



**TEXAS STATE AFFORDABLE HOUSING CORPORATION
2017 ANNUAL ACTION PLAN**

**Approved February 9, 2017 by
Texas State Affordable Housing Corporation
Board of Directors**

TEXAS STATE AFFORDABLE HOUSING CORPORATION

2017 ANNUAL ACTION PLAN

INTRODUCTION

This plan is prepared in accordance with Texas Government Code, Section 2306.566, which requires the Texas State Affordable Housing Corporation (“Corporation”) to develop a plan to address the state’s housing needs. Texas Government Code, Section 2306.0721(g) requires the Corporation’s Annual Action Plan to be included in the 2016 State Low Income Housing Plan (“SLIHP”) prepared by the Texas Department of Housing and Community Affairs (“TDHCA”).

CORPORATION OVERVIEW

The Texas State Affordable Housing Corporation, created in 1994 at the direction of the Texas State Legislature, is a self-sustaining nonprofit entity whose mission is to serve the housing needs of moderate, low, very low and extremely low-income Texans and other underserved populations who cannot access comparable housing options through conventional financial channels. The Corporation’s enabling legislation can be found in Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq.

The Corporation’s office is located in Austin, Texas. A five-member volunteer Board of Directors, appointed by the Governor of Texas, oversees the policies and business of the Corporation. None of the Corporation’s programs or operations are funded through the State’s budget appropriations process.

The Corporation is statutorily authorized to issue mortgage revenue bonds and other tax exempt bonds to finance the purchase and creation of affordable housing. The Corporation also has the authority to use loans from banks, private mortgage companies, nonprofit organizations and other financial institutions to assist low, very low, and extremely low income Texans. Over the course of its history, the Corporation has utilized more than \$1.4 billion in single family bonding authority and approximately \$724 million in multifamily private activity bonds.¹ Bond issuances are used to finance the creation and preservation of affordable multifamily housing and the following home buyer programs:

- Homes for Texas Heroes Home Loan Program
- Home Sweet Texas Home Loan Program
- Mortgage Credit Certificate Program

¹ 2016 Corporation bond activity includes a conversion of mortgage revenue bonds to Mortgage Credit Certificates in the amount of \$200,000,000 and the issuance of \$43,613,142 in Multifamily Private Activity Bonds.

Using its mission as guidance, the Corporation has developed the following additional programs and services to help meet the need for affordable housing in Texas:

- Home Buyer and Financial Education
- Texas Housing Impact Fund
- Affordable Communities of Texas
- Asset Oversight and Compliance
- Single Family Rental Program
- Multifamily Rental Program
- Texas Foundations Fund

CORPORATION OBJECTIVE

The programs and services the Corporation administers have evolved and grown over the years as it works to serve the housing needs of Texans who need affordable housing and underserved populations, such as people with disabilities and people living in rural areas of the state where access to services and programs is limited. In 2017, the Corporation's objective is to continue to implement innovative approaches to fulfill its mission while expanding the success of its current programs.

PROGRAM DESCRIPTIONS AND IMPLEMENTATION PLANS

HOMEOWNERSHIP PROGRAMS

Over the last decade research has consistently shown that homeownership has a positive impact on the socioeconomic status of a household and their community. The financial benefits range from yearly tax benefits to the creation of wealth over time earned through monthly mortgage payments.²

Areas with high rates of homeownership often see lower crime rates, better educational outcomes for children and significant rates of community involvement. Research conducted by the National Association of REALTORS® showed that stable housing created by homeownership led to improved children's educational achievement, improved civic participation, improved health care outcomes for families, and reduced neighborhood crime rates.³

The Corporation currently administers the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs, which provide home loans, tax credits and down payment assistance to low and moderate-income families and individuals.

Traditionally, the Corporation has funded these programs through the tax-exempt bond market by issuing mortgage revenue bonds available under its statutory authority. All of the Corporation's bond issuances are subject to oversight by the Texas Bond Review Board. More recently the Corporation has funded these programs by pooling loans on a regular basis and selling the mortgage-backed securities.

