

2011 State of Texas Consolidated Plan One-Year Action Plan



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EXECUTIVE SUMMARY

24 CFR §91.320(b)

The 2011 One-Year Action Plan (Plan) illustrates the combined actions of the Texas Department of Housing and Community Affairs (TDHCA), Texas Department of Rural Affairs (TDRA), and Department of State Health Services (DSHS), referred to collectively as the State. The One-Year Action Plan reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year (PY) 2011. This Plan is for the HOME Investment Partnerships (HOME) Program, the Emergency Shelter Grant Program (ESGP), the Community Development Block Grant (CDBG) Program, and the Housing Opportunities for Persons with AIDs (HOPWA) Program. The 2011 PY begins on February 1, 2011 and ends on January 31, 2012. The performance report on PY 2010 funds will be available in May 2011.

One-Year Action Plan consists of the following sections:

- **Summary.** Provides a detailed synopsis of the One-Year Action Plan.
- **General Information.** A description of the State's plan to undertake other activities that fulfill requirements of 24 CFR §91.320(b), §91.320(c), §91.320(f), §91.320(h), and §91.320(i).
- **Action Plans.** Program-specific plans for HOME, ESGP, CDBG, and HOPWA illustrating funding guidelines and fund allocations as required under 24 CFR §91.320(d), §91.320(e), §91.320(g), and §91.320(k).
- **Other Actions.** A description of the State's plan to undertake other activities that fulfill requirements of §91.320(j).

OBJECTIVES AND OUTCOMES

The 2011 One-Year Action Plan:

1. Reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year (PY) 2011
2. Explains the State's method for distributing CDBG, ESG, HOME, and HOPWA program funds
3. Provides opportunity for public input on the development of the annual plan

The State's progress in achieving the goals put forth in the One-Year Action Plan will be measured according to HUD guidelines (24 CFR 91.520) and outlined in the Annual Performance Report released yearly in May.

In accordance with the guidelines from HUD, the State complies with the new CPD Outcome Performance Measurement System. Program activities are categorized into the objectives and outcomes listed in the chart on the next page.

OBJECTIVES	OUTCOME 1 Accessibility	OUTCOME 2 Affordability	OUTCOME 3 Sustainability
OBJECTIVE #1 Suitable Living Environment	Enhance Suitable Living Environment Through Improved/New Accessibility (SL-1)	Enhance Suitable Living Environment Through Improved/New Affordability (SL-2)	Enhance Suitable Living Environment Through Improved/New Sustainability (SL-3)
OBJECTIVE #2 Decent Housing	Create Decent Housing with Improved/New Availability (DH-1)	Create Decent Housing with Improved/New Affordability (DH-2)	Create Decent Housing with Improved/New Sustainability (DH-3)
OBJECTIVE #3 Economic Opportunity	Provide Economic Opportunity Through Improved/New Accessibility (EO-1)	Provide Economic Opportunity Through Improved/New Affordability (EO-2)	Provide Economic Opportunity Through Improved/New Sustainability (EO-3)

The objectives and outcomes as they apply to each of the four programs are listed below. The estimated performance figures are based on planned performance during the Program Year (February 1st through January 31st) of contracts committed and projected households to be served. In contrast, the performance measures reported to the Texas Legislative Budget Board for the State Fiscal Year (September 1st through August 31st) are based on anticipated units and households at time of award.

HOME Program Performance Measures, PY 2011

Outcomes and Objectives	Performance Indicators	Expected Number
DH-2	No. of rental units assisted through new construction and rehabilitation	262
DH-2	No. of tenant-based rental assistance units	124
DH-2	No. of existing homeowners assisted through owner-occupied assistance	173
DH-2	No. of first-time homeowners assisted through homebuyer assistance	187

ESGP Performance Measures, PY 2011

Outcomes and Objectives	Performance Indicators	Expected Number
SL-1	Provide funding to support the provision of emergency and/or transitional shelter to homeless persons.	23,000
DH-2	The provision of non-residential services including homelessness prevention assistance.	13,000

CDBG Performance Measures, PY 2011

Objectives and Outcomes	Performance Indicators	Expected Number
SL-1	Neighborhood Facilities	3
SL-1	Water/Sewer Improvements	124
SL-2	Water/Sewer Improvements	8

Objectives and Outcomes	Performance Indicators	Expected Number
SL-3	Water/Sewer Improvements	65
SL-1	Street Improvements	84
SL-2	Street Improvements	2
SL-3	Street Improvements	2
SL-1	Rehabilitation; Single Unit Residential	45
DH-2	Rehabilitation; Single Unit Residential	7
DH-3	Rehabilitation; Single Unit Residential	2
DH-2	Homeownership Assistance	1
SL-1	Parks, Playgrounds, and Other Recreational Facilities	2
SL-1	Public Service	2
SL-1	Other Public Utilities	2
E0-3	Other Public Utilities	1
SL-1	Clearance Demolition Activities	8
SL-3	Clearance Demolition Activities	1
SL-1	Fire Stations/Equipment	3
E0-1	ED Direct Financial Assistance for For-Profits	2
E0-2	ED Direct Financial Assistance for For-Profits	28

HOPWA Performance Measures, PY 2011

Outcomes and Objectives	Performance Indicators	Expected Number
DH-2	TBRA housing assistance	475
DH-2	STRMU housing assistance	555
DH-2	Supportive Services (restricted to case mgt., smoke detectors, and phone service)	1,030
DH-1	Permanent Housing Placement (security deposits, application fees, credit checks)	10

EVALUATION OF PAST PERFORMANCE

The HOME Program committed \$73,203,784 with 1,439 total beneficiaries reported in PY 2009 (February 1, 2009, through January 31, 2010). Distribution of the funds by activity is described in the table below.

HOME Funds Committed, PY 2009

Activity	Amount
Homebuyer Assistance (all activities)	\$2,313,755
Homeowner Rehabilitation	\$25,258,560
Tenant Based Rental Assistance	\$3,251,740
CHDO Rental Development	\$9,100,000
CHDO Operating Expenses	\$100,000
Rental Housing Development	\$33,179,729
Total	\$73,203,784

ESGP funds received for PY 2009 were awarded in May 2009. The State ESGP contracts using PY 2009 funds began on September 1, 2009, and will end August 31, 2010, corresponding with the Texas State Fiscal Year (FY). For PY 2009, ESGP committed \$4,986,035 through 74 grants, including shared administrative funds.

ESGP Fund Expenditures by Activity, PY 2009
(FY'08 2/1/09-8/31/09 and FY'09 9/1/09-1/31/10)

Activity	Funding Amount	Percentage
Rehabilitation	\$22,840	.37%
Maintenance, Operations	\$2,306,478	37.23%
Essential Services	\$1,154,150	18.63%
Homeless Prevention	\$2,362,619	38.14%
Operations Administration	\$326,415	5.27%
Administration shared w/local govt's	\$22,617	.37%
Total Funds Committed	\$6,195,119	

**Includes ESG expenditures from two contract periods, FY 2008 and FY 2009*

During Program Year 2009, the Texas CDBG Program committed a total of \$73,892,994 through 299 awarded contracts. For contracts that were awarded in PY 2009, 514,663 persons received service. Distribution of the funds by activity is described in the table below.

CDBG Funds Committed, PY 2009

Fund	Program Description	2009 Total Obligation
Community Development	Provides grants on a competitive basis to address public facility and housing needs such as sewer, water system, road, and drainage improvements.	\$49,470,236
Texas Capital Fund	Provides financing for projects that create and retain jobs primarily for low- and moderate-income persons.	\$8,570,400
Colonia Construction Fund	Colonia Construction Fund provides grants for colonia projects; primarily water, sewer and housing.	\$5,222,562
Colonia EDAP Fund	Provides grants for colonias for the cost of service lines, service connections, and plumbing improvements associated with being connected to a Texas Water Development Board's (TWDB) Economically Distressed Areas Program (EDAP)-funded water and sewer system improvement project.	\$1,473,600
Colonia Planning Fund	Colonia Area Planning Fund – provides grants for preliminary surveys and site engineering, provides assistance towards the cost of architectural services, mortgage commitments, legal services, and obtaining construction loans. Colonia Comprehensive Planning Fund - provides assistance that is used to conduct a	\$350,000

Fund	Program Description	2009 Total Obligation
	complete inventory of the colonias that includes demographic, housing, public facilities, public services, and land use statistics.	
Colonia Self-Help Centers	Provides grant funds for the operation of seven Self-Help Centers in colonias.	\$0
Planning / Capacity Building	Provides grants on a competitive basis to communities for planning activities that address public facility and housing needs.	\$916,681
Disaster Relief/ Urgent Need	Provides grants to communities on an as-needed basis for recovery from disasters such as floods or tornadoes and Urgent water and sewer needs of recent origin that are unanticipated and pose a serious public safety or health hazard.	\$5,493,320
STEP Fund	Provides grants to cities and counties for solving water and sewer problems with a self-help approach that requires local participation through donated labor and materials.	\$2,073,195
Renewable Energy	Provides grants to cities and counties for demonstration projects that employ renewable energy for at least 20% of the total energy requirements, (excluding the purchase of energy from the electric grid that was produced with renewable energy). The priority will be for projects that are connected with providing public facilities to meet basic human needs such as water or waste water.	\$323,000
Total		\$73,892,994

The HOPWA Program expended \$3,137,633 with 1,188 beneficiaries of housing assistance reported in PY 2009. Funds were used toward tenant-based rental assistance and emergency assistance to prevent homelessness of low-income persons with HIV/AIDS, support services and administration. Distribution of the funds by activity is described in the table below.

HOPWA Program Expenditures, PY 2009

Activity	Amount
Expenditures for Housing Information Services	\$0
Expenditures for Resource Identification	\$0
Expenditures for Housing Assistance (equals the sum of all sites and scattered-site Housing Assistance)	\$2,534,373
Expenditures for Supportive Services	\$408,902
Grantee Administrative Costs expended	\$30,800
Project Sponsor(s) Administrative Costs expended	\$163,540
Total of HOPWA funds expended during period	\$3,137,633

GENERAL INFORMATION

The following General Information section meets the requirements of 24 CFR §91.320(b), §91.320(c), §91.320(f), §91.320(h), and §91.320(i). General Information includes Citizen Participation; Managing the Process; Available Resources; Geographic Areas of Jurisdiction and Allocation; Homeless Needs and Other Special Needs Categories; Barriers to Affordable Housing; and Monitoring.

CITIZEN PARTICIPATION

§91.320(b)

CITIZEN PARTICIPATION PROCESS

The Action Plan was made available for a 32-day public comment period from September 17, 2010 to October 18, 2010. In addition, public hearings were held at 6 locations across the state, including Austin, Brownsville, Dallas, El Paso, Houston, and Midland. Written comment was accepted at the public hearings and by mail, fax, or email. Public comment was received for the HOME Program and the CDBG Program.

EFFORTS MADE TO BROADEN PUBLIC PARTICIPATION

The notification process for the public hearings included the following: a notice in the Texas Register; a TDHCA website posting; and email to TDHCA email lists including approximately 3,000 cities, counties, developers, non-profit organizations, legislative contacts, advocacy groups, subcontractors, and other interested parties. Spanish speaking staff were in attendance at the hearings in El Paso and Brownsville to assist individuals who require a language interpreter.

SUMMARY OF PUBLIC COMMENTS FOR THE HOME PROGRAM (TDHCA)

Comment 1:

Commenter wanted TDHCA to coordinate the HOME multifamily funding cycle to the U.S. Department Agriculture (USDA) Section 514/516 funding cycle for farm labor housing. Section 514/516 applications may be more successful if they can show funding approval of TDHCA funds prior to Section 514/516 application submission and funding commitment within one year of the USDA approval. The current process for HOME multifamily awards requires the developer to be project-ready before obtaining Board approval.

Reasoned Response 1:

The timetable for submission of applications or application cycles is not included in the State of Texas Consolidated Plan: One Year Action Plan (OYAP). TDHCA receives HOME Program funds from HUD at varying times each year, which would make it difficult to provide accurate timetables in the OYAP. Generally, TDHCA develops Notices of Funding Availability (NOFAs), which are approved by the Board, as funding becomes available for programming. For several years TDHCA has made funding available in NOFAs on a first-come, first-served basis with a long open application cycle to provide flexibility in accessing funds. Staff believes existing processes are no longer a conflict with the 514/516 funding cycle.

Comment 2:

Commenter wants TDHCA funding to be more flexible in order to make it easier for developers to attract USDA funding for farmworker housing. In some cases grants are required, predevelopment funding is often lacking and early commitments are essential.

Reasoned Response 2:

Under the current HOME Program Rule, a portion of Department funds for rental development can be awarded in the form of a deferred forgivable loan under certain circumstances and several USDA developments have taken advantage of funds using this provision of the Rule. Additionally, interest rates as low as 0% are available with loan terms as long as 40 years and all HOME funds are 0% interest during construction to reduce interest carrying costs.

Comment 3:

Two people advocated for the creation of conditional commitments. One commenter recommended the creation of a new program within HOME to allow for conditional commitments – similar to programs found in California, Florida and Washington – to attract federal USDA funding for farm worker housing.

Another commenter recommended adding language specific to conditional commitments to page 36 and page 39 of the 2011 Plan:

“...A standard underwriting review will be performed on applications under this activity. However, TDHCA staff will be allowed to determine financial feasibility without firm commitments from other sources. Conditional commitments of HOME funds can be issued as long as other sources have been identified and will be available to the project in a reasonable amount of time.”

Reasoned Response 3:

The current HOME Program Rule requires bona fide financing commitments be submitted with an application for HOME funds, therefore suggested wording about conditional commitments in the Plan will not be incorporated. However, TDHCA will take the recommendations under advisement and direct staff to investigate ways to improve an applicant’s ability to layer HOME funds with USDA funding during the next annual rule making cycle.

Comment 4:

Commenter suggests changing the “migrant farmworker” special needs category to “seasonal and migrant farmworkers” to make the category more inclusive and consistent with the 2003 State of Texas Analysis of Impediments to Fair Housing Choice.

Reasoned Response 4:

The term “migrant farmworker” was included in the 2010 One-Year Action Plan under the definition of “Special Needs Populations.” This definition remains in the current HOME Program Rule but was removed from the 2011 Draft OYAP to eliminate duplication. However, TDHCA will take the recommendations under advisement and direct staff to consider this change during the next annual rule making cycle.

Comment 5:

Commenter suggests conducting “aggressive outreach” to the farmworker population in order to make sure farmworkers are aware of the services available to them.

Reasoned Response 5:

TDHCA relies on local partners and subrecipients to identify and address local needs and provide outreach within the communities they are serving. Staff provides extensive technical assistance to organizations and units of local government applying for or administering funds including on-site technical assistance visits to review and provide guidance with respect to program requirements. The Rural Housing Workgroup looks at ways that TDHCA, considering budget and staffing constraints, can address rural outreach, including farmworker populations.

Comment 6:

The data from the 2005 to 2008 Annual Progress Reports indicates only 11 farmworkers in total were served. Commenter suspects this is an understatement of the actual number of farmworkers served. Commenter advocates better reporting to more accurately reflect the number of farmworkers assisted.

Reasoned Response 6:

TDHCA concurs that the data available on farmworkers served is most likely not representative of the actual numbers. TDHCA has recently made a number of improvements in the Housing Contract System from which this information is collected from subrecipients. Changes include making the special needs fields, which includes farmworker designation, a required field for submission of household information. TDHCA will also look into ways that special needs households could be reported in rental units. TDHCA relies on the quality of information entered by program subrecipients and will continue to work to improve the quality of reported data.

Comment 7:

Commenter would like a TDHCA staff person assigned to provide assistance to organizations providing, or attempting to provide, farmworker housing and other rural housing options. The staff person would need to understand the farmworker population and range of housing requirements, including temporary residency and permanent housing options such as rental and ownership. This staff person would address the lack of capacity in rural areas.

Reasoned Response 7:

TDHCA had intended to create a rural ombudsman position. However, based on recent budget and staffing constraints, the position has not yet been created. TDHCA remains committed to addressing rural housing issues.

Comment 8:

Commenter points out the problem of households that owe \$2,000 to \$3,000 worth of back taxes, which is too small an amount for the IRS to create a payment plan with the household, and which disqualifies the household from receiving HOME homeowner rehabilitation assistance. Commenter would like a way to help these households with HOME funds.

Reasoned Response 8:

For the HOME Program, the requirement to be current on property taxes for the assisted housing unit or alternatively be current on a tax payment plan is a requirement for meeting the federal definition of homeownership. Households that do not meet this requirement are not eligible under the federal rules to receive funds for rehabilitation or reconstruction. Under all TDHCA programs, payment of delinquent property taxes is an ineligible expense.

Comment 9:

Commenter would like HOME to shorten the time between the release of the Notice of Funding Availability (NOFA) and the collapsing of funds from the regional allocation to one state-wide allocation. Because of the waiting period before collapsing the regional funding categories, contracts from the previous NOFA cycle have not yet been executed when the current NOFA is available, so eligible entities can not apply for funds in the current NOFA cycle.

Reasoned Response 9:

The Colonia Model Subdivision NOFA under which the Commenter's application was awarded included statutory requirements that are no longer applicable. Under the more recently approved HOME Single Family Development Program NOFA, which provides funds for the same activity, the two collapse periods have been reduced to one statewide collapse. Additionally, while the current NOFA expires in December, the TDHCA currently plans to make funds available for Single Family Development in 2011.

SUMMARY OF PUBLIC COMMENTS FOR CDBG (TDRA)

From: Texas Council for Developmental Disabilities

Re: 2011 DRAFT State of Texas Consolidated One-Year Action Plan

Thank you for allowing the Texas Council for Developmental Disabilities (TCDD) to provide comments on the 2011 DRAFT State of Texas Consolidated One-Year Action Plan.

TCDD is established by federal law in the Developmental Disabilities Assistance and Bill of Rights Act and consists of a 27 member board, appointed by the Governor, 60% of who are individuals with developmental disabilities or family members of individuals with disabilities. Other council members represent various state agencies that provide services to people with significant disabilities. The Council's purpose in law is to encourage policy change so that people with disabilities have opportunities to be fully included in their communities and exercise control over their own lives.

Plan Does Not State Current and Future Housing Needs

The 2011 One-Year Action Plan (the Plan) states that the intended uses of funds received by the named agencies from the U.S. Department of Housing and Urban Development (HUD) for Plan Year (PY) 2011 are: accessibility, affordability, and sustainability in living environment, decent housing and economic opportunity. HUD requires that the Plan identify the housing needs of different groups, including people with disabilities, and specify how funds will be used to meet those needs given current and near future housing conditions.

The Plan contains an excellent summary of the state housing programs funded by HUD but it does not adequately describe the “current and future housing needs” in Texas. According to HUD the Plan is required “to submit statistical and analytical information that provides an overall picture of the housing, homeless, and community development needs of the state. This data must have specification of such needs for different categories of persons, including elderly persons, single persons, large families, persons with HIV/AIDS and their families, persons with disabilities; victims of domestic violence, and a description of housing needs in terms of the number of extremely low-income, low-income, moderate-income, and middle-income renters and owners experiencing specific housing problems, including cost-burden, severe cost-burden, substandard housing, and overcrowding (especially large families) compared to the jurisdiction as a whole.” The Plan a state there is a lack of sufficient funding and organizational capacity to meet underserved housing needs but does not include data on the underserved need or a plan of action to address organizational capacity. The Plan states that Community Development Block Grant (CDBG) funding helps cities and counties study affordable housing conditions and indicates that “CDBG will be made available for planning.” However, there is no report in the plan that CDBG funds were used to study affordable housing conditions.

Affordable, accessible, and appropriate housing is critical and integral to making a community more livable for people with disabilities, but in Texas people with disabilities are disproportionately represented in our homeless, institutional, and unlicensed group home population. Texas lacks a sufficient stock of deeply affordable and/or accessible housing located within access of services or transportation to meet the needs of individuals living on a fixed income.

1. Recommendation: Data on the need for affordable housing in Texas including: waiting lists for TDHCA Section 8 Housing Choice Voucher, Tenant Based Rental Assistance programs, and Project Access vouchers, as well as waiting lists for DSHS Housing Opportunities for People with Aids program and the TDRA CDBG funded studies of housing problems, if they exist, must be included in the plan to demonstrate cost burden and disproportionate.

Reasoned Response: The CDBG program does provide funding to study affordable housing conditions. For decades the program has funded extensive and detailed planning studies of non-entitlement cities. These studies document for the benefit of the city the current state of affordable housing and provide recommendations to the city for improving affordable housing. For example, in Program Year 2010, the CDBG program funded 27 planning studies across Texas. In Program Years 2009 and 2008, a total of 47 studies were funded. The studies consist of extensive maps, data, and recommendations. At the conclusion of the study, the jurisdiction presents the results and recommendations at a public hearing that is announced in the newspaper. In addition, TDRA receives a complete copy of each funded study that is available for public review and use.

CDBG: Housing Is Not Given Appropriate Priority by State Plan

The primary objective of HUD community development programs is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. In Texas we spend the overwhelming majority of CDBG funds on water and sewer improvements,

streets, and assistance to private business. Housing development receives the smallest percentage of CDBG funds.

In June 2010, HUD reported that Texas spent just 3.6% of its state-allocated CDBG funds on housing activities from February 1, 2009 to January 31, 2010. Nationally, an average 25% of CDBG funds are spent on housing. According to the National Council on Disability, the percentage spent on housing nationally in a state allocation is smaller, around 16 to 17 percent for housing. Both figures are substantially greater than the reported 3.6% of Texas CDBG spent on housing.

Texas spent the vast majority of its CDBG funds (78%) on “Public Improvements,” primarily water/sewer systems and roadwork. A larger share of CDBG funds also went to Financial Assistance to For-Profit Businesses (7.8%, or \$6 million).

Texas CDBG 2009 Compared to National

Category	Texas	National
Water/Sewer Improvements	58.8%	10.0%
Street Improvements	12.1%	6.2%
Financial Assistance to For-Profit Businesses	7.9%	3.4%
Administrative And Planning	7.6%	15.0%
Housing	3.6%	25.4%

Based on HUD data for the past 8 years, about half of the housing funding nationally has gone directly to single-family rehabilitation. This can include retrofitting for accessibility, since this is an eligible use of funds. CDBG can be used for housing services, housing rehabilitation and reconstruction, and new housing when it is built by a Community Based Development Organization (CBDO) to carry out a “neighborhood revitalization” or “community economic development.” CDBG funds can also support development of new housing. CDBG can be used to assist low income individuals to purchase existing housing.

Texas State CDBG goes to non-entitlement communities of less than 50,000. The HUD commitment to CDBG is to create sustainable rural communities which it defines as “places that offer everyone a decent home they can afford, in a community in which they want to live and work, now and in the future.” That is difficult for rural America, but addressing this challenge is especially important for the largely rural Texas.

Persons with disabilities in rural areas, like their urban counterparts, have a wide range of housing needs. Persons with physical disabilities need accessibility features to facilitate independent living. Persons with mental illness or persons requiring regular treatment/therapy for their condition need housing within access to services. Frail elderly persons may require modifications to their existing homes. The most pressing housing need for people with disabilities is affordability.

The Plan states Texas Department of Rural Affairs encourages each region to set aside a percentage of their CDBG funds for housing improvement projects. The HUD percentages detailed above is evidence that this approach is not working. The State CDBG must include actions to increase the use of CDBG funds for housing in this 2011 Consolidated Plan and the 5 year Consolidated Plan.

2. Recommendation TDRA should require that grantees increase the allocation of state CDBG funds used for housing until they reached a level comparable to the national average.

Reasoned Response: The CDBG program is following its citizen participation plan to establish the method of distribution for funding for eligible uses. The program's plan includes numerous public hearing held at several stages of the Action Plan development process. An initial set of public hearings is held on the draft Action Plan across the state of Texas. Further, public comment is taken at the TDRA Board meetings. This is followed by another series of public hearings to receive input the distribution of funding. The CDBG portion of the Consolidated Plan covering the method of distribution discusses the process of using both a Regional Review Committee and state scoring for the largest portion of community development funding. The Regional Review Committee process provides for the additional involvement of the public in determining local needs and establishing funding priorities. Each Regional Review Committee is encouraged to allocate a percentage or amount of its Community Development Fund allocation to housing projects. Under this recommended set-aside, the highest ranked applications for a housing activity, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing set-aside level. Further, for Program Year 2011, the program included a new scoring factor that clarifies that under the state scoring for the Community Development Fund, a housing activity has equal scoring weight with infrastructure projects. In addition, as part of the application development process, the CDBG program requires a public hearing to determine local needs and the local project priorities. Overall, the CDBG program's method of distribution of annual funding has reflected the local citizen participation process in determining local needs and priorities and has followed the state's Citizen Participation Plan.

Planning and Capacity Building Does Not Include Housing

A portion of the CDBG fund is available on a biennial basis to assist eligible cities and counties in conducting planning activities that assess local needs, develop strategies to address local needs, build or improve local capacity, or that include other needed planning elements (including telecommunications and broadband needs). The Plan states all planning projects awarded under this fund must include a section in the final planning document that addresses drought-related water supply contingency plans and water conservation plans. There is not a mention of, much less a requirement that planning projects address, the need for affordable housing. Again, this seems contrary to the intent of CDBG funds.

3. Recommendation: TDRA must require that entities using the Planning and Capacity Building Fund include a section that addresses low-income housing needs in their planning documents.

Reasoned Response: The CDBG program does provide funding to study affordable housing conditions. For decades the program has funded extensive and detailed planning studies of non-entitlement cities. These studies include documentation for the benefit of the city the current state of affordable housing and provide recommendations to the city for improving affordable housing. For example, in Program Year 2010, the CDBG program funded 27 planning studies across Texas. In Program Years 2009 and 2008 a total of 47 studies were funded. The jurisdiction is required to hold a public hearing prior to the planning study to take input on affordable housing and other topics. The studies consist of extensive maps, data, and recommendations. At the conclusion of the study, the jurisdiction presents the results and recommendations at a public hearing that is announced in the newspaper. The CDBG program requires full opportunity for citizen participation in the planning process and topics to be analyzed in the

planning study. In addition, TDRA receives a complete copy of each funded study that is available for public review and use.

For Program Year 2011, the CDBG program will require local officials to participate through meetings in preparing and reviewing planning documents for a minimum of one hour. Overall, the extent of information presented is extensive and covers affordable housing. The program encourages additional citizen participation in the planning process to improve the content of the CDBG-funded planning studies.

In conclusion, TCDD appreciates the agencies involved in addressing housing needs for low-income Texans with developmental disabilities and has provided these comments to help strengthen the state's efforts to provided affordable, accessible, and appropriate housing critical and integral to making a community more livable for all Texans, including Texans with disabilities.

Belinda Carlton
Public Policy Specialist
Texas Council for Developmental Disabilities

MANAGING THE PROCESS

LEAD AGENCY

The Texas Department Housing and Community Affairs is the lead agency for the Plan.

AGENCY PARTICIPATION

Before preparing the Plan, the Texas Department of Housing and Community Affairs, the Texas Department of Rural Affairs, and the Texas Department of State Health Services meet with various organizations concerning the prioritization and allocation of the Departments' resources. Because this is a working document, all forms of public input are taken into account in its preparation.

Collaborative efforts between TDHCA and numerous organizations resulted in a participatory approach towards defining strategies to meet the diverse affordable housing needs of Texans. TDHCA acknowledges the assistance provided by several public and private organizations to assist the Department in working towards reaching its mission, goals, and objectives, which relate directly to the formation of the Consolidated Plan. Contributions were made in various forms, from direct contact at conferences and remotely to availability of research materials on the Internet, from public and private organizations.

The Texas Department of Rural Affairs has had a good working relationship with HUD, state program committees, state agencies, federal funding partners, local communities, Councils of Governments (COGs), public and private sector, and others involved in the CDBG program. Through public hearings, application workshops, technical assistance visits, monitoring visits, interagency work groups, and general communications, TDRA has worked to keep the public aware of program modifications and changes.

The Texas Department of Agriculture administers the Texas Capital Fund under a memorandum of understanding. The agency coordinates activities including the public hearings on the Action Plan, a project Implementation Manual that contains the Texas Capital Fund, and presentations to the TDRA Board.

TDRA also works with a variety of other programs through several interagency workgroups. Workgroups focusing on state and federal funding coordination state-wide and in the colonias include the Texas Water Development Board (TWDB), the Secretary of State's Office, the U.S. Department of Agriculture's Rural Development division, the North American Development Bank & Border Environment Cooperation Commission, the Comptroller's Office, the Attorney General's Office, the Texas Commission on Environmental Quality (TCEQ), the U.S. Army Corps of Engineers, and TDHCA. Further, the division and TCEQ is currently working on a process in which TCEQ field representatives help verify new service to Texas CDBG Program project beneficiaries when first-time water or sewer is funded.

The Texas Department of State Health Services contracts with eight administrative agencies across the state to provide administrative support in implementing the state's HOPWA formula program. One of the Administrative Agencies' responsibilities is to work with HIV Planning councils in the major metropolitan areas of the state and with other organizations and stakeholders outside the major metropolitan areas to develop comprehensive HIV Services plans and needs assessments. In both the major metropolitan and other areas of the state, HIV Services Plans and needs assessments are

developed through consultation with clients and other stakeholders through interviews, focus groups, and public hearings. Administrative Agencies must communicate with stakeholders through dissemination of written copies of services plans, posting of the plans on the Internet, town hall meetings, and advisory groups. Administrative Agencies are also required to evaluate the effectiveness of the services plans in meeting the plans' stated goals and identified needs and to periodically assess the need for reallocation of resources to assure the efficient and appropriate expenditure of funds.

