



**TEXAS STATE AFFORDABLE HOUSING CORPORATION
2018 ANNUAL ACTION PLAN**

DRAFT

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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 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 to 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 \$2.3 billion in single family bonding authority and approximately \$747 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 2017 Corporation bond activity includes the issuance of \$928,015,269 in mortgage revenue bonds for the Mortgage Credit Certificate program and the issuance of \$22,560,000 in Multifamily Private Activity Bonds.

Using its mission and statutory purpose and powers as guidance, the Corporation has developed the following additional programs, services and initiatives 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 and Other Initiatives

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 2018, 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

In addition to financial benefits, there are social benefits to homeownership. Research conducted by the National Association of REALTORS® showed that stable housing created by homeownership led to improved children’s health and happiness, reduced crime rate, increased civic engagement, and better educational outcomes for children of homeowners.³

The Corporation currently administers the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs, which provide 30-year fixed-rate mortgage loans, tax credits and down payment assistance to low and moderate-income families and individuals. The down payment assistance is provided 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.

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

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

³ Source: “4 Social Benefits of Homeownership,” REALTOR®Mag, October 25, 2017

- 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
- 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. Both the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs are available statewide to those with incomes at or below 115 percent of the area median family income.

Prior to April 1, 2017, the Home Sweet Texas Home Loan Program was available to households with incomes at or below 80 percent of the area median income. On April 1, 2017, the Corporation expanded income eligibility to 115 percent of the area median income to address the housing needs of moderate income Texans who increasingly need assistance due to surging home prices statewide.⁴

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 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 (defined as 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 obtain a fixed-rate mortgage loan. Home buyers can also combine the MCC Program with the mortgage loan and down payment assistance provided under the Homes for Texas Heroes and Home Sweet Texas Home Loan

⁴ Source: Steve Brown, "Texas home prices have skyrocketed since 2006; how D-FW compares," www.dallasnews.com, November 13, 2017

Programs.

2017 Homeownership Programs Expansion

Since its inception the Corporation has continued to stay abreast of any changes or developments in the mortgage industry. In 2017, the Corporation made three notable changes to respond to industry trends and meet consumers' needs.

The first was expanding the income eligibility for the Home Sweet Texas Home Loan program as noted above. As of October 31, 2017, the U.S. homeownership rate stood at 63.9% which is nearly identical to the third quarter rate of 2016.⁵ This is well below the all-time high of 69.2% in 2004. At 61.5% as of June 2017, the Texas homeownership rate is even lower than the U.S. homeownership rate.⁶ Rising home prices and an overall low inventory of available starter homes to meet demand are the main contributors to the lagging homeownership rate in both Texas and the United States as a whole.⁷

But even for those who are ready to buy a home, one of the major barriers is that many prospective buyers simply cannot accumulate sufficient funds for a down payment.⁸ This problem has worsened in recent years as increasing rent prices, particularly in metro areas, continue to make saving for a down payment that much more difficult.⁹ Expanding the income eligibility requirements for the Home Sweet Texas Home Loan Program allowed the Corporation to serve more Texans who want to buy a house but aren't able to save enough for a down payment often due to higher home costs and increased rents that restrict savings.

The second change was selecting a new Master Servicer to service the Corporation's loans. With the new servicer came enhancements to the Corporation's homeownership programs that allow the Corporation to provide assistance to more Texans.

The Corporation implemented a third change specifically to honor those professionals eligible for the Corporation's Homes for Texas Heroes Home Loan Program. Home buyers receiving a mortgage loan and down payment assistance grant under the Homes for Texas Heroes Program are now eligible to receive an MCC for free (a \$500 savings). This program change encourages more Texas Heroes who are first-time home buyers to take advantage of the MCC Program and the tax benefits the program provides.

In 2017, the Corporation's home buyer programs helped 4,246 families purchase a home. This is more than double the 1,791 families the Corporation assisted last year. To date, the Corporation has served more than 17,700 households under our home loan, down payment and MCC programs.

⁵ Source: <https://www.census.gov/housing/hvs/files/currenthvspress.pdf>, October 31, 2017

⁶ Source: <https://fred.stlouisfed.org/series/TXHOWN>, accessed November 9, 2017

⁷ Source: James P. Gaines et al, "Texas Housing Insight," Texas Real Estate Center, November 2, 2017

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

⁹ Source: Jeff Andrews, "What rising home prices mean for your down payment," www.curbed.com, November 9, 2017

Home Buyer Education Requirement

Studies show that home buyer education empowers families and individuals with the knowledge they need 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.¹⁰

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.¹¹

To help ensure families and individuals are well prepared for the responsibilities of owning a home, every home buyer who utilizes one of the Corporation's homeownership programs must complete an approved home buyer education course prior to closing on their home. The Corporation requires that home buyers take a course offered by a provider listed on our Texas Financial Toolbox www.texasfinancialtoolbox.com web site.¹² 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.