The Homes for Texas Heroes Home Loan Program, established by the Legislature in 2003, is allocated 10 percent of the State's private activity bond cap for the purpose of making mortgage loans to:

- Public School Classroom Teachers
- Public School Teacher's Aides
- Public School Librarians
- Public School Nurses
- Public School Counselors
- Faculty Members of an Allied Health or Professional Nursing Program
- Paid Firefighters
- Emergency Medical Services Personnel
- Peace Officers
- Corrections Officers
- Juvenile Corrections Officers
- County Jailers

² Source: Michael Corbett, "Freshen Up on the 7 Financial Benefits of Homeownership," trulia.com, April 23, 2015

³ Source: National Association of REALTORS® Research Division, "Social Benefits of Homeownership and Stable Housing," April 2012

- Veterans
- Public Security Officers

In 2006 the Corporation created the Home Sweet Texas Home Loan Program to serve home buyers not eligible for the Homes for Texas Heroes Home Loan Program. The Home Sweet Texas Home Loan Program is not profession-specific and is available statewide to those with incomes at or below 80 percent of the area median family income.

The Need for Down Payment Assistance

The U.S. homeownership rate fell to 62.9% in the second quarter of 2016, the lowest percentage in more than 50 years.⁴ The homeownership rate in Texas stands at 61.9% as of March 2016.⁵ Rising home prices, the continued effects of the housing crisis of the mid-2000s⁶, and an overall low inventory of available homes⁷ have played a role in this drop in homeownership.

But even for individuals ready to buy a home, one of the major barriers is that prospective buyers simply cannot accumulate sufficient funds for a down payment.⁸ This problem has worsened due to higher rents, particularly in metro areas, that make saving for a down payment that much more difficult.⁹

This is why the Corporation's assistance and home buyer programs are so important. The Corporation's home loan programs with down payment assistance allow eligible borrowers to apply for a 30-year fixed-rate mortgage loan and receive down payment assistance in the form of a grant that does not require repayment when the home is sold or the mortgage loan is refinanced.

These programs are available statewide on a first-come, first-served basis to home buyers who wish to purchase a newly constructed or existing home. Home buyers must meet income and purchase price limits set by federal guidelines, while demonstrating creditworthiness and meeting standard mortgage underwriting requirements. Home buyers must also occupy the purchased home as their primary residence. The programs are accessible to eligible borrowers by directly contacting a participating mortgage lender.

Mortgage Credit Certificate Program

In 2008 the Corporation established the Mortgage Credit Certificate (MCC) Program as another way to assist first-time home buyers. The MCC Program is made possible under IRS rules that

⁴ Source: Prashant Gopal, "Homeownership Rate in the U.S. Drops to Lowest Since 1965," Bloomberg, July 28, 2016

⁵ Source: <https://fred.stlouisfed.org/series/TXHOWN>, accessed November 28, 2016

⁶ Source: Wei Li and Laurie Goodman, "Comparing Credit Profiles of American Renters and Owners," Urban Institute, March 2016

⁷ Source: Ralph McLaughlin, "House Arrest: How Low Inventory is Slowing Home Buying," trulia.com, March 21, 2016

⁸ Source: Chrystal Caruthers, "Free Money: \$12,000 for Down Payment, Why Aren't You Applying?," realtor.com, February 4, 2015

⁹ Source: Zillow, "Down Payments Posing a Roadblock for Renters to Become Owners," November 11, 2015

allow the conversion of single family mortgage revenue bonds into Mortgage Credit Certificates. The Corporation's MCC Program serves the same populations eligible for the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs, however the program is only available to first-time homebuyers or those who have not owned a home in three years. Under the MCC Program, the qualified home buyer can take a portion of the annual interest paid on the mortgage loan as a special tax credit, up to \$2,000 each year that they occupy the home as their principal residence. An MCC has the potential of saving the home buyer thousands of dollars over the life of the loan. And although the MCC Program is not a home loan program, the Corporation requires the home buyer to have a fixed-rate mortgage loan.

