title:

\_\_\_\_\_

**14. Areas Affected by Project (Cities, Counties, States, etc.):**

State of Texas

**\*15. Descriptive Title of Applicant's Project:**

HOME Investments Partnership Program \_\_\_\_\_



**Application for Federal Assistance SF-424**

Version 02

**16. Congressional Districts Of:**

\*a. Applicant: Statewide

\*b. Program/Project: Statewide

**17. Proposed Project:**

\*a. Start Date: 2/1/08

\*b. End Date: 1/31/09

**18. Estimated Funding (\$):**

*a. Federal	_____	39,776,588
*b. Applicant	_____	
*c. State	_____	
*d. Local	_____	
*e. Other	_____	
*f. Program Income	_____	2,500,000
*g. TOTAL	_____	42,276,588

**\*19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

- a. This application was made available to the State under the Executive Order 12372 Process for review on \_\_\_\_\_
- b. Program is subject to E.O. 12372 but has not been selected by the State for review.
- c. Program is not covered by E. O. 12372

**\*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

- Yes
- No

21. \*By signing this application, I certify (1) to the statements contained in the list of certifications\*\* and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances\*\* and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)

\*\* I AGREE

\*\* The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions

**Authorized Representative:**

Prefix: Mr. \_\_\_\_\_ \*First Name: Michael \_\_\_\_\_  
Middle Name: \_\_\_\_\_  
\*Last Name: Gerber \_\_\_\_\_  
Suffix: \_\_\_\_\_

\*Title: Executive Director

\*Telephone Number: 512-475-3930

Fax Number: 512-469-9606

\* Email: michael.gerber@tdhca.state.tx.us

\*Signature of Authorized Representative: 

\*Date Signed: 1/30/08

**Application for Federal Assistance SF-424**

Version 02

**\*Applicant Federal Debt Delinquency Explanation**

The following should contain an explanation if the Applicant organization is delinquent of any Federal Debt.

**Application for Federal Assistance SF-424**

Version 02

**\*1. Type of Submission:**

- Preapplication
- Application
- Changed/Corrected Application

**\*2. Type of Application**

- New
- Continuation
- Revision

\* If Revision, select appropriate letter(s)

\*Other (Specify)  
\_\_\_\_\_

3. Date Received:

4. Applicant Identifier:

5a. Federal Entity Identifier:

\*5b. Federal Award Identifier:

**State Use Only:**

6. Date Received by State:

7. State Application Identifier:

**8. APPLICANT INFORMATION:**

\*a. Legal Name: State of Texas

\*b. Employer/Taxpayer Identification Number (EIN/TIN):  
74-2610542

\*c. Organizational DUNS:  
806781902

**d. Address:**

\*Street 1: 221 East 11<sup>th</sup> Street  
Street 2: \_\_\_\_\_  
\*City: Austin  
County: Travis  
\*State: Texas  
Province: \_\_\_\_\_  
\*Country: USA  
\*Zip / Postal Code 78701-2410

**e. Organizational Unit:**

Department Name:  
Texas Department of Housing and Community Affairs

Division Name:

**f. Name and contact information of person to be contacted on matters involving this application:**

Prefix: Mr. \*First Name: Michael  
Middle Name: \_\_\_\_\_  
\*Last Name: Gerber  
Suffix: \_\_\_\_\_  
Title: Executive Director

Organizational Affiliation:

\*Telephone Number: 512-475-3930

Fax Number: 512-475-9606

\*Email: michael.gerber@tdhca.state.tx.us

**Application for Federal Assistance SF-424**

Version 02

**\*9. Type of Applicant 1: Select Applicant Type:**

A.State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

\*Other (Specify)

**\*10 Name of Federal Agency:**

**U.S. Department of Housing and Urban Development**

**11. Catalog of Federal Domestic Assistance Number:**

14-231

CFDA Title:

Emergency Shelter Grant Program

**\*12 Funding Opportunity Number:**

\*Title:

Emergency Shelter Grant Program

**13. Competition Identification Number:**

Title:

