



**TEXAS STATE AFFORDABLE HOUSING
CORPORATION 2020 DRAFT ANNUAL ACTION PLAN**

DRAFT

TEXAS STATE AFFORDABLE HOUSING CORPORATION 2020 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 \$929 million in multifamily private activity bonds.¹ Bond issuances are used to finance the creation and preservation of affordable multifamily housing and the following home buyer programs:

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

¹ 2019 TSAHC bond activity includes the reservation of \$667,865,165 in mortgage revenue bonds for the single family program and the reservation of \$108,580,000 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 preserving housing in rural areas, expanding housing opportunities for Texans with complex health needs, and helping Texans rebuild after natural disasters.

TSAHC's objective in 2020 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 to better assist underserved populations.

PROGRAM DESCRIPTIONS AND IMPLEMENTATION PLANS

HOMEOWNERSHIP PROGRAMS

Over the last decade, research has consistently shown that homeownership has a positive impact on the socioeconomic status of a household and their community. Homeownership remains financially better than renting as the average household wealth of a homeowner is \$231,420 while the average household wealth of a renter is \$5,200.²

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

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

The 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

In 2006, TSAHC created the Home Sweet Texas Home Loan Program to serve home buyers not eligible for the Homes for Texas Heroes Home Loan Program. The Home Sweet Texas Home Loan Program is not profession-specific.

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

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

Down Payment Assistance Options

TSAHC offers down payment assistance through both the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs because the number one barrier for prospective buyers is that many cannot accumulate sufficient funds for a down payment.⁴ This problem has worsened in recent years as increasing rents make it harder to save money and transition into homeownership.⁵

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 \$242,000 in September 2019.⁶

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).

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

⁴ Source: Lindsay Vansomeren, "Overcoming Obstacles to Buying a Home," www.lendingtree.com, April 5, 2018

⁵ Source: "American Families Face a Growing Rent Burden," www.pewtrusts.org, April 19, 2018

⁶ Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 7, 2019.

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.⁷ The providers listed on this site are generally nonprofit organizations or government entities who are either HUD-approved or certified to provide home buyer education.

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

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

2019 Homeownership Programs Changes

TSAHC continues to stay abreast of any changes or developments in the mortgage industry and offer consumers an array of mortgage products to meet their needs. In May 2019, TSAHC launched the Lender Advisory Council which is comprised of some of TSAHC's top performing loan officers and plays a critical role in shaping TSAHC's programs and promoting homeownership in Texas. Members of the council share their thoughts about TSAHC, its programs and services, and ways TSAHC can better meet the needs of Texas home buyers.

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

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

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

In July, TSAHC launched a Homes for Texas Heroes Bond Program home buyer product that offered a very competitive interest rate along with a 4% down payment assistance grant. In November, TSAHC waived all the fees associated with the Mortgage Credit Certificate program for veterans. These two initiatives highlight TSAHC's commitment to serving professions covered by our Homes for Texas Heroes program.

Finally, in December TSAHC began offering 3%, 4%, and 5% three-year deferred forgivable second lien down payment assistance options, replacing the repayable second lien option that TSAHC launched in September 2018. The deferred forgivable second lien offers a lower interest rate on the first lien mortgage loan than TSAHC's down payment assistance grant options and is fully forgiven as long as the home buyer does not sell or refinance their home within three years of purchase.

2019 Homeownership Programs Activity Synopsis

As of October 2019, TSAHC's home buyer programs have helped 7,508 families purchase a home with down payment assistance, an MCC, or both. In comparison, TSAHC assisted 9,425 families in 2018. To date, TSAHC has served more than 36,300 households under our homeownership programs.

2020 Implementation Plan

TSAHC will look to expand the reach of our homeownership programs by continuing to build upon relationships with current lenders and recruiting additional lenders to participate in our homeownership programs. In 2020, TSAHC will continue to engage the Lender Advisory Council to gather their input on how we can improve our lender network and serve Texas home buyers.