Since their inception, demand for these programs has increased. In 2016, the Corporation's home buyer programs helped 1,791 families purchase a home. To date, the Corporation has served more than 13,500 households under our home loan, down payment and MCC programs.

Home Buyer Education Requirement

In addition to meeting the program eligibility requirements, every home buyer who utilizes one of the Corporation's homeownership programs must complete a home buyer education course prior to closing on the purchase of their home. The Corporation requires that home buyers take a course offered by a provider listed on our Texas Financial Toolbox web site.¹⁰ The providers listed on the Toolbox are generally nonprofit organizations or government entities who are either HUD-approved or certified to provide home buyer education.

Home buyer education empowers individuals with the ability to expand their housing searches, avoid risky home purchases or questionable mortgages, lower their housing costs, improve their credit scores, save more money, and avoid or resolve delinquent mortgage payments.¹¹

There is also evidence that homeowners who take a pre-purchase home buyer education course have significantly lower rates of mortgage payment delinquencies. Specifically, a study conducted by Neil Mayer and Associates in collaboration with Experian found that clients receiving home buyer education prior to purchasing a home are one-third less likely to become 90 or more days delinquent over the two years after receiving their loan as compared to borrowers who do not receive that pre-purchase education or counseling.¹²

2017 Implementation Plan

The Corporation will continue to stay abreast of any changes or developments in the mortgage industry. The Corporation has continued this practice since its inception and will continue it in 2017. In late 2014, the Corporation started providing several different options to home buyers, offering varying rates, down payment assistance levels, and loan types.

¹⁰ Texas Financial Toolbox, <http://www.texasfinancialtoolbox.com/home-buyer-education>

¹¹ Source: Evidence Matters, "The Evidence on Homeownership Education and Counseling," Spring 2016

¹² Source: Neil S. Mayer and Kenneth Temkin, "Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeighborWorks America's Experience," Neil Mayer and Associates on behalf of NeighborWorks America, March 2013.

These options allow home buyers, in discussions with their lenders and REALTORS®, to choose the best option for them.

The Corporation will look to expand the reach of home buyer programs by continuing to build upon relationships with current lenders and recruiting additional lenders to participate in our home buyer programs. In 2017, the Corporation will make a stronger push in marketing to REALTORS® and participating lenders. Some marketing initiatives were implemented in 2016, and the Corporation will continue to roll out new ones in 2017.

There is also a need to market our programs directly to potential home buyers. This is because despite the existence of hundreds of down payment programs that provide on average \$11,565 per buyer in assistance,¹³ upwards of 70 percent of home buyers don't know down payment assistance is available.¹⁴ The Corporation will expand efforts to overcome this by educating home buyers directly about our programs.

HOME BUYER EDUCATION AND FINANCIAL EDUCATION

In 2010, the Corporation created an online educational tool called the Texas Mortgage Calculator (www.tsahc.org/Mortgage_Calculator) that provides step-by-step information on the home buying process, information about mortgage rates, and a glossary of mortgage terms in both English and Spanish. This tool also estimates the potential interest rate a home buyer can expect in the market based on their FICO score.

In 2012, the Corporation expanded its online resources by creating the Texas Financial Toolbox (www.texasfinancialtoolbox.com). The Texas Financial Toolbox gives consumers an easy way to find nonprofit organizations or government entities that can help them achieve their financial and homeownership goals through home buyer education, credit counseling or financial education. Whether consumers want to learn how to better manage their money, find out if they're ready for homeownership, understand the home buying process and the programs that are available to help them buy a home, or learn how to avoid foreclosure, the Texas Financial Toolbox is a great place to start. Information about home buyer programs, home buyer education classes, financial education, and foreclosure prevention is available, all searchable by city. This is a unique tool the Corporation believes is providing essential information to Texas consumers.

Texas Statewide Homebuyer Education Program

For several years the Corporation has promoted and supported successful homeownership by administering the Texas Statewide Homebuyer Education Program (TSHEP) in partnership with the Texas Department of Community Affairs (TDHCA).