ENHANCE COORDINATION

Understanding that no single entity will be able to address the enormous needs of the state of Texas, TDHCA, TDRA and DSHS support the formation of partnerships in the provision of housing, housing-related and community development endeavors. The Departments work with many housing and community development partners including consumer groups, community-based organizations, neighborhood associations, community development corporations, community housing development organizations, community action agencies, real estate developers, social service providers, local lenders, investor-owned electric utilities, local government, nonprofits, faith-based organizations, property managers, state and local elected officials and other state and federal agencies.

TDHCA has staff committed to several external state advisory workgroups and statutory commissions. Many of these commissions have members from the public and private sectors. These external groups include, but are not limited to:

<i>Workgroup/Commission</i>	<i>Lead agency</i>
Aging Texas Well Advisory Committee (ATWAC)	Department of Aging and Disability Services
Community Resource Coordination Groups (CRCG)	Health and Human Services Commission
Faith and Community Based Initiative	One Star Foundation
Governor's Commission for Women	Governor's Office
Mental Health Planning Advisory Commission (MHPAC)	Department of State Health Services
Money Follows the Person Demonstration Project (MFTP)	Department of Aging and Disability Services
Promoting Independence Advisory Committee (PIAC)	Department of Aging and Disability Services
Reentry Task Force	Department of Criminal Justice
Interagency Coordinating Commission for Building Healthy Families (ICC)	Department of Family Protective Services
Transformation Workgroup (TWG)	Department of State Health Services

In addition to the external workgroups and commissions, TDHCA is the lead agency for four groups: the Disability Advisory Workgroup (DAW), Rural Housing Workgroup (RHW), Texas Interagency Council on the Homeless (TICH), and the Housing and Health Services Coordination Council (HHSCC).

TDHCA has actively maintained a Disability Advisory Workgroup which provides ongoing guidance to the Executive Director on how TDHCA's programs can most effectively serve persons with disabilities. TDHCA has found that directly involving program beneficiary representatives, community advocates and potential applicants for funding in the process of crafting its policies and rules is extremely helpful. This process is often done through a working group format. The working groups provide an opportunity for staff to interact with various program stakeholders in a more informal environment than that provided by the formal public comment process.

Similarly, the Rural Housing Workgroup provides a forum for feedback to the Texas Department of Housing and Community Affairs (TDHCA) management and staff as they develop policies and rules for the federal and state programs administered by TDHCA. TDHCA programs serve urban and rural areas of the state. However, providing services and housing in rural areas presents unique challenges and opportunities. In order to address those challenges and make sure that rural input and concerns are adequately considered across all aspects of TDHCA's program development, design and implementation, TDHCA established the Rural Housing Workgroup in 2010. The Rural Housing Workgroup includes representatives from a spectrum of rural housing interests. The group includes for- and non-profit rural housing providers, rural policy advocates, and affordable housing membership organizations.

The Texas Interagency Council for the Homeless (TICH) was created in 1989 to coordinate the State's homeless resources and services. TICH consists of representatives from all state agencies that serve the homeless. The council receives no funding and has no full-time staff, but receives clerical and advisory support from TDHCA. The council holds public hearings in various parts of the state to gather information useful to its members in administering programs.

The 81st Legislature created the Housing and Health Services Coordination Council (Council) through SB 1878. The Council's purpose is to increase the amount of service-enriched housing for seniors and people with disabilities; improve interagency understanding of housing and services and increase the number of staff in state housing and state health services agencies that are conversant in both housing and health care policies; and offer a continuum of home and community-based services that is affordable to the state and the target population. The Council includes 16 members including the Executive Director of TDHCA, eight members appointed by the Governor, and seven members appointed by State Agencies. TDHCA provides clerical and advisory support. The first report of the Council was submitted to the Governor and the Legislative Budget Board on September 1, 2010 and is available to the public on the TDHCA website at www.tdhca.state.tx.us.

AVAILABLE RESOURCES

§91.320(c)

The Plan must describe the Federal resources expected to be available to address the priority needs and specific objectives identified in the strategic plan, in accordance with §91.315. Descriptions of the funding amounts for the specific HUD programs covered by this Plan are provided in each program's Action Plan section. The Plan must also describe resources from private and non-federal public sources that are reasonably expected to be made available to address the needs identified in the plan. The Plan must explain how Federal funds will leverage those additional resources, including a description of how matching requirements of the HUD programs will be satisfied. A description of the match requirements of the HUD programs covered by this Plan are provided in each program's Action Plan section.

HOME ADDRESSES AVAILABLE RESOURCES

For the HOME Program, Section 2306.111(d) of the Texas Government Code requires that TDHCA use a Regional Allocation Formula (RAF) to allocate its HOME funding. This RAF objectively measures the affordable housing need and available resources in 13 State Service Regions TDHCA uses for planning purposes. To mitigate any inherent inequities in the way these resources are regionally allocated, the RAF compares each region's level of need to its level of resources. Regional funding adjustments are made based on the results of this comparison. The following available resources were determined to have been available or distributed in FY 2010 in the areas eligible for TDHCA HOME funds.

Source	Funding Level
Texas Housing Trust Fund	2,117,775
Housing Opportunities for Persons with HIV/AIDS	613,200
HUD PHA Capital Funds	36,240,760
HUD Housing Choice Vouchers (Sec. 8)	146,141,631
USDA Multifamily Development	5,653,423
USDA Rental Assistance	4,021,528
Housing Tax Credits	175,295,296
TXBRB Multifamily Tax Exempt Bond	3,472,000
Housing Tax Credits w/ MF Tax Exempt Bond	18,072,376
USDA Owner Occupied	64,274,470
TXBRB Single Family Bond	53,669,748
HUD HOME Investment Partnerships Program	83,140,000
Total	592,712,207

TDHCA expects similar funding levels for FY 2011 to serve priority needs in the state of Texas. The private funds available for priority needs may include loans or grant programs through private banks, for-profit or nonprofit organizations; this source of funding varies from year to year.

ESGP ADDRESSES AVAILABLE RESOURCES

ESGP available resources are in the *Homeless and Other Special Needs Categories* section below, starting on page 29.

CDBG ADDRESSES AVAILABLE RESOURCES

The following resources are expected to be available from the non-federal public sources. First, the state of Texas has appropriated general fund revenue in the amount of \$3,000,000 to supplement the Texas CDBG program. This appropriation recognized the considerable excess in demand for crucial facilities in excess of available Federal funds. In addition, the grant recipients provide for cost sharing on the funded projects. For Program Year 2009, the grant recipients provided additional financial resources in the amount of \$31,945,034. For economic development projects, the owners contribute equity funds into the CDBG-funded projects.

HOPWA ADDRESSES AVAILABLE RESOURCES

Leveraged funds are absolutely essential for the provision of HOPWA program administration and supportive services for HOPWA clients in the state of Texas. DSHS, AAs, and Project Sponsors expect to continue to receive leveraged funds from federal, state, local, and private resources to administer the HOPWA program and to achieve established program objectives for 2011. Based on leveraged funds received in 2009, DSHS estimates \$370,000 in direct housing assistance, \$1,500,000 in supportive services and non-direct housing assistance. DSHS also estimates total administrative costs leveraged with AAs to be around \$400,000 in 2011.

OTHER PROGRAMS

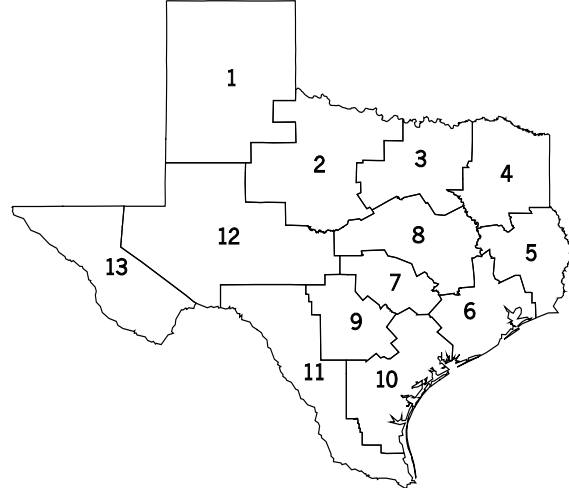
TDHCA is required by State law to publish a Program Guide that outlines state and federal housing and housing-related programs available in Texas. The guide describes all TDHCA programs and includes housing-related programs from other state and federal agencies. This detailed document is organized by activity area and then by administering entity. For each specific program, contact information at the appropriate agency is provided. The 160-plus page document is updated annually and is currently available on line at <http://www.tdhca.state.tx.us/ppa/housing-center/pubs.htm> or in hard copy upon request.

GEOGRAPHIC AREAS OF JURISDICTION AND ALLOCATION

§91.320(f)

HOME PROGRAM GEOGRAPHIC PRIORITIES

TDHCA uses a Regional Allocation Formula (RAF) to distribute its HOME Investment Partnerships Program (HOME). The 13 regions used under the RAF are shown in the figure to the right, State Service Regions. The RAF also determines how funding is allocated to rural and urban areas within each region. The RAF's funding distributions are based on objective measures of each region's affordable housing need and available resources to address this need. The RAF is legislatively required by Section 2306.111(d) of the Government Code.



The first step in the RAF is to determine how the program funding would be distributed based solely on measures of regional need provided by US Census data. With the exception of the poverty numbers, the most relevant Census data is for households at or below 80 percent of the Area Median Family Income (AMFI). The following factors are used in the RAF to measure affordable housing need:

- **Poverty:** Number of persons in the region who live in poverty.
 - **Extreme Cost Burden:** Units with a monthly gross rent to monthly household income ratio that exceeds 30 percent.
 - **Overcrowded Units:** Units with more than one person per room.
 - **Units with Incomplete Kitchen or Plumbing:** Units that do not have all of the following: a sink with piped water; a range or cook top and oven; refrigerator, hot and cold piped water, a flush toilet and a bathtub or shower.
- 1) Census need data is adjusted to current year levels by applying a growth factor based on the growth experienced since 2000.
 - 2) Each factor is assigned a weight based on its perceived value as a measure of affordable housing need (poverty = 50 percent, cost burden = 36 percent, overcrowding = 12 percent and substandard housing = 2 percent). In general, the weights reflect the relative number of persons or households affected by the housing problem.
 - 3) Each measure's weight is multiplied by total amount of funding available under the RAF to determine the measure's funding amount.
 - 4) For each measure, the region's number of affected persons or households is divided by the state total to determine the percentage of the state's need that is present in the region.
 - 5) Each region's percentage of state need is multiplied by the measure's funding amount.
 - 6) Finally, the funding distributed by the measures is summed for each region to determine the region's total allocation. The resulting regional funding distribution provides an overall measure of each region's affordable housing need.

Consideration of Available Housing Resources

In addition to TDHCA, there are many other funding sources that address affordable housing need. To address any inherent regional funding inequities, the RAF analyzes the regional distribution of state and federal sources that provide housing assistance to households that are similar to those served by the program.

Other Considerations in Developing the Formula

The allocation formula was developed under the premise that it would not serve as a static measure of need. Rather, the formula should be updated to reflect the availability of more accurate demographic information and the need to assess and modify the formula based on its actual performance. Specifically the following issues were considered:

- As information from other data sources becomes available, the formula should be revised to reflect this more recent data. The poverty statistics will be updated on an ongoing basis as they become available.
- As additional components of housing assistance may become relevant to the formula, the formula will continue to be open for public comment through the Department's public hearings.
- The affected programs have specific federal and state legislative requirements that govern how the funding may be distributed. In some instances, these rules may require that specific portions of funding shall be excluded from the allocation formula. It was also determined that dividing relatively small amounts of funding which are dedicated for specific uses on a regional basis would result in allocation amounts so small as to preclude their effective use by an applicant. Such issues will be carefully documented in each program's operating rules.

The 2011 RAF distributes funding for the following activities:

- CHDO Project Funds,
- Rental Housing Development Program,
- Single Family Activity Program.

The table below shows the regional funding distribution for all of the activities distributed under the RAF. Targeted funding amounts for each activity will also be established using the percentages generated by the RAF.

2011 Targeted Distribution of Funds under the RAF

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	\$2,469,065	7.3%	\$2,468,868	100.0%	\$197	0.0%
2	Abilene	\$1,933,823	5.7%	\$1,891,243	97.8%	\$42,580	2.2%
3	Dallas/Fort Worth	\$4,369,395	12.8%	\$1,661,149	38.0%	\$2,708,247	62.0%
4	Tyler	\$4,059,284	11.9%	\$3,559,075	87.7%	\$500,209	12.3%
5	Beaumont	\$1,741,051	5.1%	\$1,454,590	83.5%	\$286,461	16.5%
6	Houston	\$3,856,593	11.3%	\$1,030,854	26.7%	\$2,825,739	73.3%
7	Austin/Round Rock	\$1,264,579	3.7%	\$427,451	33.8%	\$837,128	66.2%
8	Waco	\$1,755,987	5.2%	\$967,029	55.1%	\$788,958	44.9%
9	San Antonio	\$1,703,903	5.0%	\$1,123,026	65.9%	\$580,877	34.1%
10	Corpus Christi	\$2,873,540	8.4%	\$1,986,752	69.1%	\$886,788	30.9%
11	Brownsville/Harlingen	\$4,979,183	14.6%	\$2,408,979	48.4%	\$2,570,204	51.6%
12	San Angelo	\$2,206,208	6.5%	\$1,665,349	75.5%	\$540,859	24.5%
13	El Paso	\$797,204	2.3%	\$578,426	72.6%	\$218,778	27.4%
Total		\$34,009,814	100.0%	\$21,222,789	62.4%	\$12,787,025	37.6%

2011 TARGETED DISTRIBUTION OF FUNDS UNDER THE RAF

TDHCA does not provide priorities for allocating investment geographically to areas of minority concentration as described in Section 91.320(d). However, the geographic distribution of HOME funds to minority populations is analyzed annually. TDHCA is statutorily required by the Texas Government Code to provide a comprehensive statement on its activities during the preceding year through a document called the State of Texas Low Income Housing Plan and Annual Report. Part of this document describes the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by TDHCA.

ESGP GEOGRAPHIC PRIORITIES

ESGP funds are reserved according to the percentage of poverty population identified in each of 13 TDHCA service regions (i.e., Region 1, with 3.95 percent of the State’s poverty population, was awarded 3.95 percent of the available funds). The top scoring applications in each region are recommended for funding, based on the amount of funds available for that region.

CDBG GEOGRAPHIC PRIORITIES

Funds for projects under the Community Development Fund are allocated among the 24 state planning regions through a formula based on the following factors:

Funds for projects under the Community Development Fund are allocated among the 24 state planning regions based on the following:

The original CD formula is used to allocate 40 percent of the annual state CDBG allocation; and the HUD formula is used to allocate 21.71 percent of the annual state CDBG allocation.

Original CD formula (40%) factors:

a.	Non-Entitlement Population	30%
b.	Number of Persons in Poverty	25%
c.	Percentage of Poverty Persons	25%
d.	Number of Unemployed Persons	10%
e.	Percentage of Unemployed Persons	10%

To the extent possible, the information used to calculate the regional allocations through these factors will be based on the eligible nonentitlement applicants within each region. The population and poverty information used is from the current available decennial census data. The unemployment information used is the current available annual average information.

HUD formula (21.71%) -the formula is the same methodology that HUD uses to allocate CDBG funds to the non-entitlement state programs. The HUD factors, percentages, and methodology are specified in 42 U.S.C. 5306(d). The Tx CDBG will use available data to calculate the allocations to each region.

Using the HUD methodology, the allocation for each region shall be the greater of an amount that bears the same ratio to the allocation for all 24 regions available as either:

(A) the average of the ratios between:

- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 25% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted two times - 50% weight); and
- the extent of housing overcrowding in the nonentitlement areas in that region and the extent of housing overcrowding in the nonentitlement areas of all 24 regions (counted one time - 25% weight);

OR

(B) the average of the ratios between:

- the age of housing in the nonentitlement areas in that region and the age of housing in the nonentitlement areas in all 24 regions (counted two and one half times - 50% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted one and one half times - 30% weight); and
- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 20% weight).

The Tx CDBG will continue to involve the non-entitlement communities and the public in a review of the regional allocation formula through public hearings, meetings of the ORCA board, Task Forces, and input from the State Community Development Review Committee, Regional Councils of Governments, local and state government officials, and other interested parties.

General Information

Geographic Distribution

Regional Priority Set-asides: Housing and Non-Border Colonia projects - Each Regional Review Committee (RRC) is encouraged to allocate a percentage or amount of its Community Development Fund allocation to housing projects and, for RRCs in eligible areas, non-border colonia projects proposed in and for that region. Under a set-aside, the highest ranked applications for a housing or non-border colonia activity, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing or non-border colonia set-aside level. If the region allocates a percentage of its funds to housing and/or non-border colonia activities and applications conforming to the maximum and minimum amounts are not received to use the entire set-asides, the remaining funds may be used for other eligible activities. (Under a housing and/or non-border colonia set-aside process, a community would not be able to receive an award for both a housing or non-border colonia activity and an award for another Community Development activity during the biennial process. Housing projects/activities must conform to eligibility requirements in 42 U.S.C Section 5305 and applicable HUD regulations.)

Overall, funds are allocated to the following priority categories:

FUND	2011 PERCENT
Community Development Fund	61.71
Texas Capital Fund (TCF)	14.51
Colonia Fund	
Colonia Planning and Construction Fund	7.26
Colonia EDAP Legislative Set-aside	2.74
Colonia Self-Help Centers Legislative Set-aside	2.50
Planning And Capacity Building Fund	1.0
Disaster Relief/Urgent Need Fund	
Disaster Relief	4.10
Urgent Need	Deob/PI
Tx CDBG STEP Fund	3.04
Administration - Percentage (fungible)	Up to 3%
Administration - \$100,000	0.1370
Technical Assistance (fungible)	3 less admin percent
Pilot Programs (Deobligated Funds/ Program Income):	
Renewable Energy Demonstration Pilot Program	Deob/PI

Overall, this allocation methodology has resulted in approximately 86% to 97% of overall funding benefiting low and moderate income persons. It has resulted in funding the nonhousing priority needs described below while resulting in a very high percentage of awards primarily benefiting extremely low-income, low-income and moderate income households.

**Nonhousing Community Development
Priority Needs Summary Table**

Priority Community Development Needs	Priority Need Level H=High, M=Medium, L=Low, N=No Such Need
PUBLIC FACILITY NEEDS	M
INFRASTRUCTURE IMPROVEMENT	H
Solid Waste Disposal Improvements	M
Drainage and Flood Control Improvements	H
Water System Improvements	H
Street and Bridge Improvements	H
Sewer System Improvements	H
PUBLIC SERVICE NEEDS	M
ECONOMIC DEVELOPMENT NEEDS	H
OTHER COMMUNITY DEVELOPMENT NEEDS	M
PLANNING	H

The Priority Needs Summary Table uses the following definitions:

- High Priority (H): Activities to address this need will be funded by the State during the five-year period.
- Medium Priority (M): If funds are available, activities to address this need may be funded by the State during the five-year period.
- Low Priority (L): The State will not fund activities to address this need during the five-year period. The State will consider certifications of consistency for other entities' applications for federal assistance.
- No Such Need (N): The State finds there is no need or the State shows that this need is already substantially addressed. No certifications of consistency will be considered.¹

The tables below illustrate the amount of community development application requests for the 2005 to 2009 CDBG program years. Requested amounts are included for water, sewer, engineering, street paving, administration, housing rehabilitation, drainage, removal of architectural barriers, acquisition demolition, community center, senior centers and fire protection. Under the Community Development Fund, each region through its Regional Review Committee, establishes its funding priority through scoring factors that reflect local prioritization of need. To be competitive, the applications submitted generally reflect the local needs as prioritized through the Regional Review Committee process and are therefore reflective of local needs. Each cycle, the Regional Review Committee has an opportunity to revise its local priorities to reflect any change in needs.

**REQUESTS FOR COMMUNITY DEVELOPMENT PROGRAM FUNDS
FOR 2005-2009 BY ACTIVITY**

Activity	Amount Requested
Water Facilities	\$229,969,144
Sewer Facilities	\$179,641,621
Engineering/Architectural Serv.	\$69,215,763
General Administration	\$44,548,476
Street Improvements	\$44,807,827
Rehabilitation of Private Properties (sewer service)	\$28,814,120
Flood and Drainage Facilities	\$19,472,416
Rehabilitation of Private Properties	\$7,261,474
Planning & Urban Env. Design	\$1,619,318
Rehabilitation of Private Properties (water service)	\$4,084,010
Neighborhood Facilities / Community Centers	\$4,634,209
Acquisition - Easement	\$2,531,743
Fire Protection Facilities and Equipment	\$2,993,850
Clearance Demolition Activities	\$1,980,785
Parks, Playgrounds, and Other Recreational Facilities	\$2,076,440
TCF - Economic Development - For Profit	\$1,199,500
Activity Delivery	\$1,066,530
Economic Development Loan	\$1,003,000
Pedestrian Malls and Walkways	\$390,000
Senior Centers	\$764,990
Other Public Utilities (Gas)	\$181,322
Removal of Architectural Barriers	\$301,650
Main Street Program	\$150,000
Acquisition	\$117,000
Specially Authorized Public Facilities and Improvements	\$90,956
Code Enforcement	\$19,200
Total	\$644,935,345

HOPWA GEOGRAPHIC PRIORITIES

The funding allocations are geographically distributed across the state according to the HIV service delivery areas (HSDAs) and covers all 254 counties in Texas.

HOMELESSNESS AND OTHER SPECIAL NEEDS CATEGORIES

§91.320(h)

SOURCES OF FUNDS

Based on the 74 organizations funded in PY 2009 through the Emergency Shelter Grants Program (which name changed to Emergency Shelter Grant Program in PY 2011 as a result of the Homeless Emergency and Rapid Transition to Housing Act of 2009), it is estimated that 24 of the 74 organizations serve the chronically homeless. The Department estimates that 8,817 beds were available from the funded organizations for PY 2009. The Department is not aware of how many of the beds are utilized to shelter chronically homeless individuals. Nine of these organizations that serve the chronically homeless are Salvation Army organizations. These organizations are located across the State.

Emergency Shelter	Existing Beds	Unmet Need
Family Beds	4,523	2,795
Individual Beds	8,362	3,566
Total	12,885	6,361

Transitional Housing	Existing Beds	Unmet Need
Family Beds	4,139	3,855
Individual Beds	3,097	4,527
Total	7,236	8,382

Permanent Supportive Housing	Existing Beds	Unmet Need
Family Beds	2,821	4,274
Individual Beds	4,429	6,704
Total	7,070	10,978

CHRONIC HOMELESSNESS

While the Department does not have a complete “inventory” of the supportive services offered by the ESGP funded organizations, the Department began to collect information on the number of persons provided with supportive services in FY 2006. The range of supportive services include: legal advocacy, education, employment, housing, counseling, psychological treatment and/or psychological counseling, substance abuse treatment, medical assistance, parenting and budgeting classes, housing advocacy, transportation assistance, English-as-a-Second Language classes, and clothing.

HOMELESS PREVENTION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS ADDRESSES HOMELESSNESS

Homelessness Prevention and Rapid Re-Housing Program

The Homelessness Prevention and Rapid Re-Housing (HPRP) Program provides homelessness prevention assistance to households who would otherwise become homeless and provides assistance to rapidly re-house persons who are homeless. Made available through the American Recovery and Reinvestment Act of 2009, the U.S. Department of Housing and Urban Development (HUD) will provide the State of Texas, through TDHCA funding for HPRP, a program which will last approximately three years.

Funds to awarded program administrators can be used for four activities. (1) Financial assistance is limited to short-term (up to 3 months) and medium-term (up to 18 months) rental assistance; security deposits; utility deposits and payments; moving cost assistance; and motel and hotel vouchers. (2) Housing relocation and stabilization services are limited to case management (e.g. arrangement, coordination, monitoring and delivery of services related to meeting housing needs); outreach and engagement; housing search and placement; legal services (e.g. legal advice and representation in administrative or court proceedings related to tenant/landlord matters or housing issues, excluding mortgage legal services); and credit repair. (3) Data collection and evaluation including the use of the Homeless Management Information Systems (HMIS); or the use of a comparable client-level database. (4) Administrative costs are the fourth activity that can be funded through HPRP. On July 30, 2009, the TDHCA Board authorized funding awards to 59 recipients totaling approximately \$40 million.

Eligible applicants include units of general local government and private nonprofit organizations whose professional activities include the promotion of social welfare and the prevention or elimination of homelessness. Since the inception of the HPRP Program in September 2010, 58 sub-recipients have assisted 22,422 persons and 9,158 households. A total of \$17,351,315 has been expended. Of the persons assisted, 18,708 have received homelessness prevention assistance and 3,816 have received homeless assistance.

Homeless Housing and Services Program

Funded with state appropriated funds, the Homeless Housing and Services Program's (HHSP) purpose is assisting the eight largest urban areas in providing services to homeless individuals and families, including services such as case management, and housing placement and retention. In 2010, funding for this program was awarded by TDHCA through a competitive matching grant process whereby the eight largest cities sought additional funding for this purpose. The agency distributes these funds to the eight largest cities with populations larger than 285,500 persons per the latest U.S. Census figures. HHSP sub-recipients have assisted 344 persons and expended \$5.7 million. It is anticipated that activity will increase significantly in the next few months.

Emergency Shelter Grants Program

The Emergency Shelter Grants Program (ESGP) funds entities that provide shelter and related services for homeless persons. For purposes of this Plan, statewide information on homeless service providers has been collected from the ESGP applications that were submitted for funding in 2009. This is not a

comprehensive listing of service providers. Because some local governments receive ESGP funding directly from the US Department of Housing and Urban Development, organizations that apply for these local ESGP funds are not included. For SFY2009 program year contracts end 8/31/2010. In SFY 2010, 61,589 persons will be assisted. The majority of those assisted are individuals that are housed in emergency shelters.

TEXAS DEPARTMENT OF RURAL AFFAIRS ADDRESSES HOMELESSNESS

The Texas Department of Rural Affairs does not have a specific program directed at homelessness. It is a member of the Housing and Health Services Coordinating Council created by the Texas legislature. The Council is exploring the opportunity for service-enriched housing options as cost efficient housing alternatives for the homeless population.

TEXAS DEPARTMENT OF STATE HEALTH SERVICES ADDRESSES SPECIAL NEEDS

The Texas Department of State Health Services' (DSHS) mission is to improve the health and well-being in Texas. To achieve its mission, DSHS is responsible for certifications, licenses and permits for certain health-related equipment, facilities, businesses and occupations; community mental health and family health resources; substance abuse recovery resources; vital records, such as birth, death, marriage and divorce records; and health-related data and reports.

Projects for Assistance in Transition from Homelessness (PATH)

The Department of State Health Services Community Mental Health and Substance Abuse Division receives funds through the federal government's Center for Mental Health Services. Funds are used for administration of homelessness prevention services and mental health crisis services. Funds are available to subdivisions of state of Texas, units of local government and non-profit entities.

The HOPWA program prevents homelessness by providing short-term rent, mortgage, and utilities assistance (STRMU) to eligible individuals living with HIV/AIDS in emergency situations.

BARRIERS TO AFFORDABLE HOUSING

§91.320(i)

The State of Texas has given local jurisdictions a great amount of authority over their lands. As a result, many of the regulatory barriers to affordable housing found at the state level in other states do not exist in Texas. For instance, municipalities have zoning authority. Even though zoning may be a barrier to affordable housing depending on minimum lot size required, this is not a regulatory barrier imposed by the state. In fact, counties do not have zoning authority, eliminating the potential barrier completely in non-incorporated areas. The state also does not impose impact or development fees or deed restrictions on developments. Furthermore, TDHCA is not a regulatory agency for building codes with the exception of manufactured housing and projects that receive funding through TDHCA. Impact fees, deed restrictions and building codes may add to the cost of development, but these are not part of the State's regulations.

In contrast, TDHCA does have two regulatory barriers to affordable housing, as found below.

Environmental Regulations

The Department works to enforce federal environmental regulations, such as the National Environmental Policy Act, Endangered Species Act, the National Pollutant Discharge Elimination System, and the Wetland regulations. In Texas, rules to protect the environment are promulgated by the Texas Commission on Environmental Quality (TCEQ). These include rules for the installation of septic systems and for development of the Edwards Aquifer. The restrictions associated with the regulations can add to the cost of development which, in turn, may raise the cost of the housing thereby decreasing affordability.

Public Opposition

When a developer proposes an affordable housing development, regulations require that the developer notify local community groups and state and local officials. The required public notification process provides notice to persons who may oppose affordable housing.

STRATEGY TO OVERCOME REGULATORY BARRIERS TO AFFORDABLE HOUSING

Local governments and officials more often have a greater awareness of their local economic, demographic and housing conditions. In order to meet the needs of residents in all parts of the second largest state in the nation, the State of Texas gives local governments a great deal of power over their own lands. Please note that, as a governmental entity, the Department cannot lobby or attempt to influence the policies related to the governing of the State of Texas. However, TDHCA can and does encourage localities to implement specific regulatory reforms related to affordable housing.

The State of Texas does not implement zoning, impose impact development fees or deed restrictions, or regulate building codes and so cannot directly affect these barriers. Nonetheless, TDHCA does act as an information resource to assist localities overcome unnecessary regulatory barriers which may increase the cost of housing. TDHCA accomplishes this as follows:

- Formation of a Housing and Health Coordination Services Council within TDHCA in 2009 to pursue opportunities to create and conduct policy research on service-enriched housing for persons with disabilities and seniors.