TSAHC will also make a stronger push in marketing to REALTORS®, particularly those in areas where our programs are underutilized. In the past several years, TSAHC has increased its outreach to these professionals, and the homeownership and marketing teams will continue these efforts, which include in-person and online training as well as other outreach activities.

Additionally, TSAHC will continue to market programs directly to home buyers in new and creative ways. This is necessary because many home buyers don't know that down payment assistance programs exist.¹⁰ TSAHC continues to refine and improve how we target consumers through both online and traditional advertising channels. In 2020 TSAHC will also launch a podcast that will cover homeownership and home buying topics. The intended audience includes consumers, lenders, and REALTORS®.

¹⁰ Source: Laurie Goodman, et. al. "Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability," Urban Institute, September 2018

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 Calculator¹¹ to help potential home buyers compare the different loans types and down payment assistance options offered by TSAHC. This tool is also available on TSAHC's website www.tsahc.org.

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

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

Housing Connection Training

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.

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

In 2019, Housing Connection training included five days of training (two separate courses) for housing and financial counselors, two days of training (one course) for organizations that currently or would like to develop and/or operate affordable housing, and two days of training (one course) for participants who wanted to improve their management and leadership skills. These trainings were offered at a weeklong training workshop in June 2019 hosted at the Federal Reserve Bank of Dallas.

The courses covered the following topics: basics for homeownership counselors, test strategies for HUD's counselor exam, steps of affordable housing development, and strategic thinking and planning. TSAHC contracted with NeighborWorks America, the selected education provider, to provide the training services.

TSAHC, with support from private and public funders, made the training sessions as affordable as possible by subsidizing tuition costs and providing hotel scholarships for participants traveling from out of town. In total, 50 individuals representing 34 organizations in 22 municipalities across Texas went through Housing Connection training in 2019.

To date, 608 individuals representing 198 organizations in 78 municipalities across Texas have attended trainings provided by TSAHC through either TSHEP (2012-2017) or Housing Connection (2018-2019). Additionally, TSAHC has provided 190 scholarships totaling \$102,793 to participants.

In addition to in-person training, TSAHC offers webinars through Housing Connection. In 2019, TSAHC offered four webinars that were attended by more than 100 participants.

2020 Implementation Plan

In 2020, TSAHC will provide four courses, all taught by NeighborWorks America:

1. Homeownership Counseling Certification (5-day course)
2. Understanding Underwriting: Successful Loans for Nonprofit Developers (2-day course)
3. Mortgage Math Made Simple for Homeownership Professionals (1/2-day course)
4. An Introduction to Affordable Rental Housing Development (1/2-day course)

The first two courses will be offered during a weeklong in-person training workshop in June 2020 to be hosted by the Federal Reserve Bank of Dallas – San Antonio branch. The second two courses are offered online, and participants may take them at any point during a one-month period.

TSAHC will continue to make the training as affordable as possible by raising public and private funds to subsidize tuition costs and provide hotel scholarships for participants traveling from out of town.

TEXAS HOUSING IMPACT FUND

The Texas Housing Impact Fund (formerly known as the Direct Lending program) helps provide safe, decent, and affordable housing with an emphasis on serving rural and underserved communities by providing flexible financing options to affordable housing developers.

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

To date, the Texas Housing Impact Fund has financed the construction or rehabilitation of 225 single family homes and 2,805 rental units for low and moderate-income households.

TSAHC currently offers three types of loans:

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

Single Family Construction/Rehabilitation

Homeownership is the primary means by which lower-income households create stability and build wealth for the future. As mentioned above, the average household wealth of a homeowner is \$231,420 while the average household wealth of a renter is \$5,200.¹²

However, due to rising housing prices, many Texans cannot afford to purchase a home in their communities. For example, according to the Real Estate Center at Texas A&M University, as of September 2019, the median home price in Texas was a record high \$242,000.¹³ Escalating home prices are especially problematic in urban areas like Austin (median home price of \$320,000), Dallas (\$272,500), and Houston (\$249,000).¹⁴

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

In 2019, affordable housing developers used financing from the Texas Housing Impact Fund to rehabilitate or construct eight homes for low- to moderate-income home buyers.

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

¹³ Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 7, 2019.