**14. Areas Affected by Project (Cities, Counties, States, etc.):**

State of Texas

**\*15. Descriptive Title of Applicant's Project:**

Emergency Shelter Grant Program

**Application for Federal Assistance SF-424**

Version 02

**16. Congressional Districts Of:**

\*a. Applicant: Statewide

\*b. Program/Project: Statewide

**17. Proposed Project:**

\*a. Start Date: 2/1/08

\*b. End Date: 1/31/09

**18. Estimated Funding (\$):**

*a. Federal	_____	5,157,329
*b. Applicant	_____	
*c. State	_____	
*d. Local	_____	
*e. Other	_____	
*f. Program Income	_____	
*g. TOTAL	_____	5,157,329

**\*19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

- a. This application was made available to the State under the Executive Order 12372 Process for review on \_\_\_\_\_
- b. Program is subject to E.O. 12372 but has not been selected by the State for review.
- c. Program is not covered by E. O. 12372

**\*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

- Yes
- No

21. \*By signing this application, I certify (1) to the statements contained in the list of certifications\*\* and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances\*\* and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 28, Section 1001)

\*\* I AGREE

\*\* The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions

**Authorized Representative:**

Prefix: Mr. \_\_\_\_\_ \*First Name: Michael \_\_\_\_\_  
Middle Name: \_\_\_\_\_  
\*Last Name: Gerber \_\_\_\_\_  
Suffix: \_\_\_\_\_

\*Title: Executive Director

\*Telephone Number: 512-475-3930

Fax Number: 512-469-9606

\* Email: michael.gerber@tdhca.state.tx.us

\*Signature of Authorized Representative: 

\*Date Signed: 12/15/07

**Application for Federal Assistance SF-424**

Version 02

**\*Applicant Federal Debt Delinquency Explanation**

The following should contain an explanation if the Applicant organization is delinquent of any Federal Debt.

**Application for Federal Assistance SF-424**

Version 02

<b>*1. Type of Submission:</b> <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application	<b>*2. Type of Application</b> * If Revision, select appropriate letter(s) <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision <b>*Other (Specify)</b> _____
--	---

<b>3. Date Received:</b>	<b>4. Applicant Identifier:</b> 137053125
--------------------------	--

<b>5a. Federal Entity Identifier:</b>	<b>*5b. Federal Award Identifier:</b>
---------------------------------------	---------------------------------------

**State Use Only:**

<b>6. Date Received by State:</b>	<b>7. State Application Identifier:</b>
-----------------------------------	---

**8. APPLICANT INFORMATION:**

**\*a. Legal Name:** State of Texas

<b>*b. Employer/Taxpayer Identification Number (EIN/TIN):</b> 74-3024533	<b>*c. Organizational DUNS:</b> 137053125
---	--

**d. Address:**

**\*Street 1:** 1700 North Congress, Suite 220  
**Street 2:** \_\_\_\_\_  
**\*City:** Austin  
**County:** Travis  
**\*State:** Texas  
**Province:** \_\_\_\_\_  
**\*Country:** USA  
**\*Zip / Postal Code** 78701

**e. Organizational Unit:**

<b>Department Name:</b> Office of Rural Community Affairs	<b>Division Name:</b> Community Development
--	--

**f. Name and contact information of person to be contacted on matters involving this application:**

**Prefix:** Mr. **\*First Name:** Charles (Charlie)  
**Middle Name:** S.  
**\*Last Name:** Stone  
**Suffix:** \_\_\_\_\_

**Title:** Executive Director

**Organizational Affiliation:**

**\*Telephone Number:** 512-936-6704 **Fax Number:** 512-936-6776

**\*Email:** cstone@orca.state.tx.us

**Application for Federal Assistance SF-424**

Version 02

**\*9. Type of Applicant 1: Select Applicant Type:**

A.State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

\*Other (Specify)

**\*10 Name of Federal Agency:**

Department of Housing and Urban Development

**11. Catalog of Federal Domestic Assistance Number:**

14-228

CFDA Title:

