



**TEXAS STATE AFFORDABLE HOUSING CORPORATION
2019 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 (“TSAHC”) to develop a plan to address the state’s housing needs. Texas Government Code, Section 2306.0721(g) requires TSAHC’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”).

TSAHC 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. TSAHC’s enabling legislation can be found in Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq.

TSAHC’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 TSAHC. None of TSAHC’s programs or operations are funded through the State’s budget appropriations process.

TSAHC is statutorily authorized to issue mortgage revenue bonds and other tax exempt bonds to finance the purchase and creation of affordable housing. TSAHC 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, TSAHC has utilized more than \$3.3 billion in single family bonding authority and approximately \$821 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 2018 TSAHC bond activity includes the reservation of \$\$1,008,215,512 in mortgage revenue bonds for the Mortgage Credit Certificate program and the issuance of \$73,897,000 in Multifamily Private Activity Bonds.

Using its mission and statutory purpose and powers as guidance, TSAHC 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
- Housing and Economic Assistance to Rebuild Texas (HEART)
- Technical Assistance and Other Initiatives

TSAHC OBJECTIVE

The programs and services TSAHC 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 2019, TSAHC’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. Homeownership remains financially better than renting as the average household wealth of a homeowner is \$231,420 while the average household wealth of a renter is \$5,200.²

In addition to financial benefits, there are social benefits to homeownership. Stable housing created by homeownership can lead to better educational outcomes for children, improved health outcomes, reduced crime, and increased civic engagement.³

TSAHC 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 either in the form of a grant that does not require repayment or a soft second lien with 0% interest and no monthly payments. The second lien option was introduced in September 2018.

TSAHC offers down payment assistance because the number one barrier for prospective buyers is that they cannot accumulate sufficient funds for a down payment.⁴ This problem has worsened in recent years as increasing rents make it harder to save money, and increasing home prices require larger down payments.⁵

TSAHC's down payment assistance is 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.

In the past, TSAHC funded these programs through the tax-exempt bond market by issuing mortgage revenue bonds available under its statutory authority. However, more recently TSAHC funds 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

² Source: Laurie Goodman, "Homeownership is still financially better than renting," urban.org, February 21, 2018

³ Source: "Why Homeownership Matters," forbes.com, August 12, 2016

⁴ Source: Svenja Gudell, "Down Payment the Top Hurdle Holding Back Would-Be Home Buyers," www.zillow.com, April 12, 2017

⁵ Source: Brian Croce, "Renters Say Down Payment Costs Prevent Home Purchases," Multifamily Executive, April 13, 2017

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
- Veterans
- Public Security Officers

In 2006, TSAHC 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. In April 2017, TSAHC increased the income eligibility from 80 percent to 115 percent of the area median income for the Home Sweet Texas Home Loan Program to match the income eligibility for the Homes for Texas Heroes Home Loan Program. This modification is helping TSAHC address the housing needs of moderate income Texans who increasingly need assistance home prices continue to rise. For example, the median home price statewide reached a record high of \$231,900 in September 2018.⁶

Mortgage Credit Certificate Program

In 2008, TSAHC 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 MCCs. TSAHC'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 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

⁶ Source: James P Gaines, et. al. "Texas Housing Insight," Real Estate Center at Texas A&M University, November 7, 2018

dollars over the life of the loan. And although the MCC Program is not a home loan program, TSAHC 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 Programs.

Home Buyer Education Requirement

Every home buyer who utilizes one of TSAHC's homeownership programs must complete an approved home buyer education course offered by a provider listed on the Texas Financial Toolbox web site.⁷ The providers listed on this site are generally nonprofit organizations or government entities who are either HUD-approved or certified to provide home buyer education.

TSAHC requires home buyer education to ensure households are well prepared for the responsibilities of owning a home. Research by the U.S. Department of Housing and Urban Development revealed that home buyer education empowers individuals with the ability to make better financial decisions, understand their home buying options, improve their credit, save more money, and lower housing costs.⁸

Moreover, homeowners who take a home buyer education course are less likely to have a mortgage go into foreclosure. A study examining home buyers that used Tennessee's state housing finance agency programs found that individuals receiving home buyer education were 42 percent less likely to face foreclosure. Additionally, among home buyers who defaulted, home buyer education increased the chances they would cure the default and avoid foreclosure.⁹

2018 Homeownership Programs Changes

Since its inception TSAHC has continued to stay abreast of any changes or developments in the mortgage industry. In 2018, TSAHC made two notable changes to respond to industry trends and meet consumers' needs.

