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Breaking Ground

The quarterly newsletter of the Texas Department of Housing and Community Affairs

Providing information about community resources and affordable housing in Texas.

March - May 2002

TDHCA Considers CHDO Certification Policy

By Roy Lopez
TDHCA Governmental Relations

The Texas Department of Housing and Community Affairs recently held a series of public hearings to accept public comment on the Department's certification process for Community Housing Development Organizations (CHDOs). The hearings were held April 22nd and 25th in Austin, Houston and Dallas.

CHDOs are a special type of nonprofit organization created to develop affordable housing. TDHCA certifies CHDOs which allows them to apply for TDHCA's HOME CHDO set-aside. Under state law, a nonprofit organized as a CHDO can also qualify for a property tax exemption as it develops affordable housing properties. These tax exemptions were intended to increase the stock of affordable housing and allow property owners to pass along the tax savings to their lower income tenants in the form of reduced rents. House Bill 3383, passed during the 77th legislative session, further modified the state tax code. Section 11.182 extends this property tax exemption to any CHDO constructing a housing

see CHDO Policy on page 5

State Lawmakers Turn Focus to Housing Issues

By: Roy Lopez
TDHCA Governmental Relations

TDHCA staff has been monitoring the activities of interim committees that are studying issues that are of central importance to affordable housing development. Interim committees are formed to study a particular issue or group of issues for the purpose of making recommendations to the next legislature.

The Joint Interim Committee on Private Activity Bonds

The Joint Interim Committee on Private Activity Bonds (JCPAB) that has been meeting during the interim session is charged with examining the available uses, the allocation among those uses, and the procedures by which the bonds are allocated. The effectiveness of the current program in meeting public policy needs has been the topic of the committee hearings.

The JCPAB Committee met March 26 and heard testimony on the public bond programs. Senator Jon Lindsay chaired the meeting. An overview was given by officials with the Bond Review Board. They briefed members of the committee on how bonds are divided into six sub-ceilings: Single Family (SF) Housing, State Voted Issues, Qualified Small Issues, Multifamily (MF) Housing, Student Loan Bonds, and all other issuances. Two of these sub-ceilings, SF and MF, significantly impact affordable housing programs, drawing significant public comment from the affordable housing sector. The invited testimony by housing advocates and housing finance officials focused on the need to maintain the cap increase in housing. They also provided testimony on how these bond programs are changing the lives of citizens who are exploring the benefits of home ownership. TDHCA receives one-third of the allocation under the single family housing sub-ceiling, which is approximately \$156.5 million. Additionally, it receives one-fourth of the multifamily housing sub-ceiling, which is valued at \$91.2 million. Legislation may be proposed next session based on the invited testimony.

For more information on the JCPAB, including audio of hearings, visit <http://www.senate.state.tx.us/75r/senate/commit/c880/c880.htm>.

House Committee on Urban Affairs

Under the first of the committee's interim charges, the House Urban Affairs Committee has been reviewing the roles of the state and local public housing authorities in increasing access to housing assistance for the state's poorest families and in supporting families making the transition from welfare to work. The Urban

Recent Protocol Changes Improve HOME Program

By: Brian Caughey
TDHCA Communications

The HOME Investment Partnerships Program (HOME), established by Congress in 1990, provides multi-year housing strategies for "participating jurisdictions" (PJs) to strengthen public-private partnerships and provide more affordable housing. PJs are units of government designated by the U.S. Department of Housing and Urban Development (HUD).

Under HUD guidelines, HOME funds are reserved for people at or below 80 percent (80%) of Average Median Family Income ("AMFI") for an area. TDHCA awards contracts through a competitive application process for specific amounts to various municipalities, non profit agencies, for profit and public housing agencies around the state to administer program activities for HOME eligible recipients.

see HOME Program Changes on page 6

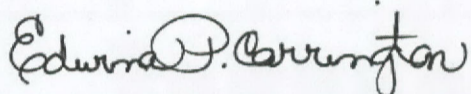
see Committee Updates on page 5

Dear Reader:

As one might imagine, my working life has been quite hectic since being hired as Executive Director by the Department's Governing Board in March. Despite the whirlwind of new projects and myriad meetings, several issues remain crystal clear in my mind. Allow me to share just two of these with you.

First, I have made the complete implementation of all Sunset related initiatives TDHCA's top priority. Program Directors have been given their assignments, as well as the necessary direction and authority to ensure their completion. I am confident that the Department will succeed in this mission.

Second, TDHCA will strive to create an environment of transparency and accessibility with respect to our funding decisions. The Department expects and encourages all stakeholders to take an active role in the allocation process through public hearings, informal working groups, and old-fashioned personal contacts. You have my assurance that your voices will be heard.



Edwina P. Carrington, Executive Director
Texas Department of Housing and Community Affairs

Trust Fund Helps Habitat Expand Staff, Housing

By: Stacy Higgins Gilley
TDHCA Housing Trust Fund

Richard Hernandez, Executive Director of Habitat for Humanity of El Paso, Inc. has a lot to be excited about these days. Not only have two Northeast El Paso families moved into new homes in the past few months, but the organization has also made two important changes in staffing.

Thanks to funding from a Housing Trust Fund Capacity Building Grant, Habitat for Humanity of El Paso, Inc. has hired John Dungan, Jr. to facilitate all volunteer and public relations duties. Dungan, a native El Pasoan, has been able to provide the leadership needed to increase the number of volunteers partnering with the organization.

Dungan's efforts, along with the help of many devoted volunteers, have already resulted in the establishment of housing for low-income families.

Larry and Terry Gutierrez and their two sons are the proud owners of a new three bedroom home. Sponsored by Las Palmas/Del Sol Healthcare System, employees from HCA put in 2,400 volunteer hours on the project, completing the house in only eight working days. This hard working group was chosen "Volunteer Group of the Year".