Texas Community Development Block Grant Program

**\*12 Funding Opportunity Number:**

14-228

\*Title:

Texas Community Development Block Grant Program

**13. Competition Identification Number:**

\_\_\_\_\_  
Title:  
\_\_\_\_\_

**14. Areas Affected by Project (Cities, Counties, States, etc.):**

Statewide

**\*15. Descriptive Title of Applicant's Project:**

Texas Community Development Block Grant Program



<b>Application for Federal Assistance SF-424</b>		Version 02
<b>16. Congressional Districts Of:</b>		
*a. Applicant: Statewide	*b. Program/Project: Statewide	
<b>17. Proposed Project:</b>		
*a. Start Date: 2/01/2008	*b. End Date: 1/31/2009	
<b>18. Estimated Funding (\$):</b>		
*a. Federal	\$73,611,737	
*b. Applicant	_____	
*c. State	_____	
*d. Local	_____	
*e. Other	_____	
*f. Program Income	2,500,000	
*g. TOTAL	76,111,737	
<b>*19. Is Application Subject to Review By State Under Executive Order 12372 Process?</b>		
<input type="checkbox"/> a. This application was made available to the State under the Executive Order 12372 Process for review on _____		
<input type="checkbox"/> b. Program is subject to E.O. 12372 but has not been selected by the State for review.		
<input checked="" type="checkbox"/> c. Program is not covered by E. O. 12372		
<b>*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)</b>		
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<b>21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)</b>		
<input checked="" type="checkbox"/> ** I AGREE		
** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions		
<b>Authorized Representative:</b>		
Prefix: Mr.	_____	*First Name: Charles (Charlie)
Middle Name: S.	_____	
*Last Name: Stone	_____	
Suffix:	_____	
*Title: Executive Director		
*Telephone Number: 512-936-6704		* Fax Number: 512-936-6776
* Email: cstone@orca.state.tx.us		
*Signature of Authorized Representative: <i>Charles Stone</i>		*Date Signed: 12/05/07

**Application for Federal Assistance SF-424**

Version 02

**\*Applicant Federal Debt Delinquency Explanation**

The following should contain an explanation if the Applicant organization is delinquent of any Federal Debt.

Application for Federal Assistance SF-424		Version 02
<b>*1. Type of Submission:</b> <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application		<b>*2. Type of Application</b> * If Revision, select appropriate letter(s) <input type="checkbox"/> New <input checked="" type="checkbox"/> Continuation <input type="checkbox"/> Revision  *Other (Specify) _____
<b>3. Date Received:</b> 12/18/07	<b>4. Applicant Identifier:</b> 1421-AP-1	
<b>5a. Federal Entity Identifier:</b>		<b>*5b. Federal Award Identifier:</b>
<b>State Use Only:</b>		
<b>6. Date Received by State:</b>	<b>7. State Application Identifier:</b> N/A	
<b>8. APPLICANT INFORMATION:</b>		
<b>*a. Legal Name:</b> Department of State Health Services		
<b>*b. Employer/Taxpayer Identification Number (EIN/TIN):</b> 32-0113643		<b>*c. Organizational DUNS:</b> 80-739-1511
<b>d. Address:</b>		
<b>*Street 1:</b>	P.O. Box 149347	
<b>Street 2:</b>	_____	
<b>*City:</b>	Austin	
<b>County:</b>	_____	
<b>*State:</b>	Texas	
<b>Province:</b>	_____	
<b>*Country:</b>	United States	
<b>*Zip / Postal Code</b>	78714-9347	
<b>e. Organizational Unit:</b>		
<b>Department Name:</b> TX Department of State Health Services		<b>Division Name:</b> Prevention and Preparedness Services
<b>f. Name and contact information of person to be contacted on matters involving this application:</b>		
<b>Prefix:</b>	Ms.	<b>*First Name:</b> Janna
<b>Middle Name:</b>	_____	
<b>*Last Name:</b>	Zumbrun	
<b>Suffix:</b>	_____	
<b>Title:</b>	Health Promotion Unit Manager	
<b>Organizational Affiliation:</b>		
<b>*Telephone Number:</b> 512-458-7200		<b>Fax Number:</b> 512-458-7393
<b>*Email:</b> janna.zumbrun@dshs.state.tx.us		