¹³ Source: Chrystal Caruthers, "Free Money: \$12,000 for Down Payment, Why Aren't You Applying?," realtor.com, February 4, 2015

¹⁴ Source: Trey Garrison, "Fully 70% of homebuyers don't know about down payment assistance," Housing Wire, December 4, 2014

TSHEP provides continuing education to housing counselors who provide home buyer education to consumers, most of them low-income.

TDHCA is statutorily responsible for implementing TSHEP. However, since 2012, the Corporation, through a formal agreement with TDHCA, has administered and implemented TSHEP. The Corporation, in consultation with housing counselors and TDHCA, selects the training courses for the year and manages the logistics surrounding the training sessions. In addition, as a nonprofit organization, the Corporation has successfully raised significant funds from financial institutions to expand the program.

In 2016, housing counselors across the state had the opportunity to attend two separate trainings that furthered their skills and certified many of the participants as home buyer education providers. The Corporation contracted with NeighborWorks America, the selected education provider, to teach housing counselors the principles and applications of comprehensive pre-purchase home buyer education, one-on-one counseling, and credit counseling for maximum results.

To date, 980 housing counselors have continued their education to either maintain or obtain their home buyer education certification as a result of training they received through TSHEP. Under TSAHC's administration of TSHEP, the Corporation has trained 423 counselors representing 176 organizations in 59 municipalities across Texas.

2017 Implementation Plan

In 2017, the Corporation, with support from private and public funders, will conduct two weeklong training sessions and one three-day training session as part of TSHEP. The Corporation will offer courses covering the following topics: home buyer education methods, post-purchase education methods, and delivering effective financial education to today's consumers.

TEXAS HOUSING IMPACT FUND

The Texas Housing Impact Fund helps provide safe, decent, and affordable housing with an emphasis on serving rural and underserved communities by providing flexible financing options to affordable housing developers. This program was formerly known as the Direct Lending program, but the Corporation changed the name in September 2015 to better communicate the purpose and goals of the loan products to both developers and potential investors.

Leveraging investments from private foundations and banks, the Corporation is able to provide both short-term and long-term affordable housing financing to developers through the Texas Housing Impact Fund. Applications for new loans are accepted on an ongoing basis, provided there is funding available for the program. This funding model has enabled the Corporation to steadily grow the fund over time.

To date, the Texas Housing Impact Fund has financed the construction or rehabilitation of 157 single family homes and 1,901 rental units for low and moderate-income households.

The Corporation currently offers three types of loans:

- Construction lines of credit for new single-family homes
- Revolving lines of credit for acquisition/rehabilitation of single-family homes
- Permanent financing for multifamily rental properties

Single Family Construction/Rehabilitation

Homeownership is the primary means by which lower-income households create stability and build wealth for the future. According to the most recent Federal Reserve Survey of Consumer Finances, the average net worth of a homeowner ranged between 31 and 46 times that of the average net worth of a renter in a time span covering 1998 to 2013.¹⁵

However, due to rising housing prices, many Texans cannot afford to purchase a home in their communities. For example, according to research conducted by the Real Estate Center at Texas A&M University, as of October 2016 the median home price was more than \$200,000 in most Texas cities, including Austin (with a median home price of \$270,000), Dallas (\$232,000) and Houston (\$218,000).¹⁶ By financing the construction or rehabilitation of single family homes that are affordable to well-qualified low and moderate-income home buyers, the Texas Housing Impact Fund is helping families and individuals achieve their dreams of homeownership.

In 2016, affordable housing developers used financing from the Texas Housing Impact Fund to rehabilitate or construct eight homes and 21 condominiums for low- to moderate-income home buyers.¹⁷

Multifamily Construction/Rehabilitation

The Corporation also recognizes that not all families and individuals are ready to become homeowners. Access to affordable and decent rental housing is what is most important to these households. By funding the construction or rehabilitation of affordable rental units, the Texas Housing Impact Fund helps ensure these households can access safe and decent rental homes without having to sacrifice other basic needs, such as food, education or medical care.