Over 100 volunteers from Ft. Bliss, the Federal Bureau of Investigation, and local high school civic groups pitched in over 3,000 hours to build a house for the Escobedo family. The four bedroom structure is now home to Juan, Alicia, and their five children.

One very special volunteer can be seen on many job sites. Northeast City Representative John Cook is often present sponsoring a cookout for the volunteers on the job. Representative Cook, chosen as one of 2001's Outstanding Volunteers, also supports the cause of Habitat for Humanity of El Paso, Inc. by creating public awareness throughout the community.

In addition to the hiring of Dungan, Habitat for Humanity of El Paso's Construction Coordinator, George Lara, has been promoted to full-time status, also as a result of the HTF grant. According to Executive Director Hernandez, the organization's goal of constructing nine more houses is a realistic one because of the good work and perseverance of Lara.

TDHCA
toll free
telephone
numbers

Compliance	800-643-8204
Energy Assistance	877-399-8939
Office of Colonia Initiatives	800-462-4251
Section 8	800-237-6500
Texas First-Time Homebuyer Program	800-792-1119
Manufactured Housing Division	800-500-7074

Valley Nonprofit Taps Trust Fund to Plan for Success

By: Stacy Higgins Gilley
TDHCA Housing Trust Fund

Strategic planning is an essential element to running a successful nonprofit organization, especially when the organization's mission is to increase the affordable housing stock in Texas. Harlingen Community Development Corporation (HCDC), led by Executive Director Alfredo Huerta, believes in the importance of strategic planning. During the 2002 fiscal year, HCDC put this belief into action.

HCDC competed for and was awarded \$21,600 in Housing Trust Fund Capacity Building funds for the purpose of developing a strategic plan and securing specialized training to ensure the plan's goals are realized.

The strategic plan, completed in February 2002, was the product of dozens of hours of workshops, board meetings, staff reviews, as well as consultant evaluations.

The result is a strategic plan that will, when completed, provide an estimated 82 additional affordable housing units, provide for the application to six affordable housing financing sources, and raise more than \$250,000 in funding from private sources. These benefits will provide much needed flexibility to HCDC.

The plan will also guide the staff in completing job training for 100 dislocated workers and exploring affordable housing opportunities for colonias residents. In addition, it will assist in the development of an economic

development program in downtown Harlingen. The first of the affordable housing projects that will produce an estimated 42 units is already underway.

The Harlingen Neighborhood Revitalization Strategy (NRS) is a multi-year partnership of community, private, public and nonprofit sectors of Harlingen to revitalize the historic neighborhood at the city's core.

Severely dilapidated houses in the target neighborhood have been purchased by HCDC and will either be completely renovated or demolished in order to build newer, more affordable homes on the vacant lot. All of the homes will be either sold or rented to families at or below 80 percent of the median area income.

HCDC is continuing its legacy of service to the city by taking what were once blighted structures that detracted from the neighborhood's sense of community, and turning them into attractive, affordable homes for families.

In the twelve years since the organization's initial service began in 1990, HCDC has produced hundreds of housing units, and has started dozens of partnerships and other community initiatives. HCDC is now setting its sights beyond Harlingen, to other areas of Texas in need of safe, decent affordable housing.

The strategic plan, made possible by the 2001 Housing Trust Fund Capacity Building Program, will go a

long way in assisting HCDC to meet their goals well into the future.



An example of the quality housing Harlingen Community Development Corporation is creating.

Governor: Rick Perry
TDHCA Governing Board: Michael E. Jones, *Chair*
 Elizabeth Anderson Shadrick Bogany C. Kent Conine
 Vidal Gonzalez Norberto Salinas
Executive Director: Edwina P. Carrington
Director of Communications: Michael Lyttle **Editor/Layout Artist:** Brian Caughey
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Program Updates

A snapshot of agency programs and services

Energy Assistance: Affordable and Safe Living Environment

By: John Touchet
TDHCA Energy Assistance

The Comprehensive Energy Assistance Program (CEAP), unique to Texas, helps eligible low-income households pay certain energy bills and provides case management to help low-income clients reduce their energy cost burden (domestic energy expenditures as a proportion of income).

According to a U.S. Department of Energy web publication, <http://www.eren.doe.gov/buildings/goals.html>, "With an average income of \$11,245, [the average low-income household experiences] energy cost burden of 14.6% of income, or more than four times the national average." Local energy cost burdens may vary considerably. The U.S. Department of Health and Human Services (HHS), Division of Energy Assistance (DEA) disburses the Low-Income Home Energy Assistance Program (LIHEAP) grant to the states. The LIHEAP grant funds the Texas CEAP program, as well as part of the Texas Weatherization Program. For more information about LIHEAP, visit its web site: <http://www.acf.dhhs.gov/programs/liheap/liheap.htm>.

CEAP pursues four goals: (1) assist households in developing goals for energy self-sufficiency through case management and a utility co-payment plan; (2) provide relief to those low-income elderly and persons with disabilities most vulnerable to the high cost of energy for home heating and cooling; (3) provide assistance in an energy-related crisis (usually defined by local weather extremes); and (4) address inefficient home heating and cooling appliances through a retrofit, repair and replacement program.

From the beginning of state fiscal year 2002 (September 2001) to the end of February 2002, TDHCA Comprehensive Energy Assistance Program (CEAP) subgrantee agencies had provided assistance to 28,375 client households – achieving 61.15% of the State Fiscal Year 2002 goal for CEAP. (Please refer to our web site in July for information about public hearings to take public opinion about revising the annual LIHEAP Plan.)

In the first six months of state fiscal year 2002, the Weatherization Assistance Program (WAP) provided assistance to 2,882 households – achieving 62.37% of the year-end goal for weatherization. For general information about U.S. Department of Energy (DOE) Weatherization program, visit the Weatherization Assistance Program (WAP) home page: www.eren.doe.gov/buildings/weatherization_assistance/index.html.