**Application for Federal Assistance SF-424**

Version 02

**\*9. Type of Applicant 1: Select Applicant Type:**

A.State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

\*Other (Specify)

**\*10 Name of Federal Agency:**

U.S. Department of Housing and Urban Development

**11. Catalog of Federal Domestic Assistance Number:**

14.211

CFDA Title:

Housing Opportunities for People with AIDS

**\*12 Funding Opportunity Number:**

14.211

\*Title:

Housing Opportunities for People with AIDS

**13. Competition Identification Number:**

Title:

**14. Areas Affected by Project (Cities, Counties, States, etc.):**

Statewide

**\*15. Descriptive Title of Applicant's Project:**

Provide tenant-based rental assistance, short-term mortgage and utilities assistance, supportive services and permanent housing placement services to eligible persons and families living with HIV/AIDS.

**Application for Federal Assistance SF-424**

Version 02

**16. Congressional Districts Of:**

\*a. Applicant: TX-010

\*b. Program/Project: TX-ALL

**17. Proposed Project:**

\*a. Start Date: 02/01/2008

\*b. End Date: 01/31/2009

**18. Estimated Funding (\$):**

*a. Federal	2,733,000
*b. Applicant	0
*c. State	0
*d. Local	0
*e. Other	0
*f. Program Income	0
*g. TOTAL	2,733,000

**\*19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

- a. This application was made available to the State under the Executive Order 12372 Process for review on \_\_\_\_\_
- b. Program is subject to E.O. 12372 but has not been selected by the State for review.
- c. Program is not covered by E. O. 12372

**\*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

- Yes
- No

21. \*By signing this application, I certify (1) to the statements contained in the list of certifications\*\* and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances\*\* and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)

\*\* I AGREE

\*\* The list of certifications and assurances, or an Internet site where you may obtain this list, is contained in the announcement or agency specific instructions

**Authorized Representative:**

Prefix: Mr. \*First Name: Casey  
Middle Name: \_\_\_\_\_  
\*Last Name: Blass  
Suffix: \_\_\_\_\_

\*Title: Acting Assistant Commissioner

\*Telephone Number: 512-458-7729

Fax Number: 512-458-7229

\* Email: casey.blass@dshs.state.tx.us

\*Signature of Authorized Representative. 

\*Date Signed: 2/17/07

## STATE CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the State certifies that:

**Affirmatively Further Fair Housing** -- The State will affirmatively further fair housing, which means it will conduct an analysis of impediments to fair housing choice within the state, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting that analysis and actions in this regard.

**Anti-displacement and Relocation Plan** -- It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24; and it has in effect and is following a residential antidisplacement and relocation assistance plan required under section 104(d) of the Housing and Community Development Act of 1974, as amended, in connection with any activity assisted with funding under the CDBG or HOME programs.

**Drug Free Workplace** -- It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
2. Establishing an ongoing drug-free awareness program to inform employees about -
  - (a) The dangers of drug abuse in the workplace;
  - (b) The grantee's policy of maintaining a drug-free workplace;
  - (c) Any available drug counseling, rehabilitation, and employee assistance programs; and
  - (d) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1;
4. Notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will -
  - (a) Abide by the terms of the statement; and
  - (b) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant

officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;

6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted -
  - (a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
  - (b) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

**Anti-Lobbying -- To the best of the State's knowledge and belief:**

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and
3. It will require that the language of paragraphs 1 and 2 of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

**Authority of State --** The submission of the consolidated plan is authorized under State law and the State possesses the legal authority to carry out the programs under the consolidated plan for which it is seeking funding, in accordance with applicable HUD regulations.

