



T E X A S
State Affordable Housing Corporation

**TEXAS STATE AFFORDABLE HOUSING CORPORATION
2025 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. 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 \$4.08 billion in single family bonding authority and approximately \$1.82 billion 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 2024 TSAHC bond activity includes the closing of \$80,000,000 in Mortgage Revenue Bonds and \$21,500,000 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, Including Affordable Housing Partnership
- Affordable Communities of Texas
- Asset Oversight and Compliance
- Single Family Rental Program
- Multifamily Rental Program
- Texas Foundations Fund, Including Grants for Disaster Recovery
- Texas Supportive Housing Institute and Permanent Supportive Housing Symposium

TSAHC MISSION AND OBJECTIVE

In 2024, TSAHC updated our mission and vision statements to guide our programs and services and better represent who we are as an organization. TSAHC's new mission is to facilitate, preserve, and expand affordable housing opportunities for Texans. 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 new vision that every Texan will have a place to call home.

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, helping Texans rebuild after natural disasters, and helping Texans remain stably housed during difficult financial times.

TSAHC's objective in 2025 is to serve the evolving housing needs of Texans by implementing innovative solutions through its current programs and adapting those programs where necessary to respond to changes in the housing market. TSAHC also remains committed to exploring opportunities to establish new programs and initiatives when appropriate to better achieve our mission.

PROGRAM DESCRIPTIONS AND IMPLEMENTATION PLANS

HOMEOWNERSHIP PROGRAMS

Over the last decade, research has consistently shown that homeownership has a positive impact on the socioeconomic status of a household and their community. The most recent data from the Federal Reserve highlights the economic benefits of homeownership as the median household wealth of a homeowner is \$396,200 while the average wealth of a renter is \$10,400.²

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.³³

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 was 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 and Active-Duty Military Personnel
- 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 serves Texans of all professions.

² Source: "Changes in U.S. Family Finances from 2019 to 2022," Federal Reserve Board, <https://www.federalreserve.gov/publications/files/scf23.pdf> October 2023

³ Source: "Social Benefits of Homeownership and Stable Housing," Richard J. Rosenthal Center for Real Estate Studies, October 2017

Down Payment Assistance Options

TSAHC offers down payment assistance (DPA) through both the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs because a primary barrier for prospective buyers is accumulating sufficient funds for a down payment.⁴

This problem has worsened recently as increasing rents and inflation make it harder to save money and transition into homeownership. This is having a profound impact on middle-income households who are increasingly becoming rent cost-burdened and having a difficult time making the leap from renting to homeownership.⁵

Additionally, the median home price in Texas remains at very high levels at \$337,698 as of September 2024. That's up from \$333,000 in October 2023, showing a slight increase in sales prices over the past year. For context, the median home price in Texas was \$330,490 at the end of 2022 and \$320,900 at the end of 2021.⁶ Home values in Texas continue to escalate underscoring the need for home buying assistance across the state.

To ensure low and moderate-income Texans can continue to achieve the dream of homeownership, TSAHC increased the income limits for our Homes for Texas Heroes and Home Sweet Texas Home Loan Programs from 115% of the area median family income to 125% of the area median family income in October 2021.⁷

TSAHC's down payment assistance continues to be available on a first-come, first-served basis and is provided either in the form of a grant that does not require repayment or a three-year deferred forgivable second lien. The products TSAHC offers are always contingent on market conditions and interest rate trends, and TSAHC consistently explores opportunities to expand and improve the assistance options we offer. For example, in late 2022 we adjusted our lender compensation structure, which enabled us to offer more loan and down payment assistance options.

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. Homebuyer education is a program requirement as well (explained more below). The programs are accessible to eligible borrowers by directly contacting a participating mortgage lender.

⁴ Source: "Elevated Home Prices and Mortgage Rates, Limited Inventory are Home Buying Barriers, According to Realtors® and Prospective Home Buyers Across Races and Ethnicities," <https://www.nar.realtor/newsroom/elevated-home-prices-and-mortgage-rates-limited-inventory-are-home-buying-barriers>, September 14, 2023

⁵ Source: "Soaring rental prices make it even more difficult to save for a house," <https://www.cnbc.com/2022/02/09/soaring-rent-prices-make-it-even-more-difficult-to-save-for-a-house.html>, February 9, 2022

⁶ Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 22, 2024.