Electric industry competition in Texas began officially on January 1, 2002. This change in the way utilities do business has implications for many aspects of life in Texas. Visit the Public Utility web site for details www.puc.state.tx.us or call "Power to Choose" 1-866-797-4839 (TTY: 1-877-864-4724), toll free.

Electric customers seeking the low-income discount must call Lite Up Texas (toll free) at 1-866-454-8387. Electric customers who currently receive public assistance based on low income may need to call the Department of Human Services (DHS) (1-888-834-7406) to update their information in the DHS data base in order to receive the rate discount.

For other questions or complaints about utility services in Texas, customers may call the Public Utility Commission's Customer Hotline: 1-888-782-8477 or (TTY) 1-800-735-2988.

Health Tips for Hot Weather

From the Centers for Disease Control website: www.cdc.gov/nceh/hsb/extremeheat/

Summer is here and unless you are new to Texas, you know the heat is on. People suffer heat-related illness when their bodies are unable to compensate and properly cool themselves. The body normally cools itself by sweating.

But under some conditions, sweating just isn't enough. In such cases, a person's body temperature rises rapidly. Very high body temperatures may damage the brain or other vital organs.

Several factors affect the body's ability to cool itself during extremely hot weather. When the humidity is

high, sweat will not evaporate as quickly, preventing the body from releasing heat quickly.

Other risk conditions include age (the elderly and young children), obesity, fever, dehydration, heart disease, poor circulation, sunburn, and prescription drug/alcohol use.

If you fit the above profile, stay cool however possible; visit an air-conditioned place like a library or shopping mall if necessary. If you know an elderly person, check on them to ensure their good health and safety.

TDHCA Energy Assistance Video Proves that "Weatherization Works!"

By: Gordon Anderson
TDHCA Communications

The staff of TDHCA's Energy Assistance (EA) section knew it faced a challenge: How does a state agency convince low-income households that securing assistance from a federally funded program was actually *easy*?

EA administers programs designed to ensure low-income households have a safe, healthy living environment they can actually afford to heat and cool.

One of the section's primary vehicles is the Weatherization Assistance Program (WAP), which provides for the installation of energy saving devices and materials in income-eligible homes through contract service providers at the local level.

By reducing a household's energy demand, the program reduces household energy costs and helps make these individuals and families "energy self-sufficient."

"The Weatherization Program may well be the most well kept secret among all federal programs," according to Peggy Colvin, EA Manager. "It is extremely cost effective, and the program continues to serve low-income households over the life of the materials implemented. That can be as many as 20 years."

Yet WAP, funded in part by the U.S. Department of Energy and the U.S. Department of Health and Human Services, is one of the easiest federal assistance programs for which to apply. Besides being administered at the local level, the actual application form is a mere two pages in length. How does the Department increase program awareness without intimidating potential beneficiaries?

Let's roll the tape... videotape, that is.

Colvin says the EA section decided to produce a video to help low-income households learn what weatherization was (and wasn't) and how easy it is to access the program's services.

"With video, you can actually see the weatherization process," she explains. "Some people confuse weatherization with rehabilitation and think we can fix their porch steps or repair their roof. That is not going to save them energy. We feel this video does an excellent job of conveying what weatherization is and how low-income Texans can benefit from the program."

Entitled *Weatherization Works!*, the tape has been made available to the program's 35 contract service providers for use with their low-income clients.

Local providers may be units of local government, Councils of Governments, Community Action Agencies, or other nonprofit community-based organizations.

The video made its debut in Atlanta late last year at a Department of Energy conference celebrating the 25th anniversary of the national weatherization program. The version shown at the Atlanta conference also featured a brief introduction from Governor Rick Perry, which demonstrated to the other state's representatives that Texas takes weatherization quite seriously.

TDHCA staff received immediate feedback from their peers representing other states, and it was all extremely positive.

"The Weatherization Program may well be the most well kept secret among all federal programs,"

*Peggy Colvin
Manager, Energy Assistance*

Low-income residents across Texas can access *Weatherization Works!* through their local contract service provider. (To learn your local WAP contractor, visit TDHCA's website at <http://www.tdhca.state.tx.us/pdf/ca/PY02-WAPsubgrantsByCity-020229.pdf> or call 877-399-8939).

Anyone with a computer, relatively fast modem, and the proper software can also view the video by going to <http://www.tdhca.state.tx.us> and clicking the "TDHCA Multimedia" button on the left side of the Department's home page.

"Our energy assistance programs reflect the Department's philosophy that energy self-sufficiency is a key element to affordable housing," Colvin explained. "A low-income household might be able to scrape together enough money for a mortgage, but if they're coming home to \$300 and \$400 energy bills each month, they will soon find themselves living without lights. An energy inefficient home is not affordable housing."

And, as Colvin notes, the benefits of this free program extend to the community at large, through the reduction of power generation and greenhouse gases.

Just like the title says: *Weatherization Works!*

El Paso Program Tries to Induce Habit of Saving Money

By: Vic Kolenc

Reprinted courtesy of the El Paso Times

Several organizations in El Paso are gearing up for campaigns and programs to get more El Pasoans to save money and help those without bank and credit-union accounts to open them.

"We (community organizations) have all seen some need for financial literacy and consumer education. We especially want to get people familiar with how banks work. We see families (in colonias) saving money, but they are saving money under the mattress," said Anibal Olague, border field officer for the Texas Department of Housing and Community Affairs in El Paso.

Olague is heading a committee working on setting up a campaign to promote savings and wealth building for low- to moderate-income El Pasoans. But anyone will be able to take part in the savings program, he said.

It will be part of the America Saves campaign launched last year by the Consumer Federation of America in

Washington. The first local campaign started in Cleveland in March 2001 and has signed up about 1,500 savers, said Nancy Register, spokeswoman for the federation. America Saves has also begun signing up people nationwide through its Web site (www.americasaves.org), which provides some financial information and free access to a financial planner.

