



**TEXAS STATE AFFORDABLE HOUSING CORPORATION  
DRAFT 2021 ANNUAL ACTION PLAN**

*DRAFT APPROVED FOR PUBLICATION BY  
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# TEXAS STATE AFFORDABLE HOUSING CORPORATION 2021 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 (“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 purpose is to primarily serve the housing needs of low, very low, and 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 primarily low, very low, and extremely low-income Texans. Over the course of its history, TSAHC has utilized approximately \$4 billion in single family bonding authority and approximately \$982 million in multifamily private activity bonds.<sup>1</sup> 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

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<sup>1</sup> 2020 TSAHC bond activity includes the closing of \$89,045,000 in Multifamily Private Activity Bonds.

Using its 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 MISSION AND OBJECTIVE**

TSAHC's mission is to serve the housing needs of moderate, low, very low, and extremely low-income Texans and other underserved populations through innovative programs. TSAHC accomplishes this mission by helping developers build housing for working families, and helping Texans achieve and sustain the dream of homeownership and improve their financial situation. TSAHC's programs and initiatives reflect our core belief that every Texan deserves the opportunity to live in safe, decent and affordable housing.

As Texas' population grows and the housing industry changes, the programs and services TSAHC administers continue to evolve and expand to meet these changing dynamics. TSAHC remains committed to the populations it has historically served, but is also active in responding to new challenges like creating supportive housing developments for Texas' most vulnerable residents, preserving housing in rural areas, expanding housing opportunities for Texans with complex health needs, and helping Texans rebuild after natural disasters. Moreover, TSAHC is committed to helping Texans remain stably housed during the ongoing COVID-19 pandemic.

TSAHC's objective in 2021 is to serve the evolving housing needs of Texans by implementing innovative solutions through its current programs while also exploring opportunities to establish new programs and initiatives to better assist underserved populations and respond to the housing instability issues due to the COVID-19 pandemic.

## **TSAHC'S RESPONSE TO COVID-19**

This year was a year like no other with the global COVID-19 pandemic completely reshaping how Texans live and do business. TSAHC responded to the pandemic in a variety of ways explained below.

On March 20<sup>th</sup>, TSAHC launched a COVID-19 resources web page<sup>2</sup> with general important information and resources, and resources specific to homeowners, renters, rental housing professionals, homeless assistance providers, consumers and nonprofits. The web page was updated as new information and resources became available. In April 2020, TSAHC reached out to nonprofit partners through the Texas Foundations Fund and HEART program to see if there were any modifications needed to existing grants.

Per a March 13<sup>th</sup> disaster declaration and subsequent waivers of portions of Texas Government Code, Chapter 551, TSAHC Board of Directors meetings were held virtually beginning in May 2020 and continued as virtual meetings for the duration of 2020. Virtual Board of Directors meetings remained open to the public. Additionally, TSAHC moved all other public hearings to a virtual platform that provided the public the ability to participate.

In May 2020, TSAHC hosted a webinar entitled, "The CARES Act and Mortgage Relief: Understanding Your Options as a Homeowner" to educate homeowners on mortgage relief options if they had been impacted by COVID-19.

Since the onset of the pandemic, TSAHC has been working with tenants that reside in properties we own (Rollins Martin apartment complex and a portfolio of homes in our Single Family Rental Program). First, we took significant safety precautions when responding to work order requests. But more importantly, we implemented a rental assistance program for tenants and worked with tenants one-on-one to help them remain stably housed.

As part of the rental assistance program, TSAHC approved one tenant for rent relief for one month. We also set up payment plans for tenants experiencing financial hardships. Additionally, TSAHC suspended late fees through December 2020. Lastly, we automatically renewed leases for all tenants (unless they opted out of the lease) and froze rental rates for 2020 and 2021.

Throughout 2020, TSAHC continued to participate in internal and external meetings on virtual platforms, and we transitioned programs and initiatives that were formerly held in-person to virtual platforms. Those specific changes and other COVID-19 program modifications are discussed throughout this plan.