⁷ The income limits for the Mortgage Credit Certificate program continue to be set at 115% AMFI per federal guidelines.

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 both issued mortgage revenue bonds and funded mortgage loans with down payment assistance through the TBA program in 2024.

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 federal income 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 combine the MCC program with down payment assistance provided under the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs.

The MCC option was previously available either as a stand-alone MCC issuance or an issuance that is combined with DPA. Unlike TSAHC's down payment assistance programs, the MCC program is subject to funding availability. Recently, there have been some disruptions to MCC availability because of limited funding. In November 2023, TSAHC temporarily suspended the MCC program in response to limited bond funding availability.

In April 2024, TSAHC relaunched the MCC program in combination with down payment assistance options. Texas home buyers can access an MCC credit rate of 15% to save money on their income taxes each year for the life of their mortgage loan. The standalone MCC product remains suspended for the foreseeable future.

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.⁸ The providers listed are generally nonprofit organizations or government entities who are either HUD-approved or certified to provide home buyer education.

⁸ Texas Financial Toolbox, <http://www.texasfinancialtoolbox.com/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.⁹

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.

2024 Homeownership Programs Activity Synopsis

In 2024, TSAHC’s home buyer programs helped 7,436 households with their home purchase through down payment assistance, an MCC, or both.¹⁰ In comparison, TSAHC assisted 11,219 households in 2023, 10,420 households in 2022 and 22,726 households in 2021. To date, TSAHC has served nearly 119,500 households under our homeownership programs.

2025 Implementation Plan

As the home buying market remains cool during an uncertain interest rate environment, we continue to adjust internally to respond to the changing market conditions. For example, TSAHC has expanded our efforts to market and promote our programs in areas of the state where our volume isn’t as robust. We intend to carry out this marketing effort to recruit new lenders, establish new connections, and make inroads with home buyers in those regions.

In 2025, TSAHC will also continue offering “Overcoming the Down Payment Hurdle” courses throughout the state to share information about our programs in new and existing markets. These courses allow us to meet mortgage lenders, REALTORS®, and other industry professionals in the markets they work in and strengthen our existing connections or make new ones. We conducted approximately 90 of these classes in 2024, reaching roughly 1,750 REALTORS®.

In 2025, TSAHC will continue to engage the Lender Advisory Council on ways to improve our programs, stay abreast of any changes or developments in the mortgage industry, and adjust to meet the needs of Texas’ home buyers.

TSAHC continues to spread awareness about our programs and share knowledge about the industry through podcasts and monthly Facebook live events. Since our podcast launched in 2020, we’ve produced 38 episodes¹¹ dedicated to home buying issues, homeownership topics and other housing industry related content. In 2025, we will continue producing podcast segments and holding Facebook live events. TSAHC also plans to redesign its website in 2025

⁹ Source: Evidence Matters, “The Evidence on Homeownership Education and Counseling,” Spring 2016

¹⁰ This marks activity from January 1, 2024 through October 31, 2024.

¹¹ <https://www.buzzsprout.com/1048519>

to better communicate our programs and educational resources to lenders, REALTORS® and home buyers. We will continue to explore other ways to promote our programs through social media and other communications channels.

In 2025, TSAHC will also continue to work alongside a network of partners as part of the Harris County Homeownership Collaborative (HCHC) to create new Black, Indigenous, and people of color (BIPOC) homeowners in the greater Houston area. The initiative is part of the Wells Fargo BIPOC Wealth Opportunities Restored through Homeownership (WORTH) program, and the goal is to create 5,000 new BIPOC homeowners in Houston by 2025. HCHC's work is supported by a Wells Fargo grant that provides grant funding annually for four years.

TSAHC will also continue to explore changes to the MCC program depending upon bond funding availability and market conditions. We remain committed to offering a suite of home buying products even as interest rates continue to climb to the highest levels in years. We evaluate the market daily and respond accordingly with the best options possible to ensure Texans always have assistance available to fulfill their dream of homeownership.