¹⁴ Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 7, 2019.

Multifamily Construction/Rehabilitation

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

TSAHC's Texas Housing Impact Fund generally targets smaller multifamily developments in rural areas and underserved communities.

In 2019, affordable housing developers were awarded financing from the Texas Housing Impact Fund to help build rehabilitate or construct 844 affordable rental units. Among these, 817 units are located in rural areas.

Texas Housing Impact Fund Loan Production

Loan Production	2019	2003 - 2018
Loans Approved	6	31
# of Single Family Homes Built or Under Construction	8	217
# of Rental Units	844	1961
Amount of Loan Funds Approved	\$7,195,000 ¹⁵	\$16,760,374

2020 Implementation Plan

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

Additionally, TSAHC plans to continue to explore lending opportunities to address housing needs for underserved populations including disaster impacted areas, small and rural markets, and urban areas that are rapidly changing and risk losing affordable housing. There will be a particular emphasis on rural areas given TSAHC's continued involvement in the preservation of USDA financed properties and the fact that TSAHC was awarded a \$3.75 million grant from the Capital Magnet Fund (program administered by the U.S. Department of Treasury). Those funds are prioritized to address rural housing needs.

¹⁵ Texas Housing Impact Fund loans are revolving lines of credit for single-family construction awarded to Legacy CDC, East Dallas Development Corporation, and MiCasita (CDC Brownsville); and loans for the preservation and creation of multifamily units awarded to Accessible Housing Austin, Texas Housing Foundation and Hamilton Valley Management, Inc.

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 20 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.

To date, 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 214 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), the property is sold and the funds reinvested in the ACT Program.
- ACT Land Trust – Properties acquired are intended to be held in perpetuity by TSAHC. Homes built or redeveloped on land trust sites may be rented or sold to qualified low-income households.
- Texas NSP – This category includes those homes and properties that were acquired using Texas’s federal Neighborhood Stabilization Program (NSP) funding.

The ACT program previously included a fourth component, which ended in 2016. This initiative, called the Veterans Housing Initiative, was a partnership with Bank of America. TSAHC accepted higher value homes donated by Bank of America that were redeveloped and sold at a minimum 25% discount or donated mortgage-free to qualified U.S. military veterans in Texas. TSAHC sold 67 discounted homes and donated an additional 10 homes to veterans who are disabled and have low incomes.

Affordable Communities of Texas Portfolio

Program/Initiative	Acquisitions 2019	Sales 2019	Current Portfolio	Current Asset Value
ACT Land Banking	5	14	41	\$1,046,422
Texas NSP	0	20	173	\$2,306,476

2020 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.

TSAHC will also continue to focus on selling homes in the Texas NSP portfolio as quickly and efficiently as possible. In 2020, TSAHC will expand its efforts to find local partners in areas of the state where land bank properties exist.

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. This may include properties currently owned by TSAHC or sites where TSAHC partners with another entity.

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 2019, 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 2019, TSAHC issued or reserved \$108,580,000 in multifamily PABs to construct or rehabilitate 1,337 affordable rental units across the state.¹⁶

¹⁶ The developments are Ventura at Tradewinds (Midland, TX), Ventura at Fairgrounds (Midland, TX), Pythian Manor Apartments (Dallas, TX), and 22 rural properties included in the Hamilton Valley Management Inc. portfolio.

2020 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 51 units that are affordable for every 100 households that earn 50% or less of the average median income.¹⁷

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 2020, TSAHC will build on these initiatives and continue to emphasize the preservation of affordable housing in rural areas.

TSAHC will also explore how to create more Permanent Supportive Housing units either through PABs or other financing structures. One such development is under consideration for PAB financing in 2020. The creation of additional PSH housing is another priority for TSAHC, in part due to a recent collaboration with the Texas Department of Health and Human Services. This partnership focused on creating housing opportunities for Medicaid recipients who require stable housing with strong tenancy supports.