- Continuing education programs such as the Texas Statewide Homebuyer Education Program, which provides lenders, homebuyer educators and consumers information on serving traditionally underserved populations (e.g. persons with disabilities, lower income populations).
- Continuing research on defining and eliminating or reducing both state and local policy barriers.

TDHCA also mitigates the affects of its environmental and public notice regulatory barriers propagated by TDHCA. For example, TDHCA offers environmental compliance training free of charge for organizations that receive funding through TDHCA. These trainings are conducted throughout the state. In this way, TDHCA helps local communities comply with environmental rules.

To overcome the public opposition roused by public notice of affordable housing developments, TDHCA acts as an information resource for affordable housing studies and information. The Department has funds available for research studies from qualified professionals to determine the effect of affordable housing developments on property values, social conditions and quality of life in surrounding neighborhoods. The public often has misconceptions on which populations actually need affordable housing. For example, neighbors such as teachers, police officers, firefighters and nurses aids often spend more than 30 percent of their income on housing needs, creating a cost burden.² Affordable housing can allow productive members of the community to live in the same neighborhoods they serve.

The public may also fear that affordable housing increases traffic, increases crime and lowers property values. In actuality, allowing people who serve the community to afford to live in the same community reduces traffic by reducing the distance between where people live and where they work. Furthermore, studies have not proven a link between affordable housing and crime; factors that negatively affect crime include community disinvestment, overcrowding, and lack of jobs and community services. In fact, affordable housing helps address several of these factors by allowing for community investment and alleviating overcrowding.

Regarding property values, studies have proven that affordable housing can actually improve property values.³ By educating the public on the realities of affordable housing, TDHCA believes it can overcome public opposition.

² The Campaign for Affordable Housing. (2005). The truth about affordable housing. Retrieved from <http://www.tcah.org/research.cfm>.

³ The Campaign for Affordable Housing. (2005) Busting the 5 myths of affordable housing. Retrieved from <http://www.tcah.org/research.cfm>.

MONITORING

§92.330

HOME AND ESGP MONITORING

TDHCA has established oversight and monitoring procedures within the TDHCA HOME, Compliance and Asset Oversight (CAO) and Community Affairs divisions to ensure that activities are completed and funds are expended in accordance with contract provisions and applicable state and federal rules, regulations, policies, and related statutes. TDHCA's monitoring efforts are guided by both its responsibilities under the HOME and ESGP and its affordable housing goals for the State of Texas. These monitoring efforts include the following:

- Identifying and tracking program and project results
- Identifying technical assistance needs of subrecipients
- Ensuring timely expenditure of funds
- Documenting compliance with program rules
- Preventing fraud and abuse
- Identifying innovative tools and techniques that support affordable housing goals
- Ensuring quality workmanship in funded projects
- Long-term compliance
- Risk management
- Sanctions

Identifying and Tracking Program and Project Results

HOME contract and project activities are tracked through the TDHCA Contract System, including funds committed, pending projects, funds drawn, activities and contracts completed, and funds disbursed through the internet-based system, HUD's IDIS, and other reports generated as needed. The Contract System provides information necessary to track the success of the program and identify process improvements and administrator training needs. IDIS tracks HOME Program data such as commitment and disbursement activities, the number of units developed, the number of households assisted, the ongoing expenditures of HOME funds, and beneficiary information.

Other resources utilized by TDHCA to track project results include a performance team, to provide oversight and monitor contract progress, and an asset management division and loan servicing division. If either of these areas identifies problems, steps are taken to resolve the issue, including project workouts and oversight of reserve accounts. Real Estate Analysis, the division for underwriting economic feasibility pre-award, is also responsible for identification of high risk housing developments, and is responsible for review of housing sponsored annual financial statements and other asset management functions during the affordability period. Finally, the establishment of a Physical Inspections section in the Compliance Division assists with maintaining quality and integrity during project construction.

ESGP project and contract activities are tracked through TDHCA's website, which maintains an Oracle-based reports system. This system maintains funds drawn, funds expended, performance data, and other reports as needed. ESGP data such as commitment and disbursement activities, number of persons assisted, ongoing expenditures, and program activities are also tracked through HUD's IDIS.

Identifying Technical Assistance Needs Subrecipients

Identification of technical assistance needs for HOME and ESGP subrecipients is performed through analysis of administrator management practices, analysis of sources used by TDHCA to track technical assistance such as information captured in the HOME Division Database and Contract System, review of documentation submitted, desk reviews based on State and Federal requirements results of on-site audits, technical assistance visits, phone calls, e-mail and monitoring visits.

Ensuring Timely Expenditure of Funds

TDHCA ensures adequate progress is made toward committing and expending HOME and ESGP funds. Regular review of internal reports and data from IDIS is performed to assess progress of fund commitment and to ensure that all funds are committed by the expiration date of 24 months from the last day of the month in which HUD and TDHCA enter into an Agreement. HUD Performance deadlines for spending and reporting matching funds are reviewed on a monthly basis to track expenditure totals. To ensure the timely reprogramming of funds, HOME set-aside requirements are also tracked as a part of the HOME Fund Balance Report, which reports the Division's status of HOME funds including program income and deobligated funds. Additionally, The Department includes performance benchmarks in the Department's State HOME Rule and as part of its written agreements with subrecipients. Through pilot programs, TDHCA is implementing reservation systems for most HOME Program activities in order to be more responsive to local needs and provide more timely access to HOME funds based on readiness-to-proceed.

Documenting Compliance with Program Rules

Compliance with program rules is documented through contract administration and other formal monitoring processes. Staff document compliance issues as part of their ongoing contract management reviews and notify administrators of any noncompliance and required corrective action. On-site reviews, including physical onsite project site inspections of a representative sample of project sites, on-site reviews of client files, shelters, and the delivery of services are conducted with summarized reports identifying necessary corrective actions.

TDHCA has developed a set of standards for HOME administrators to follow to ensure that subcontractors and lower-tiered organizations entering into contractual agreements with administrators perform activities in accordance with contract provisions and applicable state and federal rules, regulations, policies, and related statutes.

TDHCA maintains a database to document an administrator's compliance history with rental housing developments. During the application process the previous participation of the applicant is evaluated. If there are any minor uncorrected issues of noncompliance identified, the request for funding will be denied unless those issues are corrected. If material noncompliance is identified, the application is terminated. The compliance history is considered by TDHCA's Board prior to finalizing awards and evaluated again prior to execution of written agreements.

Preventing Fraud and Abuse

TDHCA monitors for mismanagement of funds in the HOME and ESGP during onsite visits through a review of supporting documentation provided by the administrator and through information gathered from outside sources. This is done throughout the contract period to ensure that funds are spent on

eligible activities. If an administrator mismanages funds, sanctions are enforced and disallowed costs are refunded to TDHCA. Also, if fraud is suspected, TDHCA makes referrals and works closely with HUD, the State Auditor's Office, the Inspector General, the Internal Revenue Service, and local law enforcement agencies as applicable.

Identifying Innovative Tools and Techniques that Support Affordable Housing Goals

Staff identifies innovative tools and techniques to support affordable housing goals by attending trainings and conferences, maintaining contact with other state affordable housing agencies, and through the HUD internet listserv and HUD website.

Ensuring Quality in Funded Projects

Ensuring the administrator provides the committed product, amenities and compliance with accessibility requirements is a Departmental priority. Staff ensures the quality of workmanship in HOME-funded projects through the inspection process. TDHCA staff, in conjunction with Manufactured Housing Inspectors, conducts inspections to substantiate the quality of the work performed. Deficiencies and concerns are identified during an initial inspection, with corrective action required by construction completion. The clearance of a final inspection is required of all rental housing developments funded by the Department.

TDHCA staff has attended trainings and become familiar with the construction standards of Section 504, Rehabilitation Act of 1973. Manufactured Housing Inspection Staff assisting with conducting inspections have been given the necessary tools to thoroughly complete these inspections and are provided annual training by Department staff on the procedures, expectations, and accessibility requirements.

Other processes used to ensure quality workmanship have included plan reviews. Beginning with the 2006 commitments, the Department required plans to have architectural sign off on specifications, and confirm compliance with committed amenities and compliance with any accessibility requirements.

Long-Term Compliance

The CAO Division is responsible for long term monitoring of income eligibility and tenure of affordability for applicable HOME projects. In other cases where written agreements require long-term oversight (such as land use restrictive covenants), reporting and enforcement procedures have been implemented.

The CAO Division performs on-site monitoring visits in accordance with the requirements of the HOME Program and Department policies and procedures, as described in the Financing/Loan Agreements, Deed Restrictions, and Regulatory and Land Use Restriction Agreement. If a property participates in more than one housing program, the most restrictive monitoring procedure is followed.

Risk Management

HOME contracts are monitored based on a risk assessment model that is updated on an annual basis or more frequently if required. Some of the elements of the Risk Assessment Model may include the type of activity, existence of a construction component, Davis/Bacon requirements, results of previous on-site visits, status of the most recent monitoring report, amount funded, previous administrator experience, entity type, and Single Audit status. In addition to the results of the risk assessment survey,

referrals from division staff are considered when determining in depth monitoring reviews or required technical assistance. An emphasis is placed on monitoring of contracts within the current draw period and contracts with projects in the affordability period as defined by HUD.

If complaints are received by the Department, they are considered a risk management element and will be reviewed in detail. Supplemental monitoring activities will be performed to ensure program compliance and detection of possible fraud or mismanagement.

The Risk Assessment Model is also implemented for ESGP. Some of the elements of the Risk Assessment Model include the following: length of time since last on-site visit, results of last on-site visit, status of most recent monitoring report, timeliness of grant reporting, total amount funded during assessment period, total amount funded for all TDHCA contracts during assessment period, number of TDHCA contracts funded during assessment period, and Single Audit Status. In addition to the results of the risk assessment survey consideration is also given to recommendations made from other TDHCA divisions regarding performance with other TDHCA-funded programs.

TDHCA monitors ESGP subrecipients based on an assessment of associated risks. The assessment of associated risks utilizes factors developed by the Department's Compliance and Asset Oversight Division in conjunction with the Community Affairs Division. The factors include the status of the most recent monitoring report, timeliness of grant reporting, results of the last on-site monitoring review, number and dollar amounts of Department funds contracts and single audit issues. Subrecipients with the highest rankings are considered high risk and will receive an on-site monitoring review. Subrecipients with low rankings will have a desk review conducted. During the monitoring review, staff determine subrecipients' compliance with the ESGP contract, ESGP State Regulations, State Policy Issuances, 24 CFR Ch V, Part 576, OMB Circulars related to expenditure of funds, and requirements of Chapter 58 of the Environmental Protection Act as it relates to projects funded for rehabilitation, conversion, or renovation.

Sanctions

Based on the results of ongoing HOME monitoring, sanctions are imposed for noncompliance issues based on the severity of noncompliance, which may include delays in project set-ups, draw request processing, questioned/disallowed costs, suspension of the contract, or contract termination. When necessary, the Executive Director executes a referral to the State Auditor's Office for investigation of fraud as required by Section 321.022(a) of the Texas Government Code. Sanctions imposed may affect future application requests and scoring. In addition, if fraud or mismanagement of funds is suspected, TDHCA will make referrals and work closely with HUD, the State Auditor's Office, the Inspector General, the Internal Revenue Service, and local law enforcement agencies as applicable.

The majority of HOME administrators comply with program rules and regulations. However, for the handful who do not, after technical assistance and a corrective action period is provided, administrative penalties are considered. The Department has the authority to assess administrative penalties for event of noncompliance, ranging from \$100 to up to \$1000 per day for serious noncompliance events. Although still in its infancy, the administrative penalty process is proving to be a successful and effective tool for restoring compliance.

In addition, the Department has the ability to debar individuals and companies from participation in our programs. Debarred entities will be listed as such on the Department's website which will likely affect their ability to be awarded contracts with other state and federal agencies.

The results of ongoing ESGP monitoring will also determine if sanctions are imposed for noncompliance issues. Sanctions range from the use of the cost reimbursement method of payment, deobligation of funds, suspension of funds, and termination of the contract. TDHCA's legal staff is notified and referrals are made to the Attorney General's Office. Sanctions imposed affect the future consideration of ESGP applications for funding.

CDBG MONITORING

The monitoring function of the Tx CDBG has four components: project implementation, contract management, audit, and monitoring compliance.

Project Implementation

Prior to the award of funds, each community is evaluated for compliance in prior contracts. The application scoring process at the state level includes a scoring factor for past performance on CDBG contracts. In addition, once a funding recommendation has been made the contract is routed through the Program Development Unit, Compliance Unit and Finance Division to verify that no outstanding issues in previously awarded contracts prevent the contract execution for the recommended award.

Contract Management

All open Tx CDBG projects are assigned to a specific Regional Coordinator who is responsible for contract compliance and project management. All projects have formal contracts that include all federal and state requirements. Regional Coordinators monitor progress and compliance through formal reporting procedures. Program Specialists for Labor Standards and Environmental compliance also exist under the Tx CDBG project oversight function. Additionally, all reimbursement requests require complete supporting documentation before payment is made.

Audit

The audit function is authorized by OMB A-133, which requires that governmental units and nonprofit organizations spending more than \$500,000 in either federal or state funds during their fiscal years ending after December 31, 2003, submit a copy of a Single Audit to the Agency. A Single Audit is required for desk review by TDRA regardless of whether there are findings noted in the audit pertaining to CDBG funds, since it is an additional monitoring tool used to evaluate the fiscal performance of grantees.

Monitoring Compliance

The on-site programmatic reviews are conducted on every CDBG contract prior to close-out to ensure the contractual obligations of each grant are met. The projects are considered available for review when 75 percent of the contracted funds have been drawn down, and for construction projects, when construction has been substantially completed. Interim monitoring reviews may be conducted as necessary.

The areas reviewed include procurement procedures paid with CDBG funds or with match dollars, accounting records including copies of cancelled checks, bank statements and general ledgers (source documentation is reviewed at the time of draw requests), equipment purchases and/or procurement for small purchases, on-site review of environmental records, review of any applicable construction contracts, file review of any applicable client files for rehabilitation services, review of labor standards and/or a review of local files if internal staff used for construction projects, and a review of documentation on hand pertaining to fair housing and civil rights policies.

In addition to the formal monitoring function described above, the staff of the Compliance Unit communicates with the staff of the Project Management Unit as needed to evaluate issues throughout the contract implementation phase of CDBG contracts in order to identify and possibly resolve contract issues prior to the monitoring phase of the project.

HOPWA MONITORING

A team of DSHS consultant staff monitor the AAs' HOPWA administration activities, and the AAs monitor the Project Sponsors for HOPWA program compliance. This monitoring involves periodic site visits, technical assistance, and the submission of quarterly progress reports. Desk audits are conducted by the Contract Management Unit at the division level in DSHS. Additionally, fiscal audits are conducted as part of a centralized service of DSHS, the Contract Monitoring and Oversight Section, directly under the Chief Operations Officer.

Administrative Agencies and Project Sponsors are required to comply with HUD regulations, the DSHS Program Manual and their contractual Statement of Work. The DSHS HOPWA program manual is located at <http://www.dshs.state.tx.us/hivstd/fieldops/hopwa.shtm>. The HOPWA monitoring tool is located at http://www.dshs.state.tx.us/hivstd/fieldops/page_02/hopwa.doc. The HOPWA Statement of Work is located at http://www.dshs.state.tx.us/hivstd/funding/hopwa/HOPWA_Renewal.doc. Principles for fiscal administration are established by the Texas Uniform Grants Management Standards located at <http://www.governor.state.tx.us/divisions/stategrants/files/UGMS062004.doc>. The requirements for project monitoring are established by DSHS in the Administrative Agency Core Competencies document located at http://www.dshs.state.tx.us/hivstd/pops/pdf/pdf_administrative_duties_standards.pdf.

HOUSING ACTION PLAN: HOME INVESTMENT PARTNERSHIPS PROGRAM

FEDERAL RESOURCES EXPECTED PY 2011

The purpose of the HOME Investment Partnerships (HOME) Program is to expand the supply of decent, safe, and affordable housing for extremely low, very low, and low income households, and to alleviate the problems of excessive rent burdens, homelessness, and deteriorating housing stock. HOME strives to meet both the short-term goals of increasing the supply and the availability of affordable housing and the long-term goal of building partnerships between state and local governments and private and nonprofit organizations in order to strengthen their capacity to meet the housing needs of low-income Texans. TDHCA conducts detailed application workshops and provides technical assistance to all recipients of HOME funds to ensure that all participants meet and follow the state implementation guidelines and federal regulations.

The State of Texas HOME Program anticipates receiving \$39,180,788 in HOME allocated funds and \$3,000,000 in multifamily and single-family program income for a total of \$42,180,788 estimated funding available for distribution.

ALLOCATION OF PY 2011 FUNDS

§91.320(d) and (f)

TDHCA will use the following method for allocating funds and may make adjustments throughout the program year to transfer funding from an undersubscribed activity or set-aside to an activity that may be experiencing higher demand with the Board's approval:

Use of Funds	Estimated Available Funding	% of Total HOME Allocation
Administration Funds (10% of Allocation) ¹	\$3,918,079	10%
CHDO Project Funds Set Aside (15% of Allocation)	\$5,877,118	15%
CHDO Operating Expenses Set Aside (5% of CHDO Set Aside) ¹	\$293,856	1%
State Mandated Funds for Contract for Deed Conversions ¹	\$2,000,000	5%
Housing Programs for Persons with Disabilities (5% of Allocation) ^{1 2}	\$1,959,039	5%
Rental Housing Development Program	\$5,000,000	13%
General Funds for Single Family Activities	\$20,132,696	51%
Total PY 2011 HOME Allocation	\$40,000,000	100%
Estimated Program Income for Multifamily Activities) ¹	\$2,000,000	—
Estimated Program Income for Single Pilot Programs ¹	\$1,000,000	—
Total Estimated Funding Available for Distribution	\$42,180,788	—

¹ The funding for these activities is not subject to the Regional Allocation Formula.

² Per Section 2306.111(c) of the Texas Government Code, TDHCA shall expend 95 percent of HOME funds for the benefit of non-PJ areas of the state. Five percent of HOME funds shall be expended for the benefit of persons with disabilities who live in any area of the state.

The following targets will be used to distribute General Funds for Single Family Activities:

Activity	Funding Amount	% of Available Funding
Homebuyer Assistance	\$3,019,904	15%
Homeowner Rehabilitation	\$14,092,887	70%
Tenant Based Rental Assistance	\$3,019,904	15%
Total Estimated Funding Available for Distribution	\$20,132,696	100.0%

Estimated PY 2011 Beneficiaries

Based on anticipated program activities TDHCA estimates that the number of PY 2011 beneficiaries assisted will be approximately 746 low-, very low-, or extremely low-income households. On the basis of historical performance, TDHCA estimates that approximately 50 percent of those households will be minority households.

DESCRIPTION OF ACTIVITIES

§91.320(d) and (e)

Homeowner Rehabilitation

Rehabilitation, new construction or reconstruction cost assistance is provided to eligible homeowners for their existing home in the form of a grant or loan. The home must be the principal residence of the homeowner and the homeowner must meet all other eligibility requirements.

Pursuant to 24 CFR §92.251, housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code for new construction, newly constructed single family housing must meet the International Residential Code (IRC) as currently required by State statute. In the absence of a local code for rehabilitation, the single family housing must meet the rehabilitation standards established by the Department. If a home is newly constructed or reconstructed, the applicant must also ensure compliance with the universal design features in new construction, established by §2306.514, Texas Government Code, required for any applicants utilizing federal or state funds administered by TDHCA in the construction of single family housing.

The available funding for this activity is approximately \$14 million, which may only be used in non-PJs. The Department may set-aside a portion of these funds during the 2011 program year as a pilot program using a reservation system. In addition, the Department may set-aside a portion of the estimated program income toward a pilot program that would allow the refinance of existing debt for single-family, owner-occupied housing, when rehabilitation to correct substandard conditions is the primary use of the HOME funds.

Tenant-Based Rental Assistance

According to the American Community Survey 3-Year Estimates, approximately 44% or 1,267,171 households that rent in Texas have a housing cost burden of equal or greater than 30 percent of their income between 2006-2008. Rental subsidy and security and utility deposit assistance is provided to tenants, in accordance with written tenant selection policies, for a period not to exceed 24 months. If available, additional funds may be set-aside to provide assistance beyond 24 months. Rental units must be inspected prior to occupancy and must comply with Housing Quality Standards (HQS) in 24 CFR §982.401. The Department may set-aside a portion of these funds during the 2011 program year as a pilot program using a reservation system. In addition, the Department may set-aside a portion of the estimated program income toward a pilot program that would allow the extension of assistance beyond 24 months. The available funding for this activity is approximately \$3 million, which may only be used in non-PJs. This amount does not include Housing Programs for Persons with Disabilities funding that may be issued under a separate NOFA.

Homebuyer Assistance with or without Rehabilitation

§92.254

According to the American Community Survey 3-Year Estimates, approximately 26% or 1,398,322 households that own a home in Texas had a housing cost burden of equal or greater than 30 percent of their income between 2006-2008. Down payment, closing cost, rehabilitation, and contract for deed conversion assistance may be provided to homebuyers for the acquisition of affordable single family housing. This activity may also be used for the following:

- Construction costs associated with architectural barrier removal in assisting homebuyers with disabilities by modifying a home purchased with HOME assistance to meet their accessibility needs.
- Acquisition and rehabilitation costs associated with contract for deed conversions to serve colonia residents.
- Construction costs associated with the rehabilitation of a home purchased with HOME assistance.
- Acquisition or new construction costs for the replacement of manufactured housing.

Eligible homebuyers receive assistance in the form of a loan. HBA loans are required to be repaid at the time of resale of the property, refinance of the first lien, repayment of the first lien, or if the unit ceases to be the assisted homebuyer's principal residence. If any of these occur before the end of the loan term, the amount of recapture will be based on the pro-rata share of the remaining loan term and the shared net proceeds in the event of sale of the housing unit.

Pursuant to 24 CFR §92.251, housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code for new construction, newly constructed single family housing must meet the International Residential Code (IRC) as currently required by State statute. In the absence of a local code for rehabilitation, the single family housing must meet the rehabilitation standards established by the Department. If a home is newly constructed or reconstructed, the

applicant must also ensure compliance with the universal design features in new construction, established by §2306.514, Texas Government Code. Housing units that are provided assistance for acquisition only must meet all applicable state and local housing quality standards and code requirements. In the absence of such standards and requirements, the housing units must meet the Housing Quality Standards (HQS) in 24 CFR §982.401.

The available funding for this activity is approximately \$3 million, which may only be used in non-PJs. This amount does not include Housing Programs for Persons with Disabilities funding, which may be issued under a separate NOFA. Additionally, the Department may set-aside a portion of these funds or a portion of the estimated program income during the 2011 program year as a pilot program for a loan program reservation system.

Rental Housing Development

Awards for eligible applicants are to be used for the acquisition, construction, and rehabilitation of affordable multifamily rental housing. TDHCA will not provide funding for the refinancing and/or acquisition of affordable housing developments that were constructed within the past 10 years. A standard underwriting review will be performed on applications under this activity. TDHCA generally make awards in form of a loan. Owners of rental units assisted with HOME funds must meet affirmative marketing requirements as delineated in the Department's Compliance Rules. Owners of rental units assisted with HOME funds also must comply with initial and long-term income restrictions and keep the units affordable for a minimum period. Housing assisted with HOME funds must, upon completion, meet all applicable local, state, and federal construction standards and building codes. Additionally, the owner and/or all future owners of a HOME-assisted rental project must maintain all units in full compliance with local, state, and federal housing codes, which include, but are not limited to, the Uniform Physical Condition Standards (UPCS) as developed by the Real Estate Assessment Center (REAC), the International Building Code, Texas Government Code, and Section 504 of the 1973 Rehabilitation Act for the full required period of affordability.

Eligible expenses and activities may further be limited by TDHCA in accordance with state rule and legislation. Rental Housing Development funds may also be used for the acquisition and/or rehabilitation (including barrier removal activities) for the preservation of existing affordable or subsidized rental housing. Additionally, TDHCA will ensure that all multifamily rental housing developments are built and managed in accordance with its Integrated Housing Rule.

For applications consisting of five or more HOME-assisted units, the applicant is required to submit an Affirmative Marketing Plan in accordance with the HOME Final Rule (24 CFR §92.351). The Department's Compliance and Asset Oversight Division monitors for compliance with the requirements specified in the HOME Final Rule (24 CFR §92.351) and also delineated in 10 Texas Administrative Code §60.112.

Approximately \$7 million, including an estimated \$2 million in Program Income, is available for Rental Housing Development Funding for these activities may only be used in non-PJs. This amount does not include the Housing Programs for Persons with Disabilities funding which may be issued under a separate NOFA.

Administrative Expenses

Up to 10 percent of the sum of the Program Year HOME basic formula allocation and program income may be set aside for HOME Administrative expenses to cover the costs of administering the statewide program. A portion of this set-aside may be provided to applicants receiving HOME funds for the cost of administering the program. For-profit organizations are not eligible to receive administrative funds. TDHCA may utilize these funds for construction and Section 504 inspection costs as needed.

CHDO Set-Aside

A minimum of 15 percent of the annual HOME allocation, approximately \$5.8 million (plus \$293,856 – for CHDO operating expenses) is reserved for CHDOs. CHDO set-aside projects are owned, developed, or sponsored by the CHDO, and result in the development of rental units or homeownership. Development includes projects that have a construction component, either in the form of new construction or the rehabilitation of existing units. If the CHDO owns the project in partnership, it or its wholly-owned for-profit or nonprofit subsidiary must be the managing general partner. These organizations can apply for multifamily rental housing acquisition, rehabilitation, or new construction, as well as for the acquisition, rehabilitation, or new construction of single family housing. CHDOs can also apply for homebuyer assistance if their organization is the owner or developer of the single family housing project.

For applications consisting of five or more HOME-assisted units, the applicant is required to submit an Affirmative Marketing Plan in accordance with the HOME Final Rule (24 CFR §92.351). The Department's Compliance and Asset Oversight Division monitors for compliance with the requirements specified in the HOME Final Rule (24 CFR §92.351) and also delineated in 10 Texas Administrative Code §60.112.

In accordance with 24 CFR 92.208, up to 5 percent of the State's Fiscal Year HOME allocation may be used for operating expenses of CHDOs. In accordance with 92.300(a)(2)(f), a CHDO may not receive HOME funding for any fiscal year in an amount that provides more than 50 percent or \$50,000, whichever is greater, of the CHDOs total operating expenses in that fiscal year. TDHCA may award CHDO Operating Expenses in conjunction with the award of CHDO Development Funds, or through a separate application cycle not tied to a specific activity.

Contract for Deed Conversions

The 81st Legislature passed Appropriations Rider 6 to TDHCA's appropriation, which requires TDHCA to spend no less than \$4 million for the biennium on contract for deed conversions for families that reside in a colonia and earn 60 percent or less of the applicable area median family income (AMFI). Furthermore, TDHCA is targeted to convert no less than 200 contracts for deeds into traditional notes and deeds of trust. The intent of this program is to help colonia residents become property owners by converting their contracts for deeds into traditional mortgages. Households served under this initiative must not earn more than 60 percent of AMFI and the home converted must be their primary residence. The properties proposed for this initiative must meet TDHCA's definition of a colonia. HOME funds may be used in the administration of this program at the determination of the Department. If HOME funds are used for this activity, the program must comply with federal requirements as established in 24 CFR 92 and in accordance with §2306.111 (c), Texas Government Code, these funds may only be used in

non-PJs. As a statutorily required set-aside, these funds would not be subject to the Regional Allocation Formula, pursuant to §2306.111(d-1)(2) of the Texas Government Code.

Housing Programs for Persons with Disabilities

According to the American Community Survey 3-Year Estimates, between 2005-2007, there were approximately 3,019,042 million people in Texas over the age of five, or approximately 14.4 percent, had some type of long lasting condition or disability. Of these, 312,812 households, include persons with self-care limitations in Texas. Approximately 23.4 percent of people over the age of five with a disability were under the poverty level. However, leveraging other federal funds, the numbers of persons with disabilities transitioning from institutional living into community-based living is increasing, becoming a priority for the State of Texas. This is based on the most recent data available. The Department's Tenant-Based Rental Assistance Program for Persons with Disabilities is a critical component in the housing continuum toward helping households transition back into the community.

Approximately 5% of the State's annual HOME allocation shall be directed toward assistance for Persons with Disabilities (PWDs) who live in any area of the state. TDHCA will ensure that all housing developments are built and managed in accordance with its Integrated Housing Rule, 10 Texas Administrative Code §1.15.

Special Needs Populations

Subject to the availability of qualified applications, TDHCA has a goal to allocate a minimum of 20 percent of the annual HOME allocation to applicants serving persons with special needs. Eligible applicants include nonprofits, for-profits, units of general local government, and PHAs with documented histories of working with special needs populations. All HOME Program activities will be included in attaining this goal. Additional incentives may be established under each of the eligible activities to assist TDHCA in reaching its goal. Funds will be made available via Notices of Funding Availability based on activity type.

FUNDING DISTRIBUTION

Subject to Texas Government Code §2306.111, HOME funds will be distributed according to the established Regional Allocation Formula (RAF), The 2011 RAF distributes funding for the following activities:

- CHDO Project Funds,
- Rental Housing Development Program,
- General Funds for Single Family Activities.