2018 Implementation Plan

The Corporation will look to expand the reach of our homeownership programs by continuing to build upon relationships with current lenders and recruiting additional lenders to participate in our homeownership programs. In 2017, the Corporation was very successful in recruiting new lenders primarily because of the changes it made to the homeownership programs. In 2018, the Corporation will build upon this success and continue to recruit more lenders.

The Corporation will also make a stronger push in marketing to REALTORS®. In the past two years, the Corporation has rolled out new marketing initiatives aimed towards these professionals and will continue to explore and implement new strategies in 2018.

Additionally, the Corporation will continue to market programs directly to potential home buyers. There are hundreds of down payment programs that provide on average \$11,565 per buyer in assistance.¹³ However, many home buyers aren't taking advantage of the programs because information about them is not sought out by home buyers or communicated to

¹⁰ Source: Evidence Matters, "The Evidence on Homeownership Education and Counseling," Spring 2016

¹¹ 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.

¹² Texas Financial Toolbox, <http://www.texasfinancialtoolbox.com/home-buyer-education>

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

them.¹⁴

Many home buyers discover our programs directly from the Corporation's web site. In 2018, the Corporation will refresh its web site to make it even more user-friendly, allowing potential home buyers to easily access and understand information.

HOME BUYER EDUCATION AND FINANCIAL EDUCATION

In 2012, the Corporation created 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.

In 2017, the Corporation expanded the Toolbox resource by creating a Down Payment Assistance Calculator (<http://www.texasfinancialtoolbox.com/mortgage-calculator>) to help potential home buyers determine their monthly payment using the Corporation's loan and down payment assistance options. This resource also includes a step by step guide to help families and individuals gain a better understanding of the home buying process.

The Down Payment Assistance Calculator replaced an earlier mortgage calculator created in 2010 to provide home buyers with an estimated interest rate based on their credit score.

Texas Statewide Homebuyer Education Program

The Texas Statewide Homebuyer Education Program (TSHEP) provides continuing education to housing counselors who provide home buyer education to consumers, most of them low-income. The Texas Department of Community Affairs (TDHCA) is statutorily responsible for implementing TSHEP. However, from 2012-2017, the Corporation, through a formal agreement with TDHCA, administered and implemented TSHEP. The Corporation, in consultation with housing counselors and TDHCA, selected the training courses each year and managed the logistics surrounding the training sessions. In addition, as a nonprofit organization, the Corporation successfully raised significant funds from financial institutions to expand the program.

¹⁴ Source: Laurie Goodman, et. al. "Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability," Urban Institute, November, 2017

In 2017, 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 provide training specifically on pre and post-purchase home buyer education and financial education methods.

To date, 1,066 Texas 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. During our tenure as the administrator of TSHEP, the Corporation trained 509 counselors representing 237 organizations in 90 municipalities across Texas.

2018 Implementation Plan and the Introduction of Housing Connection

In August 2017 the Corporation decided to expand the scope of our training to include courses on real estate development and affordable housing financing in an effort to increase the capacity of nonprofits to produce affordable housing in Texas. We plan to continue to also offer home buyer and financial education. TSAHC would not be able to expand the scope of trainings under TSHEP, so we opted to no longer administer TSHEP in 2018.

The Corporation's expanded training initiative is known as Housing Connection (formerly called Counselor Connection). The program's goal is to and helps both affordable housing and counseling organizations access trainings, promote themselves, and build capacity.

In 2018, the Corporation will provide one three-day training course for housing and financial counselors. In addition, the Corporation will also provide two one-day training sessions for organizations that currently or would like to develop and/or operate affordable housing. The courses will cover the following topics: credit counseling, real estate finance and creative development financing strategies. The Corporation, with support from private and public funders, will continue to make the training as affordable as possible by subsidizing tuition costs and providing hotel scholarships for participants traveling from out of town.

TEXAS HOUSING IMPACT FUND

The Texas Housing Impact Fund (formerly known as the Direct Lending program) 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.

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. This funding model has enabled the Corporation to steadily grow the fund over time, with applications for new loans accepted on an ongoing basis, provided there is

funding available for the program.