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 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 Calculator¹² to help potential home buyers compare the different loan types and down payment assistance options offered by TSAHC. This tool is also available on TSAHC's website www.tsahc.org.

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

¹² <http://www.texasfinancialtoolbox.com/mortgage-calculator>

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 2017 TSAHC decided to expand the scope of the training 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.

Our training partner that offers and delivers the courses is NeighborWorks America, a congressionally chartered nonprofit organization that supports community development across the country. In 2024, we offered the following courses: (1) Foreclosure Basics for Homeownership Counselors, and (2) Budget Basics: Decoding the Mysteries of the Pro Forma.

In 2024, 43 housing professionals representing 26 organizations and 15 cities received training through Housing Connection. Thanks to philanthropic support from our network of financial institutions, mortgage lenders and REALTORS®, TSAHC was able to offer the training courses free of charge and provide hotel scholarships to participants traveling from out of town. The training workshop was generously hosted by the Federal Reserve Bank of Dallas at their San Antonio location.

To date, 874 individuals representing 387 organizations across Texas have attended trainings provided by TSAHC through either TSHEP (2012-2017) or Housing Connection (2018-2024). Additionally, TSAHC has provided more than \$160,000 in hotel scholarships to participants.

2025 Implementation Plan

In 2025, TSAHC will once again provide a variety of courses for housing counselors and nonprofit housing professionals. The course selection and training location will be guided by feedback from past and prospective participants. Thanks to a generous grant from the Mortgage Grant Fund, TSAHC plans on offering NeighborWorks America's HO229 Homebuyer Education Methods: Training the Trainer 5-day course in the coming year. TSAHC will continue to make the training as affordable as possible by raising public and private funds to subsidize the costs of attending.

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 multiple sources, TSAHC is able to provide flexible 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 THIF has financed the construction or rehabilitation of 298 single family homes and 4,646 rental units for low and moderate-income households. These numbers include units currently under construction.

TSAHC currently offers four types of loans:

- Permanent financing loans
- Revolving lines of credit
- Construction loans
- Deferred forgivable loans offered through the Affordable Housing Partnership (geographically limited to certain counties and limited to serving tenants with complex health needs)

Single Family Construction/Rehabilitation

Homeownership continues to be 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 \$396,200 while the average household wealth of a renter is \$10,400.

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 2024, the median home price in Texas was \$337,698.¹³ While home prices have only risen slightly in the past year statewide, they grew the most in urban areas like San Antonio by 2.9% (median home price of \$307,363) and in Houston by 1.3% (\$337,651).¹⁴

By financing the construction or rehabilitation of single-family homes that are affordable to well-qualified low and moderate-income home buyers, the THIF is helping families and individuals achieve the dream of homeownership and build household wealth.

In 2024, TSAHC approved a THIF line of credit to construct 5 homes for low- to moderate-income home buyers in Southeast Texas.

¹³ Source: <https://trerc.tamu.edu/article/texas-housing-insight/>, accessed November 22, 2024.

¹⁴ Source: <https://trerc.tamu.edu/article/texas-housing-insight/>, accessed November 22, 2024.

Multifamily Construction/Rehabilitation

TSAHC also recognizes that not all families and individuals are ready to become homeowners. Access to affordable rental housing is what is most important to these households. By funding the construction of affordable rental units, the THIF helps households access affordable rental homes without having to sacrifice other basic needs, such as food, education, or medical care.

In 2024, TSAHC provided THIF financing to help rehabilitate or build 871 affordable rental units.

Affordable Housing Partnership

TSAHC 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 Bexar, Dallas, Harris, and Travis counties to subsidize the construction of affordable, accessible, and community-integrated units designated for residents with long-term health needs.

In 2024, TSAHC approved 3 loans specifically to support the construction of 13 rental units in Tarrant, Bexar and Harris Counties.