The table below shows the regional funding distribution for all of the activities distributed under the RAF. Targeted funding amounts for each activity will also be established using the percentages generated by the RAF.

2011 Targeted Distribution of Funds under the RAF

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	\$2,469,065	7.3%	\$2,468,868	100.0%	\$197	0.0%
2	Abilene	\$1,933,823	5.7%	\$1,891,243	97.8%	\$42,580	2.2%
3	Dallas/Fort Worth	\$4,369,395	12.8%	\$1,661,149	38.0%	\$2,708,247	62.0%
4	Tyler	\$4,059,284	11.9%	\$3,559,075	87.7%	\$500,209	12.3%
5	Beaumont	\$1,741,051	5.1%	\$1,454,590	83.5%	\$286,461	16.5%
6	Houston	\$3,856,593	11.3%	\$1,030,854	26.7%	\$2,825,739	73.3%
7	Austin/Round Rock	\$1,264,579	3.7%	\$427,451	33.8%	\$837,128	66.2%
8	Waco	\$1,755,987	5.2%	\$967,029	55.1%	\$788,958	44.9%
9	San Antonio	\$1,703,903	5.0%	\$1,123,026	65.9%	\$580,877	34.1%
10	Corpus Christi	\$2,873,540	8.4%	\$1,986,752	69.1%	\$886,788	30.9%
11	Brownsville/Harlingen	\$4,979,183	14.6%	\$2,408,979	48.4%	\$2,570,204	51.6%
12	San Angelo	\$2,206,208	6.5%	\$1,665,349	75.5%	\$540,859	24.5%
13	El Paso	\$797,204	2.3%	\$578,426	72.6%	\$218,778	27.4%
Total		\$34,009,814	100.0%	\$21,222,789	62.4%	\$12,787,025	37.6%

Review of Applications

All programs will be operated through direct administration by TDHCA or announced by the release of a Notice of Funding Availability. For Notices of Funding Availability, applicants must submit a complete application to be considered for funding, along with an application fee determined by TDHCA. Applications received by TDHCA will be reviewed for applicable threshold, eligibility and/or scoring criteria in accordance with the Department's rules and application review procedures published in the NOFA and/or application materials.

Selection Process

Qualifying applications are recommended for funding based on the Department's rules and any additional requirements established in the Notice of Funding Availability. Applications submitted for development activities will also receive a review for financial feasibility and underwriting. Applications will be reviewed and recommended for funding in the manner prescribed in the State of Texas HOME Program Rule.

Match Requirements

TDHCA will provide matching contributions from several sources for HOME funds drawn down from the State's HOME Investment Trust Funds Treasury account within the fiscal year. The State sources may include the following:

- Loans originated from the proceeds of single family mortgage revenue bonds issued by the State. TDHCA will apply no more than 25 percent of bond proceeds to meet its annual match requirement.
- Match contributions from the State's Housing Trust Fund to affordable housing projects that are not HOME-assisted, but that meet the requirements as specified in 24 CFR 92.219(b)(2).

- Eligible match contributions from State recipients and subrecipients, as specified in 24 CFR 92.220.
- Match contributions from local political jurisdictions provided through the abatement of real estate property taxes for affordable housing properties developed and owned by qualified CHDO applicants.

Deobligated HOME Program Funds

When administrators have not successfully expended the HOME funds within their contract period, TDHCA deobligates the funds and pools the dollars to award applicants according to TDHCA's Deobligated Funds Policy.

APPLICABLE FEDERAL AND STATE REGULATIONS

§91.320(k)

HOME funds will be distributed in accordance with the eligible activities and eligible costs listed in 24 CFR 92.205–92.209 and 10 TAC Chapter 53.

Developments receiving funding from TDHCA must comply with accessibility standards required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), as amended, and specified under 24 CFR Part 8, Subpart C. This includes a provision that a minimum of 5 percent of the total dwelling units or at least one unit, whichever is greater, must be made accessible for individuals with mobility impairments. An additional 2 percent of the total number of dwelling units or at least one unit, whichever is greater, must be accessible for individuals with hearing or vision impairments.

Minority Participation

TDHCA encourages minority employment and participation among all applicants under the HOME Program. All applicants to the HOME Program are required to submit an affirmative marketing plan as part of the application process. Additionally, TDHCA encourages outreach to Historically Underutilized Businesses (HUBs) by including advertisement examples aimed at HUBs in the sample procurement plan during implementation training. Additionally, form HUD-702, which lists businesses used for the contract including HUBs, is required from sub-recipients with the final draw request for each HOME activity.

Furthermore, while Section 3 encourages the use of Section 3 business concerns and employment of Section 3 residents, the Section 3 residents may not be minorities. Section 3 residents are people who make 80 percent or less than the area median family income and reside in the neighborhood in which certain HUD-funded assistance takes place. However, there has historically been a correlation between low-income persons and minority status. To address this correlation and encourage minority participation, TDHCA will require sub-recipients that receive over \$200,000 for Section 3-covered assistance, including housing construction or reconstruction, to comply with and report on Section 3 starting with new contracts issued in SFY 2011.

Finally, the Housing Resource Center, a division that conducts research for the Department, is in the process of conducting the Four-Part Analysis for TDHCA to comply with the regulations under Title VI of the Civil Rights Act of 1964. Title VI ensures program access to residents of Texas designated as

possessing “limited English proficiency” or LEP. The Four-Factor Analysis includes: (1) the number or proportion of LEP persons served or encountered in the eligible service population; (2) the frequency with which LEP persons come into contact with the program; (3) the nature and importance of the program, activity or service provided by the program; and (4) the resources available and costs to the recipient. After the Four-Factor Analysis is complete, TDHCA will complete its Language Access Plan which will determine reasonable steps to comply with the regulations and ensure access for all TDHCA programs to Texans regardless of their national origin and native languages.

RECAPTURE PROVISIONS UNDER HOMEOWNERSHIP PROGRAMS

§92.254(a)(4)

If the participating jurisdiction intends to use HOME funds for homebuyers, the guidelines for resale or recapture must be described as required in 24 CFR 92.254(a)(5). Recapture provisions are not applicable for HOME-assisted multifamily rental projects; in the case of default, sale, short sale, and/or foreclosure, the entire HOME investment must be repaid.

TDHCA has elected to utilize the recapture provision under 24 CFR 92.254(a)(5)(ii) as its method of recapturing HOME funds under any program the State administers that is subject to this provision. The following methods of recapture would be acceptable to TDHCA and will be identified in the note prior to closing:

1. Recapture the amount of the HOME investment reduced on a prorata share based on the time the homeowner has owned and occupied the unit measured against the required affordability period. The recapture amount is subject to available shared net proceeds in the event of sale or foreclosure of the housing unit.
2. In the event of sale or foreclosure of the housing unit, if the shared net proceeds (i.e., the sales price minus closing costs; any other necessary transaction costs; and loan repayment, other than HOME funds) are in excess of the amount of the HOME investment that is subject to recapture, then the net proceeds may be divided proportionately between TDHCA and the homeowner as set forth in the following mathematical formulas. Effective with the 2011 Program Year and forward, if there are no Net Proceeds from the sale, no repayment will be required of the homebuyer and the balance of the loan shall be forgiven:

$$\text{(HOME investment / (HOME investment + homeowner investment)) X net proceeds = HOME amount to be recaptured}$$

$$\text{(Homeowner investment / (HOME investment + homeowner investment)) X net proceeds = amount to homeowner}$$

In certain instances, TDHCA may choose to utilize the resale provision at 24 CFR 92.254(a)(5)(i) under any program the State administers that is subject to this provision. If before that time an instance occurs for which the resale provisions are triggered, the Department will work with the Ft. Worth Field Office to address. The following method of resale would be acceptable to TDHCA and will be identified in the note prior to closing:

1. Resale requirements must ensure that, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability, the housing is made

available for subsequent purchase only to a buyer whose family qualifies as a low or very low income family and will use the property as its principal residence.

2. The resale requirement must also ensure that the price at resale provides the original HOME-assisted owner a fair return on investment (including the homeowner's investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of low or very low income homebuyers.
3. The period of affordability is based on the total amount of HOME funds invested in the housing.

The Department is in the process of developing these requirements and when complete, the requirements will be included in either an amendment to the 2011 Action Plan or the 2012 Action Plan.

OTHER FORMS OF INVESTMENT

§91.320(k)(2)(i)

If a participating jurisdiction intends to use other forms of investment not described in §92.205(b), a description of the other forms of investment must be provided.

The State is not proposing to use any form of investment in its HOME Program that is not already listed as an eligible form of investment in 24 CFR 92.205(b).

Refinancing Debt

§91.320(k)(2)(iii)

If the State intends to use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under 24 CFR § 92.206(b).

TDHCA may use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds as described in 24 CFR § 92.206(b). TDHCA shall use its underwriting and evaluation standards, codified at 10 Texas Administrative Code, Chapter 1 and its HOME Program Rule at 10 Texas Administrative Code, Chapter 53, for refinanced properties in accordance with its administrative rules. At a minimum, these rules require the following:

- That rehabilitation is the primary eligible activity for developments involving refinancing of existing debt;
- No HOME funds will be used to refinance affordable housing developments that were constructed within the past 10 years.
- Sets a minimum funding level for rehabilitation on a per unit basis;
- Requires a review of management practices to demonstrate that disinvestments in the property has not occurred;
- That long term needs of the project can be met;
- That the financial feasibility of the development will be maintained over an extended affordability period;

- State whether new investment is being made to maintain current affordable units, and or create additional affordable units;
- Specifies the required period of affordability;
- Specifies that HOME funds may be used throughout the entire jurisdiction, except as TDHCA may be limited by the Texas Government Code; and
- States that HOME funds cannot be used to refinance multifamily loans made or insured by any Federal program, including CDBG.

CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING

§91.320(c)(3), §91.3320(e), §91.320(g)

In accordance with the guidelines from HUD, TDHCA will comply with the new CPD Outcome Performance Measurement System. Compliance will be attained through the creation and development of additional tracking screens in TDHCA’s central database to enable the Department to capture information needed for input into IDIS. HOME Program eligible activities will be categorized into the objectives and outcomes listed in the chart below. It is anticipated most HOME Program eligible activities will be categorized as Outcome #2 and Objective #2.

The estimated performance figures are based on planned performance during the Program Year (February 1st through January 31st) of contracts committed and projected households served. In contrast, the performance measures reported to the Texas Legislative Budget Board for the State Fiscal Year (September 1st through August 31st) are based on anticipated units and households at time of award. The HOME performance figures reported herein may include funding from several years as funds from previous years are deobligated and refunded.

OBJECTIVES	OUTCOME 1	OUTCOME 2	OUTCOME 3
OBJECTIVE #1 Suitable Living Environment	Enhance Suitable Living Environment Through Improved/New Accessibility	Enhance Suitable Living Environment Through Improved/New Affordability	Enhance Suitable Living Environment Through Improved/New Sustainability
OBJECTIVE #2 Decent Housing	Create Decent Housing with Improved/New Availability	Create Decent Housing with Improved/New Affordability (DH-2)	Create Decent Housing with Improved/New Sustainability
OBJECTIVE #3 Economic Opportunity	Provide Economic Opportunity Through Improved/New Accessibility	Provide Economic Opportunity Through Improved/New Affordability	Provide Economic Opportunity Through Improved/New Sustainability

HOME Program Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
DH-2	No. of rental units assisted through new construction and rehabilitation	262
DH-2	No. of tenant-based rental assistance units	124
DH-2	No. of existing homeowners assisted through owner-occupied assistance	173
DH-2	No. of first-time homeowners assisted through homebuyer assistance	187

HOME Homeless and Special Needs Goals

ANNUAL AFFORDABLE HOUSING GOALS	Expected Annual Number of Units To Be Completed
Homeless households	50
Non-homeless households	500
Special needs households	350

HOMELESS ACTION PLAN: EMERGENCY SHELTER GRANTS PROGRAM

FEDERAL RESOURCES EXPECTED PY 2011

TDHCA will receive \$5,171,449 for FY 2011 ESGP and anticipates receiving an addition \$2,103,779 once regulations for the Emergency Solutions Grant Program are released.

RECIPIENTS

Recipients of ESGP funds are units of general local government and private nonprofit organizations.

ESTIMATED PY 2011 BENEFICIARIES

TDHCA expects to fund 45 projects in PY 2011 (See the ESGP Obligation Process later in this section). Four of the subrecipient organizations which will be funded are collaborative applications which combined have 12 partners. It is estimated that approximately 36,000 homeless persons will be assisted in PY 2011.

Targeted Beneficiaries

The targeted beneficiaries are homeless individuals and individuals at risk of homelessness.

FUNDING DISTRIBUTION

§91.320(d) and (f)

TDHCA has administered the Emergency Shelter Grants Program (ESGP) since 1987. TDHCA will administer the S-094-DC-48-0001 ESGP funds in a manner consistent with the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. Sec 11371 et seq.). TDHCA will obligate PY 2011 ESGP funds through a statewide competitive application process. ESGP funds are reserved for each of the State's 13 Uniform State Service Regions based on the poverty population of each region taken from the 2000 US Census.

OBJECTIVES

§91.320(d)

The objectives of ESGP consist of the following:

- Help improve the quality of emergency shelters for the homeless.
- Make additional emergency shelters available.
- Help meet the costs of operating and maintaining emergency shelters.
- Provide essential services so that homeless individuals have access to the assistance they need to improve their situations.
- Provide emergency intervention assistance to prevent homelessness.

The State's strategy to help homeless persons includes: community outreach efforts to ensure that homeless persons and persons at risk of homelessness are aware of available services, providing funding to support emergency shelter and transitional housing programs, helping homeless persons make the transition to permanent housing and independent living through comprehensive case management, and supporting other efforts to address homelessness. This strategy is outlined below.

Helping low income families avoid becoming homeless

TDHCA awards ESGP funds using the competitive process described in the ESGP One-Year Action Plan. In that process, up to 30 percent of the State's ESGP annual allocation is made available to support homelessness prevention activities, and up to 30 percent of the ESGP annual allocation is made available to provide essential services. Homelessness prevention efforts include short-term rent and utility assistance for homeless individuals and families and, if they meet certain criteria, those who are at-risk of losing their housing.

Applicants for ESGP funding are required to demonstrate coordination with other providers in their communities as part of the ESGP scoring criteria. ESGP grant recipients are encouraged to maximize all community resources when providing homelessness prevention assistance to ensure the appropriate use of these limited resources.

Reaching out to homeless persons and assessing their individual needs

Each application for ESGP funding includes information about the case management system used by the applicant organization.

Each application for ESGP funding includes a description of services provided to homeless persons. This description is evaluated during the application review process as a criterion for receiving ESGP funding.

ESGP grant recipients will be required to report on outcomes achieved by homeless persons assisted. Reporting on outcomes will provide TDHCA with information on the long-term impact of the services provided such as the attainment of transitional housing or permanent housing, obtaining a GED or high school diploma or the achievement of other education and training goals, obtaining job skills, job placement, etc.

Addressing the emergency shelter and transitional housing needs of homeless persons

ESGP grants provide support to organizations that provide emergency services, shelter, and transitional housing to homeless persons and families.

To ensure equitable distribution of funding, a portion of the ESGP allocation is reserved for each of the 13 regions in the state on the basis of the poverty population in each region. TDHCA expects to fund 45 projects in PY 2011. (See the ESGP Obligation Process later in this section.)

Helping homeless persons make the transition to permanent housing

ESGP funds can be used to pay rent and utility deposits as well as first month's rent for homeless individuals making the transition to permanent housing.

ESGP will require sub-recipients that are performing construction or rehabilitation to submit a Section 3 report as to how many low-income households have the opportunity to perform work on the construction.

Supporting other efforts to address homelessness

The State has contracted with an organization to provide technical assistance in FY 2011 to rural homeless coalitions representing approximately 182 Texas counties and will support the State's effort to assist rural communities in their efforts to access federal CoC funds and that are interested in being part of the State's application for Continuum of Care funds for the balance of state areas in the State. Types of technical assistance to be rendered will include, but not be limited to, homeless counts/surveys, compilation of a housing and services inventory, identification of housing gaps, and development of homeless discharge plan strategies for their area. Organizations receiving the technical assistance must be located in a Balance of State area and applying for Continuum of Care funds through the U.S. Department of Housing and Urban Development. The State has provided State General Revenue funds to the Texas Homeless Network, the awardee of the RFP which the Department released in 2008, to provide the referenced technical assistance. The first year of funding began September 1, 2008 and the second year September 1, 2009. The Department expects that as a result of the technical assistance that will be rendered, the State will submit a more competitive application to HUD for Continuum of Care funds. If the State receives Continuum of Care funds for the Balance of State areas, additional homeless persons will be assisted in the State. The source of funding for this contract is State general revenue funds.

ELIGIBLE ACTIVITIES

§91.320(d)

The provision of assistance to obtain and maintain housing and the provision of funding to support the maintenance and operation of shelters help meet the priority needs of providing emergency shelter and transitional housing to very low-income individuals.

ESGP funds may be used for the following eligible activities:

- (1) Renovation, major rehabilitation, or conversion of buildings to be used as emergency shelters for the homeless.
- (2) Provision of essential services, including, but not limited to, the following:
 - (A) Assistance in obtaining permanent housing
 - (B) Medical and psychological counseling and supervision
 - (C) Employment counseling
 - (D) Nutritional counseling
 - (E) Substance abuse treatment and counseling
 - (F) Assistance in obtaining other federal, state, and local assistance
 - (G) Other services such as child care, transportation, job placement, and job training

(H) Staff salaries necessary to provide the above services

These services may be provided only pursuant to Sec. 414 of the McKinney Act as amended by Sec. 832 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Sec. 11374), which requires that services funded with ESGP must be provided in a nondiscriminatory manner.

(3) Payment of maintenance, operation, and furnishings costs, except that not more than 10 percent of the amount of any ESGP grant may be used to pay operation staff costs.

(4) Developing and implementing homeless prevention activities as per Sec. 414 of the McKinney Act as amended by Sec. 832 of the Cranston-Gonzalez National Affordable Housing Act.

Recipient Requirements

Recipients of ESGP funding are required to meet certain minimum specifications that include, but are not limited to, the following:

- (1) Being a unit of general local government or private nonprofit organization.
- (2) Documenting, in the case of a private nonprofit organization, that the proposed project has the approval of the city, county, or other unit of local government in which the project will operate.
- (3) Providing for the participation of homeless or formerly homeless individuals on their board of directors or other policy-making entity.
- (4) Assuring that ESGP subrecipients obligate funds within 180 days from the date that TDHCA received the award letter from HUD.
- (5) Documentation of fiscal accountability, as specified in the application.
- (6) Proposing to undertake only eligible activities.
- (7) Demonstrating need.
- (8) Assuring ability to provide matching funds.
- (9) Demonstrating effectiveness in serving the homeless, including the ability to establish, maintain, and/or improve the self-sufficiency of homeless individuals.
- (10) Assuring that homeless individuals will be involved in the provision of services funded through ESGP, to the maximum extent feasible, through employment, volunteerism, renovating, maintaining or operating facilities, and/or providing direct services to occupants of facilities assisted with ESGP funds.
- (11) Assuring the operation of an adequate, sanitary, and safe homeless facility.
- (12) Assuring that it will administer, in good faith, a policy designed to ensure that the homeless facility is free from the illegal use, possession, or distribution of drugs or alcohol by its beneficiaries.
- (13) Assuring that it will develop and implement procedures to ensure the confidentiality of records of any individual receiving assistance as a result of family violence.

- (14) Proposing a sound plan consistent with the State of Texas Consolidated Plan, the McKinney-Vento Homeless Assistance Act, and all other assurances and certifications.
- (15) Assuring the participation in the development and implementation, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of person from publicly funded institutions and systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) to prevent such discharge from immediately resulting in homelessness for such persons. ESGP funds are not to be used to assist such persons in place of State and local resources.
- (16) Assuring that it will meet HUD's standards for participation in a local Homeless Management Information System and the collection and reporting of client-level information.
- (17) Any renovation carried out with ESGP assistance shall be sufficient to ensure that the building involved is safe and sanitary, and the renovation will assist homeless individuals in obtaining:
- (A) appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living; and
 - (B) other Federal, state, local, and private assistance available for such individuals.

FUND OBLIGATION PROCESS

§91.320(k)

TDHCA will obligate PY 2011 ESGP funds to units of general local government or to private nonprofit organizations which have local government approval to operate a project which assists homeless individuals. TDHCA will evaluate all applications received and award funds in accordance with the application specifications. This statewide competitive application process will allow ESGP funds to be distributed equitably.

The State's anticipated ESGP allocation for PY 2011 is \$5,171,449 less 5 percent (\$258,572) for state administration costs of which approximately \$7,021 will be shared with subrecipient organizations which are units of general local government. TDHCA reserves ESGP funds for each of the 13 Uniform State Service Regions. Funds are reserved for each region in direct proportion to the percentage of poverty population that exists in each region according to the most recent county Census data. Applicants compete only against other applicants in their Uniform State Service Region.

TDHCA is statutorily required by the Texas Government Code to provide a comprehensive statement on its activities during the preceding year through a document called the State of Texas Low Income Housing Plan and Annual Report. Part of this document describes the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by TDHCA.

TDHCA issues a notice of funding availability (NOFA) and posts an application to its website. Applications are also provided directly to any organization or individual upon request. The applications are reviewed using a standardized review instrument. A variety of factors, as per the application instructions, are evaluated and scored to determine each application's merit in identifying and

addressing the needs of the homeless population, as well as the organization's capacity to carry out the proposed project.

The top scoring applications in each region will be recommended for funding based on the amount of funds reserved for each region. All available ESGP funds are obligated each year through 12-month contracts.

APPLICABLE FEDERAL AND STATE REGULATIONS

- 24 CFR 576 as amended;
- Title IV, Subtitle B of the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. sec, 11371 et seq.)
- 10 Texas Administrative Code, Chapter 5, Subchapter C.
- 24 CFR 135, also known as Section 3*

*Section 3 requires certain recipients of HUD financial assistance to provide job training, employment, and contract opportunities for low- or very-low income residents in connect with projects and activities in their neighborhoods. Grant recipients rehabilitating or constructing homeless shelters with ESGP funds will be required to submit a Section 3 report. TDHCA will require subrecipients that receive over \$200,000 for Section 3-covered assistance to take actions to meet Section 3 requirements starting with new contracts issued in SFY 2011.

LEVERAGING RESOURCES

Section 576.51 of the ESGP regulations state that each grantee must match the funding provided by HUD. Match resources must be provided after the date of the ESGP grant award and must be provided in an amount equal to or greater than the ESGP grant award. Resources used to match a previous grant may not be used to match a subsequent award. Sources of match may include, but are not limited to, unrestricted funds from the grant recipient, volunteer hours, the value of donated materials or buildings, or the fair market rent or lease value of a building used to provide services to the homeless population. Each applicant must identify the source and amount of match they intend to provide if they are selected for funding and may report monthly on the amount of match provided. ESGP monitors review the match documentation during each on-site monitoring visit. A desk review is completed at the closeout of each contract to ensure, among other things, that each ESGP recipient has provided an adequate amount of match during the contract period.

SPECIAL INITIATIVES AND PARTNERSHIPS

TDHCA is the lead agency in the Texas Interagency Council for the Homeless (TICH). TICH is charged with surveying and evaluating services for the homeless in Texas, assisting in the coordination and provision of services to homeless person throughout the State, increasing the flow of information among service providers and appropriate authorities, developing guidelines to monitor services to the homeless, providing technical assistance to the housing finance division of TDHCA in assessing housing needs for persons with special needs, establishing a central resource and information center for the State's

homeless population, and developing a strategic plan to address the needs of the homeless in cooperation with TDHCA and the Health and Human Services Commission.

TDHCA also supports activities that address homelessness, including providing technical assistance to develop and strengthen homeless coalitions throughout Texas, distributing a statewide bimonthly newsletter on homelessness, maintaining an information resource center, workshops, sponsoring an annual statewide conference on homeless issues, and the provision of training and technical assistance to organizations interested in being part of the State's application for Continuum of Care funds for the balance of state areas in the State.

CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING

§91.320(c)(3), §91.320(e), §91.320(g)

ESGP began reporting using the HUD CPD Outcome Performance Measurement System on September 1, 2006, with the implementation of the 2006 ESGP contracts. TDHCA will continue to utilize this reporting system in 2009. In 2007, the HUD CPD Outcome Performance Measurement System became automated whereby subrecipients began to report performance data via a Web based application. TDHCA's monthly performance reports have been amended to include changes in reporting requirements required by HUD and to gather data on persons assisted with services which are outcome oriented and have a long-term impact. ESGP activities related to renovation/rehabilitation, essential services, maintenance, operations, and furnishings will fall under HUD's Outcome 1, Availability/Accessibility, and Objective 1, Create a Suitable Living Environment (SL-1). ESGP activities related to homelessness prevention will be reported under HUD's Outcome 1, Affordability and Objective 2, Provide Decent Housing (DH-2).

ESGP Annual Action Plan Planned Project Results

Outcomes and Objectives	Performance Indicators	Expected Number	Activity Description
SL-1 Availability/ Accessibility and Create a Suitable Living Environment	Accessibility for the purpose of creating a suitable living environment.	23,000	Provide funding to support the provision of emergency and/or transitional shelter to homeless persons.
DH-2 Affordability and Provide Decent Housing	Affordability for the purpose of providing decent housing.	13,000	The provision of non-residential services including homelessness prevention assistance.

ESGP Homeless and Special Needs Goals

ANNUAL AFFORDABLE HOUSING GOALS	Expected Annual Number of Units To Be Completed
Homeless households	36,000*
Non-homeless households	n/a
Special needs households	3,240*

*These numbers represent homeless persons, not households or units.

ESGP only provides rental assistance and assists households who are facing foreclosure, but cannot be utilized to purchase a home. Consequently, ESGP does not impact the number of properties that are affordable. ESGP funds are utilized to assist all homeless persons and persons at-risk of homelessness.

TEXAS COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM 2011 ACTION PLAN

I. PROGRAM YEAR 2011 GENERAL PROGRAM INFORMATION

A. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM ADMINISTRATION

The Texas Department of Rural Affairs (TDRA) administers the State of Texas Community Development Block Grant Program (CDBG), called the Texas Community Development Block Grant Program (Texas CDBG). The Texas Department of Agriculture (TDA) administers the Texas Capital Fund through an interagency agreement between TDRA and TDA. The Tx CDBG will continue to fund the Colonia Self-Help Centers Fund but administration of that program will remain with the Texas Department of Housing and Community Affairs (TDHCA) Office of Colonia Initiatives through a Memorandum of Understanding between TDRA and TDHCA.

The mission of the Texas Department of Rural Affairs is to enhance the quality of life for rural Texans.

B. ELIGIBLE APPLICANTS

§91.320(k)

Eligible applicants are nonentitlement general purpose units of local government including cities and counties that are not participating or designated as eligible to participate in the entitlement portion of the federal Community Development Block Grant Program (CDBG). Nonentitlement cities that are not participating in urban county programs through existing participation agreements are eligible applicants (unless the city's population is counted towards the urban county CDBG allocation).

Nonentitlement cities are located predominately in rural areas and are cities with populations less than 50,000 persons; cities that are not designated as a central city of a metropolitan statistical area; and cities that are not participating in urban county programs. Nonentitlement counties are also predominately rural in nature and are counties that generally have fewer than 200,000 persons in the nonentitlement cities and unincorporated areas located in the county.

Hidalgo County, a designated CDBG urban county, is eligible to receive assistance under the Texas Community Development Block Grant (Tx CDBG) Program Colonia Fund (and each fund category included under the Colonia Fund).

Counties eligible under both the Tx CDBG Colonia Fund and the Texas Water Development Board's Economically Distressed Areas Program (EDAP) are eligible under the Tx CDBG Colonia Economically Distressed Areas Program Fund. Non-entitlement cities located within eligible counties that meet other eligibility criteria, including the geographic requirements of the Colonia Fund, are also eligible applicants for the Tx CDBG Colonia Economically Distressed Areas Program Fund.

With the enactment of §43.907 of the Texas Local Government Code, a colonia meeting specified requirements that is annexed by a municipality remains eligible for five years after the effective date of the annexation to receive any form of assistance for which the colonia would be eligible if the annexation had not occurred. This only applies to a colonia annexed by a municipality on or after September 1, 1999.

C. ELIGIBLE ACTIVITIES

§91.320(d) and (e)

Eligible activities under the Texas Community Development Block Grant Program are listed in 42 U.S.C Section 5305. The Tx CDBG staff reviews all proposed project activities included in applications for all fund categories, except the Texas Capital Fund, to determine their eligibility. The Texas Department of Agriculture determines the eligibility of activities included in Texas Capital Fund applications.

All proposed activities must meet one of the following three National Program Objectives:

1. principally benefit low- and moderate-income persons; or
2. aid in the elimination of slums or blight; or
3. meet other community development needs of particular urgency which represent an immediate threat to the health and safety of residents of the community

Area benefit can be used to qualify street paving projects. However, for street paving projects that include multiple and non-contiguous target areas, each target area must separately meet the principally benefit low and moderate income national program objective. At least fifty-one percent (51%) of the residents located in each non-contiguous target area must be low and moderate income persons. A target area that does not meet this requirement cannot be included in an application for Tx CDBG funds. The only exception to this requirement is street paving eligible under the Disaster Relief/Urgent Need Fund.