The Corporation's Texas Housing Impact Fund generally targets smaller multifamily developments in rural areas and underserved communities. The average loan size for multifamily developments is \$580,000, and the average number of units is 72. The Corporation did not award any Texas Housing Impact Fund loans for multifamily developments in 2016.

¹⁵ Source: "Net Worth of Homeowners vs. Renters," National Association of REALTORS® Economists' Outlook, September 8, 2014,

¹⁶ Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 14, 2016.

¹⁷ The eight homes are located in Beaumont, Dallas, Lufkin and Mabank, Texas. The 21 condominiums are part of The Chicon being developed in Austin, Texas by Chestnut Neighborhood Revitalization Corporation.

Texas Housing Impact Fund Loan Production

Loan Production	2016¹⁸	2003 - 2015
Loans Made	4	23
# of Single Family Homes Built or Under Construction	59	128
# of Rental Units	0	1901
Amount of Loan Funds Approved	\$3,950,000	\$11,746,287

2017 Implementation Plan

The Corporation plans to provide flexible lines of credit to developers in targeted areas. These loan products, leveraged with the Corporation’s access to lower cost land through its Affordable Communities of Texas (ACT) land bank, will enable these developers to continue to construct and rehabilitate single family homes that are affordable for working families.

Additionally, the Corporation plans to continue to provide loans to small and rural markets for multifamily developments, helping local developers meet the housing needs of their communities.

The Corporation will continue to seek additional investments from financial institutions to meet the growing need for housing in targeted markets. The Corporation will also continue to market the Texas Housing Impact Fund to attract developers and investors across the state and explore how to better document the impact of the program.

AFFORDABLE COMMUNITIES OF TEXAS PROGRAM

The Corporation created the Affordable Communities of Texas (ACT) Program, a land bank and land trust program, in 2008 to stabilize communities experiencing high rates of foreclosure. The Corporation works in partnership with nonprofit and government agencies across the state to acquire and redevelop foreclosed homes, vacant land and tax foreclosed properties, and then sell or rent the homes to low-income families.

The ACT Program, has worked with 28 nonprofit housing developers across Texas, acquired a total of 563 properties and has redeveloped 222¹⁹ of these properties to date. The ACT Program has a current portfolio of 309 lots and homes, and it comprises four unique initiatives distinguished by source of funding and targeted use of properties:

- ACT Land Banking – This is the Corporation’s general land banking program that

¹⁸ 2016 loans include a new loan in the amount of \$2,000,000 to Chestnut Neighborhood Revitalization Corporation and a new loan in the amount of \$1,000,000 to Community Development Corporation of Brownsville. Lines of credit for single family construction and rehab were provided to Builders of Hope CDC for \$500,000 and to Legacy CDC for \$450,000.

¹⁹ This includes properties that may still be under contract for sale and have a sale date but have not finalized a closing.

includes properties that are either purchased by the Corporation or donated to the Corporation. Properties are redeveloped for affordable housing. If a property is not suitable for redevelopment (i.e. poor location, high cost of redevelopment or other extenuating circumstances), the property is sold and the funds reinvested in the ACT Program.

- ACT Land Trust – Properties acquired are intended to be held in perpetuity by the Corporation. Homes built or redeveloped on land trust sites may be rented or sold to qualified low-income households.
- Veterans Housing Initiative – This initiative, nearing completion, was a partnership with Bank of America. The Corporation accepted higher value homes donated by Bank of America that were redeveloped and sold at a minimum 25% discount or donated mortgage-free to qualified U.S. military veterans in Texas. To date, the Corporation has sold 66 homes through the program, and only one home remains for sale in the portfolio. The Corporation donated 10 homes to veterans who are disabled and have low incomes as part of the program.
- Texas NSP – This category includes those homes and properties that were acquired using Texas’s federal Neighborhood Stabilization Program (NSP) funding.

Affordable Communities of Texas Portfolio

Program/Initiative	Acquisitions 2016	Sales 2016	Current Portfolio	Current Asset Value
ACT Land Banking	10	23	82	\$1,505,060
ACT Land Trust	0	0	1	\$650,000
Veterans Initiative	0	4	1	\$33,210
Texas NSP	0	18	225	\$3,304,501
Totals	10	45	309	\$5,492,771

2017 Implementation Plan

The ACT Program will continue to play an integral role in the Corporation’s overall affordable housing strategy. The Corporation plans to continue to form partnerships to acquire foreclosed and vacant properties, including working directly with local and regional governments.