### *Texas Housing Stability Collaborative*

In late summer 2020, TSAHC partnered with a collection of individuals and organizations

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<sup>2</sup> <https://www.tsahc.org/news/article/covid-19-resources-and-helpful-information>

working to avert home mortgage foreclosures and rental evictions caused by COVID-19. This partnership, known as the Texas Housing Stability Collaborative,<sup>3</sup> is currently expanding its network and raising awareness about free mortgage and rental assistance options to Texas households provided by Texas' HUD-approved housing counseling agencies.

## **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 \$231,400 while the average household wealth of a renter is \$5,200.<sup>4</sup>

In addition to financial benefits, there are social benefits to homeownership. Stable housing created by homeownership can lead to better educational achievement, health benefits, reduced crime, and improved civic participation.<sup>5</sup>

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 Homes for Texas Heroes Home Loan Program established by the Legislature in 2003 for the purpose of making mortgage loans with down payment assistance 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

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<sup>3</sup> <https://texashousingstability.org/>

<sup>4</sup> Source: Dayana Yochim, "What's your net worth, and how do you compare to others?" MarketWatch, January 23, 2020

<sup>5</sup> Source: "Social Benefits of Homeownership and Stable Housing," Richard J. Rosenthal Center for Real Estate Studies, October 2017

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 for specific professions.

### *Down Payment Assistance Options*

TSAHC offers down payment assistance through both the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs because a primary barrier for prospective buyers is that many cannot accumulate sufficient funds for a down payment.<sup>6</sup> This problem has worsened in recent years as increasing rents make it harder to save money and transition into homeownership.<sup>7</sup>

The down payment assistance is provided either in the form of a grant that does not require repayment or a second lien. To better serve Texas home buyers, in December 2019 TSAHC transitioned its second lien option from a repayable second lien to a three-year deferred forgivable second lien.

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.

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 (AMFI). Serving moderate income Texans – those between 80 and 115 percent AMFI – is an important component of meeting the state's housing needs, because those households are struggling to afford homes in the absence of assistance. For reference, the median home price statewide reached a record high of \$268,000 in July 2020 and tapered off slightly to \$265,000 by September 2020. For further context, the median home price in Texas was \$248,000 at the end of 2019.<sup>8</sup>

### *Homeownership Programs Financing Mechanisms*

TSAHC funds its mortgage loans with down payment assistance in two ways: by issuing mortgage revenue bonds available under its statutory authority, and by pooling loans on a regular basis and selling the mortgage-backed securities (known in the industry as the TBA program). TSAHC did not issue mortgage revenue bonds and funded its mortgage loans with down payment assistance exclusively through the TBA program in 2020.

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<sup>6</sup> Source: 2020 Annual Financial Literacy Survey, <https://www.nfcc.org/resources/client-impact-and-research/2020-consumer-financial-literacy-survey/>

<sup>7</sup> Source: "American Families Face a Growing Rent Burden," [www.pewtrusts.org](http://www.pewtrusts.org), April 19, 2018

<sup>8</sup> Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 18, 2020.

### *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 home buyers (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. 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, 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 website.<sup>9</sup> 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 (HUD) 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.<sup>10</sup>

Moreover, according to that same HUD publication, home buyer education can help mortgage borrowers avoid delinquencies and defaults. The HUD paper references the 2014 National Foreclosure Mitigation Counseling program that analyzed 240,000 loans and found that borrowers that took home buyer education were three times more likely to get a loan modification to avoid default.

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<sup>9</sup> Texas Financial Toolbox, <http://www.texasfinancialtoolbox.com/home-buyer-education>

<sup>10</sup> Source: Evidence Matters, "The Evidence on Homeownership Education and Counseling," Spring 2016

## *2020 Homeownership Programs Changes*

On May 4, 2020, the market uncertainty created by COVID-19 required TSAHC to implement a temporary overlay to our homeownership programs eligibility requirements. This overlay was imposed by TSAHC's master loan servicer. Until further notice, all government loans with total debt to income (DTI) ratios greater than 45% are required to have a minimum 700 credit score. We continue to communicate regularly with our master servicer on market conditions and will lift this requirement as soon as we have their approval.