D. INELIGIBLE ACTIVITIES

In general, any type of activity not described or referred to in 42 U.S.C Section 5305 is ineligible. Specific activities ineligible under the Texas Community Development Block Grant Program are:

1. construction of buildings and facilities used for the general conduct of government (e.g. city halls, courthouses, etc.);
2. new housing construction, except as last resort housing under 49 CFR Part 24 or affordable housing through eligible subrecipients in accordance with 24 CFR 570.204;
3. the financing of political activities;
4. purchases of construction equipment (except in limited circumstances under the STEP Program);
5. income payments, such as housing allowances; and
6. most operation and maintenance expenses (including smoke testing, televising/videotaping line work, or any other investigative method to determine the overall scope and location of the project work activities)

The Texas Capital Fund (TCF) will not accept applications in support of public or private prisons, racetracks and projects that address job creation/retention through a government supported facility. The Texas Capital Fund Program may be used to financially assist/facilitate the relocation of a business when certain requirements, as defined in the application guidelines, are met.

E. PRIMARY BENEFICIARIES

The primary beneficiaries of the Texas Community Development Block Grant Program are low to moderate income persons as defined under the U.S. Department of Housing and Urban Development (HUD) Section 8 Assisted Housing Program (Section 102(c)). Low income families are defined as those earning less than 50 percent of the area median family income. Moderate income families are defined as those earning less than 80 percent of the area median family income. The area median family can

be based on a metropolitan statistical area, a non-metropolitan county, or the statewide non-metropolitan median family income figure.

F. DISPLACEMENT OF PERSONS ASSISTED

Applicant localities must certify that they will minimize the displacement of persons as a result of activities assisted with Texas Community Development Block Grant Program grant funds.

II. ALLOCATION OF CDBG FUNDS

91.320(d) and (f)

A. AVAILABLE FUND CATEGORIES

Assistance is available in six funding categories and two pilot programs under the Texas Community Development Block Grant Program as indicated below:

Funds:

1. Community Development Fund
2. Texas Capital Fund
3. Colonia Fund
 - 3a. Colonia Planning and Construction Fund
 - 3b. Colonia Economically Distressed Areas Program Legislative Set-Aside
 - 3c. Colonia Self-Help Centers Legislative Set-Aside
 - 3d. Colonias to Cities Initiative Program
4. Planning and Capacity Building Fund
5. Disaster Relief/Urgent Need Fund
6. Tx CDBG STEP Fund

PILOT PROGRAMS:

RENEWABLE ENERGY DEMONSTRATION PILOT PROGRAM

COMMUNITY FACILITIES FUND

B. DESCRIPTION OF FUNDS

1. Community Development Fund

This fund is available on a biennial basis for funding from program years 2011 and 2012 through a 2011 annual competition in each of the 24 state planning regions. Applications received by the 2011 program year application deadline are selected to receive grant awards from the 2011 and 2012 program year allocations. The scoring of the applications is shared between TDRA and the 24 Regional Review Committees (RRC), with the RRC having the predominate percentage of the total possible score.

Regional Priority Set-asides: Housing and Non-Border Colonia projects - Each Regional Review Committee (RRC) is encouraged to allocate a percentage or amount of its Community Development Fund allocation to housing projects and, for RRCs in eligible areas, non-border colonia projects proposed in and for that region. Under a set-aside, the highest ranked applications for a housing or non-border colonia activity, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing or non-border colonia set-aside level. If the region allocates a percentage of its funds to housing and/or non-border colonia activities and applications conforming to the maximum and minimum amounts are not received to use the entire set-asides, the remaining funds may be used for

other eligible activities. (Under a housing and/or non-border colonia set-aside process, a community would not be able to receive an award for both a housing or non-border colonia activity and an award for another Community Development activity during the biennial process. Housing projects/activities must conform to eligibility requirements in 42 U.S.C Section 5305 and applicable HUD regulations.)

The Tx CDBG encourages the use of funds not only to improve existing locations but to provide facilities in other areas to accommodate residential opportunities that will benefit low and moderate income persons. Applicants are encouraged to provide for infrastructure and housing activities that will improve opportunities for low and moderate income persons. When considering projects and designing projects, applicants must continue to consider affirmatively furthering fair housing, which includes providing basic infrastructure, such as water, sewer, and roads that benefit residential housing and other housing activities.

Funds for projects under the Community Development Fund are allocated among the 24 state planning regions based on the following:

REGIONAL ALLOCATION METHOD

The original CD formula is used to allocate 40 percent of the annual state CDBG allocation; and the HUD formula is used to allocate 21.71 percent of the annual state CDBG allocation.

Original CD formula (40%) factors:

a.	Non-Entitlement Population	30%
b.	Number of Persons in Poverty	25%
c.	Percentage of Poverty Persons	25%
d.	Number of Unemployed Persons	10%
e.	Percentage of Unemployed Persons	10%

To the extent possible, the information used to calculate the regional allocations through these factors will be based on the eligible nonentitlement applicants within each region. The population and poverty information used is from the current available decennial census data. The unemployment information used is the current available annual average information.

HUD formula (21.71%) - the formula is the same methodology that HUD uses to allocate CDBG funds to the non-entitlement state programs. The HUD factors, percentages, and methodology are specified in 42 U.S.C. 5306(d). The Tx CDBG will use available data to calculate the allocations to each region.

Using the HUD methodology, the allocation for each region shall be the greater of an amount that bears the same ratio to the allocation for all 24 regions available as either:

(A) the average of the ratios between:

- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 25% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted two times - 50% weight); and
- the extent of housing overcrowding in the nonentitlement areas in that region and the extent of housing overcrowding in the nonentitlement areas of all 24 regions (counted one time - 25% weight);

OR

(B) the average of the ratios between:

- the age of housing in the nonentitlement areas in that region and the age of housing in the nonentitlement areas in all 24 regions (counted two and one half times - 50% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted one and one half times - 30% weight); and
- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 20% weight).

The Tx CDBG will continue to involve the non-entitlement communities and the public in a review of the regional allocation formula through public hearings, meetings of the TDRA board, Task Forces, and input from the State Community Development Review Committee, Regional Councils of Governments, local and state government officials, and other interested parties.

Some regions in the state have a small number of eligible applicants and these regions may receive regional allocations large enough to allow each eligible applicant in that region to apply for an equal share of the regional allocations. The share available to each eligible applicant in the region may amount to an equal share based on the number of eligible applicants and the 2011 and 2012 regional allocations for that region. Or the share available to each eligible applicant in the region may be based on an allocation formula used by the region to allocate the funds available through the 2011 and 2012 regional allocations for the region. Each applicant in one of these regions must meet all state and federal eligibility requirements including but not limited to Tx CDBG applicant threshold requirements, federal requirements for eligible activities, and federal requirements that each activity in an application meet one of the three national program objectives. Applicants in these regions are scored by the Regional Review Committees and the Tx CDBG staff in accordance with the established Community Development Fund selection criteria. The total score received by each applicant in these regions determines if the applicant receives funding from the 2011 regional allocation or 2012 regional allocation. Depending on the State of Texas' CDBG allocations for the 2011 and 2012 program years, there could be a large variance between the 2011 and 2012 regional allocations. If the 2012 regional allocation for one of these regions decreases significantly from the 2011 regional allocation, then the total scores received by applicants in these regions could in fact prevent some of the applicants from receiving funds from the 2012 regional allocation.

A significant increase or decrease to the State's 2012 Program Year CDBG allocation would result in corresponding increases or decreases to the current Program Year Community Development Fund allocation and correspondingly higher or lower regional allocations.

Non-border colonia projects – available to eligible county applicants for projects in severely distressed unincorporated areas located farther than 150 miles from the Texas-Mexico border and non-entitlement counties, or portions of counties, within 150 miles of the Texas-Mexico border that are not eligible for the Colonia Fund because they are located in a standard metropolitan statistical area that has a population exceeding 1,000,000, as specified the Cranston-Gonzalez National Affordable Housing Act. Non-border colonia areas would be an identifiable unincorporated community that is determined to be colonia-like on the basis of objective criteria, including lack of potable water supply, lack of adequate

sewage systems, and lack of decent, safe, and sanitary housing; and was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act (November 28, 1990).

Applicants must demonstrate they are adequately addressing water supply and water conservation issues (in particular contingency plans to address drought-related water supply issues), as described in the application guidance.

Applications requesting funds for projects other than water and sewer must include a description of how the applicant's water and sewer needs would be met and the source of funding that would be used to meet these needs.

2. Texas Capital Fund

This economic development funding is used for projects that will create or retain permanent employment opportunities, primarily for low to moderate income persons, and for county economic and management development activities. Responsibility for this fund is contracted to the Texas Department of Agriculture through an interagency agreement. The funds may be used to provide financial assistance for eligible activities as cited in 42 U.S.C Section 5305, including the following activities.

- a. Infrastructure improvements to assist a for-profit entity or a non-profit entity.
- b. Acquisition of real property or to acquire, construct, reconstruct, or rehabilitate public facilities to assist a for-profit entity.
- c. Infrastructure improvements to assist Texas Main Street Program designated municipalities.
- d. Downtown Revitalization Program that is designed to foster and stimulate economic development in downtown areas by providing financial assistance for public improvements to non-entitlement cities. This program encourages the elimination of slum and blighted areas by targeting the renovation and/or construction of sidewalks, lighting, drainage and other infrastructure improvements in downtown areas. Communities eligible for the Texas Main Street Program are not eligible for the Downtown Revitalization Program.
- e. County economic and management development activities as approved by TDRA. Not more than five percent (5%) of the Texas Capital Fund allocation may be used for these activities. Section 487.3521 of the Texas Government Code requires TDRA to "allocate not more than five percent of the funds allocated to the Department of Agriculture under the Texas Capital Fund to be used for county economic and management development." TDRA will review activities proposed for this assistance and determine if the activities are consistent with the federal law governing the CDBG program.
- f. Assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that:
 - (1) creates or retains jobs for low- and moderate-income persons;
 - (2) prevents or eliminates slums or blight;
 - (3) meets urgent needs;

- (4) creates or retains businesses owned by community residents;
- (5) assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents; or
- (6) provides technical assistance to promote any of the activities under subparagraphs (1) through (5).

The Texas Capital Fund program will require repayment for Real Estate and Infrastructure projects, as follows:

- a. Real Estate Development (including improvements to the business site) projects require full repayment with no interest accruing; and
- b. Infrastructure Program (awards for infrastructure or railroad improvements on private property require full repayment with no interest accruing).

3. Colonia Fund

This fund is available to eligible county applicants for projects in severely distressed unincorporated areas which meet the definition as a “colonia” under this fund. Scoring of all the selection criteria for Colonia Fund applications is completed by Tx CDBG staff. The term “colonia” means any identifiable unincorporated community that is within 150 miles of the border between the United States and Mexico, except that the term does not include any standard metropolitan statistical area that has a population exceeding 1,000,000; and that is determined to be a colonia on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act (November 28, 1990). Except for fund categories where additional restrictions apply, a county can only submit applications on behalf of eligible colonia areas located within 150 miles of the Texas-Mexico border region, except that any county that is part of a standard metropolitan statistical area with a population exceeding 1,000,000 is not eligible under this fund.

3a. Colonia Planning and Construction Fund

The allocation is available on a biennial basis for funding from program years 2011 and 2012 through a 2011 annual competition. Applications received by the 2011 program year application deadline are eligible to receive grant awards from the 2011 and 2012 program year allocations. Funding priority shall be given to Tx CDBG applications from localities that have been funded through the Texas Water Development Board Economically Distressed Areas Program (TWDB EDAP) where the Tx CDBG project will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with access to the TWDB EDAP-funded water or sewer system.

An eligible county applicant may submit one (1) application for the following eligible construction activities:

- (1) Assessments for Public Improvements – The payment of assessments (including any charge made as a condition of obtaining access) levied against properties owned and occupied by persons of low- and moderate-income to recover the capital cost for a public improvement.

(2) **Other Improvements** – Other activities eligible under 42 U.S.C Section 5305 designed to meet the needs of colonia residents.

A colonia construction application must include an assessment of the effect of the Model Subdivision Rules established pursuant to §16.343 of the Water Code and enforcement actions throughout the county and provide the colonia identification number for the colonias that would receive the project benefit.

Colonia Planning Component

A portion of the funds will be allocated to two separate biennial competitions for applications that include planning activities targeted to selected colonia areas – (Colonia Area Planning activities), and for applications that include countywide comprehensive planning activities (Colonia Comprehensive Planning activities). Applications received by the 2011 program year application deadline are eligible to receive a grant award from the 2011 and 2012 program year allocations.

In order to qualify for the Colonia Area Planning activities, the county applicant must have a Colonia Comprehensive Plan in place that prioritizes problems and colonias for future action. The targeted colonia must be included in the Colonia Comprehensive Plan.

A Colonia Planning activities application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

(1) Colonia Area Planning Activities

An eligible county may submit an application for eligible planning activities that are targeted to one or more colonia areas. Eligible activities include:

- Payment of the cost of planning community development (including water and sewage facilities) and housing activities;
- Costs for the provision of information and technical assistance to residents of the area in which the activities are located and to appropriate nonprofit organizations and public agencies acting on behalf of the residents;
- Costs for preliminary surveys and analyses of market needs, preliminary site engineering and architectural services, site options, applications, mortgage commitments, legal services, and obtaining construction loans, and
- For any colonia in close proximity to a city, a plan that if implemented could lead to annexation of the colonia by the city.

(2) Colonia Comprehensive Planning Activities

To be eligible for these funds, a county must be located within 150 miles of the Texas-Mexico border. The applicant's countywide comprehensive plan will provide a general assessment of the colonias in the county, but will include enough detail for accurate profiles of the county's colonia areas. The prepared comprehensive plan must include the following information and general planning elements:

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- Verification of the number of dwellings, number of lots, number of occupied lots, and the number of persons residing in each county colonia
- Mapping of the locations of each county colonia
- Demographic and economic information on colonia residents
- The physical environment in each colonia including land use and conditions, soil types, and flood prone areas
- An inventory of the existing infrastructure (water, sewer, streets, drainage) in each colonia and the infrastructure needs in each colonia including projected infrastructure costs
- The condition of the existing housing stock in each colonia and projected housing costs
- A ranking system for colonias that will enable counties to prioritize colonia improvements rationally and systematically plan and implement short-range and long-range strategies to address colonia needs
- Goals and Objectives
- Five-year capital improvement program
- An assessment of the effect of the Model Subdivision Rules established pursuant to §16.343 of the Water Code and enforcement actions throughout the county
- For any colonia in close proximity to a city, a plan that if implemented could lead to annexation of the colonia by the city

Colonia Planning Component funds may be used for planning purposes under the Colonias to Cities Initiative.

3b. Colonia Economically Distressed Areas Program (CEDAP) Legislative Set-aside

The allocation is distributed on an as-needed basis. Eligible applicants are counties, and nonentitlement cities located in those counties, that are eligible under the Tx CDBG Colonia Fund, including meeting the geographic requirements, and Texas Water Development Board's Economically Distressed Areas Program (TWDB EDAP). Eligible projects shall be located in unincorporated colonias; in colonias located in eligible nonentitlement cities that annexed the colonia and the application for improvements in the colonia is submitted within five (5) years from the effective date of the annexation; or in colonias located in eligible nonentitlement cities where the city is in the process of annexing the colonia where the improvements are to be made.

Eligible applicants may submit an application that will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with being connected to a TWDB EDAP-funded water and sewer system improvement project. An application cannot be submitted until the construction of the TWDB EDAP-funded water or sewer system begins.

Eligible program costs include water distribution lines and sewer collection lines providing connection to water and sewer lines installed through the Texas Water Development Board's Economically Distressed Areas Program (when approved by the Tx CDBG), taps and meters (when approved by the Tx CDBG), yard service lines, service connections, plumbing improvements, and connection fees, and other eligible approved costs associated with connecting an income-eligible family's housing unit to the TWDB improvements.

An applicant may not have an existing CEDAP contract open in excess of 48 months and still be eligible for a new CEDAP award. (In accordance with program rule, an applicant may submit one application within a program year.)

If there are an insufficient number of TWDB EDAP projects ready for Colonia Economically Distressed Areas Program (CEDAP) funding, the CEDAP funds may be transferred as appropriate.

3c. Colonia Self-Help Centers Legislative Set-aside

In accordance with Subchapter Z, Chapter 2306, Government Code, and Title 10, Texas Administrative Code, Part 1, Chapter 3, TDHCA has established self-help centers in Cameron County, El Paso County, Hidalgo County, Starr County, and Webb County. If deemed necessary and appropriate, TDHCA may establish self-help centers in other counties (self-help centers have been established in Maverick County and Val Verde County) as long as the site is located in a county that is designated as an economically distressed area under the Texas Water Development Board Economically Distressed Areas Program (EDAP), the county is eligible to receive EDAP funds, and the colonias served by the center are located within 150 miles of the Texas-Mexico border.

The geographic area served by each self-help center is determined by TDHCA. Five (5) colonias located in each self-help center service area are designated to receive concentrated attention from the center. Each self-help center sets a goal to improve the living conditions of the residents located in the colonias designated for concentrated attention within a two-year period set under the contract terms. TDHCA has the authority to make changes to the colonias designated for this concentrated attention.

The TDHCA grant contract for each self-help center must be executed with the county where the self-help center is located. TDHCA will enter into a Texas Community Development Block Grant Program contract with each affected county. Each county enters into a subcontract with a non-profit community action agency, a public housing authority, or a non-profit organization.

A Colonia Residents Advisory Committee was established and not fewer than five persons who are residents of colonias were selected from the candidates submitted by local nonprofit organizations and the commissioners' court of a county where a self-help center is located. One committee member shall be appointed to represent each of the counties in which a self-help center is located. Each committee member must be a resident of a colonia located in the county the member represents but may not be a board member, contractor, or employee of or have any ownership interest in an entity that is awarded a contract through the Texas Community Development Block Grant Program. The Advisory Committee shall advise TDHCA regarding:

- (1) the needs of colonia residents;
- (2) appropriate and effective programs that are proposed or are operated through the centers;
- and
- (3) activities that may be undertaken through the centers to better serve the needs of colonia residents.

The purpose of each center is to assist low income and very low income individuals and families living in colonias located in the center's designated service area to finance, refinance, construct, improve or maintain a safe, suitable home in the designated service area or in another suitable area. Each self-help center may serve low income and very low income individuals and families by:

- (1) providing assistance in obtaining loans or grants to build a home;
- (2) teaching construction skills necessary to repair or build a home;
- (3) providing model home plans;
- (4) operating a program to rent or provide tools for home construction and improvement for the benefit of property owners in colonias who are building or repairing a residence or installing necessary residential infrastructure;
- (5) helping to obtain, construct, access, or improve the service and utility infrastructure designed to service residences in a colonia, including potable water, wastewater disposal, drainage, streets and utilities;
- (6) surveying or platting residential property that an individual purchased without the benefit of a legal survey, plat, or record;
- (7) providing credit and debt counseling related to home purchase and finance;
- (8) applying for grants and loans to provide housing and other needed community improvements;
- (9) providing other eligible services that the self-help center, with TDHCA approval, determines are necessary to assist colonia residents in improving their physical living conditions, including help in obtaining suitable alternative housing outside of a colonia's area;
- (10) providing assistance in obtaining loans or grants to enable an individual or family to acquire fee simple title to property that originally was purchased under a contract for a deed, contract for sale, or other executory contract;
- (11) monthly programs to educate individuals and families on their rights and responsibilities as property owners; and
- (12) providing access to computers, the internet, and computer training.

A self-help center may not provide grants, financing, or mortgage loan services to purchase, build, rehabilitate, or finance construction or improvements to a home in a colonia if water service and suitable wastewater disposal are not available.

For any award made on or after September 1, 2005, any political subdivision that receives community development block grant program money targeted toward street improvement projects in eligible colonia areas must allocate not less than five percent but not more than 15 percent of the total amount of street improvement money to providing financial assistance to colonias within the political subdivision to enable the installation of adequate street lighting in those colonias if street lighting is absent or needed.

3d. Colonias to Cities Initiative

If there are an insufficient number of TWDB EDAP projects ready for Colonia Economically Distressed Areas Program (CEDAP) funding, the CEDAP funds may be transferred to the Colonias to Cities Initiative. This initiative will provide funding for basic infrastructure considered necessary for a colonia area to be annexed by an adjoining city. Priority would be for colonias that have received prior Tx CDBG funding. Both the county and city must submit a multi-jurisdictional pre-application for the project that includes a resolution from each jurisdiction. The city's resolution must include a firm commitment to annex the colonia upon completion of the project. Multi-jurisdictional applications from the county and city would be accepted by invitation only after a thorough review of the pre-applications. Failure to annex the colonia may result in a requirement to repay the CDBG funding to Tx CDBG. The maximum amount

provided would be \$500,000. (The Colonia Construction component scoring would be used to prioritize funding if needed. The Tx CDBG may establish other criteria in the application guidelines.)

In addition, the initiative may involve a planning component that would use the Colonia Area Planning activities guidelines.

4. *Planning And Capacity Building Fund*

This fund is available on a biennial basis to assist eligible cities and counties in conducting planning activities that assess local needs, develop strategies to address local needs, build or improve local capacity, or that include other needed planning elements (including telecommunications and broadband needs). All planning projects awarded under this fund must include a section in the final planning document that addresses drought-related water supply contingency plans and water conservation plans. Applications received by the 2011 program year application deadline are eligible to receive grant awards through a statewide competition for funding from the 2011 and 2012 program year allocations.

A significant increase or decrease to the State's 2012 CDBG allocation may result in corresponding increases or decreases to the 2012 Planning and Capacity Building Fund allocations.

5. *Disaster Relief/Urgent Need Fund*

Disaster Relief assistance is available through this fund as needed for eligible activities in relief of disaster situations where either the Governor has proclaimed a state disaster declaration or the President has issued a federal disaster declaration. Tx CDBG may prioritize throughout the program year the use of Disaster Relief assistance funds based on the type of assistance or activity under consideration and may allocate funding throughout the program year based on assistance categories. Priority for the use of these Tx CDBG funds is for repair and restoration activities to meet basic human needs, such as water and sewer facilities, housing, and roads.

Urgent Need assistance is contingent upon the availability of funds for activities that will restore water or sewer infrastructure whose sudden failure has resulted in death, illness, injury, or pose an imminent threat to life or health within the affected applicant's jurisdiction. The infrastructure failure must not be the result of a lack of maintenance and must be unforeseeable. As an initial step, Tx CDBG undertakes an assessment of whether the situation is reasonably considered unforeseeable. An application for Urgent Need assistance will not be accepted by the Tx CDBG until discussions between the potential applicant and representatives of the Tx CDBG, the Texas Commission on Environmental Quality (TCEQ), and the Texas Water Development Board (TWDB) have taken place. Through these discussions, a determination shall be made whether the situation meets Tx CDBG Urgent Need threshold criteria; whether shared financing is possible; whether financing for the necessary improvements is, or is not, available from the TWDB; or that the potential applicant does, or does not, qualify for TWDB assistance. If Tx CDBG funds are still available, a potential applicant that meets these requirements will be invited to submit an application for Urgent Need funds.

To qualify for Disaster Relief funds:

- The situation addressed by the applicant must be both unanticipated and beyond the control of the local government.

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- The problem being addressed must be of recent origin. For Disaster Relief assistance, this means that the application for assistance must be submitted no later than 12 months from the date of the Presidential or Governor's declaration.
- Under Disaster Relief, funds will not be provided under FEMA's Hazard Mitigation Grant Program for buyout projects unless Tx CDBG receives satisfactory evidence that the property to be purchased was not constructed or purchased by the current owner after the property site location was officially mapped and included in a designated flood plain area.
- Each applicant for these funds must demonstrate that adequate local funds are not available, i.e., the entity has less than six months of unencumbered general operations funds available in its balance as evidenced by the last available audit required by state statute, or funds from other state or federal sources are not available to completely address the problem.
- Tx CDBG will consider whether funds under an existing Tx CDBG contract are available to be reallocated to address the situation.
- The distribution of these funds will be coordinated with other state agencies.

To qualify for Urgent Need funds:

- The situation addressed by the applicant must not be related to a proclaimed state disaster declaration or a federal disaster declaration.
- The situation addressed by the applicant must be both unanticipated and beyond the control of the local government (e.g., not for facilities or equipment beyond their normal, useful life span).
- The problem being addressed must be of recent origin. For Urgent Need assistance, this means that the situation first occurred or was first discovered no more than 30 days prior to the date that the potential applicant provides a written request to the Tx CDBG for Urgent Need assistance. The Urgent Need Fund will not fund projects to address a situation that has been known for more than 30 days or should have been known would occur based on the applicant's existing system facilities.
- Each applicant for these funds must demonstrate that local funds or funds from other state or federal sources are not available to completely address the problem.
- The distribution of these funds will be coordinated with other state agencies.
- The infrastructure failure cannot have resulted from a lack of maintenance.
- Urgent Need funds cannot be used to restore infrastructure that has been cited previously for failure to meet minimum state standards.
- The infrastructure failure cannot have been caused by operator error.
- The infrastructure requested by the applicant cannot include back-up or redundant systems.
- Tx CDBG will consider whether funds under an existing Tx CDBG contract are available to be reallocated to address the situation.
- The Urgent Need Fund will not finance temporary solutions to the problem or circumstance.

Construction on an Urgent Need fund project must begin within ninety (90) days from the start date of the Tx CDBG contract. The Tx CDBG reserves the right to deobligate the funds under an Urgent Need Fund contract if the grantee fails to meet this requirement.

Each applicant for Urgent Need funds must provide matching funds. If the applicant's 2000 Census population is equal to or fewer than 1,500 persons, the applicant must provide matching funds equal to 10 percent of the Tx CDBG funds requested. If the applicant's 2000 Census population is over 1,500 persons, the applicant must provide matching funds equal to 20 percent of the Tx CDBG funds requested. For county applications where the beneficiaries of the water or sewer improvements are located in unincorporated areas, the population category for matching funds is based on the number of project beneficiaries.

6. Tx CDBG STEP Fund

Funds will be available for grants on a competitive award basis to cities and counties to provide grant assistance to cities and communities recognizing the need and willingness to solve water and sewer problems through the Texas Small Towns Environment Program (STEP) self-help techniques. The program will accept applications two times a year and utilize a competitive process to evaluate, score and award these projects.

Cities and counties receiving 2011 and 2012 Community Development Fund grant awards for applications that did not include water, sewer, or housing activities are not eligible to receive a 2011 STEP Fund grant award. However, the Tx CDBG will give consideration to a city's or county's request to transfer funds (that are not financing basic human needs activities such as water, sewer, or housing activities) under a 2011 or 2012 Community Development Fund grant award to finance water and sewer activities that will be addressed through self-help.

The Texas STEP approach to solving water and sewer needs recognizes affordability factors related to the construction and operations/maintenance of the necessary water or sewer improvements and then initiates a local focus of control based on the capacity and readiness of the community's residents to solve the problem through self-help. By utilizing the community's own resources (human, material and financial), the necessary water or sewer construction costs, engineering costs, and related administration costs can be reduced significantly from the cost for the installation of the same improvements through conventional construction methods.

Tx CDBG staff will provide guidance, assistance, and support to community leaders and residents willing to use self-help to solve their water and sewer problems.

Eligible Activities

For the Tx CDBG STEP Fund eligible activities are limited to:

- the installation of facilities to provide first-time water or sewer service
- the installation of water or sewer system improvements
- ancillary repairs related to the installation of water and sewer systems or improvements
- the acquisition of real property related to the installation of water and sewer systems or improvements (easements, rights of way, etc.)
- sewer or water taps and water meters
- water or sewer yard service lines (for low and moderate income persons)
- water or sewer house service connections (for low and moderate income persons)
- plumbing improvements associated with providing water or sewer service to a housing unit
- water or sewer connection fees (for low and moderate income persons)
- rental of equipment for installation of water or sewer
- reasonable associated administrative costs
- reasonable associated engineering services costs

Ineligible Activities

- any activity not described in the preceding ELIGIBLE ACTIVITIES section is ineligible under the Tx CDBG STEP Fund unless the activity is approved by the Texas Community Development Block Grant Program
- temporary solutions, such as emergency inter-connects that are not used on an on-going basis for supply or treatment and back-ups not required by the regulations of the Texas Commission on Environmental Quality.

The Tx CDBG will not reimburse for force account work for construction activities on the STEP project.

Funding Cycle

Applications are accepted two times a year for Texas STEP Funding as long as funds are available. Funds will be divided among the two application periods. After all projects are ranked, only those that can be fully funded will be awarded a grant. There will be no marginally funded grant awards.

The Tx CDBG will not accept an application for STEP Fund assistance until Tx CDBG staff and representatives of the potential applicant have evaluated the self-help process and Tx CDBG staff determine that self-help is a feasible method for completion of the water or sewer project, the community is committed to self-help as the means to address the problem, and the community is ready and has the capacity to begin and complete a self-help project. If it is determined that the community meets all of the STEP criteria then an invitation to apply for funds will be extended to the community and the application may be submitted.

Threshold Criteria

The self-help response to water and sewer needs may not be appropriate in every community. In most cases, the decision by a community to utilize self-help to obtain needed water and sewer facilities is based on the community's realization that it cannot afford even a "no frills" water or sewer system based on the initial construction costs and the operations/maintenance costs (including debt service costs) for water or sewer facilities installed through conventional financing and construction methods.

The following are threshold requirements for the Texas STEP framework. Without all these elements the project will not be considered under the Texas STEP fund:

- 1) one or more sparkplugs (preferably three)—local leaders willing to both lead and sustain the effort;
- 2) readiness—local perception of the problem and the willingness to take action to solve it;
- 3) capacity—manpower including some skills required to solve the problem and operate applicable construction equipment;
- 4) 40% Savings off of retail price; and
- 5) must be performed predominately by community volunteer workers.