"The whole idea is to motivate people to think they can save and build wealth," Register said. "We know there are real institutional barriers for low-income households to save (money). But the real problem is they think they can't do it."

"This is the first use of social-marketing strategies to change financial behavior. It's been successful in changing health and safety behavior," said Register, citing anti-smoking, anti-drinking and seat-belt campaigns as examples.

Savers are asked to make commitments to save a certain amount

of money each month through a savings account at a financial institution and the local America Saves campaign supplies motivational seminars and contacts with financial coaches and financial planners to provide support. Anyone can sign up to be a saver.

A 1997 study for the federation found households at annual income levels under \$100,000 with a financial plan saved twice as much as those without a plan.

C.T. "Mike" Eckenroth, a 60-year-old El Paso security guard who struggles to make ends meet for himself and his wife on a wage just above the federal minimum wage of \$5.15 an hour, said he tries to put money away sporadically. But paying off loans and other bills often takes most of his monthly cash, said Eckenroth, who became a homeowner three years ago through a Habitat for Humanity housing program.

"I'd be interested in a savings program. I think it's a good idea," Eckenroth said. "It would give you something to shoot for. ... Once you get the steam behind the locomotive, it will move. It's a motivation deal."

Richard Hernandez, executive director of Habitat for Humanity in El Paso, said most families getting houses through the organization "don't know they should be saving or don't know how." The lack of bank references also may make it more difficult to qualify for a mortgage through the mainstream market, he said.

The El Paso Affordable Housing Credit Union Service Organization, a corporation set up last year by eight El Paso credit unions to promote financial literacy and help low-income families qualify for home mortgages, also is gearing up a campaign to get people without bank accounts to open accounts at credit unions.

This month, it received a \$92,504 from the U.S. Department of Treasury's First Accounts program to operate a program to get 4,000 El Pasoans without bank accounts to set up accounts over two years at one of the eight credit

unions, said Larry Garcia, president of the credit union organization.

"We're trying to get people to open accounts so they start learning to manage their money," Garcia said. Some financial education will be part of it, he said. "The ultimate goal" is to help those in the program buy a home if they don't already own one, he said.

The credit union program, which probably will start in two months, likely would try to team up with the local America Saves campaign, Garcia said.

The El Paso Collaborative for Community and Economic Development is also setting up a program to enroll more than 100 low-income families in Individual Development Accounts, savings accounts which match savers' contributions with money from federal and private grants, said Angie Briones-Sosa, executive director of the organization. The savings are aimed at buying a house, going to college or opening a business, she said.

Olague said his organizing committee, made up of himself and representatives of five community groups, the Rural Development and Finance Corp., Fannie Mae and the office of U.S. Rep. Silvestre Reyes, D-Texas, is in the process of conducting research for the savings campaign. It received \$4,000 from the Consumer Federation of America to hire a consultant to conduct focus groups with El Pasoans in various parts of the city and county.

"The focus groups will determine why (El Pasoans) are not saving, if they are saving, what (means) they are using and what could make them save," Olague said.

Once the research is completed, the organizing committee will enlist El Paso financial institutions to offer no-fee, no-deposit-minimum savings accounts for savers, he said.

The El Paso campaign will first be piloted, probably by late summer, through several community groups, Olague said. It later would be implemented countywide and would use television, radio and print to advertise it.

"The whole idea is to motivate people to think they can save and build wealth. We know there are real barriers... for low-income households to save... But the real problem is they think they can't do it."

Innovative Bond Financing Nets \$10 Million in Flexible Funding

By: Gordon Anderson

TDHCA Communications

The Texas Department of Housing and Community Affairs (TDHCA) in March closed its \$10 million Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A. This transaction will provide the Department with funds far more flexible than the tax-exempt single family mortgage revenue bonds TDHCA typically issues.

The Department, as a result, will be able to use these dollars on a wider array of housing programs targeting populations with the greatest need but which are often the most difficult to serve. According to Byron Johnson, Director of Bond Finance for TDHCA, timing was everything for this issuance.

"Historically low interest rates and other favorable bond market conditions greatly contributed to the conceptualization, structuring, and sale of this taxable bond issue," said Johnson.

The Internal Revenue Code restricts the use of tax-exempt bond proceeds to funding below-market rate mortgage loans for low- and moderate-income households purchasing their first home. (These bond proceeds are expended by TDHCA through the Department's *Texas First Time Homebuyer Program*.)

Because TDHCA's March bond transaction involved taxable bonds, there are far fewer restrictions on uses for the proceeds. The Department is free to move these funds into other programs targeting populations more difficult to serve than that served by the *Texas First Time Homebuyer Program*.

The \$10 million will be earmarked to serve:

- Extremely low-income households (0-30 percent of the area median family income)
- Low-income individuals with special needs (the elderly, frail elderly, persons with disabilities, persons with AIDS, etc.)
- Colonia residents
- Homeless persons

Additionally, the Department intends to focus on preserving existing affordable housing and increasing homeownership opportunities for low-income households.

Some of the Department's programs the \$10 million will be channeled into include: the Texas Bootstrap Owner/Builder Program, which provides homeownership opportunities primarily among colonia residents in the Texas-Mexico border region; the Down Payment Assistance Program, increasing homeownership opportunities among low-income households statewide; the Statewide Architectural Barrier Removal Program, which develops and promotes housing accessible to persons with disabilities; and transitional housing pilot programs primarily serving homeless persons.



Panhandle Community Services Building Homes, Dreams

By: Panhandle Community Services staff

The Shivers family now lives in a new home, thanks to the efforts of Panhandle Community Services (PCS). The City of Tulia made a large donation to the agency, helping build homes through the *Texas First Time Homebuyer Program*, a program that PCS administered for the Texas Department of Housing and Community Affairs.

Curtis and Sherri Shivers bought one of the two homes that PCS built as part of the project. Their new home is a four bedroom, energy efficient residence that is perfect for their family, which includes their two children, Terence and Shayla.