Despite this temporary requirement, TSAHC served a record number of home buyers in 2020. To respond to this, TSAHC onboarded new homeownership compliance staff members. This allowed for TSAHC to promptly respond to the increase in home buying demand and continue to meet consumer and lender needs promptly and efficiently.

TSAHC also launched a podcast in June 2020 to reach more consumers, lenders and REALTORS® and provide content related to homeownership, home buying and other housing related issues. We also further engaged our Lender Advisory Council to gather their feedback on TSAHC's homeownership programs. TSAHC continues to stay abreast of any changes or developments in the mortgage industry and adjust to meet the needs of Texas' home buyers.

## *2020 Homeownership Programs Activity Synopsis*

Through October 31, 2020, TSAHC's home buyer programs helped 12,131 households with their home purchase through down payment assistance, an MCC, or both.

In comparison, TSAHC assisted 9,397 households in 2019 and 9,347 households in 2018. To date, TSAHC has served more than 50,231 households under our homeownership programs.

## *2021 Implementation Plan*

In 2021, TSAHC will continue to engage the Lender Advisory Council and potentially reduce the frequency of meetings which should generate more robust participation. TSAHC will continue to reach REALTORS® in areas where our programs are underutilized. Additionally, TSAHC will continue to market programs directly to home buyers in new and creative ways. For example, at the request of our Lender Advisory Council, TSAHC plans to release a video targeted to home buyers that explains how down payment assistance programs work.

Most importantly, TSAHC will continue to swiftly respond to increased home buying demand and use of TSAHC's homeownership programs. 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 programs.



## 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](http://www.texasfinancialtoolbox.com)) to give 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 Calculator<sup>11</sup> 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](http://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*

TSAHC has offered home buyer and financial education training to Texas housing nonprofits since 2012. 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 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. 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.

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

In 2020, the Housing Connection training originally included five days of in-person training in June, but due to the COVID-19 pandemic, all training was offered virtually with the choice of self-guided webinars or instructor-led virtual training. TSAHC contracted with NeighborWorks America, the selected education provider, to conduct the virtual training services.

The 2020 courses covered the following topics: foreclosure basics for homeownership counselors, foreclosure process for housing professionals, mortgage lending fundamentals for homeownership professionals, understanding credit reports and credit scoring, engaging older adults in financial capability programs, building skills for financial confidence, counseling clients to maximize energy savings, and an introduction to affordable rental housing development.

TSAHC, with support from private and public funders, made the training sessions as affordable as possible by providing 29 scholarships to cover tuition costs. In 2020, 34 housing counselors representing 24 organizations and 17 different cities received homeownership counseling and financial education training through the virtual training event. An additional 8 participants from 4 cities received the introduction to affordable rental housing development training.

To date, 642 individuals representing 239 organizations in 99 municipalities across Texas have attended trainings provided by TSAHC through either TSHEP (2012-2017) or Housing Connection (2018-2020). Additionally, TSAHC has provided 219 scholarships totaling \$105,093 to participants.

#### *2021 Implementation Plan*

In 2021, TSAHC will once again provide a variety of courses for housing counselors and nonprofit housing professionals. Instructor-led courses will either be offered entirely virtually or in-person depending on the safety of in-person training. TSAHC also plans to offer self-guided webinars to supplement the instructor-led courses.

TSAHC will continue to make the training as affordable as possible by raising public and private funds to subsidize the costs of attending a training either virtually or in-person.

#### **TEXAS HOUSING IMPACT FUND**

The Texas Housing Impact Fund (THIF) 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 THIF. 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 279 single family homes and 2,905 rental units for low and moderate-income households. These numbers include units currently under construction.