To date, the Texas Housing Impact Fund has financed the construction or rehabilitation of 187 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's Survey of Consumer Finances, the average net worth of a homeowner is 45 times that of the average net worth of a renter.¹⁵

However, due to rising housing prices, many Texans cannot afford to purchase a home in their communities. For example, according to the Real Estate Center at Texas A&M University, as of September 2017 the median home price statewide was more than \$223,000, up from \$209,900 in September 2016. Escalating home prices are especially problematic in urban areas like Austin (median home price of \$287,700), Dallas (\$270,000) and Houston (\$231,298).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 the dream of homeownership and build household wealth.

In 2017, affordable housing developers used financing from the Texas Housing Impact Fund to rehabilitate or construct six 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 households access safe and decent rental homes without having to sacrifice other basic needs, such as food, education or medical care.

¹⁵ Source: "Why Homeownership Matters," Forbes, August 12, 2016.

¹⁶ Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 13, 2017.

¹⁷ The six homes are located in Dallas, Houston, and Port Arthur, Texas. The 21 condominiums are part of The Chicon being developed in Austin, Texas by Chestnut Neighborhood Revitalization Corporation.

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 2017.

Texas Housing Impact Fund Loan Production

Loan Production	2017¹⁸	2003 - 2016
Loans Made	3	27
# of Single Family Homes Built or Under Construction	6	181
# of Rental Units	0	1901
Amount of Loan Funds Approved	\$1,150,000	\$15,696,287

2018 Implementation Plan

The Corporation plans to continue 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 explore lending opportunities in small and rural markets for multifamily developments, helping local developers meet the housing needs of their communities. The Corporation will also consider loans for urban areas, particularly in areas that are rapidly changing and risk losing affordable housing.

In 2017, the Corporation released its first ever Texas Housing Impact Fund Investment Report to document the statewide impact of the program. This report will enhance the Corporation’s efforts to market the Texas Housing Impact Fund to developers and potential investors. In 2018, the Corporation will update the report and will continue that practice on an annual basis.

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 20 nonprofit organizations 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.

To date, the Corporation has acquired 567 properties through the ACT program and has

¹⁸ 2017 loans include a new loan in the amount of \$200,000 to Builders of Hope CDC. Renewed lines of credit for single family construction and rehabilitation were provided to Builders of Hope CDC for \$500,000 and to Legacy CDC for \$450,000.

redeveloped 183¹⁹ of these properties. The ACT Program has a current portfolio of 269 lots and homes, and there are three active components of the program distinguished by source of funding and targeted use of properties (a fourth component ended in 2016):

- ACT Land Banking – This is the Corporation’s general land banking program that 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.
- Texas NSP – This category includes those homes and properties that were acquired using Texas’s federal Neighborhood Stabilization Program (NSP) funding.
- Veterans Housing Initiative – This initiative 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. The Corporation sold 67 discounted homes and donated an additional 10 homes to veterans who are disabled and have low incomes. This initiative ended in 2016.

Affordable Communities of Texas Portfolio

Program/Initiative	Acquisitions 2017	Sales 2017	Current Portfolio	Current Asset Value
ACT Land Banking	1	22	64	\$868,834
ACT Land Trust	0	0	1	\$650,000
Texas NSP	0	25	205	\$2,888,583
Totals	1	47	270	\$4,407,417

2018 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.

In 2018, the Corporation will make a stronger push to find new local partners, particularly in areas of the state where the Corporation has land bank properties but does not have a local

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

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 2017, those housing needs were:

- At-Risk Preservation and Rehabilitation of Existing Affordable Units
- Housing in Rural and Smaller Urban Markets
- Senior and Service Enriched Housing Developments
- Housing in Areas with Disaster Declarations

In 2017, the Corporation issued or reserved \$22,560,000 in multifamily PABs to construct or rehabilitate 212 affordable rental units in West Columbia, Texas and Glenn Heights, Texas.²⁰

2018 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 51 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 2018, the Corporation will place a stronger emphasis on preserving affordable housing in rural areas. The Corporation, the Federal Reserve Bank of Dallas, and other partners are launching a six-part Rural Housing Preservation Academy in January 2018 that will focus on how to preserve aging rural multifamily developments.

²⁰ The developments in these municipalities are Brooks Manor Apartments (West Columbia, TX) and Palladium Glenn Heights Apartments (Glenn Heights, TX).