Additionally, the Corporation intends to continue working with its network of local partner developers to redevelop and sell properties currently in the ACT Program’s portfolio. The Corporation will also look for new local partners, particularly in areas of the state where the Corporation has land bank properties but does not have a local partner.

Lastly, the Corporation will continue to focus on selling homes in the Texas NSP portfolio as quickly and efficiently as possible.

MULTIFAMILY PRIVATE ACTIVITY BOND PROGRAM

The Corporation uses its statutory authority to issue tax-exempt multifamily private activity bonds (PAB) to help affordable housing developers construct or preserve multifamily rental units. As a conduit issuer, the Corporation is allocated 10 percent of Texas' multifamily PAB cap each year.

The Corporation makes available to developers its multifamily PAB allocation through an annual Request for Proposal application process. To be considered for multifamily PAB financing, multifamily developments must meet specific housing needs identified each year by the Corporation's Board of Directors. In 2016 those housing needs were:

- At-Risk Preservation and Rehabilitation
- Rural and Smaller Urban Markets
- Senior and Service Enriched Housing Developments
- Disaster Relief Housing

In 2016, the Corporation issued or reserved \$43,613,142 in multifamily PABs to construct or rehabilitate 470 affordable rental units in Dallas and Glenn Heights.²⁰

2017 Implementation Plan

The Corporation anticipates continued interest and growth in our PAB program due to the high number of affordable housing units needed to meet the demand. For example, research conducted by the National Low Income Housing Coalition found that, in Texas, there are only 56 units that are affordable for every 100 households that earn 50% or less of the average median income.²¹

The Corporation plans to continue to address this ongoing demand for affordable multifamily housing by financing through the PAB program the construction and rehabilitation of additional rental units that are affordable to low and very low-income Texans.

In 2017, the Corporation will also focus on how to preserve and create affordable housing specifically in rural areas. The Corporation recently began collaborating with the Federal Reserve Bank of Dallas and other interested parties on how to preserve aging rural multifamily developments. Specifically, Texas is home to 696²² rural multifamily developments that were financed by the U.S. Department of Agriculture under its Section 515 loan program.

²⁰ The developments in these municipalities are Peoples El Shaddai Village Apartments (Dallas, TX), St. James Manor Apartments (Dallas, TX) and Palladium Glenn Heights Apartments (Glenn Heights, TX).

²¹ Source: "The Affordable Housing Gap Analysis 2016," The National Low Income Housing Coalition, 2016, http://nlihc.org/sites/default/files/Gap-Report_print.pdf

²² Source: <https://catalog.data.gov/dataset/usda-rural-development-multifamily-section-515-rural-rental-housing-and-section-514-farm-l-f2dd4>

Many of these developments face uncertain futures because of need for repair, maturing mortgages, or expiring rental assistance agreements.

Private activity bonds may play a role in preserving the Section 515 rural rental developments. Moreover, the Corporation will evaluate what other resources it can provide, in collaboration with the Federal Reserve Bank of Dallas and other partners, to address housing needs in rural areas of the state.

ASSET OVERSIGHT AND COMPLIANCE

Asset oversight and compliance monitoring of multifamily properties financed through multifamily tax-exempt bonds is required by many bond issuers, including the Corporation. The Corporation also requires asset oversight and compliance monitoring of multifamily properties financed through our Texas Housing Impact Fund. The Corporation believes these reviews are one of the best ways to ensure properties are continuing to provide safe and decent affordable housing to their residents.

Asset Oversight

As part of the asset oversight review process, staff performs an annual on-site physical inspection of each property, monitors each property's financial and physical health, and provides suggestions for improvement to property owners and managers. Staff completes a report of each property and submits its reports to property owners, managers and other stakeholders. The reports are also available on the Corporation's web site.