**Consistency with plan --** The housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

**Section 3 -- It will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR Part 135.**

 12/19/07  
Signature/Authorized Official      Date

Executive Director  
Title



**Specific HOME Certifications**

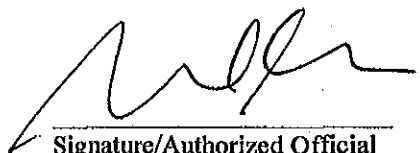
The State certifies that:

**Tenant Based Rental Assistance --** If it intends to provide tenant-based rental assistance:

The use of HOME funds for tenant-based rental assistance is an essential element of the State's consolidated plan.

**Eligible Activities and Costs --** It is using and will use HOME funds for eligible activities and costs, as described in 24 CFR § 92.205 through §92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in §92.214.

**Appropriate Financial Assistance --** Before committing any funds to a project, the State or its recipients will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing.



Signature/Authorized Official

12/19/07

Date

Executive Director

Title

**ESG Certifications**

The State seeking funds under the Emergency Shelter Program (ESG) certifies that it will ensure that its recipients of ESG funds comply with the following requirements:

**Major rehabilitation/conversion** -- In the case of major rehabilitation or conversion, it will maintain any building for which assistance is used under the ESG program as a shelter for homeless individuals and families for at least 10 years. If the rehabilitation is not major, the recipient will maintain any building for which assistance is used under the ESG program as a shelter for homeless individuals and families for at least 3 years.

**Essential Services and Operating Costs** -- Where the assistance involves essential services or maintenance, operation, insurance, utilities and furnishings, it will provide services or shelter to homeless individuals and families for the period during which the ESG assistance is provided, without regard to a particular site or structure as long as the same general population is served.

**Renovation** -- Any renovation carried out with ESG assistance shall be sufficient to ensure that the building involved is safe and sanitary.

**Supportive Services** -- It will assist homeless individuals in obtaining appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living, and other Federal State, local, and private assistance for such individuals.

**Matching Funds** -- It will obtain matching amounts required under 24 CFR 576.51 and 42 USC 11375, including a description of the sources and amounts of such supplemental funds, as provided by the State, units of general local government or nonprofit organizations.

**Confidentiality** -- It will develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the ESG program, including protection against the release of the address or location of any family violence shelter project except with the written authorization of the person responsible for the operation of that shelter.

**Homeless Persons Involvement** -- To the maximum extent practicable, it will involve, through employment, volunteer services, or otherwise, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under this program, in providing services assisted through this program, and in providing services for occupants of such facilities.

**Consolidated Plan** -- It is following a current HUD-approved Consolidated Plan or CHAS.

**Discharge Policy** -- -- It has established a policy for the discharge of persons from publicly funded institutions or systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent such discharge from immediately resulting in homelessness for such persons.

**HMIS** -- It will comply with HUD's standards for participation in a local Homeless Management Information System and the collection and reporting of client-level information.

  
Signature/Authorized Official

12/19/07  
Date

Executive Director  
Title

## Specific CDBG Certifications

The State certifies that:

**Citizen Participation** -- It is in full compliance and following a detailed citizen participation plan that satisfies the requirements of 24 CFR §91.115 and each unit of general local government that receives assistance from the State is or will be following a detailed citizen participation plan that satisfies the requirements of 24 CFR §570.486.

**Consultation with Local Governments** -- It has or will comply with the following:

1. It has consulted with affected units of local government in the nonentitlement area of the State in determining the method of distribution of funding;
2. It engages in or will engage in planning for community development activities;
3. It provides or will provide technical assistance to units of local government in connection with community development programs; and
4. It will not refuse to distribute funds to any unit of general local government on the basis of the particular eligible activity selected by the unit of general local government to meet its community development needs, except that a State is not prevented from establishing priorities in distributing funding on the basis of the activities selected.

**Local Needs Identification** -- It will require each unit of general local government to be funded to identify its community development and housing needs, including the needs of low-income and moderate-income families, and the activities to be undertaken to meet these needs.