First, TSAHC began offering a second lien down payment assistance option in September 2018. TSAHC continues to offer down payment assistance grants for 3% or 4% of the mortgage loan amount as available. The second lien option is available for home buyers who would like down payment assistance equal to 5% of the mortgage loan amount.

TSAHC implemented this modification because changes in the home buying market and increased interest rates made it no longer financially feasible to offer a 5% grant option. However, instead of eliminating the 5% option altogether, TSAHC opted to create a new second

⁷ Texas Financial Toolbox, <http://www.texasfinancialtoolbox.com/home-buyer-education>

⁸ Source: Evidence Matters, "The Evidence on Homeownership Education and Counseling," Spring 2016

⁹ Source: Scott R. Brown, "The Influence of Homebuyer Education on Default and Foreclosure Risk," Journal of Policy and Analysis and Management, October 8, 2015.

lien product to give consumers more options.

Second, TSAHC expanded its Homes for Texas Heroes and Home Sweet Texas Home Loan Programs to include manufactured homes, which were already eligible with TSAHC's MCC program. More consumers are turning to manufactured homes as a safe, decent and affordable housing option, and they are able to secure traditional mortgage financing options on these homes. TSAHC responded to this industry trend by expanding our requirements to allow home buyers purchasing a manufactured home to be eligible for down payment assistance in addition to an MCC.

2018 Homeownership Programs Activity Synopsis

In 2018, TSAHC's home buyer programs helped 6,867 families purchase a home with down payment assistance, an MCC, or both, which is the highest annual total to date. In comparison, TSAHC assisted 5,758 families in 2017. To date, TSAHC has served more than 26,000 households under our homeownership programs.

2019 Implementation Plan

TSAHC 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 2019, TSAHC will make an effort to recognize top performing lenders and recruit more lenders from rural areas in Texas.

TSAHC will also make a stronger push in marketing to REALTORS®, particularly those in rural areas. In the past three years, TSAHC has expanded its efforts to reach out to these professionals, and the homeownership team will continue these efforts, which include in person and online training and other outreach activities.

Additionally, TSAHC will continue to market programs directly to home buyers. This is necessary because many home buyers don't know that down payment assistance programs exist.¹⁰ In addition to maintaining current outreach efforts, TSAHC will make a stronger effort in reaching millennials, renters, rural households, and buyers of manufactured homes. TSAHC will also unveil a new MCC marketing effort to better explain the program benefits to lenders, REALTORS® and home buyers.

HOME BUYER EDUCATION AND FINANCIAL EDUCATION

Connecting Consumers with High Quality Housing and Financial Counselors

In 2012, TSAHC created the Texas Financial Toolbox (www.texasfinancialtoolbox.com) to give

¹⁰ Source: Laurie Goodman, et. al. "Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability," Urban Institute, November, 2017

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 TSAHC believes is providing essential information to Texas consumers.

In 2018, TSAHC expanded the Toolbox resource by creating a Loan Comparison Calculator¹¹ to help potential home buyers compare the different loans types and down payment assistance options offered by TSAHC. This tool is also available on TSAHC's website www.tsahc.org.

The Loan Comparison Calculator replaced an earlier down payment assistance calculator created in 2017 and a mortgage calculator created in 2010 that provided home buyers with an estimated interest rate based on their credit score.

The Toolbox also includes a step by step guide to help families and individuals gain a better understanding of the home buying process.

Housing Connection Training

From 2012-2017, TSAHC administered the Texas Statewide Homebuyer Education Program (TSHEP), a housing and financial counselor training program, on behalf of the Texas Department of Housing and Community Affairs. In late 2017 TSAHC decided to expand the scope of the training services provided and opted not to continue our role as administrator of TSHEP. In 2018, TSAHC introduced the Housing Connection training program. The program's goal is to help both affordable housing and counseling organizations access trainings, promote themselves, and build capacity for their organizations and programs.