The family is shown in the picture (right) with PCS Executive Director Johnny Raymond. Sherri works for

Head Start as a teacher in Kress, and Curtis works for the Wal-Mart Distribution Center in Plainview.

"Our mission was twofold, to assist a family to purchase a home of their own, and to help foster redevelopment in southwest Tulia," said Executive Director Johnny Raymond. "This family is one of over 150 families we assisted in purchasing homes throughout the 26 counties of the Texas Panhandle through this program."

For more information about the *Texas First Time Homebuyer Program*, call TDHCA toll-free at 800-792-1119; or visit the Department's website at: www.tdhca.state.tx.us and click "Housing Finance" under the "Programs" heading.



Johnny Raymond, PCS Executive Director, and the Shivers family in front of the Shivers' new home, built with funding from TDHCA.

TDHCA Awards \$4.45 Million in 2002 ESGP Funds to Benefit Homeless in Texas

By: Brian Caughey
TDHCA Communications

The Texas Department of Housing and Community Affairs (TDHCA) on May 1, announced that it has allocated \$4.45 million to 73 local governments and nonprofit organizations in Texas through the 2002 Emergency Shelter Grants Program (ESGP).

ESGP is a competitive grant which provides funds to cities, counties, and nonprofit organizations for activities relating to shelter and services for homeless persons and the prevention of homelessness. The Department's 2002 ESGP allocation will benefit 73 projects in 34 counties in Texas.

Activities eligible for funding include: the renovation of shelters for use as homeless shelters; assistance in obtaining permanent housing; medical and psychological counseling; and the supervision, development and implementation of homeless prevention activities.

"ESGP represents one of the Department's most essential services to some of our most vulnerable neighbors," said Edwina Carrington, TDHCA Executive Director. "Whether assisting a victim of domestic abuse, a homeless teen or an adult in need of psychological counseling, ESGP funds help our partners at the local level make a critical difference in the lives of these individuals."

ESGP funds, provided by the U.S. Department of Housing and Urban Development, are reserved for each of the 11 service regions in Texas, and distributed in direct proportion to the percentage of poverty population that exists in each region. The \$4,452,650 in funds represents a 3.55% increase from the 2001 ESGP award.

For a complete listing of the 2002 ESGP program recipients, please visit the TDHCA website at: www.tdhca.state.tx.us/au_pr.htm and click on the May 8th entry.



CHDO Policy continued from page 1

development after December 31, 2001, financed with 501 (c) 3 multifamily mortgage revenue bonds, tax exempt private activity mortgage revenue bonds, or low income housing tax credits.

The hearings yielded a variety of responses from the public. The overview from the public comment period ranged from keeping the current certification process in place to allowing local governments the ability to control and certify their own local CHDOs. TDHCA staff recently proposed a policy change for certifying CHDOs, based on the initial public comment received.

To review these proposed policy changes please log on to <http://www.tdhca.state.tx.us/> or write TDHCA to request a copy of the proposed policy. The Board plans to review the recommended rule change at the June 13, 2002, Board meeting.

Once approved by the Board, the rules will again be open for public comment through the *Texas Register* for 30 days. The proposed rule will be taken back to the Board for final consideration with additional changes that may be derived from the public comment period. Final adoption will be in either August or September. To receive a copy of the proposed rule or to comment please contact OSP/HRC, TDHCA, P.O. Box 13941, Austin, Texas 13941.

On a related note, during its June 12th meeting, the House Urban Affairs Committee will be examining the definition and roles of community housing development organizations (CHDOs) and nonprofit housing entities to assess how they should qualify for set-asides, tax exemptions and other forms of special consideration.

Committee Updates continued from page 1

Affairs Committee met on May 8th to hear invited testimony on this subject. The hearing was chaired by Representative Bill Carter.

TDHCA's Executive Director, Edwina Carrington, testified and clarified the role of Public Housing Authorities (PHA) with TDHCA's role in sustaining affordable housing projects. She stated that TDHCA recognizes the critical role that PHAs play in the provision of housing for our state's very low income citizens. PHAs serve our very poorest citizens through the provision of PHA-owned public housing and through their administration of the Section 8 voucher program, she said. In her testimony she encouraged PHAs to become involved in TDHCA's stakeholder meetings which would provide technical assistance in applying for loans and grants that would continue to serve the state's poorest citizens. Ms. Carrington described the Qualified Allocation Plan, used for the Low Income Housing Tax Credit program, in terms of how it encourages awards to PHAs. Legislation may be proposed next session based on the invited testimony.

The Committee, which is charged with oversight of TDHCA, held its first interim hearing in April. At this meeting it reviewed TDHCA's implementation of Senate Bill 322 and began a review of issues related to community housing development organizations or CHDOS. (See item below). To learn more about the Committee, visit <http://www.house.state.tx.us/house/commit/c480.htm>.

Unique Housing Development Providing Homeownership in El Paso

By: Anibal Olague
TDHCA Office of Colonia Initiatives

In February 2001, TDHCA awarded \$500,000 to the Lower Valley Housing Corporation (LVHC) under the Texas Bootstrap Program. With the funding, LVHC is building 40 new homes for applicants whose household income is at 60 percent or below of the area median family income, using self-help construction.

The result of this partnership is Rancho Los Mesquites, a brand new subdivision in the east side of El Paso. Fifty percent of the subdivision's homes have already been built, with the rest scheduled for completion by August 2002. Construction takes place in groups of 10 families, who contribute 60 percent of the sweat equity, bringing the price of the home to approximately \$43,000. These homes are appraised between \$56,000 and \$60,000.

All of the homes feature three bedrooms with a single car attached garage. The homes have about 1,060 square feet of living space. All of the homes meet all accessibility standards, as well as the MEC 1995 standards for energy efficiency. This is particularly important, as each home's high energy efficiency standards will help maintain its affordability through El Paso's hot summers.