Texas Housing Impact Fund Loan Production

| Loan Production | 2024 | 2003 - 2023 |
|--|---------------------------|--------------------|
| Loans Approved | 6 | 63 |
| # of Single Family Homes Built or Under Construction | 5 | 293 |
| # of Rental Units | 871 | 3,775 |
| Amount of Loan Funds Approved | \$6,475,964 ¹⁵ | \$45,756,489 |

2025 Implementation Plan

TSAHC plans to continue to provide flexible lines of credit to developers that address our funding priorities. These loan products, leveraged with TSAHC's access to lower cost land through its Affordable Communities of Texas (ACT) land bank, will enable developers to continue to build homes that are affordable. TSAHC forecasts sustained demand for THIF loans into 2025 as staff is currently reviewing multiple applications for developments around Texas.

In 2025, 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.

¹⁵ Texas Housing Impact Fund loans are a revolving line of credit for single-family construction awarded to Legacy CDC and for loans for the rehabilitation or creation of multifamily units for Anacua Village, Live Oak Village, Jericho Village, Houston at Ella Boulevard, Palladium at Oak Grove, and Palladium Crestway.

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

Over its history, TSAHC has acquired 605 properties through the ACT program and has created 571 homes for extremely low, very low, low, and moderate-income Texans. The ACT Program has a current portfolio of 38 lots and homes, and there are two active components of the program distinguished by source of funding and targeted use of properties¹⁶:

- 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 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.

Affordable Communities of Texas Portfolio

| Program/Initiative | Acquisitions 2024 | Sales 2024 | Current Portfolio | Current Asset Value |
|-------------------------------|--------------------------|-------------------|--------------------------|----------------------------|
| ACT Land Banking / Land Trust | 1 | 3 | 38 | \$5,487,722 |

2025 Implementation Plan

The ACT Program will continue to play an integral role in TSAHC’s overall affordable housing strategy. TSAHC intends to increase efforts to expand our portfolio of ACT land bank properties by forming partnerships to acquire foreclosed and vacant properties and working directly with local and regional governments where possible.

¹⁶ There are two dormant components of the ACT program – the ACT Veterans Initiative Program and the Neighborhood Stabilization Program. These programs ended because every property in these programs was either redeveloped and sold or sold outright.

For properties already in our land bank, we will continue working with our network of local partner developers to redevelop and sell those properties. TSAHC is exploring funding opportunities offered by federal, state and local resources to subsidize construction costs and ensure the sales prices remain affordable to low and moderate-income households.

We are close to completing a multifamily rental development in Plano, Texas that is part of our ACT land trust. We also plan to redevelop 1910 E. MLK in Austin, formerly an office building, into 23 affordable homeownership units. TSAHC is currently lining up financing sources and development partners and anticipates breaking ground in summer 2025.

TSAHC continues to explore the implementation of additional 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 2024, 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 2024, TSAHC closed on \$21,500,000 in multifamily PABs to construct or rehabilitate 104 affordable rental units in Central Texas.¹⁷

2025 Implementation Plan

TSAHC anticipates continued interest and growth in our PAB program due to the high number of affordable housing units needed to meet statewide demand. For example, the most recent research conducted by the National Low Income Housing Coalition found that, in Texas, there are only 45 units that are affordable for every 100 households that earn 50% or less of the average median income.¹⁸

¹⁷ The development that received funding through our PAB program is Burses Studios.

¹⁸ Source: "The Gap: A Shortage of Affordable Homes," The National Low Income Housing Coalition, March 2024

The demand for affordable housing is reflected in the number of TSAHC PAB projects that are either currently induced, pending closing or under review. We anticipate demand for PABs will remain high into 2025 and beyond.

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 developments continues to be a 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. We also require asset oversight and compliance monitoring of multifamily properties financed through our THIF. TSAHC believes these reviews are one of the best ways to ensure properties provide ongoing safe, quality affordable housing to their residents.

Asset Oversight

As part of the asset oversight review process, staff performs an annual 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 website.

These visits are typically on-site, physical inspections, but because of the COVID-19 pandemic and subsequent safety concerns, TSAHC has performed a hybrid of virtual and in-person visits for the past four years. For both types of reviews, TSAHC requires property management agents to provide property reports. For virtual reviews, we also require photos of the property.