To be eligible for additional STEP awards, an applicant must have demonstrated to Tx CDBG management that its existing STEP contracts are currently being implemented on schedule in accordance with the applicable contracts and in accordance with any Tx CDBG-approved allowances.

Upon completion of the project, the award recipient will be required to certify that work was performed predominately by community volunteer workers and a minimum of 40 percent savings off of retail prices was maintained (or the savings percentage specified in the application if greater).

Some of the key points staff will review for these thresholds include but are not limited to the following:

- 1) one or more sparkplugs (preferably three)—local leaders willing to both lead and sustain the effort; Leaders that have been identified and agreed on by the community:
 - at least two of the three sparkplugs must be residents and not local officials (local officials may serve as sparkplugs)
 - one should be detailed enough to maintain the paperwork needed for the project

- one should have some knowledge or skills to lead the self-help effort
- And one can have a combination of these skills or just be the motivator and problem solver of the group

These are not absolutes but the best scenario for any project.

2) readiness—local perception of the problem and the willingness to take action to solve it:

- a strong local perception of the problem
- community perception that local implementation is the best and maybe only solution
- community has confidence that they can do it adequately
- community has no strong competing priority
- local government is supportive and understands the urgency
- public and private willingness to pay additional costs if needed (fees, hook-ups for churches, other)
- effort and attention have already been given to local assessment of the problem
- enthusiastic, capable support by the community from the county or regional field staff of the regulatory agency

3) capacity— manpower including some skills required to solve the problem:

- Skilled workers within the community (heavy equipment operation, pipe laying, electrician, plumber, engineer, water operator, construction skills)
- List of Volunteers by task
- Possible equipment in community (not a requirement)
- Letters stating support from local businesses in form of donation of supplies or manpower
- Letter from service provider supporting project and agreeing to provide service
- CPA Letter documenting that the applying locality has financial and management capacity to compete project

4) 40% Savings off of retail price.

Documentation of the 40% savings off of the retail price:

- Two engineering break-outs of cost, one that shows the retail construction cost and another that shows the self-help cost and demonstrates the 40% savings
- Back-up documents of material quotes, pledges of equipment
- List of Volunteers by task
- Determination of appropriate technology and feasibility of project. (letter from engineer)

Pilot Programs:

Renewable Energy Demonstration Pilot Program (Using Deobligated and/or Program Income)

The Tx CDBG will develop a renewable energy pilot program funded solely through deobligated funds / program income for demonstration projects that employ renewable energy for at least 20% of the total energy requirements, (excluding the purchase of energy from the electric grid that was produced with renewable energy).

The priority will be for projects that are connected with providing public facilities to meet basic human needs such as water or waste water. It is anticipated that the projects funded would meet the National Objective of benefiting a “target area” where at least 51 percent of the residents are low and moderate income persons, although the project would be allowed to qualify under other National Objective alternatives. The maximum amount of the project would be \$500,000 and the minimum would be

\$50,000. The program may directly award additional funds to an existing contract as necessary for a complete and successful project.

The projects will be selected on the following basis (which are assigned points under Section IV(C)(6) of this Action Plan):

(A) Type of Project: Primarily used in conjunction with providing public facilities to meet basic human needs such as water or waste water and/or benefit to low/moderate-income persons.

(B) Innovative Technology/Methods – A project that would demonstrate the application of innovative technology and/or methods.

(C) Duplication in Other Rural Areas – A project that could have widespread application (although it would not need to be applicable in every portion of the state.)

(D) Long-term Cost / Benefit and Texas Renewable Energy Goals – Projects that demonstrate long term cost/benefit analysis including benefits to the human environment and consistency with Texas renewable energy goals.

(E) Partnership/Collaboration – Projects that have a demonstrated partnership and collaboration with other entities focusing on promoting renewable energy including universities, funding agencies, associations, or businesses.

(F) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses – percent of portion of total project receiving Tx CDBG funds is leveraged with other funds.

(G) Location in Rural Areas – Projects that benefit cities with populations under 10,000 or counties under 100,000.

Community Facility Fund

Purpose: The purpose of this community enhancement program is to provide one project to benefit a community in each of the 24 Councils of Governments (COG) regions over the PY 2011/2012 period and beyond if necessary based on available funding. This program is designed to sustain the smallest of the rural communities within Texas. The project must be a community facility project that would have the potential to benefit all citizens with the jurisdiction. It must not involve providing basic infrastructure nor be a recreational project, as determined by Tx CDBG staff. The project may include connections to existing infrastructure. (A community center could hold recreational activities or events within the facility.) The community facilities must provide a benefit that will enhance the overall quality of life in the rural community. (While the project to be funded may not be considered a recreational project, the design may provide for an incidental amount of recreational facilities that would be constructed using other sources of funding in another future phase. The initial phase funded under this program may not include construction of any recreational facilities.)

Amount available for each COG region and each award: \$250,000. If a city has as part of its application a resolution in support of the project from the county where it is located, the maximum application amount, and amount available to the region, will be \$300,000. (A county that meets the LMI percentage requirement that is submitting an application on its own behalf may receive up to \$300,000.) The Tx CDBG staff will select at random the initial regions that may apply in PY 2011. The remaining regions would be the eligible applicants in PY 2012 and subsequent program years, if necessary based on available funding.

Source of funding: Funding will be provided from deobligated funds, program income, or other external sources.

Eligibility requirements: The applicant must meet the Low and Moderate Income (LMI) national objective for its entire jurisdiction (at least 51 percent LMI). The Tx CDBG may establish other national objective criteria. Additional requirements may be specified in the application. The applicant must demonstrate that it has the financial resources to sustain the operation and maintenance of the facility.

Pre-application: The applicant must submit a pre-application for initial eligibility determination. Application will be by invitation to those entities that meet the pre-application eligibility requirements. Additional details and requirements may be established in the pre-application and application.

C. ALLOCATION OF AVAILABLE FUNDS BY FUND CATEGORY

The amount available for Tx CDBG assistance will be the 2011 State CDBG allocation of \$66,604,562 plus an estimated \$2,500,000 in program income. Funds will be allocated according to the following percentages of the State’s 2011 allocation upon the execution of the grant agreement with HUD:

FUND	2011 PERCENT	AMOUNT AVAILABLE
Community Development Fund	61.71 ¹	
Texas Capital Fund (TCF)	14.51	
Program Income from TCF		\$2,000,000 ⁴
Colonia Fund		
Colonia Planning and Construction Fund	7.00	
Colonia EDAP Legislative Set-aside	3.00 ⁵	
Colonia Self-Help Centers Legislative Set-aside	2.50	
Planning And Capacity Building Fund	1.0	
Disaster Relief/Urgent Need Fund		
Disaster Relief	4.10	
Urgent Need	0 ²	
Tx CDBG STEP Fund	3.03	
Administration	2.69	
Administration - \$100,000	0.15	
Technical Assistance	0.31	
Pilot Programs (Deobligated Funds/ Program Income):		

Deobligated funds/program income notes:

¹ Allocation to each region based on Section II (B)

² Deobligated funds and/or program income sufficient to replenish to \$1,000,000 is made available for the Urgent Need Fund on the first day of PY 2011. Based on Tx CDBG Program determination of respective demand for financial assistance under the Urgent Need and Disaster Relief portions of the Disaster Relief/Urgent Need Fund. Urgent Need funds may be used for Disaster Relief projects.

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FUND	2011 PERCENT	AMOUNT AVAILABLE
Renewable Energy Demonstration Pilot Program	0 ³	
Communities Facilities Fund		
Other Program Income:		\$500,000

³Deobligated funds and/or program income of \$500,000 is made available on the first day of PY 2011.

The amounts for these fund categories may be adjusted during PY 2011 as needed.

⁴ Used based on Section II © (a).

⁵May be transferred for the other projects benefitting Colonias if there are an insufficient number of EDAP-eligible projects ready for CEDAP connection funding.

Deobligated funds and/or program income up to \$500,000 sufficient to provide for the timely expenditure initiative are made available on the first day of the Program Year.

PY 2011 State Allocation- allocated by Fund Category	Percent	Amount
Community Development Fund	61.71%	\$41,101,675
Texas Capital Fund	14.51%	\$9,664,322
Colonia Fund:		
Colonia Planning and Construction Fund	7.00%	\$4,660,456
Colonia EDAP Legislative Set-aside	3.00%	\$2,000,000
Colonia Self-Help Centers Legislative Set-aside	2.5%	\$1,665,114
Planning and Capacity Building Fund	1.00%	\$666,046
Disaster Relief/Urgent Need Fund:		
Disaster Relief Fund	4.10%	\$2,730,787
Tx CDBG STEP Fund	3.03%	\$2,018,025
Administration	2.69%	\$1,790,615
Administration-\$100,000	0.15%	\$100,000
Technical Assistance	0.31%	\$207,522
TOTAL	100.00%	\$66,604,562

Summary of Activities That Utilize 1% Technical Assistance Funding

Timely Expenditure Initiative – Pilot Program for the Community Development Fund

As a pilot program, the Tx CDBG will establish a program that provides an opportunity for the reimbursement of additional demonstrated costs incurred to complete the project activities earlier than the regular contract implementation schedule based on all of the following criteria.

At the 12-month point in the contract, the grant recipient must email Tx CDBG a certification statement informing Tx CDBG whether it has started construction on any contract activity. This certification statement must arrive prior to the end of the 12th month from the original contract start date;

All construction funded with Tx CDBG funds must be completed and 90 percent of the Tx CDBG budget must be requested from Tx CDBG for eligible costs with acceptable supporting documentation not later than 60 days earlier than the original contract end date;

The Tx CDBG will consider reimbursement of up to one percent (1%) of the Tx CDBG funds budgeted for construction and acquisition/relocation for additional demonstrated costs incurred to complete the project activities 60 days earlier than the original contract end date;

The opportunity to receive any additional reimbursement under this program will automatically end without any further action being necessary by either party to the Tx CDBG contract and it will no longer be possible to be considered regardless of circumstances for reimbursement of any additional costs under this program after a date 60 days prior to the end of the original contract period;

These funds cannot replace local funds already provided for activity delivery costs or local administration;

The reimbursement is contingent on available Tx CDBG funds at the time; and

Tx CDBG may use either annual allocation funds, deobligated funds, or program income to fund these additional costs incurred.

Examples of eligible costs include: additional contacts made with other entities involved in the Tx CDBG contract activities, additional monitoring of the status of the Tx CDBG-funded activities; attendance at additional meetings directly related to the Tx CDBG-funded activities, and other additional activity delivery costs.

Technical Assistance Performed Through the Community Development Program

The Texas Community Development Block Grant Program will conduct numerous on-site technical assistance visits funded with the one percent technical assistance (TA) set-aside approved by HUD. These visits will be conducted throughout the year when the Tx CDBG staff recognizes that assistance is needed at the local level or when assistance is requested by the grantees.

Tx CDBG Community Development staff, including TDRA field office staff, will visit localities that are preliminarily recommended for funding to verify information provided in the applications, to view the project sites, to distribute Project Implementation Manuals, and to provide technical assistance regarding the initial Tx CDBG project implementation procedures.

Other technical assistance visits will be conducted with TA funds for special cases dealing with investigations, compliance issues, and to help contractor localities comply with all program requirements.

The TA funds are utilized for a portion of staff salaries which allows Tx CDBG staff to provide greater one-on-one technical assistance to the small communities throughout the contract period.

The Texas Department of Agriculture is using technical assistance funds for on-site technical assistance on the Texas Capital Fund program.

The Texas Department of Housing and Community Affairs is using technical assistance funds for on-site technical assistance on the Colonia Self-Help Centers program.

The Tx CDBG is utilizing the technical assistance funds to introduce, facilitate, and provide community access to the Texas Small Towns Environment Program (Texas STEP) which targets water and wastewater needs. Staff visits localities that are interested in utilizing the Texas STEP method of self-help and provides technical assistance on the development of a financial framework, managing a self-help project and building capacity within a community through self-help.

The Tx CDBG may utilize the technical assistance funds to support Tx CDBG activities related to TDRA's disaster relief efforts. State efforts for response to disasters and the mitigation of the consequences of disasters have required that TDRA dedicate considerable resources for disaster recovery efforts.

In 2011, the Tx CDBG will use a portion of the technical assistance to provide outreach information regarding the CDBG program to local officials of non-entitlement cities and counties. The technical assistance will include information on the application process, program administration, and to improve their capacity to implement a CDBG program.

The technical assistance funds will also be used by each of the 24 State Planning Regions to provide non-project specific technical assistance to cities and counties that are eligible for Tx CDBG funds in each region.

The technical assistance funds may be used to support the operations of the border colonia technical assistance field offices.

The technical assistance funds may be used to support the operations of TDRA's technical assistance field offices in West Texas, South Texas (two offices), Central Texas, and East Texas and other TDRA Community Development-related field office activities.

Deobligated Funds, Unobligated Funds, and Program Income

(a) Deobligated funds, unobligated funds and program income generated by Texas Capital Fund projects shall be retained for expenditure in accordance with the Consolidated Plan. Program income derived from Texas Capital Fund projects will be used by the Tx CDBG for eligible Texas Community Development Block Grant Program activities in accordance with the Consolidated Plan.

Any deobligated funds, unobligated funds, program income, and unused funds from this year's allocation or from previous years' allocations derived from any Texas Community Development Block Grant Program Fund, including program income recovered from Texas Capital Fund local revolving loan funds, and any reallocated funds which HUD has recaptured from Small Cities may be redistributed among the established 2011 program year fund categories, for otherwise eligible projects. The selection of eligible projects to receive such funds is approved by the Executive Director and the TDRA Board on a

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priority needs basis with eligible disaster relief and urgent need projects as the highest priority, followed by, established priority uses within existing fund categories or programs, any awards necessary to resolve appeals under fund categories covered by Texas Administrative Code at 10 T.A.C., Part 6, Chapter 255.1(g), TCF projects, special needs projects, projects in colonias, housing activities, and other projects as determined by the Executive Director of TDRA. Other purposes or initiatives may be established as a priority use of such funds within existing fund categories or programs by the TDRA Board.

If a portion of the State's 2011 Community Development Block Grant allocation is rescinded by the federal government, the Tx CDBG may make corresponding changes within the fund allocation percentages as required.

(b) **Re-distribution of Funds Recaptured from Withdrawn Awards.** Should the applicant fail to substantiate or maintain the claims and statements made in the application upon which the award is based, including failure to maintain compliance with application thresholds in Section III, F.(1) through F.(4), within a period ending 90 days after the date of the Tx CDBG's award letter to the applicant, the award will be immediately withdrawn by the Tx CDBG (excluding the colonia self-help center awards). Should the applicant fail to execute the Tx CDBG's award contract (excluding Texas Capital Fund and colonia self-help center contracts) within 60 days from the date of the letter transmitting the award contract to the applicant, the award will be withdrawn by the Tx CDBG. For an award that is withdrawn from an application, the Tx CDBG follows different procedures for the use of those recaptured funds depending on the fund category where the award is withdrawn.

(1) Funds recaptured under the Community Development Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive an award from the first year regional allocation. Funds recaptured under the Community Development Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year regional allocation. Any funds remaining from the second year regional allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the region as long as the amount of funds still available exceeds the minimum Community Development Fund grant amount. Any funds remaining from the second year regional allocation that are not accepted by an applicant from the region or that are not offered to an applicant from the region may be used for other Tx CDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section.

(2) For the Community Development Fund, if there are no remaining unfunded eligible applications in the region from the same biennial application period to receive the withdrawn funding, then the withdrawn funds may be used for other Tx CDBG fund categories and, if unallocated to another fund, are considered as deobligated funds, subject to the procedures described in paragraph (a) of this section.

(3) Funds recaptured under the Planning and Capacity Building Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that statewide competition that was not recommended to receive an award from the first year

allocation. Funds recaptured under the Planning and Capacity Building Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that statewide competition that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year allocation. Any funds remaining from the second year allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the statewide competition. Any funds remaining from the second year allocation that are not accepted by an applicant from the statewide competition or that are not offered to an applicant from the statewide competition may be used for other Tx CDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section.

(4) Funds recaptured under the Colonia Planning and Construction Fund from the withdrawal of an award remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(5) Funds recaptured under the Colonia Economically Distressed Areas Program Legislative Set-Aside from the withdrawal of an award remain available to potential Colonia Economically Distressed Areas program set-aside applicants during that program year. Any funds remaining from the program year allocation that are not used to fund Colonia Economically Distressed Areas Program set-aside applications within twelve months after the Tx CDBG receives the federal letter of credit would remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(7) Funds recaptured under the program year allocation for the Disaster Relief/Urgent Need Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

(8) Funds recaptured under the Small Towns Environment Program (STEP) Fund from the withdrawal of an award will be made available in the next round of STEP competition following the withdraw date in the same program year. If the withdrawn award had been made in the last of the two competitions in a program year, the funds would go to the next highest scoring applicant in the same STEP competition. If there are no unfunded STEP applicants, then the funds would be available for other Tx CDBG fund categories. Any unallocated STEP funds are subject to the procedures described in paragraph (a) of this section.

(9) Funds recaptured under the Texas Capital Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

D. PROGRAM INCOME

Program income is defined as gross income received by a state, a unit of general local government or a subrecipient of a unit of general local government that was generated from the use of CDBG funds.

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When program income is generated by an activity that is only partially funded with CDBG funds, the income shall be prorated to reflect the percentage of CDBG funds used. Any remaining program income must be used to establish an approved Revolving Loan Fund (RLF) or returned to the State.

The State may use up to the maximum allowable percentage of the amount recaptured and reportable to HUD each year for administrative expenses under the Texas Community Development Block Grant Program. This amount will be matched by the State on a dollar-for-dollar basis.

Program income includes, but is not limited to, the following:

- Payments of principal and interest on loans using CDBG funds
- Proceeds from the sale of loans made with CDBG funds
- Gross income from the use or rental of real or personal property acquired by the unit of general local government or a subrecipient with CDBG funds
- Gross income from the use, sale, or rental of real property and/or real property improvements owned by the unit of general local government or subrecipient that was constructed or improved with CDBG funds
- Gross income from the use of infrastructure improvements constructed or improved with CDBG funds
- Funds collected through special assessments, impact fees or other additional fees from benefiting businesses, if the special assessments or fees are used to recover all or part of the CDBG portion of public improvements
- Proceeds from the disposition of equipment purchased with CDBG funds
- Interest earned on funds held in an RLF account

1. *Texas Capital Fund Program Income*

For program income generated through Texas Capital Fund projects, communities that elect to participate in the recapture of program income for use at the local level through a designated Revolving Loan Fund (RLF) will be limited to receiving one Texas Capital Fund contract award per program year. If a community elects not to participate in the recapture of program income, the community may apply for as many Texas Capital Fund awards as it has eligible projects. This determination must be made at the time of the original award and cannot be changed with subsequent awards.

A local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the Tx CDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for economic development in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended. The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to the Tx CDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original Tx CDBG contract programmatic close date. Every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. If the local government does not comply with the local RLF requirements, all program income retained in the local

RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report to the State program income account balances reflecting amounts received and disbursed and the status of outstanding loans or leases. Such report should also include information regarding RLF loans, leases, and commitments made.

If the local government elects not to participate in program income recapture, fails to meet all requirements of this section or requirements identified in Section 6 of its TCF/Tx CDBG contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state. This section, "Texas Capital Fund Program Income," replaces the Texas Capital Fund Program Income Sections of the Final Statements for program years 1989, 1990, 1991, 1992, 1993, 1994, and 1995 and affects all TCF local revolving loan funds established by contracts awarded in program years 1989, 1990, 1991, 1992, 1993, 1994, and 1995. The following provisions, however, do not apply: 1) "The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to Tx CDBG approval of an RLFP must be returned to the State." 2) "...every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived." 3) "...contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state."

2. *Program Income Generated Through Housing Activities*

For program income generated through housing activities funded through the Housing Fund or Tx CDBG fund categories other than the Texas Capital Fund, a local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the Tx CDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for housing activities principally benefiting low to moderate income persons in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended.

The RLFP must be submitted for approval at least sixty (60) days prior to the termination date of the contract award generating the program income. This requirement shall also apply to 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, and 2004 Housing Fund contract awards. Program income generated by the contract award prior to Tx CDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original Tx CDBG contract programmatic close date. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report the amount of program income recaptured to the state with updates concerning the status of outstanding loans or leases on a quarterly basis, including but not limited to payments received and amendments to the original loan or lease agreement, as required by the Tx CDBG.

If the local government elects not to participate in program income recapture or an RLFP is not approved prior to the contract close-out, then all program income must be returned to the Tx CDBG.

III. APPLICATION INFORMATION

A. TYPES AND NUMBER OF APPLICATIONS

The following two types of applications are permitted under the Texas Community Development Block Grant Program:

1. *Single Jurisdiction Applications*

An eligible applicant may submit one application on its own behalf. When certain situations exist, which will be defined in Tx CDBG application guides, an eligible city may submit an application which benefits persons residing inside of the extraterritorial jurisdiction of the city, and a county may submit a single jurisdiction application on behalf of a city. The submitting city or county is accountable to the Tx CDBG for financial compliance and program performance. If a city or county submits a single jurisdiction application, or its residents are the beneficiaries of a single jurisdiction application, then the city or county cannot participate in another single jurisdiction or multi-jurisdiction application for the same funding category. Local accountability cannot be assigned to another party.

An application from an eligible city or county for a project that would primarily benefit another city or county that was not meeting the Tx CDBG application threshold requirements would be considered ineligible.

2. *Multi-Jurisdiction Applications*

Multi-Jurisdiction applications will be accepted from two or more eligible units of general local government where the application clearly demonstrates that the proposed activities will mutually benefit the residents of the city(ies)/county(ies) applying for such funds. One of the participating units of general local government must be designated to act as the authorized applicant for the multi-jurisdiction application and the authorized applicant is accountable to the Tx CDBG for financial compliance and program performance; however, all entities participating in the multi-jurisdiction application will be accountable for application threshold compliance. A multi-jurisdiction application generally cannot be submitted solely on the basis of administrative convenience. Any city or county participating in a multi-jurisdiction application may not submit a single jurisdiction application for the same funding category.

Under the Community Development Fund regional competitions, a multi-jurisdiction application that includes participating units of general local government from more than one state planning region will compete in the regional competition where the majority of the application activity beneficiaries are located.

B. APPLICATION CYCLES

Based on the support from cities and counties for previous biennial funding cycles, applications for the Community Development, Colonia Planning and Construction Fund, and Planning and Capacity Building

Community Development Block Grant Program

Fund will be accepted on a biennial basis. The biennial funding cycles for these fund categories will improve the timeliness of the expenditure of CDBG funds and therefore prove more cost effective.

The following table summarizes the proposed frequency of application submission for various application types. The application deadline dates are subject to change:

TYPE OF APPLICATION	SUBMISSION CYCLE	APPLICATION DEADLINE
1. Community Development Fund	Biennial¹	October, 2010
2. Texas Capital Fund		
Real Estate Program	Continuous	
Infrastructure Program	Continuous	
Main Street Program	Annually	
Downtown Revitalization Program	Annually	
3. Colonia Fund:		
Planning and Construction Fund	Biennial	June 3, 2011
EDAP Set-aside	As-needed	
4. Planning/Capacity Building Fund	Biennial¹	October 8, 2010
5. Disaster Relief/Urgent Need Fund:		
Disaster Relief	As needed	
Urgent Need ²	By notification	
6. Tx CDBG STEP Fund	Two times annually	
Renewable Energy Demonstration Pilot Program	As announced, at least once annually.	

1 The applications submitted for the program year 2011 Community Development Fund and Planning and Capacity Building Fund as part of the 2011/2012 biennial application process will be scored and ranked. Applications will be funded to the extent that allocated 2011 funds are available. Applications submitted for the Colonia Planning and Construction Fund will be scored and ranked. The final 2011 program year rankings under the Community Development Fund, Planning and Capacity Building Fund, Colonia Planning and Construction Fund will be used to determine the 2011 applicants that are selected for funding from the 2012 program year allocations. Only one application may be submitted for the combined 2011 program year and 2012 program year period under the Community Development Fund, Colonia Construction component, Colonia Planning component, and the Planning and Capacity Building Fund.

C. CONTRACT AWARDS

With the qualified exceptions of the Texas Capital Fund, Colonia Fund, and Disaster Relief/Urgent Need Fund, an applicant is eligible to receive only one grant award per fund. Maximum and minimum contract awards for any single project allowable under the Texas Community Development Block Grant Program are:

CONTRACT AWARD

FUND	CONTRACT AWARD MAXIMUM	CONTRACT AWARD MINIMUM
Community Development Fund		
Single Applicant	\$800,000 ¹	\$75,000 ¹
Multi-Jurisdiction Application	\$800,000 ¹	\$75,000 ¹
Texas Capital Fund		
Real Estate Program	\$750,000 ²	\$50,000
Infrastructure Program	\$750,000 ²	\$50,000
Main Street Program	\$150,000 ³	\$50,000
Downtown Revitalization Program	\$150,000 ³	\$50,000
Colonia Fund		
Construction Fund Component	\$500,000	\$75,000
EDAP Set-aside	\$500,000	None
Area Planning Component	\$100,000 ⁴	None
Comprehensive Planning Component	\$100,000 ⁴	None
	Or \$30,000 ⁴	
Planning/Capacity Building Fund	\$55,000	None
Disaster Relief/Urgent Need Fund		
Disaster Relief Fund	\$350,000	\$50,000
Urgent Need Fund	\$250,000	\$25,000
Tx CDBG STEP Fund	\$350,000	None
<i>Renewable Energy Demonstration Pilot Program</i>	\$500,000	\$50,000

1 Regional Review Committees are authorized to establish a grant maximum for their respective regions between \$275,000 or an amount equal to 12.5% of its combined 2009 and 2010 allocation, whichever is less, and \$800,000 for a single jurisdiction application and between \$350,000 and \$800,000 for a multi-jurisdiction application. Tx CDBG may grant an exception to the minimum level if funds are distributed among all eligible applicants. In order to ensure there are sufficient funds in the CDBG award to provide a substantial benefit and to provide for construction efficiencies, RRCs should not prioritize application amounts lower than the maximum above or \$200,000, whichever is lower.

The maximum amount for a housing or non-border colonia priority activity application is the same as other Community Development Fund applications in the region.

2 The maximum contract award amount allows for administrative costs as outlined in the Texas Capital Fund Application Guidelines. The maximum award amount may be increased to an amount greater than \$750,000, but may not exceed \$1,500,000, if a unit of local government is applying for an award to provide infrastructure or real estate development improvements on behalf of a specific business, and that specific business will create or retain a designated number of jobs at a cost per job level that qualifies for the increased award amount. These increased award amounts above \$750,000 are referred to as “jumbo” awards. The number of jobs, the cost per job, and the maximum percentage of Texas Capital Fund financing of the total project costs that will qualify an application for the increased award amount will be defined in the Texas Administrative Code and the Texas Capital Fund Application Guidelines.

- 3 Texas Capital Funds are specifically reserved for Main Street and the Downtown Revitalization infrastructure activities. The maximum award amount for a Main Street or Downtown Revitalization project is \$150,000.
- 4 The maximum grant award for the Colonia Comprehensive Planning component is set at \$100,000. However, a sliding scale may be used to establish smaller maximum grant amounts based on an amended performance statement or the eligible county's total unincorporated area population. The maximum amount for a county to update its existing Colonia Comprehensive plan is \$30,000.

Amounts shown are maximum funding levels or contract "ceilings," since the Program can fund only the actual, allowable, and reasonable costs of the proposed project, not to exceed these amounts. All grants, except Texas Capital Fund, awarded under the Texas Community Development Block Grant Program are subject to negotiation between TDRA and the applicant regarding the final grant amount. Texas Capital Fund applications are subject to negotiation between the Texas Department of Agriculture and the applicant regarding the final award amount.

D. PROJECT LENGTH

All funded projects, except the Texas Capital Fund and Colonia Self-Help Centers Fund projects, must be completed within two years from the start date of the contract agreement. STEP contracts for awards made in PY 2011 will continue to be for a twenty-four (24) month term with no automatic extension to 36 months, which is the same as PY 2009 and 2010 STEP awards. The Texas Capital Fund Main Street and Downtown Revitalization program awards will be made for a twenty-four (24) month term. The other Texas Capital Fund programs must be completed within three years from the start date of the contract agreement. Contract end dates for Colonia Self-Help Center contracts may be adjusted to account for each program year award. Waivers through a contract amendment of these requirements for any Tx CDBG contract will only be granted when a waiver request is submitted in writing to TDRA or TDA (for Texas Capital Fund contracts) and TDRA or TDA finds that compelling circumstances exist outside the control of the local government that justify the approval of such a waiver.

E. REVIEW PROCESS

1. Regional Review Committees (RRC) - Composition

There is a Regional Community Development Review Committee in each of the 24 state planning regions. Each committee will be comprised of 12 members appointed at the pleasure of the Governor.

The Regional Review Committees may review and comment on applications to other Tx CDBG fund categories.

2. Texas Capital Fund Review Process

The Texas Capital Fund applications will be reviewed and evaluated by Texas Department of Agriculture staff in accordance with the established selection criteria. Recommendations will be made to the Commissioner of the Texas Department of Agriculture for final award.

3. Clearinghouse Review

Regional review of projects will be consistent with guidelines adopted by the Governor's Office for review and comment under the Texas Review and Comment System and Chapter 391, Texas Local Government Code.