TSAHC currently offers five types of loans:

- Permanent financing loans
- Revolving lines of credit
- Construction loans
- NEW in 2020: Predevelopment loans (limited to Travis, Williamson, Bastrop, Hays and Caldwell counties)
- NEW in 2020: Deferred forgivable loans as offered through the Affordable Housing Partnership (limited to Dallas and Travis counties)

### *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 \$231,400 while the average household wealth of a renter is \$5,200.

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 July 2020, the median home price in Texas was a record high \$268,000.<sup>12</sup> Escalating home prices are especially problematic in urban areas like Austin (median home price of \$352,250), Dallas (\$320,000), and Houston (\$262,000).<sup>13</sup>

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 2020, TSAHC approved THIF loans and lines of credit to construct 54 homes for low- to moderate-income home buyers in Onalaska and Austin.

### *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.

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<sup>12</sup> Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 19, 2020.

<sup>13</sup> Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 19, 2020.

TSAHC’s Texas Housing Impact Fund generally targets smaller multifamily developments in rural areas and underserved communities. In 2019 TSAHC was awarded a \$3.75 million grant from the Capital Magnet Fund, a program of the Community Development Financial Institutions (CDFI) Fund, specifically to support multifamily properties financed by THIF in rural and economically distressed communities.

In 2020, affordable housing developers were awarded THIF financing to help build rehabilitate or construct 902 affordable rental units. Many of the projects funded in 2020 were financed in part through our Capital Magnet Fund award. Of the 902 rental units financed, 802 are rural units originally financed by USDA’s Section 515 program. These units are being rehabilitated as part of a 21-property portfolio transaction with developer Hamilton Valley Management, Inc.

*Predevelopment Loans*

In spring 2020, TSAHC partnered with the Austin Community Foundation to launch a predevelopment loan program targeted to small-scale or neighborhood-oriented nonprofit developers in the five-county Central Texas region. The program is designed for nonprofits that have a development project in mind but lack the resources to begin the development process, a common barrier for smaller capacity organizations.

In summer 2020, TSAHC made its first loan under the program to Chestnut Neighborhood Revitalization Corporation to support the construction of 49 condominiums as part of Phase II of The Chicon development located in Central East Austin.

*Affordable Housing Partnership*

TSAHC also launched the Affordable Housing Partnership (AHP) program in 2020 as part of the THIF suite of loan products. Thanks to a partnership with the Texas Health and Human Services Commission, TSAHC offers deferred forgivable loans to developers in Dallas and Travis counties to subsidize the construction of affordable, accessible, and community-integrated units designated for residents with long-term health needs. TSAHC is currently accepting loan applications for developers interested in using this product.

*Texas Housing Impact Fund Loan Production*

<b>Loan Production</b>	<b>2020</b>	<b>2003 - 2019</b>
Loans Approved	5	36
# of Single Family Homes Built or Under Construction	54	225
# of Rental Units	902	2003
Amount of Loan Funds Approved	\$5,950,088 <sup>14</sup>	\$20,455,374

<sup>14</sup> Texas Housing Impact Fund loans are a revolving line of credit for single-family construction awarded to WOMAN, Inc.; a predevelopment loan to Chestnut Neighborhood Revitalization Corporation for single-family condominium construction; and loans for

## *2021 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.

TSAHC forecasts sustained demand for THIF loans into 2021 as staff is currently reviewing four applications for single-family and multifamily developments around Texas.

In 2021, TSAHC plans to continue to explore lending opportunities to address housing needs for underserved populations including disaster impacted areas, small urban and rural markets, and urban areas that are rapidly changing and risk losing affordable housing. In 2021, there will be an emphasis on marketing predevelopment loans to address the rapidly rising cost of housing in Central Texas and marketing the Affordable Housing Partnership to address the housing needs of Texans with long-term health needs (an underserved population).

TSAHC will continue to grow the fund by pursuing grants, program related investments or equity equivalent investments from foundations, banks, and other lenders and investors.

TSAHC will also continue to publish an annual Texas Housing Impact Fund Investment Report to document the statewide impact of the program. This report enhances TSAHC's efforts to market the Texas Housing Impact Fund to developers and potential investors.