**Community Development Plan** -- Its consolidated housing and community development plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objectives of Title I of the Housing and Community Development Act of 1974, as amended. (See 24 CFR 570.2 and 24 CFR part 570)

**Use of Funds** -- It has complied with the following criteria:

1. **Maximum Feasible Priority.** With respect to activities expected to be assisted with CDBG funds, it certifies that it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available);
2. **Overall Benefit.** The aggregate use of CDBG funds including section 108 guaranteed loans during program year(s) 2007, 2008, and 2009 . (a period specified by the grantee consisting of one, two, or three specific consecutive program years), shall principally benefit persons of low and moderate income in a manner that ensures that at least 70 percent of the amount is expended for activities that benefit such persons during the designated period;

3. **Special Assessments.** The state will require units of general local government that receive CDBG funds to certify to the following:

It will not attempt to recover any capital costs of public improvements assisted with CDBG funds including Section 108 loan guaranteed funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

It will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108, unless CDBG funds are used to pay the proportion of fee or assessment attributable to the capital costs of public improvements financed from other revenue sources. In this case, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. Also, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

**Excessive Force --** It will require units of general local government that receive CDBG funds to certify that they have adopted and are enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction;

**Compliance With Anti-discrimination laws --** The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 USC 2000d), the Fair Housing Act (42 USC 3601-3619), and implementing regulations.

**Compliance with Laws --** It will comply with applicable laws.

  
Signature/Authorized Official

12/05/07  
Date

  
Title

**HOPWA Certifications**

The State HOPWA grantee certifies that:

**Activities** -- Activities funded under the program will meet urgent needs that are not being met by available public and private sources,

**Building** -- Any building or structure assisted under the program shall be operated for the purpose specified in the plan:

1. For at least 10 years in the case of any building or structure purchased, leased, rehabilitated, renovated, or converted with HOPWA assistance,
2. For at least 3 years in the case of assistance involving non-substantial rehabilitation or repair of a building or structure.

 12/17/07  
Signature/Authorized Official . Date

Acting Assistant Commissioner, Prevention and Preparedness Services  
Title

## **APPENDIX TO CERTIFICATIONS**

### **A. Lobbying Certification**

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

### **B. Drug-Free Workplace Certification**

1. By signing and/or submitting this application or grant agreement, the grantee is providing the certification.
2. The certification is a material representation of fact upon which reliance is placed when the agency awards the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, HUD, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.
3. For grantees other than individuals, Alternate I applies. (This is the information to which jurisdictions certify).
4. For grantees who are individuals, Alternate II applies. (Not applicable jurisdictions.)
5. Workplaces under grants, for grantees other than individuals, need not be identified on the certification. If known, they may be identified in the grant application. If the grantee does not identify the workplaces at the time of application, or upon award, if there is no application, the grantee must keep the identity of the workplace(s) on file in its office and make the information available for Federal inspection. Failure to identify all known workplaces constitutes a violation of the grantee's drug-free workplace requirements.
6. Workplace identifications must include the actual address of buildings (or parts of buildings) or other sites where work under the grant takes place. Categorical descriptions may be used (e.g., all vehicles of a mass transit authority or State highway department while in operation, State employees in each local unemployment office, performers in concert halls or radio stations).
7. If the workplace identified to the agency changes during the performance of the grant, the grantee shall inform the agency of the change(s), if it previously identified the workplaces in question (see paragraph five).
8. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Place of Performance (Street address, city, county, state, zip code)

(ESG & HOME) Texas Department of Housing and Community Affairs,  
Headquarters Building and Field Offices  
221 East 11th Street, Austin, TX 78701

(CDBG) Office of Rural Community Affairs,  
Headquarters Building and Field Offices  
1700 N. Congress, Suite 220, Austin, TX 78701

(HOPWA) Department of State Health Services  
HIV/STD Comprehensive Services Branch, Austin, TX  
1100 W. 49th St., Austin, TX, 78756

Check \_\_\_ if there are workplaces on file that are not identified here; The certification with regard to the drug-free workplace required by 24 CFR part 24, subpart F.