4. Regional Water Plans

Water activities included in Tx CDBG applications must be consistent with Regional Water Plans promulgated in accordance with Section 16.053, Water Code.

F. APPLICANT THRESHOLD AND PAST PERFORMANCE REQUIREMENTS

A city or county must meet the following requirements in order to submit an application or to receive funding through the Texas Community Development Block Grant Program:

1. Demonstrate the ability to manage and administer the proposed project, including meeting all proposed benefits outlined in its application, by using the following criteria:
 - a. Provide the roles and responsibilities of local staff designated to administer or work on the proposed project. Also, include a plan of project implementation;
 - b. Indicate intention to use a third-party administrator, if applicable;
 - c. If local staff, along with a third-party administrator, will jointly administer the proposed project, the respective roles and responsibilities of the designated local staff; or
 - d. Tx CDBG management may determine that an applicant has or does not have the capacity to manage and administer the proposed project based on an applicant's prior performance on a Tx CDBG contract.
2. Demonstrate the financial management capacity to operate and maintain any improvements made in conjunction with the proposed project, by using the following criteria:
 - a. Evidence of a financial person on staff, or evidence of intent to contract financial oversight;
 - b. Provide evidence or a statement certifying that financial records for the proposed project will be kept at an officially designated city/county site, accessible by the public, and will be adequately managed on a timely basis using generally accepted accounting principles; and/or
 - c. Tx CDBG management may determine that an applicant has or does not have the financial management capacity to operate and maintain any improvements made in conjunction with the proposed project based on a review of audited financial records, current financial status, or current financial management of a Tx CDBG contract.
3. Levy a local property (ad valorem) tax or local sales tax option.
4. Demonstrate satisfactory performance on all previously awarded Texas Community Development Block Grant Program contracts, by using the following criteria:
 - a. Exhibited past responses to audit and monitoring issues (over the most recent 48 months before the application due date) within prescribed times as indicated in TDRA's resolution letter(s);
 - b. Evidence related to past contracts (over the most recent 48 months before the application due date), through close-out monitoring and reporting, that the activity or service was made available to all intended beneficiaries, that low and moderate income persons were provided

- access to the service, or there has been adequate resolution of issues regarding beneficiaries served.
- c. No outstanding delinquent response to a written request from Tx CDBG regarding a request for repayment of funds to Tx CDBG; or
 - d. Not more than one outstanding delinquent response to a written request from Tx CDBG regarding compliance issues such as a request for closeout documents or any other required information.
5. Resolve any and all outstanding compliance and audit findings on previous and existing Texas Community Development Block Grant Program contracts, by using the following criteria:
- a. Applicant is actively participating in the resolution of any outstanding audit and/or monitoring issues by responding with substantial progress on outstanding issues within the time specified in the TDRA resolution process.
6. Submit any past due audit to TDRA in accordance with Title 10, Chapter 255, Subchapter A, Section 255.1 of the Texas Administrative Code.
- a. A community with one year's delinquent audit may be eligible to submit an application for funding by the established deadline, but the Tx CDBG may withhold the award or issuance of a contract until it receives a satisfactory audit.
The Colonia Self-Help Center Fund and the Disaster Relief/Urgent Need Fund are exempt from the threshold.
 - b. A community with two years of delinquent audits may not apply for additional funding and may not receive a contract award. This applies to all funding categories under the Texas Community Development Block Grant Program.
The Colonia Self-Help Center Fund may be exempt from this threshold, since funds for the self-help center funding is included in the program's state budget appropriation. Failure to meet the threshold will be reported to the Texas Department of Housing and Community Affairs for review and recommendation.
 - c. If an audit becomes due after the award date, the Office may withhold the issuance of a contract until it receives a satisfactory audit. If a satisfactory audit is not received by the Office within four months of the audit due date, the Office may withdraw the award and re-allocate the funds in accordance with Section II(C)(b) (excludes the colonia self-help center awards and Texas Capital Fund awards).

7. **12-Month Applicant Threshold Requirement**

Obligate at least fifty percent (50%) of the total Tx CDBG funds awarded under an open Tx CDBG contract within twelve (12) months from the start date of the contract or prior to the application deadlines, have complete plans and specifications, and have received all applicable environmental approvals from Tx CDBG covering this obligation. This threshold is applicable to Tx CDBG contracts with an original 24-month contract period.

To meet this threshold, 50% of the Tx CDBG funds must be obligated through executed contracts for administrative services, engineering services, acquisition, construction, materials purchase, etc. Plans and specifications must be completed. The Tx CDBG contract activities do not have to be 50% completed, nor do 50% of the Tx CDBG contract funds have to be expended to meet this threshold.

Community Development Block Grant Program

Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories	Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories
Community Development Fund	Texas Capital Fund
Community Development Supplemental Fund	Colonia Self-Help Centers Fund
	Housing Rehabilitation Fund
Community Development – Recovery (both A & B portions combined)	
Colonia Construction Fund	Housing Infrastructure Fund
Colonia Fund Planning	Texas STEP
Disaster Relief/Urgent Need Fund	Colonia Economically Distressed Areas
Planning/Capacity Building Fund	Disaster Recovery Initiative
Non-Border Colonia Fund	<i>Young vs. Martinez</i>
Texas STEP (except for STEP contracts awarded prior to PY 2010)	Microenterprise Loan Fund
	Small Business Loan Fund
	Renewable Energy Demonstration Pilot Program

This threshold is not applicable when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund or for the Renewable Energy Demonstration Pilot Program.

For Community Development-Recovery awards with A & B contracts, both A & B contracts will be considered as though it were one combined contract.

8. 24-Month Applicant Threshold Requirement

Submit to TDRA the Certificate of Expenditures (COE) report showing the expended Tx CDBG funds and a final drawdown for any remaining Tx CDBG funds as required by the latest edition of the Texas Community Development Block Grant Program Project Implementation Manual. Any reserved funds on the COE must be approved in writing by Tx CDBG staff.

For purposes of meeting this threshold “expended” means that the construction and services covered by the Tx CDBG funds are complete and a drawdown for the Tx CDBG funds has been submitted prior to the application deadlines.

This threshold will apply to an open Tx CDBG contract with an original 24-month contract period and to Tx CDBG Contractors that have reached the end of the 24-month period prior to the application deadlines as described below:

Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories	Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories
Community Development Fund	Texas Capital Fund
Community Development Supplemental Fund	Colonia Self-Help Centers Fund
	Housing Rehabilitation Fund
Community Development – Recovery (A & B portions combined)	
Colonia Construction Fund	Housing Infrastructure Fund
Colonia Fund Planning	Texas STEP (original 24-month contract, extended to 36-months) awarded prior to PY 2009
Disaster Relief/Urgent Need Fund	Colonia Economically Distressed Areas
Planning/Capacity Building Fund	Disaster Recovery Initiative
Non-Border Colonia Fund	<i>Young vs. Martinez</i>
Texas STEP (except for STEP contracts awarded prior to PY 2009)	Microenterprise Loan Fund
	Small Business Loan Fund
	Renewable Energy Demonstration Pilot Program

This threshold is not applicable when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund.

9. 36-Month Applicant Threshold Requirement

Submit to TDRA the Certificate of Expenditures (COE) report showing the expended Tx CDBG funds and a final drawdown for any remaining Tx CDBG funds as required by the latest edition of the Texas Community Development Block Grant Program Project Implementation Manual. Any reserved funds on the COE must be approved in writing by Tx CDBG staff.

For purposes of meeting this threshold “expended” means that the construction and services covered by the Tx CDBG funds are complete and a drawdown for the Tx CDBG funds has been submitted prior to the application deadlines.

This threshold is applicable for a previously awarded Tx CDBG contract with an original 36-month contract period or a STEP 24-month contract, extended to 36 months, and to Tx CDBG Contractors that have reached the end of the 36-month period prior to the application deadlines as described on the next page:

Community Development Block Grant Program

Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories	Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories
Texas STEP (original 36-month contract or original 24-month contract extended to 36 months)	Texas Capital Fund (see Texas Capital Fund Section)
	Colonia Self-Help Centers Fund
	Housing Rehabilitation Fund
	Colonia Economically Distressed Areas
	Disaster Recovery Initiative
	<i>Young vs. Martinez</i>
	Microenterprise Loan Fund
	Small Business Loan Fund
	Renewable Energy Demonstration Pilot Program

This threshold is not applicable when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund.

10. Tx CDBG funds cannot be expended in any county that is designated as eligible for the Texas Water Development Board Economically Distressed Areas Program unless the county has adopted and is enforcing the Model Subdivision Rules established pursuant to Section 16.343 of the Water Code.

11. Texas Capital Fund contractors must expend all but the reserved audit funds, or other reserved funds that are pre-approved by Texas Department of Agriculture staff, awarded under a Texas Capital Fund contract executed at least 36 months prior to the current program year application deadline and submit to the Texas Department of Agriculture the Certificate of Expenditures required by the most recent edition of the Texas Capital Fund Implementation Manual. Texas Capital Fund contractors intending to submit a new application may not have an existing contract with an award date in excess of 48 months prior to the application deadline date, regardless of extensions granted.

12. Based on a pattern of unsatisfactory (a.) performance on previously awarded Texas Community Development Block Grant Program contracts, (b.) management and administration of Tx CDBG contracts, or (c) financial management capacity based on a review of official financial records and audits, TDRA (or TDA, in the case of the Texas Capital Fund applications) may determine that an applicant is ineligible to apply for Tx CDBG funding even though at the application date it meets the threshold and past performance requirements. TDRA (or TDA, in the case of Texas Capital Fund applications) will consider the most recent 48 months before the application due date. Tx CDBG may determine that an applicant would still remain eligible for funding under the Disaster Relief Fund even with a pattern of unsatisfactory performance and/or management capacity as discussed in this paragraph; however; the Tx CDBG must approve the contract administrator for the Disaster

Relief Fund grant. An entity or person may be determined ineligible to administer the new contract if it administered the applicant's Tx CDBG contracts during the most recent 48 months before the application date and for two or more of such contracts it administered the applicant failed to meet its contract requirements, such as failure to submit complete closeouts documents on time.

G. ADMINISTRATION OF Tx CDBG CONTRACTS

In order to administer a Tx CDBG contract awarded in PY 2011, the administrator (contracted administrators on behalf of the client community or the city or county staff of self-administering award recipients) must attend, and retain the completion certificate, from the most recent cycle of Tx CDBG Project Implementation Manual workshops. (This requirement excludes Texas Capital Fund and Colonia Self-Help Center Set-aside contracts.) The Tx CDBG contract recipient (city or county) is strongly encouraged to attend the Tx CDBG Project Implementation Workshops even if it anticipates using an outside firm to provide it with contract administration services.

The Tx CDBG is under no obligation to approve any changes in a performance statement of a Tx CDBG contract that would result in a program year score lower than originally used to make the award if the lower score would have initially caused that project to be denied funding. This does not apply to colonia self-help centers or the Texas Capital Fund.

IV. APPLICATION SELECTION CRITERIA

A. GENERAL DESCRIPTION

The scoring criteria used in the Tx CDBG are described in Section C below.

The points awarded under these criteria are combined to rank the projects in descending order. The projects in each fund are selected based on this descending order and the availability of dollars in each fund.

Texas Capital Fund Real Estate Program, and Infrastructure Program projects are evaluated based upon selection criteria that include, but are not limited to:

- (1) Jobs
- (2) Business Emphasis
- (3) Feasibility
- (4) Community Need

Texas Capital Fund Main Street Program and Downtown Revitalization Program projects are evaluated based upon selection criteria that include, but are not limited to:

- (1) Community Profile
- (2) Project Feasibility
- (3) Leverage Ratio
- (4) Aiding in the Elimination of Slum and/or Blight Conditions

Texas Capital Fund applications are reviewed and evaluated by Texas Department of Agriculture staff. Recommendations for all Texas Capital Fund applications will be made to the Commissioner of the Texas Department of Agriculture for final award.

In accordance with Section 2310.403, Government Code, preference will be given to applications from governing bodies of communities designated as defense economic readjustment zones over other eligible applications for Tx CDBG grants and loans if at least fifty percent (50%) of the grant or loan will be expended for the direct benefit of the readjustment zone and the purpose of the grant or loan is to promote Tx CDBG-eligible economic development in the community or for Tx CDBG-eligible construction, improvement, extension, repair, or maintenance of Tx CDBG-eligible public facilities in the community.

Disaster Relief/Urgent Need applications must meet the threshold factors as discussed under the "Description of Funds" section.

Readiness to Proceed Requirements: In order to determine that the project is ready to proceed, the applicant must provide in its application information that:

- a. Identifies the source of matching funds and provides evidence that the applicant has applied for the non-local matching funds, and for local matching funds, evidence that local matching funds would be available.
- b. Provides written evidence of a ratified, legally binding agreement, contingent upon award, between the applicant and the utility that will operate the project for the continual operation of the utility system as proposed in the application. For utility projects that require the applicant or service provider to obtain a Certificate of Convenience and Necessity for the target area proposed in the application, provides written evidence that the Texas Commission on Environmental Quality has received the applicant or service provider's application.
- c. Where applicable, provide a written commitment from service providers, such as the local water or sewer utility, stating that they will provide the intended services to the project area if the project is constructed.

Any applicant's cash match included in the Tx CDBG contract budget may not be obtained from any person or entity that provides contracted professional or construction-related services (other than utility providers) to the applicant to accomplish the purposes described in the Tx CDBG contract, in accordance with 24 CFR Part 570.

B. RESOURCES FOR DESCRIPTIONS OF SELECTION CRITERIA BY FUND CATEGORY

Starting on the next page, the descriptions for the selection criteria for each fund category provide a basic framework of the selection criteria and selection factors used to distribute the funds under each fund category. Additional information on the selection criteria, selection factors and methods used to determine scores for these fund categories is provided in the application guide for each fund category and in the Texas Administrative Code at 10 T.A.C., Part 6, Chapter 255, Subchapter A.

The information currently available for fund categories in the Texas Administrative Code may not yet reflect changes to selection criteria contained in this 2011 Action Plan for the 2011 program year. Any changes to the selection criteria will be published in the Texas Register prior to final adoption.

The Texas Administrative Code can be found on the Texas Secretary of State website at www.sos.state.tx.us. Listed below are the Tx CDBG fund categories that are currently contained in the Texas Administrative Code. Certain Texas Administrative Code sections are retained for previous Fund Categories to govern existing Tx CDBG contracts.

Texas Administrative Code, Title 10 T.A.C., Part 6, Chapter 255, Subchapter A

Section	Section Title
255.1	General Provisions
255.2	Community Development Fund
255.4	Planning/Capacity Building Fund
255.5	Disaster Relief Fund
255.6	Urgent Need Fund
255.7	Texas Capital Fund
255.8	Regional Review Committees
255.9	Colonia Fund
255.11	Small Towns Environment Program Fund
255.17	Renewable Energy Demonstration Pilot Program

C. DESCRIPTION OF SELECTION CRITERIA BY FUND CATEGORY

1. COMMUNITY DEVELOPMENT FUND

a. Regional Review Committee (RRC) Objective Scoring

(1) Responsibilities of the RRC:

Each Regional Review Committee is responsible for determining local project priorities and objective factors for all its scoring components based on public input in accordance with the requirements in this Action Plan.

(2) Maximum RRC Points Possible:

The RRC shall establish the numerical value of the points assigned to each scoring factor and determine the total combined points for all RRC scoring factors.

(3) RRC Selection of the Scoring Factors:

The RRCs are responsible for convening public hearings to discuss and select the objective scoring factors that will be used to score applications at the regional level in accordance with the requirements in this Action Plan. The public must be given an opportunity to comment on the priorities and the scoring criteria considered. The final selection of the scoring factors is the responsibility of each RRC and must be consistent with the requirements in this Action Plan. Each RRC shall develop a Regional Review Committee Guidebook, in the format provided by Tx CDBG staff, to notify eligible applicants of the objective scoring factors and other RRC procedures for the region.

RRCs are encouraged to establish a priority scoring factor that considers the nature and type of the project.

(4) Examples of RRC Objective Scoring Factors:

Examples of objective scoring factors are shown in Appendix A to further clarify the term objective.

The RRC must clearly indicate how responses would be scored under each factor and use data sources that are verifiable to the public. After the RRC's adoption of its scoring factors, the score awarded to a particular application under any RRC scoring factor may not be dependent upon an individual RRC member's judgment or discretion. (This does not preclude collective RRC action that the state Tx CDBG has approved under any appeals process.)

(5) RRC Priority Set-asides:

Housing and Non-Border Colonia projects - Each Regional Review Committee is highly encouraged to allocate a percentage or amount of its Community Development Fund allocation to housing projects and for RRCs in eligible areas, non-border colonia projects, for that region. Under a set-aside, the highest ranked applications for a housing or non-border colonia activity, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing or non-border colonia set-aside level. If the region allocates a percentage of its funds to housing and/or non-border colonia activities and applications conforming to the maximum and minimum amounts are not received to use the entire set-asides, the remaining funds may be used for other eligible activities. (Under a housing and/or non-border colonia set-aside process, a community would not be able to receive an award for both a housing or non-border colonia activity and an award for another Community Development Fund activity during the biennial process. Housing projects/activities must conform to eligibility requirements in 42 U.S.C Section 5305 and applicable HUD regulations.) The RRC must include any set-aside in its Regional Review Committee Guidebook.

(6) RRC Designation of Staff Support:

The RRC shall select one of the following entities to develop the RRC Guidebook, calculate the RRC scores, and provide other administrative RRC support:

- (i) Regional Council of Governments (COG), or
- (ii) Tx CDBG staff or Tx CDBG designee, or
- (iii) A combination of COG and Tx CDBG staff or TX CDBG designee.

The RRC Guidebook should be adopted by the RRC and approved by Tx CDBG staff at least 90 days prior to the application deadline.

The selection of the entity responsible for calculating the RRC scores must be identified in the RRC Guidebook and must define the role of each entity selected. TDRA shall be responsible for reviewing all scores for accuracy and for determining the final ranking of applicants once the RRC and Tx CDBG scores are summed. The RRC is responsible for providing to the public the RRC scores, while the Tx CDBG is responsible for publishing the final ranking of the applications.

(7) Tie-breaker in a region:

If needed in the ranking of applications within a region based on available funds remaining, a tie between multiple applications shall be broken based on the per capita income ranking, with a lower per capita income level ranking higher, followed by a second tie-breaker, if needed, of the highest poverty rate ranking higher, followed by a third tie-breaker, if needed, of the highest annual unemployment rate ranking higher.

b. State Scoring (Tx CDBG Staff Scoring) - Other Considerations - Maximum Points - 10% of Maximum Possible Score for Each RRC

(1) Past Selection – Maximum Points - 2% of Maximum Possible RRC Score for each region - are awarded to each 2011/2012 Community Development Fund applicant that did not receive a 2009 or 2010 Community Development Fund, Community Development Fund-Recovery, or Rural Sustainability Fund contract award.

(2) Past Performance - Maximum Points - 4% of Maximum Possible RRC Score for each region

An applicant can receive points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's most recent Tx CDBG contract that has reached the end of the original contract period stipulated in the contract within the past 4 years (for CD/CDS contracts only the 2005/2006 and 2007/2008 cycle awards will be considered). The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. (Adjustments may be made for contracts that are engaged in appropriately pursuing due diligence such as bonding remedies or litigation to ensure adequate performance under the Tx CDBG contract.) The evaluation of an applicant's past performance will include the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.
- The expenditure timeframes on the applicable Tx CDBG contracts.

(3) All project activities within the application would provide basic infrastructure or housing activities - 2% of the Maximum Possible RRC Score for each region. (Basic infrastructure - the basic physical shared facilities serving a community's population consisting of water, sewage, roads, and flood drainage. Housing activities – as defined in 24 CFR Part 570.)

(4) Cost per Housing Unit (CPHU) – The total amount of Tx CDBG funds requested by the applicant is divided by the total number of housing units benefiting from the application activities to determine the Tx CDBG cost per housing unit. (Use pro rata allocation for multiple activities.) – Up to 2% of the Maximum RRC Score for each region.

(i) Cost per housing unit is equal to or less than \$8,750 – 2%.

(ii) Cost per housing unit is greater than \$8,750 but equal to or less than \$17,500 – 1.75%.

(iii) Cost per housing unit is greater than \$17,500 but equal to or less than \$26,500 – 1.25%.

(iv) Cost per housing unit is greater than \$26,500 but equal to or less than \$35,000 – 0.5%.

(v) Cost per housing unit is greater than \$35,000 – 0%.

(When necessary, a weighted average is used to score to applications that include multiple activities with different beneficiaries. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for administration, a percentage of the total Tx CDBG construction and engineering dollars for each activity is calculated. Administration dollars requested is applied pro-rata to these amounts. The percentage of the total Tx CDBG dollars for each activity is then multiplied by the appropriate score and the sum of the calculations determines the score. Related acquisition costs are applied to the associated activity.)

The RRC may not adopt scoring factors that directly negate or offset these state factors.

c. Statutory - Low and Moderate Income (LMI) Persons National Objective – Scoring factor

To assist in fulfilling the CDBG statutory requirement for the percentage of program year awards that must meet the LMI National Objective, applications that meet the LMI National Objective for each activity (51 percent low/moderate-income benefit for each activity within the application) will receive 2% of the Maximum Possible RRC Score for each region.

Further, to ensure the Tx CDBG program meets the statutory LMI National Objective requirement, if the ranking in a region would not result in the award of at least 75 percent of the allocated funds for the LMI national objective, then the Tx CDBG will make awards based on a revised ranking to achieve at least a 75 percentage level for LMI awards for the region. If there are not sufficient applications in the region to achieve the 75 percent LMI national objective level, the amount of funds in a region equal to the shortfall in meeting this requirement will be re-allocated to a pool for other LMI national objective projects. Awards from the pool of remaining LMI applications would be based the marginal competition selection criteria.

d. Other Tx CDBG State Responsibilities

The state may establish the maximum number of regional scoring factors that may be used in order to improve review and verification efficiency. Similarly, the state may determine that certain regional scoring factors may not be used because the data is not readily available or would require excessive effort to verify the information in a timely manner. To ensure consistency, the state may determine the acceptable data source for a particular regional scoring factor (such as the unemployment rate.)

The state Tx CDBG staff will review each RRC Guidebook to ensure that the scoring procedures are in compliance with 24 CFR 91.320(k)(1)(iv). The regulation states in part that “The statement of method of distribution must provide sufficient information so that units of general local government will be able to understand and comment on it and be able to prepare responsive applications.” Tx CDBG staff will also review the scoring factors selected to ensure that all scoring factors are objective. Each RRC must obtain written approval from Tx CDBG staff before implementing the RRC scoring process. As part of the approval process of the RRC Guidebook, the Tx CDBG state staff may edit the scoring factors for consistency with the Action Plan, or provide further details or elaboration on the objective scoring methodology, data sources and other clarifying details without the necessity of a subsequent RRC meeting.

The state Tx CDBG staff may establish:

- (i) a deadline for the RRC to adopt objective factors for all of its scoring components and submit its adopted Guidebook incorporating the objective scoring methodology to the state Tx CDBG staff for approval;
- (ii) an RRC scoring review appeals process in the Guidebook Instructions and/or the Texas Administrative Code.

In the event that an RRC fails to approve an objective scoring methodology to the satisfaction of the Tx CDBG consistent with the requirements in this Action Plan by the established deadline or if the RRC fails to implement the approved methodology, Tx CDBG will establish for the region scoring factors as described in Appendix B for the 2011/2012 application cycle.

Only the state Tx CDBG staff may disqualify an application submitted in a region. The regional scores for RRC factors and the ranking of applications are not considered final until they have been reviewed and approved by the state Tx CDBG staff.

An oversubscription pool may be conducted that would use the scoring criteria specified in the marginal competition section that directly follows this section.

(e) Forward Commitments – Pilot Program:

Forward Commitments to Avoid Application Threshold Issues

As a pilot program under the Community Development Fund, the Tx CDBG may designate conditional commitments, contingent upon receiving future CDBG funds from HUD, to make awards to certain eligible applications within a region using future regional Community Development Fund allocations.

A Regional Review Committee may elect to opt out of this pilot program. If the RRC elects to opt out, forward commitments will not be available to any applicant within the region. Note: if the RRC elects to opt out, projects as described below would not be eligible for awards in that region.

These forward commitments would be made under the following terms and conditions:

1. The purpose of approving a commitment is to allow an applicant to provide a source of funding in conjunction with a larger project where the use of these Tx CDBG funds will not occur until several years into the project. It may not be used for other purposes, as determined by Tx CDBG staff. (For example, the commitment would provide funding for the water connections associated with a project to build a new water treatment plant. The Tx CDBG applicant could provide this commitment in its application to the other funding agency to demonstrate supplemental funding for this phase of the water project.)
2. The associated project must be ready to proceed within 6 months of receiving the forward commitment, including submission of an application to all other sources of supplemental funding for the complete project. The supplemental funds from other sources that will be used in conjunction with the Tx CDBG funds must be committed and awarded to the applicant within 12 months from the date of the Tx CDBG commitment.
3. A maximum of four commitments may be made under this pilot program.

Community Development Block Grant Program

4. The Tx CDBG staff will determine eligible applicants within a region that would qualify and be offered this option. In making this decision, Tx CDBG staff will consider, among other things, the anticipated number of months required to before Tx CDBG funds would be expended given the magnitude and nature of the project, the regulatory approvals required, the sources of other funding to be provided to the project, and the ranking within the region. If there are more than four eligible applicants that would qualify, a tiebreaker based on the State score as described in Community Development Fund Marginal Competition would be used to determine the four commitments to be made.
5. For the year the commitment is awarded to the recipient through a contract from Tx CDBG, the amount provided for the commitment would be subtracted from the total regional Community Development Fund allocation amount prior to allocation to other eligible applications in the regional Community Development Fund competition.
6. Not more than two commitments may be outstanding (without fully executed Tx CDBG contracts) in any given region at any time.
7. The Tx CDBG commitment would be considered an award to the applicant in the year it was awarded for purposes of scoring.
8. Termination of commitment: The commitment may be terminated if the applicant does not receive the supplemental funding for the project or fails to comply with other commitment requirements.
9. Subject to funding availability: All commitments are subject to the Tx CDBG program receiving a sufficient regular annual allocation amount from HUD and consequently the Community Development Fund receiving sufficient funds. The Tx CDBG may use deobligated funds/program income if available and considered appropriate. The commitment does not obligate Tx CDBG or TDRA to use any other source of funds to provide the amount committed.
10. Contingency Plan: The applicant must provide Tx CDBG with a contingency plan to outlines the source of replacement funds to complete the project should the Tx CDBG regular annual HUD allocation or deobligated funds/program income diminish to the point that the commitment cannot be funded.

Community Development Fund Marginal Competition

A pooled marginal competition may be conducted for program year 2012 using available funds if the State's 2012 allocation is not decreased significantly from the State's 2011 Community Development allocation.

All applicants whose marginal amount available is under \$75,000 will automatically be considered under this competition.

When the marginal amount left in a regional allocation is equal to or above the Tx CDBG grant minimum of \$75,000, the marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Alternatively, such marginal applicants may choose to compete under the pooled marginal fund competition for the possibility of full project funding.

Community Development Block Grant Program

This fund consists of all regional marginal amounts of less than \$75,000, any funds remaining from regional allocations where the number of fully funded eligible applicants does not utilize a region's entire allocation and the contribution of marginal amounts larger than \$75,000 from those applicants opting to compete for full funding rather than accept their marginal amount.

The scoring factors used in this competition are the percentage of the State score received to the maximum possible State score in the region, followed by the per capita income ranking, if needed, with a lower per capita income level ranking higher, followed by a second tie-breaker, if needed, of the highest poverty rate ranking higher; both based on a city's incorporated area and a county's total unincorporated area.

2a. TEXAS CAPITAL FUND	Real Estate, And Infrastructure Programs
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The selection criteria for the Real Estate, and Infrastructure Programs of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

- a. Creation or retention of jobs primarily for low to moderate income persons
- b. Creation or retention of jobs primarily in areas of above average unemployment and poverty
- c. Generation of a greater ratio of private investment to Texas Capital Fund investment
- d. Expansion of markets through manufacturing and/or value-added processing
- e. Provision of job opportunities at the lowest possible Texas Capital Fund cost per job
- f. Benefit to areas of the state most in need by considering job impact to community
- g. Assistance for small businesses and Historically Underutilized Businesses
- h. Feasibility of project and ability to create and/or retain jobs

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of business or marketing plan; management experience of the business' principals; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

2b. TEXAS CAPITAL FUND	Main Street Program
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The selection criteria for the Main Street Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

- a. Aid in the elimination of slum or blight
- b. The applicant must have been designated by the Texas Historical Commission as a Main Street City
- c. Feasibility of project
- d. Generation of a greater ratio of private investment to Texas Capital Fund investment
- e. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of marketing plan; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

2c.	TEXAS CAPITAL FUND	Downtown Revitalization Program
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The selection criteria for the Downtown Revitalization Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

- a. Aid in the elimination of slum or blight
- b. Feasibility of project
- c. Generation of a greater ratio of private investment to Texas Capital Fund investment
- d. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: strength of marketing plan and justification of minimum Texas Capital Fund contribution necessary to serve the project.