“By using self-help construction, Nancy Hanson, the Executive Director of LVHC, is not just building homes, but also building families,” explains Homero Cabello, Director of TDHCA's Office of Colonia

Cabello also notes that, for the very first time in the history of mutual self-help housing, a national insurance company is providing an HB 2-10 warranty on this type of housing (1 year on workmanship, 2 year on systems, and 10 structure warranty). “The homeowners of Rancho los Mesquites have much to be proud of.”

TDHCA's Governing Board toured the subdivision while in El Paso for the February Board meeting. The tour provided Board members an opportunity to view first hand the nature of self-help housing and the high quality of construction that results from the Bootstrap owner-builder program.

Initiatives. “The department is honored to be part of this project in partnership with LVHC, which has been recognized as one of the top mutual self-help housing providers in the nation.”

TDHCA Awards \$5.87 Million in Disaster Relief Funds to Rural Texas Communities

By: Brian Caughey
TDHCA Communications

The Texas Department of Housing and Community Affairs (TDHCA) in May announced it has awarded \$5,876,000 to 12 local governments and nonprofit organizations to help restore 130 weather-damaged homes. The awards were made through the Department's HOME Investment Partnerships (HOME) Program and its *Owner-Occupied Housing Assistance* fund.

Between August 28 and October 12, 2001, 15 counties were declared disaster areas after experiencing flash flooding, excessive rain, hail, high winds, severe thunderstorms, and tornadoes. Following the damage assessment, 13 applications were filed by the various counties looking for assistance, and 12 were approved after meeting the minimum score requirements of the state HOME rules.

“The Department's mission is to help Texans achieve an improved quality of life through the development of better communities,” said Edwina Carrington, TDHCA Executive Director. “As is so often the case with a natural disaster, this includes restoring life to the way it was before the disaster. This award will help hundreds of residents in these disaster areas do just that.”

Among those receiving the disaster relief funds are: the cities of Kenedy, Stockdale, Freer, Alice, Paducah, and Hondo; the counties of Jim Wells, Medina, and Cottle; The Rural Economic Assistance League, Alice;

The Institute for Rural Development, Kingsville; and The Paducah Friends of the Library, Paducah.

The HOME Program, established by Congress in 1990, provides multi-year housing strategies for states and larger metropolitan regions to strengthen public-private partnerships and provide more affordable housing via block grants. Funding to states and metropolitan regions is provided by the U.S. Department of Housing and Urban Development (HUD).

Eligible activities under the HOME Program include homebuyer assistance, home repair assistance to low-income households who own the home in which they live, rent payment assistance, and the development of affordable rental properties. TDHCA makes *Owner-Occupied Housing Assistance* funds from the HOME Program available to assist low-income home owners recover from disasters in response to declarations by the Governor.

Under HUD guidelines, HOME funds are reserved for individuals and families whose household income is at 80 percent or less than the area median family income. TDHCA awards contracts to eligible local governments, nonprofit agencies, for-profit entities, and public housing agencies around the state to administer program activities for HOME eligible recipients.

HOME Program Changes *continued from page 1*

HOME regulations allow for a variety of housing activities, all aimed at providing safe, decent affordable housing to low income families. TDHCA has allocated funds to grantees allowing five basic housing activities:

- Homebuyer Assistance
- Homebuyer Assistance with Rehabilitation
- Rental Housing Development
- Owner-Occupied Housing Assistance
- Tenant-Based Rental Assistance

TDHCA has recently changed various protocols in the department's HOME Program in order to address questions and concerns expressed by Contract Administrators and auditors, clarify the rules of the program and make it more user-friendly.

The changes to the program, documented in the HOME Program Policy and Procedure Manual, include a detailed procedure on administering a contract, cost caps on hard, soft, and administrative costs, as well as a new procedure for contract completion.

The new policy and procedure manual defines a process for administering a contract which is explained in Chapter 2 of the manual. This chapter is meant to provide Contract Administrators with a step-by-step process for administering their HOME contract, simply and efficiently. The new manual also introduces the Pipeline Report, which will be used to gauge the Contract Administrators' progress, as well as provide a tool for HOME Program Coordinators to track the progress of HOME contracts.

Probably the most noted change in the policy and procedure manual is the inclusion of Chapter 16, “Cost Reimbursement.” This chapter provides a detailed description of what eligible costs are, and the maximum amounts allowed to be reimbursed. This chapter defines hard, soft, and administrative costs, providing Contract Administrators with a guide not only on eligible costs, but also on what kind of documentation will be necessary in order for the program to reimburse the expenses they incur while administering a HOME Contract. The information in chapter 16 also allows Contract Administrators to better plan and organize the administration of their HOME contract while also providing auditors with clarity on what is eligible and possible for reimbursement under the HOME Program.

The new procedure for contract close out is significant to Contract Administrators in that it removes the responsibility of initiating contract completion documentation from the Contract Administrator and places it on HOME Program Coordinators. This method is meant to act as yet another tool for HOME Program Coordinators in tracking the progress of HOME Contract Administrators.

TDHCA and employees of the HOME Program welcome any feedback concerning the recent changes, or any suggestions that could possibly improve the HOME Program further in the future. The HOME Program may be reached at (512) 475-3109 or on the Internet at: www.tdhca.state.tx.us/home.htm.



News from TDHCA's federal liaison in Washington, DC

Housing Issues Receive New Attention due to 2002 Housing Affordability Act

Debate Provides Glimpse of Direction Congress is Likely to Take During Next Session

By: Christopher Ptomey
Office of State & Federal Relations

As the 107th Congress proceeds toward its October conclusion, housing issues are receiving newfound attention with the introduction of a major initiative in the House of Representatives. On March 20th, Rep. Marge Roukema, Chair of the House Financial Services Subcommittee on Housing and Community Opportunity, introduced the Housing Affordability for America Act of 2002 (HR 3995).