9. Definitions of terms in the Nonprocurement Suspension and Debarment common rule and Drug-Free Workplace common rule apply to this certification. Grantees' attention is called, in particular, to the following definitions from these rules:

"Controlled substance" means a controlled substance in Schedules I through V of the Controlled Substances Act (21 U.S.C.812) and as further defined by regulation (21 CFR 1308.11 through 1308.15);

"Conviction" means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes;

"Criminal drug statute" means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, use, or possession of any controlled substance;

"Employee" means the employee of a grantee directly engaged in the performance of work under a grant, including: (i) All "direct charge" employees; (ii) all "indirect charge" employees unless their impact or involvement is insignificant to the performance of the grant; and (iii) temporary personnel and consultants who are directly engaged in the performance of work under the grant and who are on the grantee's payroll. This definition does not include workers not on the payroll of the grantee (e.g., volunteers, even if used to meet a matching requirement; consultants or independent contractors not on the grantee's payroll; or employees of subrecipients or subcontractors in covered workplaces).

## APPENDIX B: ACTION PLAN REQUIREMENTS

### § 91.320 Action Plan

The action plan must include the following:

- (a) Standard Form 424;
- (b) A concise executive summary that includes the objectives and outcomes identified in the plan as well as an evaluation of past performance, a summary of the citizen participation and consultation process (including efforts to broaden public participation) (24 CFR 91.300 (b)), a summary of comments or views, and a summary of comments or views not accepted and the reasons therefore (24 CFR 91.115 (b)(5)).
- (c) Resources and objectives--(1) Federal resources. The consolidated plan must provide a concise summary of the federal resources expected to be made available. These resources include grant funds and program income.  
(2) Other resources. The consolidated plan must indicate resources from private and non-federal public sources that are reasonably expected to be made available to address the needs identified in the plan. The plan must explain how federal funds will leverage those additional resources, including a description of how matching requirements of the HUD programs will be satisfied. Where the state deems it appropriate, it may indicate publicly owned land or property located within the state that may be used to carry out the purposes identified in the plan;
- (3) Annual objectives. The consolidated plan must contain a summary of the annual objectives the state expects to achieve during the forthcoming program year.
- (d) Activities. A description of the state's method for distributing funds to local governments and nonprofit organizations to carry out activities, or the activities to be undertaken by the state, using funds that are expected to be received under formula allocations (and related program income) and other HUD assistance during the program year, the reasons for the allocation priorities, how the proposed distribution of funds will address the priority needs and specific objectives described in the consolidated plan, and any obstacles to addressing underserved needs.
- (e) Outcome measures. Each state must provide outcome measures for activities included in its action plan in accordance with guidance issued by HUD. For the CDBG program, this would include activities that are likely to be funded as a result of the implementation of the state's method of distribution.
- (f) Geographic distribution. A description of the geographic areas of the State (including areas of low-income and minority concentration) in which it will direct assistance during the ensuing program year, giving the rationale for the priorities for allocating investment geographically. When appropriate, the state should estimate the percentage of funds they plan to dedicate to target area(s).
- (g) Affordable housing goals. The state must specify one-year goals for the number of households to be provided affordable housing through activities that provide rental assistance, production of new units, rehabilitation of existing units, or acquisition of existing units using funds made available to the state, and one-year goals for the number of homeless, non-homeless, and special-needs households to be provided affordable housing using funds made available to the state. The term affordable housing shall be as defined in 24 CFR 92.252 for rental housing and 24 CFR 92.254 for homeownership.
- (h) Homeless and other special needs activities. Activities it plans to undertake during the next year to address emergency shelter and transitional housing needs of homeless individuals and families (including subpopulations), to prevent low-income individuals and families with children (especially those with incomes below 30 percent of median) from becoming homeless, to help homeless persons make the transition to permanent housing and independent living, specific action steps to end chronic homelessness, and to address the special needs of persons who are not homeless identified in accordance with Sec. 91.315(e);
- (i) Barriers to affordable housing. Actions it plans to take during the next year to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing. Such policies, procedures, and processes include but are not limited to: land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment.
- (j) Other actions. Actions it plans to take during the next year to implement its strategic plan and address obstacles to meeting underserved needs, foster and maintain affordable housing (including the coordination of Low-Income Housing Tax Credits with the development of affordable housing), evaluate and reduce lead-based paint hazards, reduce the number of poverty level families, develop institutional structure, enhance coordination between public and private housing and social service agencies, address the needs of public housing (including



providing financial or other assistance to troubled public housing agencies), and encourage public housing residents to become more involved in management and participate in homeownership.