Compliance

As part of the compliance review process, staff reviews tenant files on-site annually to ensure that property owners and managers are following the federal affordability requirements relating to the tax-exempt status of the bonds. Completed compliance reports are submitted to property owners, managers, and other stakeholders and are also available on the Corporation's web site. In addition, the Corporation manages an online reporting system that allows property managers to complete their monthly compliance reporting online. Each month, staff monitors whether property owners and managers are providing the required number of affordable units to income-eligible households and that quality resident services are being provided. By monitoring this on a monthly basis, the Corporation helps ensure that property owners and managers are meeting all program requirements.

In 2016, the Corporation performed asset oversight reviews for 27 properties, totaling 3,960 units, and the Corporation performed compliance reviews for 26 properties, totaling 3,748 units. These properties are either bond-financed or financed through the Texas Housing Impact Fund. The Corporation also leverages its asset oversight and compliance experience by providing training to other housing organizations and public agencies as needed.

2017 Implementation Plan

The Corporation will continue to provide asset oversight and compliance monitoring services to the properties in its current bond and Texas Housing Impact Fund portfolios. In 2017, the Corporation anticipates adding three properties to the portfolio of bond-financed properties monitored by the Corporation's staff.

The Corporation will continue to review and update its policies and procedures as industry trends and changes in policy dictate. The Corporation will continue to closely monitor the financial health and physical condition of properties in its portfolio and offer specific strategies for improvement. In addition, the Corporation plans to expand and target the marketing of its asset oversight and compliance capabilities to other housing organizations and public agencies.

SINGLE FAMILY RENTAL PROGRAM

The cost of living in Austin continued to rise in 2016. According to the Real Estate Center at Texas A&M University, the average home price in Austin is \$270,000.²³ The average monthly rent is \$1,281.²⁴ These prices are simply unaffordable for many low-income Austin families.

In May 2013, the Corporation created the Single Family Rental Program to provide eligible low-income families with affordable, below-market rental homes in high opportunity neighborhoods in the Austin Metropolitan Statistical Area (MSA).

Homes available through the program are located in areas with higher than average median incomes, with access to good schools, transportation and other services nearby. The program has received an extraordinary number of applications from low-income families and individuals interested in renting a home available under the program.

The program offers individuals and families that earn at or below 80% of the area median family income the opportunity to rent a home at significantly less than market rate rents. In addition to verifying income, the Corporation screens each applicant for rental, credit, and criminal history. To date, the Corporation has purchased and leased 15 single family homes²⁵, one condominium and one duplex to qualifying, low-income families in the Austin MSA.

²³ Source: See Footnote 15.

²⁴ Source: <https://www.rentjungle.com/average-rent-in-austin-rent-trends/>

²⁵ This includes two homes purchased by the Corporation in 2016 as part of the single family rental program.

MULTIFAMILY RENTAL PROGRAM

In July 2015, the Corporation expanded its rental program by acquiring the Rollins Martin apartment complex in East Austin. East Austin is a rapidly developing community that is quickly becoming unaffordable to its long-time lower-income residents. Recent research revealed two worrisome trends for the census tract containing the Rollins Martin apartments. First, the average renter in the tract is cost-burdened (defined as spending more than 30% of their income on housing), and second, the number of cost burdened renters in the tract has gone up from 2010 to 2014.²⁶

The Rollins Martin apartment complex was originally financed as part of the federal low-income housing tax credit (LIHTC) program. It consists of 15 three-bedroom apartment units, all of which are affordable for families earning at or below 60% of the area median family income.

The Corporation has made substantial improvements to the Rollins Martin apartment complex. In 2015, the Corporation installed new appliances, tankless water heaters and HVAC for each unit and new roofing and a fence for the complex. In 2016, the Corporation added new outdoor trash receptacles, a bike rack, and a surveillance system at the property. Additionally, the doors for the laundry area in each unit were expanded.

2017 Implementation Plan

The Corporation plans to purchase three additional homes for the Single Family Rental program before August 31, 2017. The Corporation will continue to manage the program to provide its tenants with affordable, safe rental homes in high opportunity areas of the Austin MSA.