In 2024, TSAHC performed asset oversight reviews for 46 properties, totaling 6,414 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 available on TSAHC's website. 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 2024, TSAHC performed compliance reviews for 45 properties, totaling 6,478 units. These properties are financed either through PABs or THIF financing. TSAHC will continue to ensure that staff is well-equipped to handle the demands of adding a significant number of properties and units to the asset and compliance review portfolio over the past year and into 2025.

2025 Implementation Plan

In 2025, TSAHC staff will continue to conduct site visits in a manner that best protects the health and safety of our staff, as well as staff and residents at properties in our asset and compliance portfolio.

TSAHC will also 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 and around Texas steadily remained high, primarily due to inflation and high rental rates. The average monthly rent was \$1,703 as of July 2024,¹⁹ which is simply unaffordable for many low- to moderate-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. TSAHC screens each applicant for rental, credit, and criminal history and to verify income eligibility.

Given the success of the program and ongoing need for affordable rental opportunities in other areas of the state, TSAHC expanded the program to San Antonio in 2019, the Dallas-Fort Worth metroplex in 2022, and Flint, Texas in 2023. Since the expansion, TSAHC has purchased eight single-family homes in the San Antonio MSA, 10 in the DFW metroplex, and 22 in Flint, Texas.

¹⁹ Source: <https://www.rentcafe.com/average-rent-market-trends/us/tx/austin/>, accessed November 22, 2024

Combined, the Single-Family Rental Program now provides 62 rental homes across Flint and the Austin, San Antonio, and Dallas-Fort Worth MSAs.

2025 Implementation Plan

TSAHC does not intend to expand this program in 2025. We will instead focus our 2025 activities on maintaining our existing rental portfolio and replacing four homes that have aged out of our portfolio guidelines. TSAHC will also explore how to offer homeownership opportunities to tenants who are interested in purchasing a home in the future.

MULTIFAMILY RENTAL PROGRAM

In July 2015, TSAHC expanded its rental program by acquiring the Rollins Martin apartment complex in East Austin. Built in 1998, 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. In 2022, the average rent in the neighborhood was \$1,508, while nearly 15% of the neighborhood's residents live below the poverty level.²⁰ 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; replaced all staircases; added additional security features to the locks on each unit's door; upgraded the surveillance system; replaced all siding and windows; added new paint, lighting, doors, mailboxes and signage; and completely renovated all 15 units.

In 2021, TSAHC also reconstructed the dumpster enclosure area to create more recycling space and poured a semicircle driveway to make it easier for trash trucks to safely access and leave the dumpster area. In addition, TSAHC built an ADA accessible sidewalk and pad for the common area between buildings 3 and 4. In 2022, we completed renovations in seven units and performed extensive repairs on the roof.

TEXAS FOUNDATIONS FUND

History of the Texas Foundations Fund

²⁰ Source: https://housingworksaustin.org/wp-content/uploads/2023/06/District01_2022_v04_062723.pdf, accessed November 21, 2024

TSAHC created the Texas Foundations Fund (TFF) to improve housing conditions for very low-income Texas households, with an emphasis on assisting underserved populations. TSAHC defines very low-income households as households earning at or below 50% of the area median family income.

Through TFF, 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 over \$10.3 million in grants.

The housing services listed below are eligible for support through TFF:

- Home repairs and accessibility modifications in owner-occupied homes.
- Services at supportive housing communities.
- In 2022, we added housing and financial counseling services as an eligible activity.

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 TFF 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 TFF 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. For the three award cycles that followed (2016 – 2021), it was a non-competitive application process. Nonprofits that met eligibility criteria partnered with TSAHC for a two-year term in a matching grant structure.

2022-2024 Funding Cycles

In late 2021, TSAHC surveyed TFF stakeholders to see if any changes should be made to the program. After compiling survey results, TSAHC made its draft 2022 Texas Foundations Fund guidelines available for public comment. Based on comments received, TSAHC staff decided to make five significant changes: (1) grantees were no longer required to provide proof of a matching grant; (2) the audit requirement was waived for organizations with a budget of less than \$2 million and replaced with a requirement that a financial review or reference letter from a funder be provided instead; (3) the definition of underserved populations was expanded; (4) housing and financial counseling services were added as an eligible activity to be funded; and (5) for funding purposes, applicants were separated into small, mid-sized, or large based on budget size.