ASSET OVERSIGHT AND COMPLIANCE

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

Asset Oversight

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

¹⁷ Source: "The Gap: A Shortage of Affordable Homes," The National Low Income Housing Coalition, March 2019

Compliance

As part of the compliance review process, staff reviews tenant files on-site annually to ensure that property owners and managers are following the federal affordability requirements relating to the tax-exempt status of the bonds. Completed compliance reports are submitted to property owners, managers, and other stakeholders and are also available on TSAHC's web site. In addition, TSAHC manages an online reporting system that allows property managers to complete their monthly compliance reporting online.

Each month, staff monitors whether property owners and managers are providing the required number of affordable units to income-eligible households and that high-quality resident services are being provided. Monthly compliance monitoring helps TSAHC ensure that property owners and managers are meeting all program requirements.

In 2019, TSAHC performed asset oversight reviews for 32 properties, totaling 4,744 units. In the same year, TSAHC performed compliance reviews for 31 properties, totaling 4,532 units. These properties are either bond-financed or financed through the Texas Housing Impact Fund.

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TSAHC will continue to provide asset oversight and compliance monitoring services to the properties in its current bond and Texas Housing Impact Fund portfolios. In 2020, TSAHC anticipates adding 22 properties to the portfolio of properties monitored by TSAHC's staff.

TSAHC will continue to review and update its policies and procedures as industry trends and changes in policy dictate. TSAHC will continue to closely monitor the financial health and physical condition of properties in its portfolio and offer specific strategies for improvement.

And finally, TSAHC plans to upgrade the online compliance monitoring system to help property managers report income information in a timely manner and ensure the security of the information collected.

SINGLE FAMILY RENTAL PROGRAM

The cost of living in Austin continued to rise in 2019. According to the Real Estate Center at Texas A&M University, the median home price in Austin was \$320,000 as of September 2019.¹⁸ The average monthly rent was \$1,578 as of October 2019.¹⁹ These prices are simply unaffordable for many low-income Austin families.

¹⁸ Source: See Footnote 14.

¹⁹ Source: <https://www.rentjungle.com/average-rent-in-austin-rent-trends/> (Accessed November 7, 2019)

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.

TSAHC's single family rental portfolio includes 17 single family homes and one duplex for a total of 19 rental properties in the Austin MSA. These are leased to qualifying, low-income households.

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. During the past year, TSAHC purchased four single-family homes in the San Antonio MSA which have all been leased to qualifying households.

Combined, there are 23 rental properties in the Single Family Rental Program across the Austin and San Antonio MSAs.

2020 Implementation Plan

In 2020, TSAHC plans to acquire one more home in the San Antonio MSA.

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 between 22-38.6% between 2011-

2015.²⁰ 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; 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, extensive repairs continued with a complete renovation of two more units. TSAHC also upgraded the video surveillance system and installed vent fans in the bathrooms for units that did not have them. Moreover, TSAHC completely renovated the exterior of the apartment complex by replacing all siding and windows and adding new exterior lighting, signage, and mailbox.

2020 Implementation Plan

In 2020, 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 a particular emphasis on assisting persons with disabilities and rural communities. TSAHC defines very low-income households as households earning at or below 50% of the area median family income.

Through the Texas Foundations Fund, TSAHC partners with nonprofit organizations across Texas to support quality programs that address the critical housing needs of very low-income families and individuals. Selected partners receive grants to support their housing services. Since 2008, TSAHC has awarded more than \$3.7 million in grants.

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

- The rehabilitation and/or critical repair of owner-occupied, single family homes to remedy unsafe living conditions. Critical repairs may also include accessibility modifications to assist household members with a disability.

²⁰ Source: <https://data.austintexas.gov/stories/s/Household-Affordability/czit-acu8/>

- The provision of supportive housing services for residents of housing units owned by the applicant receiving funding. The services supported by the Texas Foundations Fund must help individuals and families at risk of homelessness or unnecessary institutionalization gain and/or maintain their housing stability. Eligible supportive housing services include, but are not limited to: the provision of alcohol and drug counseling, adult education and/or job training, mental health counseling, case management, and services provided by a health care provider.