The Housing Connection training built upon the success of TSHEP by offering not only housing and financial counselor training but also training for nonprofits interested in affordable housing development.

In 2018, Housing Connection training included one three-day training course for housing and financial counselors and two one-day training sessions for organizations that currently or would like to develop and/or operate affordable housing. These trainings were offered at a weeklong training workshop in June 2018 hosted at the Federal Reserve Bank of Dallas- San Antonio branch.

¹¹ <http://www.texasfinancialtoolbox.com/mortgage-calculator>

The courses covered the following topics: credit counseling, real estate finance and creative development financing strategies. TSAHC contracted with NeighborWorks America, the selected education provider, to provide the training services.

TSAHC, with support from private and public funders, made the training sessions as affordable as possible by subsidizing tuition costs and providing 13 hotel scholarships for participants traveling from out of town. In total, 39 individuals representing 31 organizations in 20 municipalities across Texas went through Housing Connection training in 2018, and 100% of participants would recommend the training to others.

To date, 548 individuals representing 268 organizations in 110 municipalities across Texas have attended training provided by TSAHC through either TSHEP (2012-2017) or Housing Connection (2018).

2019 Implementation Plan

In 2019, TSAHC will provide four courses:

1. Lending Basics for Homeownership Counselors (3-day course)
2. Practice, Study, Success: Test Strategies for HUD's Counselor Certification Exam (2-day course)
3. Basic Steps of Affordable Housing Development (2-day course)
4. Strategic Thinking and Planning (2-day course)

All four courses will be offered during a weeklong training workshop in June 2019 to be hosted by the Federal Reserve Bank of Dallas. TSAHC will continue to make the training as affordable as possible by raising public and private funds to subsidize tuition costs and provide 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, TSAHC 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 TSAHC 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 217 single family homes and 1,961 rental units for low and moderate-income households.

TSAHC 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. As mentioned above, the average household wealth of a homeowner is \$231,420 while the average household wealth of a renter is \$5,200.¹²

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 2018, the median home price in Texas was a record high \$231,900.¹³ Escalating home prices are especially problematic in urban areas like Austin (median home price of \$305,000), Dallas (\$274,000) and Houston (\$230,000).¹⁴

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 2018, affordable housing developers used financing from the Texas Housing Impact Fund to rehabilitate or construct five homes for low- to moderate-income home buyers.

Multifamily Construction/Rehabilitation

TSAHC 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.

TSAHC's Texas Housing Impact Fund generally targets smaller multifamily developments in rural areas and underserved communities. While TSAHC did approve one Texas Housing Impact Fund loan for a multifamily development in 2018, the loan is expected to close in 2019.

¹² Source: Laurie Goodman, "Homeownership is still financially better than renting," urban.org, February 21, 2018

¹³ Source: James P Gaines, et. al. "Texas Housing Insight," Real Estate Center at Texas A&M University, November 7, 2018

¹⁴ Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 20, 2018.

Texas Housing Impact Fund Loan Production

Loan Production	2018	2003 - 2017
Loans Made	1	31
# of Single Family Homes Built or Under Construction	5	212
# of Rental Units	27	1961
Amount of Loan Funds Approved	\$995,000 ¹⁵	\$16,760,374

2019 Implementation Plan

TSAHC plans to continue to provide flexible lines of credit to developers in targeted areas. These loan products, leveraged with TSAHC’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, TSAHC plans to continue to explore lending opportunities to address housing needs for underserved populations including disaster impacted areas, small and rural markets, and urban areas that are rapidly changing and risk losing affordable housing.

TSAHC will continue to grow the fund by pursuing investments in the form of grants, Program Related Investments or Equity Equivalent Investments from foundations, banks, other lending institutions and investors. TSAHC also submitted an application to the Capital Magnet Fund administered by the U.S. Department of the Treasury in fall 2018. If successful, this award will provide up to \$5 million in additional investment for the Texas Housing Impact Fund.