In 2022, 54 of the 55 applicants that applied met the eligibility requirements. We provided grants ranging from \$15,000 - \$35,000 to all 54 of those organizations based on budget size. It was the most organizations we had provided awards to until the 2023 cycle.

The 2023 TFF program ran very similar to 2022 in terms of eligibility as only minor modifications were made to the guidelines. In 2023, 67 organizations applied for funding, and staff determined that 66 were eligible for funding. TSAHC awarded \$1,002,000 in grant funding to those 66 organizations. Grant awards ranged in size from \$10,000 to \$25,000 based on the organization's budget size.

The 2024 round of TFF had similar eligibility and threshold criteria to the 2022 and 2023 rounds but incorporated a change that allowed any household earning at or below 50% area median income to receive services from organizations funded through TFF. A total of 87 organizations applied for funding in 2024, and staff determined that 82 applicants were eligible for funding. TSAHC sent out \$1,246,000 in grant funding to these 82 grantees. Awards ranged from \$10,000 to \$25,000 based on organizational budget size.

2025 Implementation Plan

In 2025, we intend to open the application window closer towards the beginning of the calendar year, rather than in mid-April. This change is based on feedback we received from grantees as well as an internal decision to make the program more administratively efficient. TSAHC plans to accept grant applications on a rolling basis in 2025, accepting applicants until funding runs out.

GRANTS FOR DISASTER RECOVERY

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. In response to this catastrophic event, TSAHC partnered with Enterprise Community Partners to create a grant 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 provided

critical home repair services, repairing 174 homes.²¹ The HEART program also provided webinars (11 total with more than 200 attendees) as well as individual technical assistance opportunities. TSAHC and Enterprise Community Partners concluded administering the HEART program in early 2021.

Winter Storm Uri Response

In February 2021, Winter Storm Uri ravaged Texas, bringing prolonged below freezing temperatures and record snowfall to many parts of the state. In addition, millions of Texans were without electricity compounding the devastating impacts of this unprecedented disaster. The Federal Emergency Management Agency declared a disaster for every county in Texas and provided a combination of public and individual assistance depending on the severity of the disaster in those respective communities.

In March 2021, the TSAHC Board of Directors approved a special funding round of the Texas Foundations Fund program to respond to this event and made \$300,000 available to organizations providing home repairs for affected households in the most severely impacted areas. TSAHC provided grant funding to 15 organizations that provided home repairs to 236 households between April and August 2021 through this special funding round.

Texas Foundations Fund – Disaster Recovery

These twin natural disaster catastrophes motivated us to create a standing program within TFF that is earmarked specifically for disaster recovery activities. That way funds can be made available in the immediate aftermath of a disaster, allowing organizations to more swiftly respond to disasters in their communities.

In September 2022, we took draft guidelines for the FY2023 Texas Foundations Fund – Disaster Recovery program to TSAHC’s Board of Directors and made them available for public comment. The guidelines define disasters that qualify for grant funding as well as organizational and household eligibility. The allotted funding was \$250,000. Thankfully, there were no major natural disasters that elicited applicants for the disaster recovery set-aside grant funding, and the funding allotted for natural disasters was re-allocated to the annual grants provided through the general TFF program.

The FY2024 Disaster Recovery guidelines adopted the same eligibility criteria from FY2023. Two disaster recovery grant awards were made during FY2024, providing a total of \$55,000 in relief funding to two nonprofit organizations providing critical repairs for flooding in Hill, Jasper, and Newton Counties. A total of \$250,000 was made available for FY2024, and the unused funds were once again re-allocated to the annual grants provided through TFF.