TSAHC selected these services by conducting a survey asking its partner housing organizations to identify the greatest housing needs of the very low-income Texans they serve. TSAHC also conducts follow up surveys every few years to confirm that the services funded by the Texas Foundations Fund are still critically needed by very low-income Texans.

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

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

Prior to 2016, the Foundations Fund was a competitive grant process. However, for the past two award cycles (2016 and 2018), it has been a non-competitive application process. Nonprofits that meet eligibility criteria partner with TSAHC for a two-year term in a matching grant structure. The matching grant structure is a simpler process for applicants, and it allows TSAHC to serve more nonprofits than through a competitive grant application process.

2019-2020 Funding Cycle

In 2019, TSAHC's 24 partners (originally selected in May 2018) received \$504,000 in matching grants (\$21,000 each), and they will use the funding to serve very low-income Texans with supportive services and home repairs.

2020 Implementation Plan

TSAHC will begin a new Texas Foundations Fund cycle in spring 2020. Prior to that, TSAHC will survey Texas Foundations Fund stakeholders (existing grantees, past grantees, potential grantees, and other interested parties) as well as internal decision makers to see if funding priorities, guidelines, or any other changes to the program need to be considered and implemented.

TSAHC will operate under the same timeline as in years past. Applications for potential grantees will open in spring 2020; TSAHC will review applications in summer 2020; TSAHC will take its recommendations to the Board in fall 2020; and TSAHC will disburse funding in fall 2020.

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.

To date, the program has awarded more than \$2,000,000 to 38 nonprofits providing housing-related assistance to low-income households directly affected by Hurricane Harvey. Among those nonprofits, 17 are providing critical home repair services, and 89 homes have been repaired to date. The HEART program also provides technical assistance and, to date, 12 webinars have been offered to grantees as well as individual technical assistance opportunities.

2020 Implementation Plan

TSAHC and Enterprise Community Partners will continue to administer the program and award more grants into 2020 thanks to an additional round of funding provided by the Rebuild Texas Fund in spring 2019. The two organizations will also continue providing technical assistance including an in-person training and grantee roundtable event in January 2020.

TECHNICAL ASSISTANCE AND OTHER INITIATIVES

Rural Rental Housing Preservation

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

Specifically, the organizations were focused on preserving developments that were financed by the U.S. Department of Agriculture under its Section 514 and 515 programs. There are 696²¹ of these developments across Texas, and many face uncertain futures due to a need for repairs, maturing mortgages, expiring rental assistance agreements, or a combination of those factors.

²¹ Source: <https://catalog.data.gov/dataset/usda-rural-development-multifamily-section-515-rural-rental-housing-and-section-514-farm-l-12dd4>

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

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

In fall 2019, the partner organizations continued their work by hosting a conference connecting rural affordable housing owners interested in selling their properties with potential buyers interested in keeping those properties affordable.

TSAHC remains active in preserving rural rental housing and is currently working on a bond-financed transaction to preserve 22 Section 515 USDA properties across the state. As mentioned above, TSAHC is also active in deploying and eventually recycling funds from the Capital Magnet Fund towards the preservation and creation of rural rental housing.

Health and Housing Partnership

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

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

In addition to the IAP, TSAHC and HHS are also receiving technical assistance from the National Academy for State Health Policy to implement specific components of the state action plan. That technical assistance began in April 2018 and will continue into 2020. TSAHC will continue to work on implementing areas of the state action plan that pertain to creating or preserving permanent supportive housing units.

More specifically, TSAHC 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.

In 2020, TSAHC plans to offer a more in-depth, multi-session PSH Institute for entities who plan to build a PSH development and need technical assistance in accomplishing that. While details are still being finalized for the institute, TSAHC hopes to select at least four development teams in four different cities across the state.

In 2020, TSAHC also plans to partner with HHS to provide additional funding to support the creation of units for individuals with long-term health needs that would like to transition into community-based housing. The funding would be provided via uncommitted funds from the Money Follows the Person program.

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 2020, TSAHC will continue to explore ways it can make an impact in homelessness including offering the PSH Institute mentioned above and supporting ongoing efforts to better use data to solve homelessness challenges.