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

AFFORDABLE COMMUNITIES OF TEXAS PROGRAM

TSAHC 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. TSAHC 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, TSAHC has acquired 567 properties through the ACT program and has created 183

¹⁵ This Texas Housing Impact Fund loan is for the Accessible Housing Austin! at Briarcliff Apartment project, a 27-unit multifamily development in Central East Austin. This loan was initially approved by the TSAHC Board of Directors in November 2017 in the amount of \$695,000. Due to approval timelines and budgeting issues, the TSAHC Board of Directors approved an increase in the loan amount to \$995,000 in November 2018. While this loan was awarded in 2018, it will likely close in 2019.

homes for extremely low, very low, low and moderate income Texans. The ACT Program has a current portfolio of 244 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 TSAHC’s general land banking program that includes properties that are either purchased by TSAHC or donated to TSAHC. 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 TSAHC. 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. TSAHC 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. TSAHC sold 67 discounted homes and donated an additional 10 homes to veterans who are disabled and have low incomes. This initiative ended in 2016, but one property remains in the portfolio.

Affordable Communities of Texas Portfolio

Program/Initiative	Acquisitions 2018	Sales 2018	Current Portfolio	Current Asset Value
ACT Land Banking	0	8	49	\$495,739
ACT Land Trust	0	0	1	\$650,000
ACT Vet	0	0	1	\$33,210
Texas NSP	0	11	193	\$2,643,714
Totals	0	19	244	\$3,822,663

2019 Implementation Plan

The ACT Program will continue to play an integral role in TSAHC’s overall affordable housing strategy. TSAHC plans to continue to form partnerships to acquire foreclosed and vacant properties, including working directly with local and regional governments. Additionally, TSAHC intends to continue working with its network of local partner developers to redevelop and sell properties currently in the ACT Program’s portfolio.

In 2019, TSAHC will expand its efforts to find local partners in areas of the state where land bank properties exist, but there has not been a local partner identified. TSAHC will continue to focus on selling homes in the Texas NSP portfolio as quickly and efficiently as possible.

Regarding the land trust program, TSAHC will continue to work to develop a land trust on a vacant property that TSAHC owns in downtown Plano and create multifamily housing for an underserved population in the area. TSAHC is also exploring the creation of a land trust program that would create homeownership opportunities for low to moderate income households in high opportunity urban areas.

MULTIFAMILY PRIVATE ACTIVITY BOND PROGRAM

TSAHC 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, TSAHC is allocated 10 percent of Texas' multifamily PAB cap each year.

TSAHC 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 TSAHC's Board of Directors. In 2018, 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 2018, TSAHC issued or reserved \$77,897,000 in multifamily PABs to construct or rehabilitate 602 affordable rental units in Austin and Midland.¹⁶ These two areas rank as the most expensive rental markets according to the National Low Income Housing Coalition.¹⁷ Providing affordable housing will ease some of the pressure renters are facing in these locations.

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TSAHC 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 52 units that are affordable for every 100 households that earn 50% or less of the average median income.¹⁸

TSAHC plans to continue to address this ongoing housing demand using PABs to finance the construction and rehabilitation of units that are affordable to low and very low-income Texans.

In 2019, TSAHC will continue to place an emphasis on preserving affordable housing in rural

¹⁶ The developments in these municipalities are Ventura at Tradewinds (Midland, TX), Ventura at Fairgrounds (Midland, TX) and Walnut Creek Apartments (Austin, TX).

¹⁷ Source: "Out of Reach 2018," The National Low Income Housing Coalition, 2018, https://nlihc.org/sites/default/files/oor/OOR_2018.pdf

¹⁸ Source: "The Gap: A Shortage of Affordable Homes," The National Low Income Housing Coalition, March 2018, https://nlihc.org/sites/default/files/SHP_TX.pdf

areas. TSAHC, the Federal Reserve Bank of Dallas, and other partners just completed a five-part Rural Housing Preservation Academy in September 2018 that focused on how to preserve aging rural multifamily developments.

Private activity bonds should play a role in preserving a portfolio of these rural rental developments in 2019. Moreover, TSAHC will evaluate what other resources it can provide to address housing needs in rural areas of the state.

TSAHC will also explore how to create more Permanent Supportive Housing units either through PABs or other financing structures. This is another housing priority for TSAHC as a result of a recent collaboration with the Texas Department of Health and Human Services focused on creating housing opportunities for Medicaid recipients who require stable housing with strong tenancy supports.