### **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 29 nonprofit organizations across the state to acquire and redevelop foreclosed homes, vacant land, and tax foreclosed properties in order to make these homes available for sale or rent to low-income families.

Over its history, TSAHC has acquired 572 properties through the ACT program and has created 296 homes for extremely low, very low, low, and moderate-income Texans. The ACT Program has a current portfolio of 179 lots and homes, and there are three active components of the program distinguished by source of funding and targeted use of properties:

- 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),

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the preservation and creation of multifamily units awarded to Project Transitions, Sagebrush Apartments, LC and Hamilton Valley Management, Inc.

the property is sold, and the funds are 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’ federal Neighborhood Stabilization Program (NSP) funding.

*Affordable Communities of Texas Portfolio*

<b>Program/Initiative</b>	<b>Acquisitions 2020</b>	<b>Sales 2020</b>	<b>Current Portfolio</b>	<b>Current Asset Value</b>
ACT Land Banking / Land Trust	5	10	23	\$938,887
Texas NSP	0	17	156	\$2,043,750

*2021 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 Land Banking portfolio. TSAHC will also continue to implement new marketing strategies to sell properties and will continue to focus on selling homes in the Texas NSP portfolio as quickly and efficiently as possible.

TSAHC continues to explore the implementation of land trust mechanisms that allow TSAHC to deliver homeownership opportunities to low- to moderate-income home buyers and deeper levels of affordable rental housing.

**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 2020, 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 2020, TSAHC closed on \$89,045,000 in multifamily PABs to construct or rehabilitate 1,240 affordable rental units across 23 municipalities.<sup>15</sup>

### *2021 Implementation Plan*

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.<sup>16</sup>

The demand is reflected in the number of TSAHC PAB projects that are either currently induced, pending closing or under review. That pipeline of potential 2021 PAB closings already includes 11 developments that total 1,350 units and \$163,310,000 in total bond financing.

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.

TSAHC, Enterprise Community Partners, the Federal Reserve Bank of Dallas, USDA Rural Development, and other partners completed a five-part Rural Housing Preservation Academy in 2018 and hosted a Rural Rental Housing Buyers/Seller Conference in 2019, both of which focused on how to preserve aging rural multifamily developments. In 2021, TSAHC will build on these initiatives and continue to emphasize the preservation of housing in rural areas.

TSAHC will also explore how to create more permanent supportive housing (PSH) units either through PABs or other financing structures. The creation of additional PSH housing is another priority for TSAHC, due in part to an ongoing collaboration with the Texas Health and Human Services Commission that will be covered in detail later in this plan.

### **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 inspection of each

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<sup>15</sup> The developments are Ventura at Fairgrounds (Midland, TX), Shady Oaks Manor (Fort Worth, TX), and 21 rural properties included in the Hamilton Valley Management Inc. portfolio.

<sup>16</sup> Source: "The Gap: A Shortage of Affordable Homes," The National Low Income Housing Coalition, March 2020

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 website.

These visits are typically on-site, physical inspections, but because of the ongoing COVID-19 pandemic, TSAHC adjusted its schedule of visits and is conducting them virtually.

For 2020, the virtual site visits were conducted by requesting that properties send reports, files, and unit and property photos prior to a conference or video call. Property and regional managers, as well as compliance teams provided the requested materials in a timely manner, and TSAHC Asset Oversight and Compliance staff were able to successfully review materials prior to the review and conducted the virtual visits with no difficulties.

In 2020, TSAHC performed asset oversight reviews for 35 properties, totaling 4,609 units.

### *Compliance*

As part of the compliance review process, staff reviews tenant files 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 2020, TSAHC performed compliance reviews for 35 properties, totaling 4,733 units. These properties are financed either through PABs or THIF financing. TSAHC also upgraded the online reporting system to make it easier to use and ensure the security of the information submitted.