2025 Implementation Plan

TSAHC’s Board of Directors approved the FY2025 Disaster Recovery Guidelines in October 2024. There were some minor modifications to the guidelines, but it essentially will operate as it did

²¹ These numbers reflect grantee reports received through December 31, 2021.

in its first year. Total grant funding available for the program is \$250,000, and the maximum award for an organization is \$30,000. The most significant change to the FY2025 guidelines is that unutilized funding will roll over in summer 2025 within the Disaster Recovery program to be utilized for disaster relief in future years.

SUPPORTIVE HOUSING 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 the Texas Foundations Fund. We 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.

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).

Five teams successfully completed the first institute in 2020 representing Dallas (two teams), Fort Worth (two teams), 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 offered the Institute again with the following enhancements: reduced the number of participating teams from six to four to expand/improve the individual instruction and attention provided to each; solicited teams in relatively similar project stages to improve cross collaboration; provided training that looks at issues through a racial equity lens and incorporates feedback from those with lived experience; increased technical assistance from 14 hours per team 25 hours per team; and provided development teams with the opportunity to obtain Quality Endorsement reviews from CSH.

For the 2021 Institute, TSAHC selected four development teams in El Paso, Houston, San Antonio, and Waco. Three of these teams successfully concluded the Institute in January 2022.

In 2022, we decided to geographically limit the Institute to Austin-area teams to align the Institute curriculum and participants with local City of Austin and Travis County initiatives to create 2,100 supportive housing units by 2024. TSAHC selected six teams to participate in the 2022 Institute. We also elected to host the training in-person for the first time.

The in-person sessions hosted at TSAHC's offices allowed for more robust participation, increased peer learning, and promoted cross-collaboration among participants. The 2022 Institute concluded in February 2023 with final presentations from the five teams that completed the Institute.

In 2024, TSAHC and CSH selected six development teams to participate in another hybrid Institute, which began with a three-day kickoff event in Austin as a welcome to teams from Austin, Brownsville, Dallas, Denton, Marshall, and San Antonio. These six teams intend to create 529 units of permanent supportive housing with the support and information gained from the 2024 Institute.

Permanent Supportive Housing Symposium

In 2023, TSAHC took a brief pause on providing the Institute and instead launched a Permanent Supportive Housing Symposium for two primary reasons. First, opportunities to share best practices and how to apply lessons learned in the supportive housing space are lacking in Texas. And second, due to past iterations of the Institute, we have a pipeline of new developers, service providers, and property managers operating in supportive housing who need further education and training beyond what the Institute provides.

Based upon that, we began planning a Permanent Supportive Housing Symposium in early 2023 and held it November 6-8, 2023 in Austin. The Symposium offered three tracks: housing development, operations and supportive services, and health outcomes. There were two Symposium add-ons that bookended the programming: a tour of supportive housing developments in Austin and a Permanent Supportive Housing Academy. Nearly 200 individuals attended the Symposium representing developers, property managers, service providers, health professionals, homelessness response organizations, and other health and housing organizations.

2025 Implementation Plan

TSAHC intends to host our second Permanent Supportive Housing Symposium in November 2025. Going forward, TSAHC plans to host full Institutes in even numbered years and Symposiums in odd numbered years. Together, these training opportunities will work together to provide continuing education to PSH developers while also developing a pipeline of projects for future Institutes.

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 States Interagency Council on Homelessness. In addition, TSAHC sponsors the annual Texas Conference on Ending Homelessness hosted by the Texas Homeless Network. In 2022, TSAHC awarded THN with a two-year grant to support a data collection system to better connect Texans experiencing homelessness to necessary services and renewed this support in 2024.

OTHER INITIATIVES

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 \$30 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 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 discussions with TxDOT and draft an agreement outlining the use of the funds. Those discussions were paused in early 2021 due to legal proceedings that put the NHHIP on hold. The legal proceedings concluded in early 2023 allowing TSAHC to resume those contract discussions with TxDOT which extended into and were finalized in 2024.

In 2024, TSAHC began the Request for Proposals process to identify and contract with a consulting professional for the development of a housing revitalization plan that includes a comprehensive housing needs assessment of communities impacted by the NHHIP. TSAHC intends to execute a contract with a consultant by the end of December 2024, allowing the revitalization planning to begin in 2025.