²¹ Source: "The Gap: A Shortage of Affordable Homes," The National Low Income Housing Coalition, March 2017, http://nlihc.org/sites/default/files/Gap-Report_2017_interactive.pdf

Specifically, the academy will be focused on preserving the 696²² rural multifamily developments that were financed by the U.S. Department of Agriculture under its Section 514 and 515 loan programs. 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 2017, the Corporation performed asset oversight reviews for 30 properties, totaling 4,212

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

units, and the Corporation performed compliance reviews for 29 properties, totaling 4,424 units. These properties are either bond-financed or financed through the Texas Housing Impact Fund.

2018 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 2018, the Corporation anticipates adding two 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.

SINGLE FAMILY RENTAL PROGRAM

The cost of living in Austin continued to rise in 2017. According to the Real Estate Center at Texas A&M University, the median home price in Austin was \$287,700 as of September 2017.²³ The average monthly rent was \$1,406 as of October 2017.²⁴ 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 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.

At the beginning of 2017, the Corporation's single family portfolio of purchased properties included 17 single family homes, one condominium and one duplex for a total of 20 rental properties. These are leased to qualifying, low-income families in the Austin MSA. The Corporation sold the condominium in 2017 and now has 19 total rental properties.

²³ Source: See Footnote 15.

²⁴ Source: <https://www.rentjungle.com/average-rent-in-austin-rent-trends/> (Accessed November 13, 2017)

MULTIFAMILY RENTAL PROGRAM

In July 2015, the Corporation expanded its rental program by acquiring the Rollins Martin apartment complex in East Austin. 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 apartment complex located in East Austin is in a rapidly developing community that is quickly becoming unaffordable to its long-time lower-income residents. Research released in 2016 revealed two 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 2014.²⁵

By maintaining affordability in the rapidly changing neighborhood, the Corporation is meeting a critical housing need for the community. Beyond this, the Corporation has also 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 completely renovated three units and 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. In 2017, the Corporation renovated an additional three units.

2018 Implementation Plan

The Corporation has no plans to purchase additional homes for the Single Family Rental program at this time. 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 repairing the stairways and renovating the remaining nine 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

²⁵ Source: Michael Theis, "Charting Austin's unaffordable rental landscape," Austin Business Journal, November 4, 2016

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.

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. Selected partners receive grants to support their housing services. Since 2008, the Corporation has awarded more than \$2.9 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 Changes to the Texas Foundations Fund

In 2016, the Corporation made the below four 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 now selected for a two-year term through a simpler online application process. 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.
- 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.
- Lastly, the Corporation's Board of Directors suspended the Corporation's Advisory Council which had been tasked with vetting and approving grant applications. Since the application process is much simpler, there is no longer a need for Advisory Council review of the application process.

2016-2017 Funding Cycle

With these changes implemented, the Corporation selected 25 nonprofit partners for the 2016-2017 funding cycle (partners are selected for two-year terms). In 2016, those 25 partners received \$302,500 in matching grants and used the funding to serve 1,444 low-income Texans through supportive services and an additional 60 households with home repairs.

The Corporation awarded \$318,000 to the 25 nonprofit partners for 2017. In response to the devastation caused by Hurricane Harvey, the Corporation modified the 2017 grant agreements to allow nonprofit partners to serve households that were displaced or otherwise negatively affected by a federally declared disaster, in addition to households with a disability and rural communities.

2018 Implementation Plan

For the 2018-2019 funding cycle, the Corporation will post proposed guidelines and ask for input from past grant applicants and the public. The Corporation will also 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.

OTHER INITIATIVES

Innovation Accelerator Program

In 2016, the Corporation expanded efforts to address supportive housing needs beyond grant funding provided through Texas Foundations Fund. It did this by agreeing to partner with Health and Human Services Commission (HHS) in a Center for Medicaid Services Innovation Accelerator Program (IAP).

The first goal of the IAP is to develop public and private partnerships between the Medicaid and housing systems to better address the housing and supportive services needs of the Medicaid recipient population. The second goal is to create a detailed action plan that seeks to foster additional community living opportunities for Medicaid beneficiaries.

Through the IAP, HHS and the Corporation have determined that the specific populations the action plan will likely address are very similar to the individuals served by Texas Foundation Fund grants (individuals experiencing homelessness, individuals at risk of homelessness, and individuals unnecessarily institutionalized). The IAP kicked off in August 2017 and will end in April 2018 at which time the action plan is scheduled to be complete.

General Homelessness Activities

The Corporation continues to support other efforts addressing homelessness. This includes Advisory Member representation on the Texas Interagency Council for the Homeless (TICH) and serving as liaison between the TICH and United State Interagency Council on Homelessness. In addition, the Corporation sponsors the annual Texas Conference on Ending Homelessness hosted by the Texas Homeless Network.