ASSET OVERSIGHT AND COMPLIANCE

Asset oversight and compliance monitoring of multifamily properties financed through multifamily private activity bonds is required by many bond issuers, including TSAHC. TSAHC also requires asset oversight and compliance monitoring of multifamily properties financed through our Texas Housing Impact Fund. TSAHC 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 TSAHC'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 TSAHC's web site. In addition, TSAHC 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 high quality resident services are being provided. Monthly compliance monitoring helps TSAHC ensure that property owners and managers are meeting all program requirements.

In 2018, TSAHC performed asset oversight reviews for 30 properties, totaling 4,474 units, and TSAHC performed compliance reviews for 29 properties, totaling 4,462 units. These properties are either bond-financed or financed through the Texas Housing Impact Fund.

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TSAHC will continue to provide asset oversight and compliance monitoring services to the properties in its current bond and Texas Housing Impact Fund portfolios. In 2019, TSAHC anticipates adding six properties to the portfolio of bond-financed properties monitored by TSAHC's staff.

TSAHC will continue to review and update its policies and procedures as industry trends and changes in policy dictate. TSAHC 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 2018. According to the Real Estate Center at Texas A&M University, the median home price in Austin was \$305,000 as of October 2018.¹⁹ The average monthly rent was \$1,490 as of October 2018.²⁰ These prices are simply unaffordable for many low-income Austin families.

In May 2013, TSAHC 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, TSAHC screens each applicant for rental, credit, and criminal history.

TSAHC's single family portfolio of purchased properties includes 17 single family homes and one duplex for a total of 19 rental properties. These are leased to qualifying, low-income families in the Austin MSA. In 2018, TSAHC completed extensive repairs to rehabilitate one of the homes damaged in a fire.

¹⁹ Source: See Footnote 15.

²⁰ Source: <https://www.rentjungle.com/average-rent-in-austin-rent-trends/> (Accessed November 20, 2018)

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Due to the success of this program in Austin, TSAHC plans to expand the Single Family Rental program to the San Antonio MSA. In 2019, TSAHC plans to acquire 2-3 homes in that area.

MULTIFAMILY RENTAL PROGRAM

In July 2015, TSAHC 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 2014.²¹

By maintaining affordability in the rapidly changing neighborhood, TSAHC is meeting a critical housing need for the community. Beyond this, TSAHC has also made substantial improvements to the Rollins Martin apartment complex.

Since 2015, TSAHC has completed the following repairs and improvements: installed new appliances, tankless water heaters and HVAC for each unit; installed new roofing, new outdoor trash receptacles, a bike rack, surveillance system and a fence for the property; expanded doors for the laundry area in each unit; and completely renovated six units. In 2018, TSAHC replaced all staircases at the property and added additional security features to the locks on each unit's door.

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Renovations for the Rollins Martin apartment complex in 2019 will include purchasing new equipment for the laundry facilities and renovating one unit. 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.

²¹ Source: Michael Theis, "Charting Austin's unaffordable rental landscape," Austin Business Journal, November 4, 2016

TEXAS FOUNDATIONS FUND

History of the Texas Foundations Fund

TSAHC 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. TSAHC defines very low-income households as households earning at or below 50% of the area median family income.

Through the Texas Foundations Fund, TSAHC 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, TSAHC has awarded more than \$3.2 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.

TSAHC 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. TSAHC also conducts follow up surveys every few years to confirm that the services funded by the Texas Foundations Fund are still critically needed by very low-income Texans.

TSAHC funds its Texas Foundations Fund awards primarily with earned revenue from its other housing programs. TSAHC's Board of Directors determines the amount available for each funding round.

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

Prior to 2016, the Foundations Fund was a competitive grant process. However, for the past two award cycles (2016 and 2018), it has been a non-competitive application process. Nonprofits that meet eligibility criteria partner with TSAHC for a two-year term in a matching

grant structure. The matching grant structure is a simpler process for applicants, and it allows TSAHC to serve more nonprofits than through a competitive grant application process.

2018-2019 Funding Cycle

In 2018, TSAHC selected 24 nonprofit partners for the 2018-2019 application cycle. In 2018, those 24 partners received \$348,000 in matching grants (\$14,500 each), and they will use the funding to serve very low-income Texans with supportive services and home repairs.