(k) Program-specific requirements. In addition, the plan must include the following specific information:

(1) CDBG. The action plan must set forth the state's method of distribution.

(i) The method of distribution shall contain a description of all criteria used to select applications from local governments for funding, including the relative importance of the criteria, where applicable. The action plan must include a description of how all CDBG resources will be allocated among funding categories and the threshold factors and grant size limits that are to be applied. The method of distribution must provide sufficient information so that units of general local government will be able to understand and comment on it, understand what criteria and information their application will be judged, and be able to prepare responsive applications. The method of distribution may provide a summary of the selection criteria, provided that all criteria are summarized and the details are set forth in application manuals or other official state publications that are widely distributed to eligible applicants. HUD may monitor the method of distribution as part of its audit and review responsibilities, as provided in Sec. 570.493(a)(1), in order to determine compliance with program requirements.

(ii) If the state intends to help nonentitlement units of general local government apply for guaranteed loan funds under 24 CFR part 570, subpart M, it must describe available guarantee amounts and how applications will be selected for assistance. If a state elects to allow units of general local government to carry out community revitalization strategies, the method of distribution shall reflect the state's process and criteria for approving local government's revitalization strategies.

(2) HOME. (i) The state shall describe other forms of investment that are not described in 24 CFR 92.205(b).

(ii) If the state intends to use HOME funds for homebuyers, it must state the guidelines for resale or recapture, as required in 24 CFR 92.254.

(iii) If the state intends to use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under 24 CFR 92.206(b). The guidelines shall describe the conditions under which the state will refinance existing debt. At minimum, the guidelines must:

(A) 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.

(B) Require a review of management practices to demonstrate that disinvestment in the property has not occurred; that the long-term needs of the project can be met; and that the feasibility of serving the targeted population over an extended affordability period can be demonstrated.

(C) State whether the new investment is being made to maintain current affordable units, create additional affordable units, or both.

(D) Specify the required period of affordability, whether it is the minimum 15 years or longer.

(E) Specify whether the investment of HOME funds may be state-wide or limited to a specific geographic area, such as a community identified in a neighborhood revitalization strategy under 24 CFR 91.315(g), or a federally designated Empowerment Zone or Enterprise Community.

(F) State that HOME funds cannot be used to refinance multifamily loans made or insured by any federal program, including the CDBG program.

(iv) If the state will receive funding under the American Dream Downpayment Initiative (ADDI) (see 24 CFR part 92, subpart M), it must include:

(A) A description of the planned use of the ADDI funds;

(B) A plan for conducting targeted outreach to residents and tenants of public and manufactured housing and to other families assisted by public housing agencies, for the purposes of ensuring that the ADDI funds are used to provide downpayment assistance for such residents, tenants, and families; and

(C) A description of the actions to be taken to ensure the suitability of families receiving ADDI funds to undertake and maintain homeownership, such as provision of housing counseling to homebuyers.

(3) ESG. The state shall identify the process for awarding grants to state recipients and a description of how the state intends to make its allocation available to units of local government and nonprofit organizations (including community and faith-based organizations).

(4) HOPWA. For HOPWA funds, the state must specify one-year goals for the number of households to be provided housing through the use of HOPWA activities for short-term rent; mortgage and utility assistance

payments to prevent homelessness of the individual or family; tenant-based rental assistance; and units provided in housing facilities that are being developed, leased or operated with HOPWA funds, and shall identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations).

[71 FR 6969, Feb. 9, 2006]