### *2021 Implementation Plan*

In 2021, TSAHC staff will continue to conduct virtual site visits until it is safe to resume in-person visits. TSAHC will continue to provide asset oversight and compliance monitoring services to the properties in its current bond and Texas Housing Impact Fund portfolios. Between the end of 2020 and throughout 2021, staff anticipates adding 25 properties and 1,471 units to the portfolio of properties monitored by TSAHC's staff. Additionally, staff anticipates performing compliance on units funded through the Affordable Housing Partnership program in 2021 or 2022.



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 2020. According to the Real Estate Center at Texas A&M University, the median home price in Austin was \$352,250 as of September 2020.<sup>17</sup> The average monthly rent was \$1,443 as of October 2020.<sup>18</sup> 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 prices significantly less than market rate. In addition to verifying income, TSAHC screens each applicant for rental, credit, and criminal history.

Given the success of the program and ongoing need for affordable rental opportunities in other areas of the state, TSAHC decided to expand the Single Family Rental Program to San Antonio in 2019. Since that time, TSAHC has purchased six single-family homes in the San Antonio MSA which have all been leased to qualifying households.

Combined, there are 25 rental properties in the Single Family Rental Program across the Austin and San Antonio MSAs.

### *2021 Implementation Plan*

In 2021, TSAHC plans to add up to five homes to the program portfolio. Three of these homes are already under construction in Austin, and TSAHC plans to add one or two additional homes in the Austin and/or San Antonio MSAs.

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<sup>17</sup> Source: See Footnote 11.

<sup>18</sup> Source: <https://www.rentjungle.com/average-rent-in-austin-rent-trends/> (Accessed November 19, 2020)

## **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 is located in a rapidly developing neighborhood of East Austin that is quickly becoming unaffordable to its long-time lower-income residents. Rents in that part of the Austin have increased at an alarming rate, going up 22-38.6% between 2011-2015.<sup>19</sup> 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.

In 2019, TSAHC renovated two more units, upgraded the video surveillance system and installed vent fans in the bathrooms for units that did not have them. In late 2019, TSAHC completely renovated the exterior of the apartment complex by replacing all siding and windows and adding new paint, lighting, doors, mailboxes, and signage.

### *2021 Implementation Plan*

In 2021, TSAHC will continue to renovate individual units on a rolling basis after a tenant moves out, in order to avoid any tenant displacement.

## **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 an 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

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<sup>19</sup> Source: <https://data.austintexas.gov/stories/s/Household-Affordability/czit-acu8/>

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 \$4,310,000 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 three award cycles (2016 – 2020), 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.

### *2020-2021 Funding Cycle*

In early 2020, TSAHC surveyed Texas Foundations Fund stakeholders to see if any changes should be made to the program. After compiling survey results, TSAHC made its draft 2020 Texas Foundations Fund guidelines available for public comment. Based on comments received, TSAHC staff decided to add in an administrative allowance of up to 10% of the grant amount to help organizations keep their programs operational during the ongoing COVID-19 pandemic.

The 2020-2021 Texas Foundations Fund application cycle opened in May 2020. To better serve Texas Foundations Fund applicants, TSAHC upgraded the online application system prior to releasing the application.

TSAHC received 38 applications from non-profits serving communities throughout Texas. After a thorough review of the applications, TSAHC staff determined that 33 applicants met the requirements to be selected as a funding partner.

The total funding available to these partners in 2020 was \$610,500, which equals \$18,500 per organization.

### *2021 Implementation Plan*

TSAHC will continue to monitor the administration of the program to make sure we're responding to the needs of nonprofits during this unique time. In October 2021, grantees will report the use of their funds from 2020 and will be eligible for 2021 funding pending a successful review of their report.

### **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. Other funding was provided by the Meadows Foundation, the Center for Disaster Philanthropy, BBVA and a commitment from TSAHC's Board.

The program awarded \$2,555,000 to 39 nonprofits providing housing-related assistance to low-income households directly affected by Hurricane Harvey. Among those nonprofits, 19 are providing critical home repair services, and 171 homes have been repaired to date. The HEART program also provided webinars (11 total with more than 200 attendees) as well as individual technical assistance opportunities.