2019 Implementation Plan

There are no changes planned for the Texas Foundations Fund in 2019. This is because partners are selected for two-year terms, and the most recent round of partners were just selected in September 2018. Partners selected in 2018 will receive a second installment of matching funds in 2019, and the total amount available in 2019 for matching grants will be determined by TSAHC's Board of Directors.

HOUSING AND ECONOMIC ASSISTANCE TO REBUILD TEXAS (HEART)

On August 23, 2017, Hurricane Harvey made landfall along the Texas coast inflicting catastrophic damage to Southeast Texas, the Gulf Coast region, the greater Houston area, and the Coastal Bend area. On August 25, 2017, a Major Disaster Declaration was issued for 41 counties impacted by the hurricane.

In response to this catastrophic event, TSAHC partnered with Enterprise Community Partners to create a grants program to provide critical home repair funding, programmatic support and technical assistance for nonprofits providing ongoing relief efforts to the impacted areas with an emphasis on providing relief outside of the Harris county area.

The program, entitled Housing and Economic Assistance to Rebuild Texas (HEART), launched in April 2018 thanks to a generous financial commitment from the Rebuild Texas Fund, a joint initiative of the OneStar Foundation and the Michael & Susan Dell Foundation. To date, the program has awarded \$900,000 to 23 nonprofits providing housing-related assistance to low-income households directly affected by Hurricane Harvey.

2019 Implementation Plan

TSAHC and Enterprise Community Partners will continue to administer the program and award more grants into 2019. The two organizations will also explore other initiatives designed to provide ongoing relief to the disaster impacted areas.

TECHNICAL ASSISTANCE AND OTHER INITIATIVES

Rural Rental Housing Preservation Academy

In 2017, TSAHC came together with the Federal Reserve Bank of Dallas, Enterprise Community Partners, the Rural Rental Housing Association of Texas, and Motivation, Education & Training to explore ways to preserve rental housing in rural areas.

Specifically, the organizations were focused on preserving developments that were financed by the U.S. Department of Agriculture under its Section 514 and 515 programs. There are 696²² of these developments across Texas, and many face uncertain futures because of need for repairs, maturing mortgages, expiring rental assistance agreements, or some combination of those factors.

In January 2018, the partner organizations launched the Rural Rental Housing Preservation Academy which was a series of no-cost training and peer learning sessions designed to help rural housing providers and nonprofits acquire and/or preserve USDA housing in their respective communities.

There were five sessions spanning the following topics: an introduction to rural housing, overview of the USDA transfer process, preservation financing and deal structuring, supportive policy, and property management. Participants also had the option of participating in one-on-one technical assistance made available through Enterprise Community Partners.

In 2019, the partner organizations will continue to work with academy participants to preserve or create rental housing in their communities. In spring 2019, there will also be a conference connecting rural affordable housing owners interested in selling their properties with potential buyers interested in keeping those properties affordable.

Innovation Accelerator Program and Other Technical Assistance

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

The IAP launched in August 2017 and concluded in April 2018 with two outcomes. First, public and private partnerships developed between the Medicaid and housing systems to better address the housing and supportive services needs of the Medicaid recipient population. Second, HHS and TSAHC created a state action plan that seeks to foster additional community

²² Source: <https://catalog.data.gov/dataset/usda-rural-development-multifamily-section-515-rural-rental-housing-and-section-514-farm-l-12dd4>

living opportunities for Medicaid beneficiaries.

In addition to the IAP, TSAHC and HHS are also receiving technical assistance from the National Academy for State Health Policy to implement specific components of the state action plan. That technical assistance began in April 2018 and will continue until late 2019. TSAHC will continue to work on implementing areas of the state action plan that pertain to creating or preserving permanent supportive housing units.

More specifically, TSAHC, in partnership with other entities, will explore launching a training academy in 2019 for nonprofits and other interested parties who wish to create or preserve permanent supportive housing units.

General Homelessness Activities

TSAHC 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, TSAHC sponsors the annual Texas Conference on Ending Homelessness hosted by the Texas Homeless Network.

In 2018, TSAHC also participated in an application by Texas Homeless Network for the Frequent Users Systems Engagement (FUSE) Learning Community administered by TSAHC for Supportive Housing. FUSE uses data to help communities address homelessness among individuals with complex behavioral health challenges who are the highest users of jails, homeless shelters and other crisis service systems.