This legislation would reform and reauthorize a number of federal housing programs, including the HOME Investment Partnerships (HOME) Program, FHA Mortgage Insurance, Section 8, and homeless assistance programs.

On the Senate side, the focus has been on narrower legislation, including Chairman Sarbanes' (D-MD, Senate Banking, Housing and Urban Affairs Committee) bills reforming and reauthorizing FHA insurance programs (S 1457 and S 2239) and seeking to address the problem of predatory lending (S 2438).

Although none of these bills is likely to be enacted this year, the debate over this legislation will provide a strong indication of the direction that Congress intends to take housing during the 108th Congress, which will convene next year.

Recently, three days of hearings on HR 3995 concluded in the House. A broad range of public interest and industry groups expressed support for the bill, which is expected to receive committee approval and floor consideration in the House later this year.

The first major program addressed in the bill is the HOME Program, the largest federal block grant to state and local governments designed exclusively to create and preserve affordable housing. When combining state and local dollars, Texas is the second largest grantee in the HOME program, totaling over \$220 million from the program in 2001 for new housing construction, rehabilitation, acquisition, and tenant based rental assistance.

Some of the bill's most significant provisions would create a new production program to increase the supply of affordable mixed income

rental housing. Additionally, the bill would increase local flexibility and enhance leverage opportunities by:

- Removing fair market rents (FMRs) as a factor in rent level determination to insure projects' financial viability
- Providing jurisdictions with the flexibility to use risk management techniques in determining the frequency of on-site monitoring
- Repealing the limitation on program assistance as a percentage of an organization's operating budget
- Permitting participating jurisdiction to charge compliance monitoring fees to cover compliance monitoring costs
- Making religious organizations eligible sub-recipients under HOME (for secular activities only)

Regarding the FHA mortgage insurance program, which insures mortgages and loans made by HUD-approved lenders for new construction, rehabilitation, property improvement, and refinancing, the bill makes the following changes:

- Indexes FHA multifamily mortgage limits to reflect future building, land, and impact fee cost increases
- Makes permanent the FHA single family downpayment simplification calculation
- Reduces downpayment requirements for loans to teachers and non-federal public safety officers
- Sets a uniform national loan limit for home equity conversion mortgages ("reverse mortgages")

The bill also includes significant reform proposals for the Section 8 rental housing program, which is providing over \$10 million in assistance to Texans in fiscal year 2002. Proposed reforms include

- The creation of a new project-based voucher (called a Thrifty Production Voucher or TPV) to be used in conjunction with new construction or substantial rehabilitation;
- Increased flexibility to assist hard-to-house families by allowing public housing authorities (PHAs) to use up to 5 percent of their allocated funds to

Have You Completed Your Affordable Housing Survey?

TDHCA invites all government organizations that provide housing and supportive services to fill out the Affordable Housing and Supportive Services Organization Survey. The survey can be found online at www.tdhca.state.tx.us/hrcpub.htm.

TDHCA is developing a comprehensive list of organizations involved in these types of services. Information on TDHCA's programs, public hearings and other activities will be sent to the listed contacts to encourage interaction between government entities and housing organizations. For more information call TDHCA's Resource Center at 512-475-3976.

Enterprise Foundation Conference Oct. 30

The Enterprise Foundation will be holding their 2002 Network Conference, celebrating 20 years of building communities. More than 1,500 community development practitioners attend this prominent national conference featuring 60 workshops in eight tracks, including financing and building affordable housing as well as community economic development to child care, workforce, and safety.

Registration ranges from \$300 to \$575, and the Early Bird registration deadline is Sept. 13. For more information, visit www.enterprisefoundation.org/training/netconf, email networkconference@enterprisefoundation.org or call 410-772-2418.

The conference will be held from Oct. 30 to Nov. 2, 2002 in Dallas, TX at the Wyndham Anatole hotel and resort. Lead Sponsors include: Bank of America, Fannie Mae, Fannie Mae Foundation, FHL Banks, Freddie Mac and Washington Mutual.

support voucher success programs that may include counseling, downpayment assistance, rental security deposits, etc.

- An increase in the voucher payment standard up to 120 percent of the fair market rent (FMR)
 - An extension of the Manufactured Housing Demonstration Program for an additional three years
- Finally, the bill reauthorizes HUD's homeless programs through FY 2004 and funds renewals of contracts through the Housing Certificate Fund through 2004. Programs reauthorized include
- The Interagency Council on the Homeless
 - Federal Emergency Management Agency (FEMA) Food and Shelter Program
 - The Emergency Shelter Grants Program (which will provide \$4.5 million to Texas in FY 2002)
 - The Supportive Housing Program

• Shelter Plus Care

Although official mark-up sessions have not yet been scheduled, Mrs. Roukema's bill is expected to move out of committee and to the House floor sometime this summer.

On the Senate side, however, prospects for the passage of major housing legislation are slim. Rep. Jack Reed (D-RI), Chairman of the Senate Banking, Housing and Urban Affairs Subcommittee on Housing and Transportation, has indicated that he has no plans to take up legislation of the size and scope of HR 3995, even if the bill passes the House. Instead, his focus is likely to remain on holding hearings on more limited proposals such as FHA mortgage reform and Senator Sarbanes' recently introduced legislation to protect consumers against predatory lending practices.

Demand for Tax Credits Remains High

By: Gordon Anderson
TDHCA Communications

Demand by developers for housing tax credits remains fairly high as the state's Low Income Housing Tax Credit (LIHTC) Program continues to be oversubscribed by a ratio of approximately 2.5:1.