In January 2020, TSAHC and Enterprise Community Partners hosted an in-person training on disaster recovery and response for HEART grantees. The training included a day-long grantee

roundtable discussion as well as a two-day training course on disaster recovery taught by NeighborWorks America.

### *2021 Implementation Plan*

TSAHC and Enterprise Community Partners are in the final stages of administering the HEART program. The two entities will collect final reports from grantees and provide final reporting to the Rebuild Texas Fund in early 2021.

## **TECHNICAL ASSISTANCE AND OTHER INITIATIVES**

### *Partnership with Texas Health and Human Services Commission (HHSC)*

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 the Texas Health and Human Services Commission (HHSC) 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, HHSC and TSAHC created a state action plan that seeks to foster additional community living opportunities for Texans with ongoing health needs.

In addition to the IAP, TSAHC and HHSC 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 concluded in December 2020.

As part of executing the state action plan, TSAHC conducted a series of permanent supportive housing (PSH) workshops in 2019 for nonprofits and other interested parties who wish to create or preserve PSH units. These one-day workshops provided an overview of the financing of PSH developments and the implementation of supportive services at those developments.

### *Texas Supportive Housing Institute*

Building upon the success of the PSH workshops, TSAHC launched the Texas Supportive Housing Institute in September 2020, which provides technical assistance to nonprofits, developers, service providers and property managers interested in creating and operating supportive housing in their communities. The training is conducted by the Corporation for Supportive Housing (CSH).

Six teams participated in the institute in 2020 representing Dallas (two teams), Fort Worth (two teams), Houston and Brownsville. They attended monthly, multi-part sessions held virtually over the course of September to December 2020. An added component of the institute is one-on-one technical assistance with CSH. TSAHC also made follow up grants available to participating development teams through a partnership with JPMorgan Chase.

In 2021, TSAHC will continue to work with teams from the 2020 Texas Supportive Housing Institute to help them accomplish their supportive housing development goals. TSAHC hopes to offer the institute again in 2021 and select new teams from around the state.

Additionally, TSAHC will continue to explore new or improved finance mechanisms for supportive housing developments. TSAHC will continue to look for developers interested in participating in the Affordable Housing Partnership to create units for Texans with long-term health needs. These objectives are included in the state action plan created by TSAHC and HHSC.

#### *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 2018-2019, TSAHC also sponsored the Texas Homeless Network for the Frequent Users Systems Engagement (FUSE) Learning Community program. 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.

In 2021, TSAHC will continue to explore ways it can make an impact in homelessness including potentially offering the Texas Supportive Housing Institute mentioned above and supporting ongoing efforts to better use data to solve homelessness challenges.

#### *Potential Partnership with TxDOT*

In summer 2020 TSAHC was approached by the Texas Department of Transportation (TxDOT) to administer a minimum of \$27 million in grant funding to support affordable housing initiatives in communities affected by TxDOT's North Houston Highway Improvement Project (NHHIP).

The NHHIP is a multi-billion dollar transportation project that will expand and realign sections of Interstate I-45 in North Houston, impacting several communities (known as super-neighborhoods). These super-neighborhoods are comprised primarily of low-income and minority residents. TxDOT is providing \$27 million to support affordable housing initiatives in these communities in addition to the individual compensation provided to homeowners, renters and businesses that are displaced by the project.

TxDOT approached TSAHC due to our prior experience providing grant funding through the Texas Foundations Fund and Housing and Economic Assistance to Rebuild Texas (HEART) programs, both of which have supported nonprofits serving the communities affected by the NHHIP.

TSAHC received initial approval from our Board of Directors in October 2020 to move forward with negotiations with TxDOT and draft an agreement outlining the use of the funds. We anticipate the agreement will be finalized in early 2021. TSAHC's participation in this project is subject to final approval of the agreement by TSAHC's Board of Directors.

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