Remaining renovations for the Rollins Martin apartment complex include repainting the interiors and providing new flooring, countertops and cabinets for each unit. These renovations have been completed in three of the 15 units. In an effort to avoid tenant displacement, the remaining renovations will be done on a rolling basis once a unit becomes available after a tenant moves out.

TEXAS FOUNDATIONS FUND

History of the Texas Foundations Fund

The Corporation created the Texas Foundations Fund to improve housing conditions for very low-income Texas households, with a particular emphasis on assisting persons with disabilities and rural communities. The Corporation defines very low-income households as households earning at or below 50% of the area median family income.

²⁶ Source: Michael Theis, "Charting Austin's unaffordable rental landscape," Austin Business Journal, November 4, 2016

Through the Texas Foundations Fund, the Corporation partners with nonprofit organizations across Texas to support quality programs that address the critical housing needs of very low-income families and individuals. In the past, the Corporation has also partnered with rural government entities to fund these programs, but as of 2016, only nonprofit organizations are eligible for partnership opportunities. Selected partners receive grants to support their housing services. Since 2008, the Corporation has awarded more than \$2.6 million in grants.

The housing services listed below are eligible for support through the Texas Foundations Fund:

- The rehabilitation and/or critical repair of owner-occupied, single family homes to remedy unsafe living conditions. Critical repairs may also include accessibility modifications to assist household members with a disability.
- The provision of supportive housing services for residents of housing units owned by the applicant receiving funding. The services supported by the Texas Foundations Fund must help individuals and families at risk of homelessness or unnecessary institutionalization gain and/or maintain their housing stability. Eligible supportive housing services include, but are not limited to: the provision of alcohol and drug counseling, adult education and/or job training, mental health counseling, case management and services provided by a health care provider.

The Corporation selected these services by conducting a survey asking its partner housing organizations to identify the greatest housing needs of the very low-income Texans they serve.

The Corporation funds its Texas Foundations Fund awards by blending private donations with earned revenue from its other housing programs. The Corporation's Board of Directors determines the amount available for each funding round based on revenue and private funding received.

Prior to each funding round, the Corporation publishes the Texas Foundations Fund Guidelines for public comment, giving stakeholders the opportunity to provide feedback prior to submitting a funding proposal.

2016 Texas Foundations Fund

For the 2016 funding round, the Corporation made the following changes to the Texas Foundations Fund based on feedback received from past applicants in combination with internal deliberations and assistance from a third-party consultant.

First, partners are selected for a two-year term through an online application process. The application is now simpler than it has been in the past for grant funding. The Corporation's Board of Directors gives final approval to selected partners.

Second, the Texas Foundations Fund now provides matching grants to the selected nonprofit partners for eligible public and private funds they raise for their qualified programs. The following funding types are eligible for matching grants: individual donations, foundation grants, corporate grants or sponsorships, government grants, and in-kind donations of materials or professional services. To qualify as a matching grant for the 2016 funding cycle, public or private funds must have been received by nonprofit partners on or after January 1, 2016 and must be earmarked specifically for the program for which a matching grant from the Texas Foundations Fund was requested.

Third, in addition to serving households at or below 50% of the area median family income, partners must now utilize their matching grant to support households with a disability and/or households located in rural communities.

A final change involved the Corporation's Advisory Council. This body – selected by the Board of Directors – has vetted and approved grant applications in the past. Now that the application process is much simpler, there is no longer a need for Advisory Council oversight of the application process. With that in mind, the Corporation's Board of Directors voted to suspend the Advisory Council.

With these changes implemented, the Corporation selected 25 nonprofit partners for the 2016 funding cycle. Each partner is eligible to receive \$12,100 in matching grant funding for a total of \$302,500 in grant awards.

2017 Implementation Plan

The Corporation does not anticipate making any significant changes to the Texas Foundations Fund for the 2017 award cycle. As with every year, the Corporation will continue to explore ways to increase the amount of funding available for the Texas Foundations Fund and to promote the program to more nonprofit partners.