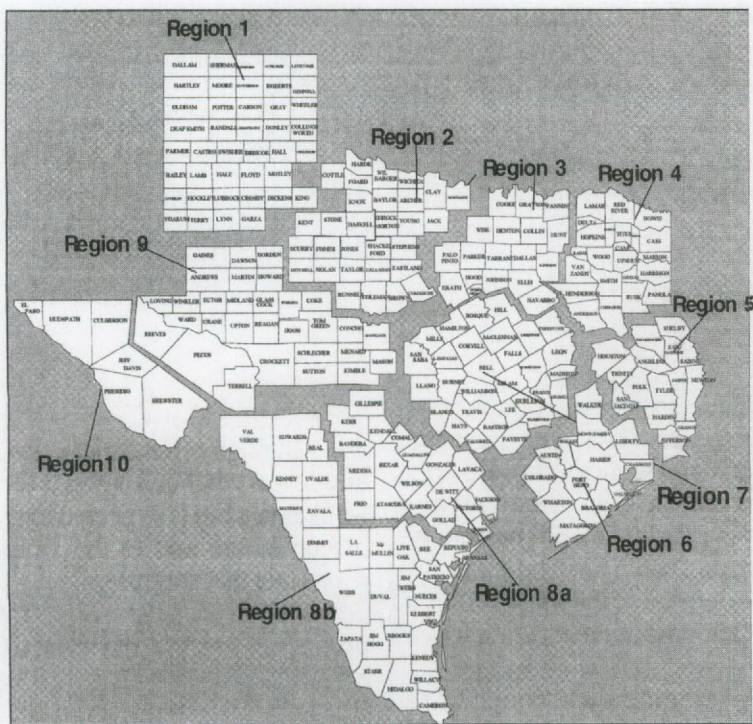
The staff of TDHCA's Low Income Housing Tax Credit (LIHTC) Program will make their recommendations for the 2002 LIHTC allocation round to the Department's Governing Board at its June 24th meeting. The Board will vote in July to determine which developers will receive tax credits in the 2002 allocation.

The Department received 143 applications for this year's allocation, with developers requesting a total of \$89.06 million in credits. Texas has approximately \$36 million in credits to allocate, based on a federal allocation formula of \$1.75 per capita per state.

In addition to this federal formula, TDHCA uses a regional allocation formula to assist staff in arriving at an equitable distribution of tax credits among both urban and rural areas. This ensures developers in areas outside of the state's three largest urban regions—Austin, Dallas, and Houston—compete against other applicants within similar markets (see regional breakdown in map below).

Each of the state's 11 uniform service regions has a certain number of credits set aside. Credits are reserved on a regional basis based on each region's affordable housing needs, and not simply according to population.

Region	Applicants	Credits Requested	Credits Available	Units
1	12	\$5,300,336	\$1,612,996	1,012
2	8	\$3,270,290	\$1,126,815	602
3	19	\$13,924,385	\$3,828,495	2,228
4	8	\$4,062,973	\$2,175,571	638
5	8	\$5,883,933	\$1,719,713	740
6	23	\$15,881,923	\$6,766,746	2,901
7	19	\$15,706,967	\$2,323,440	2,519
8A	12	\$9,219,407	\$3,401,146	1,532
8B	16	\$8,910,781	\$5,549,745	1,507
9	2	\$1,850,162	\$1,127,713	256
10	16	\$5,049,501	\$2,153,214	759



Five Keys to Successfully Administering a HOME Contract

By: Brian Caughey
TDHCA Communications

- 1.) **Know your contract** – don't depend solely on a grant writer's knowledge; familiarize yourself with the contract's terms.
- 2.) **Know your manual** – learn the rules, policies and procedures laid out in the manual.
- 3.) **Know your program coordinator** – use them as a tool; don't be afraid to ask them questions.
- 4.) **Plan Ahead** – devise and implement a game plan, and follow it through accurately.
- 5.) **Keep Good Records** – document all important information and organize it clearly in your records.

TDHCA Receives State and National Recognition

By: Gordon Anderson
TDHCA Communications

The Texas Department of Housing and Community Affairs (TDHCA) has been recognized both for its achievements in creating homeownership opportunities among people with disabilities and for its participation in a statewide charitable campaign.

In May, Fannie Mae honored TDHCA and ten other state housing finance agencies for their leadership in financing homeownership opportunities among persons with disabilities. Fannie Mae, in conjunction with the Governor of Utah's Council for People with Disabilities, honored the Department at a Salt Lake City reception held during the spring National Council of State Housing Agencies (NCSHA) Conference.

According to the [National Home of Your Own Alliance](#), less than five percent of the 6.5 million Americans with disabilities receiving Social Security disability benefits are homeowners.

TDHCA helps make homeownership a reality for persons with disabilities through its *Texas First Time Homebuyer Program*, as well as through its participation in the Home of Your Own (HOYO) Coalition. The *Texas First-Time Homebuyer Program* channels below-market interest rate mortgage money through participating Texas lending institutions to eligible households purchasing their first home, or to those who have not owned a home in the past three years.

Also in May, TDHCA received the "Highest Participation Gift Award" for state agencies with between 201-400 employees for our contributions to the 2001 State Employee Charitable Campaign (SECC). TDHCA had 38.6 percent participation among employees, raising \$18,861 for the 2001 SECC drive. TDHCA employees are proud to play an important role in improving the quality of life in their community by participating in the annual SECC effort.

TDHCA Upcoming Application Cycle Dates

TDHCA Program	Work Shops/Public Hearings	Pre-Application	Next Application Deadline	Expected Board Decision
HTF General	Winter 2002-2003	NA	1-Mar-03	Jul-03
HTF Capacity Building		NA	1-May-02	Jul-02
HTF Pre-Development		NA	1-May-02	Jul-02
MFMRB - 501 (c)(3)		NA	Open Cycle	Varies for individual application
MFMRB - PAB		Tentatively Sep-02	Varies for individual application	Varies for individual application
LIHTC	Oct-02	4-Dec-02 through 4-Jan-03	28-Feb-03	Jul-03
ESGP	Approx. in Jan-03	NA	Feb-03	ED decision 45 days after deadline
HOME	April or May-03	NA	Jun-03	Aug-03
HOME CHDO Cycle	August or Sep-02	NA	Sep-02	Dec-02