3a.	COLONIA CONSTRUCTION COMPONENT	430 Total Points Maximum
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a. Community Distress – 35 Points (Maximum)

- Percentage of persons living in poverty 15 points
- Per Capita Income 10 points
- Percentage of housing units without complete plumbing 5 points
- Unemployment Rate 5 points

b. Benefit To Low/Moderate-Income Persons – 30 Points (Maximum)

A formula is used to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. The percentage of low to moderate income persons benefiting from each construction, acquisition, and engineering activity is multiplied by the Tx CDBG funds requested for each corresponding construction, acquisition, and engineering activity. Those calculations determine the amount of Tx CDBG benefiting low to moderate income person for each of those activities. Then, the funds benefiting low to moderate income persons for each of those activities are added together and divided by the Tx CDBG funds requested minus the Tx CDBG funds requested for administration to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. Points are then awarded in accordance with the following scale;

100% to 90% of Tx CDBG funds benefiting low to moderate income persons	30 points
89.99% to 80% of Tx CDBG funds benefiting low to moderate income persons	25 points
79.99% to 70% of Tx CDBG funds benefiting low to moderate income persons	20 points
69.99% to 60% of Tx CDBG funds benefiting low to moderate income persons	15 points
Below 60% of Tx CDBG funds benefiting low to moderate income persons	5 points

c. Project Priorities – 195 Points (Maximum)

- Activities (service lines, service connections, and/or plumbing improvements) providing public access to EDAP-funded water or sewer systems 195 points
- First time public Water service activities (including yard service lines) 145 points
- First time public Sewer service activities (including yard service lines) 145 points
- Installation of approved residential on-site wastewater disposal systems for providing first time service 145 points

Community Development Block Grant Program

- *Installation of approved residential on-site wastewater disposal systems for failing systems that cause health issues* 140 points
- *Housing Activities* 140 points
- *First time Water and/or Sewer service through a privately-owned for-profit utility* 135 points
- *Expansion or improvement of existing Water and/or Sewer service* 120 points
- *Street Paving and Drainage activities* 75 points
- *All Other eligible activities* 20 points

A weighted average is used to assign scores to applications that include activities in the different Project Priority scoring levels. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for engineering and administration, a percentage of the total Tx CDBG construction dollars for each activity will be calculated. The percentage of the total Tx CDBG construction dollars for each activity will then be multiplied by the appropriate Project Priorities point level. The sum of these calculations determines the composite Project Priorities score.

d. Project Design – 140 Points (Maximum)

Each application is scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- For projects other than water and waste water, whether the applicant has already met its basic water and waste water needs.
- Whether the project has provided for future funding necessary to sustain the project.
- The severity of need within the colonia area(s) and how the proposed project resolves the identified need. Additional consideration is given to water system improvements addressing the impacts from the current drought conditions in the state.
- The applicant will use Tx CDBG funds to provide water or sewer connections, yard service lines, and/or plumbing improvements associated with providing access for colonia residents to water or sewer systems funded by the Texas Water Development Board Economically Distressed Areas Program (EDAP).
- The applicant's past efforts (with emphasis on the applicant's most recent efforts) to address water, sewer, and housing needs in colonia areas through applications submitted under the Tx CDBG Community Development Fund or through the use of CDBG entitlement funds.
- The Tx CDBG cost per low/moderate income beneficiary.
- Whether the applicant has provided any local matching funds for administrative, engineering, or construction activities.
- If applicable, the projected water and/or sewer rates after completion of the project based on 3,000 gallons, 5,000 gallons and 10,000 gallons of usage.
- The ability of the applicant to utilize the grant funds in a timely manner.
- Whether the applicant has waived the payment of water or sewer service assessments, capital recovery fees, and any other access fees for the low and moderate income project beneficiaries.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

e. Matching Funds – 20 Points (Maximum)

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request 20 points
- Match at least 2%, but less than 5% of grant request 10 points
- Match less than 2% of grant request 0 points

Community Development Block Grant Program

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request 20 points
- Match at least 2.5%, but less than 10% of grant request 10 points
- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 20 points
- Match at least 3.5%, but less than 15% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 20 points
- Match at least 5%, but less than 20% of grant request 10 points
- Match less than 5% of grant request 0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Applications that include a housing rehabilitation and/or affordable new permanent housing activity for low- and moderate-income persons as a part of a multi-activity application do not have to provide any matching funds for the housing activity. This exception is for housing activities only. The Tx CDBG does not consider sewer or water service lines and connections as housing activities. The Tx CDBG also does not consider on-site wastewater disposal systems as housing activities.

Demolition/clearance and code enforcement, when done in the same target area in conjunction with a housing rehabilitation activity, is counted as part of the housing activity. When demolition/clearance and code enforcement are proposed activities, but are not part of a housing rehabilitation activity, then the demolition/clearance and code enforcement are not considered as housing activities. Any additional activities, other than related housing activities, are scored based on the percentage of match provided for the additional activities.

Past Performance – 10 points (Maximum)

An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

Colonia Construction Component Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. If the marginal amount available to this applicant is equal to or more than the Colonia Construction Component grant minimum of \$75,000, the marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. In the event that the marginal amount remaining in the Colonia Construction Component allocation is less than \$75,000, then the remaining funds will be used to either fund a Colonia Planning Fund application or will be reallocated to other established Tx CDBG fund categories.

3b. COLONIA ECONOMICALLY DISTRESSED AREAS PROGRAM SET-ASIDE
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The allocation is distributed on an as-needed basis to eligible counties, and nonentitlement cities located in those counties, that are eligible under the Tx CDBG Colonia Fund and Texas Water Development Board's Economically Distressed Areas Program (TWDB EDAP). Unutilized funds under this program may be redistributed among the established current program year fund categories, for otherwise eligible projects.

Eligible projects shall be located in unincorporated colonias; in colonias located in eligible nonentitlement cities that annexed the colonia and the application for improvements in the colonia is submitted within five (5) years from the effective date of the annexation; or in colonias located in eligible nonentitlement cities where the city is in the process of annexing the colonia where the improvements are to be made.

Eligible applicants may submit an application that will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with being connected to a TWDB EDAP-funded water and sewer system improvement project. An application cannot be submitted until the construction of the TWDB EDAP-funded water or sewer system begins.

Eligible program costs include water distribution lines and sewer collection lines providing connection to water and sewer lines installed through the Texas Water Development Board's Economically Distressed Areas Program (when approved by the Tx CDBG), taps and meters (when approved by the Tx CDBG), yard service lines, service connections, plumbing improvements, and connection fees, and other eligible approved costs associated with connecting an income-eligible family's housing unit to the TWDB improvements.

Tx CDBG staff will evaluate the following factors prior to awarding Colonia Economically Distressed Areas Program funds:

- The proposed use of the Tx CDBG funds including the eligibility of the proposed activities and the effective use of the funds to provide water or sewer connections/yard lines to water/sewer systems funded through EDAP.
- The ability of the applicant to utilize the grant funds in a timely manner.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- Cost per beneficiary.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

3c.	COLONIA AREA PLANNING COMPONENT	340 Total Points Maximum
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a. Community Distress – 35 Points (Maximum)

- | | |
|---|-----------|
| • Percentage of persons living in poverty | 15 points |
| • Per Capita Income | 10 points |
| • Percentage of housing units without complete plumbing | 5 points |
| • Unemployment Rate | 5 points |

b. Benefit To Low/Moderate-Income Persons – 30 Points (Maximum)

Points are then awarded based on the low to moderate income percentage for all of the colonia areas where planning activities are located according to the following scale ;

100% to 90% of Tx CDBG funds benefiting low to moderate income persons	30 points
89.99% to 80% of Tx CDBG funds benefiting low to moderate income persons	25 points
79.99% to 70% of Tx CDBG funds benefiting low to moderate income persons	20 points
69.99% to 60% of Tx CDBG funds benefiting low to moderate income persons	15 points
Below 60% of Tx CDBG funds benefiting low to moderate income persons	5 points

c. Matching Funds – 20 Points (Maximum)

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- | | |
|--|-----------|
| • Match equal to or greater than 5% of grant request | 20 points |
| • Match at least 2%, but less than 5% of grant request | 10 points |
| • Match less than 2% of grant request | 0 points |

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- | | |
|---|-----------|
| • Match equal to or greater than 10% of grant request | 20 points |
| • Match at least 2.5%, but less than 10% of grant request | 10 points |
| • Match less than 2.5% of grant request | 0 points |

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- | | |
|---|-----------|
| • Match equal to or greater than 15% of grant request | 20 points |
| • Match at least 3.5%, but less than 15% of grant request | 10 points |
| • Match less than 3.5% of grant request | 0 points |

Applicant(s) population over 5,000 according to the 2000 Census:

- | | |
|---|-----------|
| • Match equal to or greater than 20% of grant request | 20 points |
| • Match at least 5%, but less than 20% of grant request | 10 points |
| • Match less than 5% of grant request | 0 points |

The population category under which county applications are scored is based on the actual number of beneficiaries to be served by the colonia planning activities.

d. Project Design – 255 Points (Maximum)

Each application is scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- The severity of need within the colonia area(s), how clearly the proposed planning effort will remove barriers to the provision of public facilities to the colonia area(s) and result in the development of an implementable strategy to resolve the identified needs.
- The planning activities proposed in the application.
- Whether each proposed planning activity will be conducted on a colonia-wide basis.
- The extent to which any previous planning efforts for colonia area(s) have been accomplished.
- The Tx CDBG cost per low/moderate-income beneficiary.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.

A Colonia Planning Component application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

Colonia Area Planning Component Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in the Colonia Area Planning allocation will be reallocated to either fund additional Colonia Comprehensive Planning applications, Colonia Construction Component applications, or will be reallocated to other established Tx CDBG fund categories.

3d. COLONIA COMPREHENSIVE PLANNING COMPONENT 200 Total Points Maximum

a. Community Distress – 25 Points (Maximum)

- Percentage of persons living in poverty **10 points**
- Per Capita Income **5 points**
- Percentage of housing units without complete plumbing **5 points**
- Unemployment Rate **5 points**

b. Project Design – 175 Points (Maximum)

Each application will be scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- The severity of need for the comprehensive colonia planning effort and how effectively the proposed comprehensive planning effort will result in a useful assessment of colonia populations, locations, infrastructure conditions, housing conditions, and the development of short-term and long term strategies to resolve the identified needs.
- The extent to which any previous planning efforts for colonia area(s) have been accomplished.
- Whether the applicant has provided any local matching funds for the planning or preliminary engineering activities.

- The applicant's past performance on previously awarded Tx CDBG contracts.
- An applicant that has previously received a Tx CDBG comprehensive planning award would receive lower priority for funding.

A Colonia Planning Component application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

Colonia Comprehensive Planning Component Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in the Colonia Comprehensive Planning allocation will be reallocated to either fund additional Colonia Area Planning Fund applications, Colonia Construction Component applications, or will be reallocated to other established Tx CDBG fund categories.

4.	PLANNING AND CAPACITY BUILDING FUND	430 Total Points Maximum
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a. *Community Distress – 55 Points (Maximum)*

- | | | |
|---|---|-----------|
| • | Percentage of persons living in poverty | 25 points |
| • | Per Capita Income | 20 points |
| • | Unemployment rate | 10 points |

b. *Benefit to Low/Moderate Income Persons - 0 Points*

Applicants are required to meet the 51% low/moderate income benefit as a threshold requirement, but no score is awarded on this factor.

c. *Project Design – 375 Points (Maximum)*

(1) *Program Priority* 50 points

Applicant chooses its own priorities here with 10 points awarded per priority as provided below.

Base studies (base mapping, housing, land use, population components) are recommended as one selected priority for applicants lacking updated studies unless they have been previously funded by TX CDBG or have been completed using other resources.

An applicant requesting Tx CDBG funds for fewer than five priorities may receive point credit under this factor for planning studies completed within the last 10 years that do not need to be updated. An applicant requesting Tx CDBG funds for a planning study priority that was completed within the past 10 years using Tx CDBG funds would not receive scoring credit under this factor.

Applicants should not request funds to complete a water or sewer study if funds have been awarded within the last two years for these activities or funds are being requested under other Tx CDBG fund categories.

(2) *Base Match* 0 points

- Five percent match required from applicants with population equal to or less than 1,500.

Community Development Block Grant Program

- Ten percent match required from applicants with population over 1,500 but equal to or less than 3,000.
- Fifteen percent match required from applicants with population over 3,000 but equal to or less than 5,000.
- Twenty percent match required from applicants with population over 5,000.

The population will be based on available information in the latest national decennial census.

(3) Areawide Proposals 50 points

Applicants with jurisdiction-wide proposals because the entire jurisdiction is at least 51 percent low/moderate-income qualify for these points. County applicants with identifiable, unincorporated communities may also qualify for these points provided that incorporation activities are underway. Proof of efforts to incorporate is required. County applicants with identifiable water supply corporations may apply to study water needs only and receive these points.

(4) Planning Strategy and Products 275 points

- New applicants receive up to 50 points while previous recipients of planning funds receive either up to 30 or 20 points depending on the level of implementation of previously funded activities. Recipients of Tx CDBG planning funds prior to PY 2000 will be considered new applicants for this scoring factor
- Up to 225 points are awarded for the applicant's Proposed Planning Effort based on an evaluation of the following:
 - the extent to which any previous planning efforts have been implemented or accomplished;
 - how clearly the proposed planning effort will resolve community development needs addressed in the application;
 - whether the proposed activities will result in the development of a viable and implementable strategy and be an efficient use of grant funds; and
 - demonstration of local commitment.

5. Tx CDBG STEP FUND **120 Total Points Maximum**

The following is the selection criteria to be used by Tx CDBG staff for the scoring of assessments and applications under the Texas STEP Fund. The maximum score of 120 points is divided among five scoring factors:

a. Project Impact – 60 Points (Maximum)

Activity	Score
First time service	60-40
To address drought	60-40
To address a severe impact to a water system (imminent loss of well, transmission line, supply impact)	60-40
TCEQ relevant documentation or Texas Department of Health Imminent Threat to Health	60-40
Problems due to severe sewer issues that can be addressed through the STEP process (documented)	60-40
Problems due to severe pressure problems (documented)	50-40
Line replacement (water or sewer) other than for above	40-30
All other proposed water and sewer projects that are not reflected above	30-20

A weighted average will be used to assign scores to applications that include activities in the different Project Impact scoring levels. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for engineering and administration, a percentage of the total Tx CDBG construction dollars for each activity will be calculated. The percentage of the total Tx CDBG construction dollars for each activity will then be multiplied by the appropriate Project Impact point level. The sum of these calculations will determine the composite Project Impact score.

Factors that are evaluated by the Tx CDBG staff in the assignment of scores within the predetermined scoring ranges for activities include, but are not limited to, the following:

1. how the proposed project will resolve the identified need and the severity of the need within the applying jurisdiction; and
2. projects designed to bring existing services up to at least the state minimum standards as set by the applicable regulatory agency are generally given additional consideration.

b. STEP Characteristics, Merits of the Project, and Local Effort - 30 points (Maximum)

The Tx CDBG staff will assess the proposal for the following STEP characteristics not scored in other factors:

1. degree work will be performed by community volunteer workers, including information provided on the volunteer work to total work;
2. local leaders (sparkplugs) willing to both lead and sustain the effort;
3. readiness to proceed – the local perception of the problem and the willingness to take action to solve it;
4. capacity – the manpower required for the proposal including skills required to solve the problem and operate applicable construction equipment;
5. merits of the projects, including the severity of the need, whether the applicant sought funding from other sources, cost in Tx CDBG dollars requested per beneficiary, etc.; and
6. local efforts being made by applicants in utilizing local resources for community development.

c. Past Participation and Performance – 15 Points (Maximum)

An applicant would receive ten (10) points if they do not have a current Texas STEP grant.

An applicant can receive from five (5) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.

- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

d. Percentage of Savings off of the retail price – 10 Points (Maximum)

For STEP, the percentage of savings off of the retail price is considered a form of community match for the project. In STEP, a threshold requirement is a minimum of 40 percent savings off the retail price for construction activities.

For Communities that are equal to or below 1,500 in Population

55% or more Savings	10 points
50% - 54.99% Savings	9 points
45% - 49.99% Savings	7 points
41% - 44.99% Savings	5 points

For Communities that are above 1,500 but equal to or below 3,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	8 points
45% - 49.99% Savings	6 points
41% - 44.99% Savings	3 points

For Communities that are above 3,000 but equal to or below 5,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	7 points
45% - 49.99% Savings	5 points
41% - 44.99% Savings	2 points

For Communities that are above 5,000 but equal to or below 10,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	6 points
45% - 49.99% Savings	3 points
41% - 44.99% Savings	1 points

For Communities that are 10,000 or above in Population

55% or more Savings	10 points
50% - 54.99% Savings	5 points
45% - 49.99% Savings	2 points
41% - 44.99% Savings	0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated

areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

e. Benefit To Low/Moderate-Income Persons – 5 Points (Maximum)

Applicants are required to meet the 51 percent low/moderate-income benefit for each activity as a threshold requirement. Any project where at least 60 percent of the Tx CDBG funds benefit low/moderate-income persons will receive 5 points.

A project must score at least 75 points overall and 15 points under factor 12(b) to be considered for funding.

6. Renewable Energy Demonstration Pilot Program 70 Total Points Maximum
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(A) Type of Project – Primarily used in conjunction with providing public facilities to meet basic human needs such as water or waste water and/or benefit to low/moderate-income persons.

up to 15 points.

(B) Innovative Technology/Methods – A project that would demonstrate the application of innovative technology and/or methods –

up to 10 points.

(C) Duplication in Other Rural Areas – A project that could have widespread application (although it would not need to be applicable in every portion of the state.)

up to 10 points

(D) Long-term Cost/Benefit and Texas Renewable Energy Goals – Projects that demonstrate long term cost/benefit analysis including benefits to the human environment and consistency with Texas renewable energy goals.

up to 10 points

(E) Partnership/Collaboration – Projects that have a demonstrated partnership and collaboration with other entities focusing on promoting renewable energy including universities, funding agencies, associations, or businesses.

up to 10 points.

(F) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses.

Applicant(s) population equal to or less than 2,500 according to the latest decennial Census:

- Match equal to or greater than 15% of grant request 10 points
- Match at least 8% but less than 15% of grant request 5 points
- Match at least 3%, but less than 8% of grant request 3 points
- Match at least 2%, but less than 3% of grant request 1 point
- Match less than 2% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 2,500 according to the latest decennial Census:

Community Development Block Grant Program

- Match equal to or greater than 25% of grant request 10 points
- Match at least 13% but less than 25% of grant request 5 points
- Match at least 5%, but less than 13% of grant request 3 points
- Match at least 3%, but less than 5% of grant request 1 point
- Match less than 3% of grant request 0 points

Applicant(s) population equal to or less than 10,000 but over 5,000 according to the latest decennial Census:

- Match equal to or greater than 35% of grant request 10 points
- Match at least 18% but less than 35% of grant request 5 points
- Match at least 7%, but less than 18% of grant request 3 points
- Match at least 4%, but less than 7% of grant request 1 point
- Match less than 4% of grant request 0 points

Applicant(s) population over 10,000 according to the latest decennial Census:

- Match equal to or greater than 50% of grant request 10 points
- Match at least 25% but less than 50% of grant request 5 points
- Match at least 10%, but less than 25% of grant request 3 points
- Match at least 5%, but less than 10% of grant request 1 point
- Match less than 5% of grant request 0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county.

(G) Location in Rural Areas – Projects that benefit cities with populations under 10,000 or counties under 100,000. 5 points.

Tiebreaker – If needed in the ranking of applications based on available funds, a tie between multiple applications shall be broken based on the score of (D) Long-term Cost/Benefit and Texas Renewable Energy Goals, followed by the per capita income ranking for the entire population of the city or county that applied.

7.	COMMUNITY FACILITY FUND	80 Total Points Maximum
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Selection factors:

(1) LMI percentage of the applicant - Compare each applicant's low and moderate income percentage to all other applicants in the region. up to 20 points maximum

(A higher LMI percentage would score higher. The applicant's LMI percentage is divided by the base amount for the entire region and then multiplied by the maximum possible score of 20, provided the product may not exceed 20 points. The base amount is the average (mean) of the LMI of all the applicants in the region multiplied by a factor 1.25.)

(2) Location in the most rural areas. maximum of 20 points

Community Development Block Grant Program

a. Projects that benefit cities with populations equal to or under 1,500 or counties with populations, after excluding metropolitan cities, that are equal to or under 30,000. 20 points.

b. Projects that benefit cities with populations equal to or under 2,500 (but over 1,500) or counties with populations, after excluding metropolitan cities, that are equal to or under 50,000 (but over 30,000).

18 points.

c. Projects that benefit cities with populations equal to or less than 5,000 (but over 2,500) or counties with populations, after excluding metropolitan cities, that are equal to or under 75,000 (but over 50,000).

15 points.

d. Projects that benefit cities with populations equal to or under 10,000 (but over 5,000) or counties with populations, after excluding metropolitan cities, that are equal to or under 100,000 (but over 75,000).

10 points.

Populations will be determined by Tx CDBG based on the latest Census or HUD data available.

(3) No other comparable facilities available. If there are no other comparable facilities, as determined by Tx CDBG staff, within the applicant's jurisdiction. 20 points

(4) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses. 20 points.

Applicant(s) population equal to or less than 2,500 according to the latest decennial Census:

Match equal to or greater than 2.5% of grant request 20 points

Applicant(s) population equal to or less than 5,000 but over 2,500 according to the latest decennial Census:

Match equal to or greater than 5% of grant request 20 points

Applicant(s) population equal to or less than 10,000 but over 5,000 according to the latest decennial Census:

Match equal to or greater than 10% of grant request 20 points

Applicant(s) population over 10,000 according to the latest decennial Census:

Match equal to or greater than 15% of grant request 20 points

(5) Tie-breaker in a region:

A tie between multiple applications shall be broken based on the per capita income ranking, with a lower per capita income level ranking higher, followed by a second tie-breaker, if needed, of the highest poverty rate ranking higher, followed by a third tie-breaker, if needed, of the highest annual unemployment rate ranking higher.

V. PERFORMANCE MEASURES - GOALS, OBJECTIVES, OUTCOMES, STRATEGIES, AND OUTPUTS

Tx CDBG Strategic Plan Performance Measures

The Tx CDBG currently has a performance measurement system in place that is part of its strategic plan and the Texas legislative budgeting process. The Tx CDBG has already implemented a performance measurement system that supports the HUD goals as stated in CPD Notice – 03-09, issued September 3, 2003, which “strongly encouraged each CPD formula grantee to develop and use a state or local performance measurement system.” In this notice, HUD asked the State CDBG programs, along with all other CDBG grantees, that currently have and use a state or local performance measurement system to “(1) describe, in their next Consolidated Plan or Annual Action Plan, the method they use to measure the outputs and outcomes of their CPD formula grant programs.”

The Tx CDBG has the following Performance Measures system in place for administering and evaluating the success of the CDBG non-entitlement program.

GOALS AND OUTCOMES – For FY 2011

Goal 1: Support Community and Economic Development Housing and Health Projects

Outcome 1: Percent of the Small Communities’ Population Benefiting from Projects

Output 1: Number of New Community / Economic Development Contracts Awarded

Output 2: Number of Projected Beneficiaries from New Community / Economic Development Contracts Awarded

Output 3: Number of Programmatic Monitoring Visits Conducted

HUD CDBG Performance Outcome Measurement System

The Tx CDBG has implemented the HUD CDBG Performance Outcome Measurement System, which is a nationwide reporting system based on standardized Objective categories, Outcome categories, and specific Output Indicators.

The outcome performance measurement system has three objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, produce nine possible outcome/objective combinations within which to categorize CDBG grant activities. Specific Output Indicators, many of which Tx CDBG has used in the HUD Integrated Disbursement and Information System reporting system, will be used to provide the quantifiable information used to actually measure the outcome/objective combinations for the funded CDBG projects (such as the number of persons who have new access to water facilities).

VI. OTHER 2011 CDBG PROGRAM GUIDELINES

A. COMMUNITY NEEDS ASSESSMENT

Each applicant for Tx CDBG funds must prepare an assessment of the applicant’s housing and community development needs. The needs assessment submitted by an applicant in an application for the Community Development Fund must also include information concerning the applicant’s past and future efforts to provide affordable housing opportunities in the applicant’s jurisdiction and the applicant’s past efforts to provide infrastructure improvements through the issuance of general obligation or revenue bonds.

B. LEVERAGING RESOURCES

Texas Capital Fund

The following matching funds requirements apply under the Real Estate, Infrastructure, Main Street and Downtown Revitalization Program:

a. The leverage ratio between all funding sources to the Texas Capital Fund (TCF) request may not be less than 1:1 for awards of \$750,000 or less (except for the Main Street and Downtown Revitalization programs which both require 0.1:1, or more match), and 4:1 for awards of \$750,100 to \$1,000,000 and 5.1 for awards of \$1,000,000 to \$1,500,000.

b. All businesses are required to make financial contributions to the proposed project. A cash injection of a minimum of 2.5% of the total project cost is required. Total equity participation must be no less than 10% of the total project cost. This equity participation may be in the form of cash and/or net equity value in fixed assets utilized within the proposed project. A minimum of a 33% equity injection (of the total projects costs) in the form of cash and/or net equity value in fixed assets is required, if the business has been operating for less than three years and is accessing the Real Estate program.

Over the past five program years the ratio of matching funds to Texas Capital Fund awards is approximately 3.75:1. If this ratio continues for the 2011 program year then the estimated amount of leveraged funds for the 2011 program year is approximately \$45 million.

C. MINORITY HIRING/PARTICIPATION

The Tx CDBG encourages minority employment and participation among all applicants under the Community Development Block Grant Program. All applicants to the Community Development Block Grant Program shall be required to submit information documenting the level of minority participation as part of the application for funding.

D. CITIZEN PARTICIPATION

A grant to a locality under the Texas Community Development Block Grant Program may be awarded only if the locality certifies that it is following a detailed citizen participation plan that provides for and encourages citizen participation at all stages of the community development program. Tx CDBG applicants and funded localities are required to carry out citizen participation in accordance with the Citizen Participation Plan requirements described in Tx CDBG application guides.

APPENDIX A – EXAMPLES OF OBJECTIVE SCORING FACTORS

1. *Per Capita Income – 20 points maximum*

Compare each applicant's per capita income level to all other applicants in the region.

Method: The base amount for the entire region is divided by the applicant's per capita income level and then multiplied by the maximum possible score of 20, provided the product may not exceed 20 points. The base amount is the average (mean) of the per capita income levels of all the applicants in the region multiplied by a factor 0.75.

Details:

Incorporated City Applications:

For an incorporated city, the data used to score is based on the 2000 decennial Census SF 3 information for the city's entire population.

For a new incorporated city that was not included in the 2000 decennial Census as an incorporated city, the data used to score is based on the 2000 decennial Census information for the entire county unincorporated population.

County Applications:

For a county, the data used to score is based on the 2000 decennial Census SF 3 information for:

- the county's entire population (for county-wide benefit activities);
- the county's entire unincorporated population (for activities that only benefit persons in unincorporated areas); or
- the 2000 decennial census geographic area information specific to the unincorporated areas benefiting from the county's application activities (for activities that only benefit persons in unincorporated areas) (only census tracts, or block numbering areas, and block groups are allowable census geographic areas)

Geographic area information may be substituted only for county applications where the application activities benefit no more than two separate unincorporated target areas. County applications that include application activities for unincorporated areas that are located in more than two county precincts are scored for the entire county unincorporated population or the entire county population.

If a county elects to use census geographic area information that is specific to the unincorporated areas benefiting from the application activities, the county must submit the census geographic area identification number and the associated per capita income amount for each target area.

Multi-Jurisdiction applications - For multi-jurisdiction applications, the data used for scoring is based on a simple average of the per capita income amounts for all of the participating jurisdictions.

Data Source – US Bureau of the Census - 2000 Census – SF 3, Per Capita Income

2. *Matching Funds – 60 Points Maximum*

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request 60 points

Community Development Block Grant Program

- Match at least 4% but less than 5% of grant request 40 points
- Match at least 3%, but less than 4% of grant request 20 points
- Match at least 2%, but less than 3% of grant request 10 points
- Match less than 2% of grant request 0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request 60 points
- Match at least 7.5% but less than 10% of grant request 40 points
- Match at least 5%, but less than 7.5% of grant request 20 points
- Match at least 2.5%, but less than 5% of grant request 10 points
- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 60 points
- Match at least 11.5% but less than 15% of grant request 40 points
- Match at least 7.5%, but less than 11.5% of grant request 20 points
- Match at least 3.5%, but less than 7.5% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 60 points
- Match at least 15% but less than 20% of grant request 40 points
- Match at least 10%, but less than 15% of grant request 20 points
- Match at least 5%, but less than 10% of grant request 10 points
- Match less than 5% of grant request 0 points

The population category for an incorporated city is based on the city's 2000 Census population. The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Multi-Jurisdiction Applications - The population category under which multi-jurisdiction applications will be scored will be based on the combined populations of the participating applicants according to the 2000 census. The guidelines for determining the population category for county applications will also apply to multi-jurisdiction applications when a county or counties are participants in a multi-jurisdiction application.

Data Source - US Bureau of the Census - 2000 Census, SF 3.

3. Project Priorities – 30 Points Maximum

- a. Activities providing or improving water or wastewater (including yardlines on residential property) and other affordable housing activities. 30 Points

Community Development Block Grant Program

- b. Street improvements. 15 Points
- c. All other eligible activities. 5 Points

(When necessary, a weighted-average is used to score to applications that include multiple activities. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for administration, a percentage of the total Tx CDBG construction and engineering dollars for each activity is calculated. Administration dollars requested is applied pro-rata to these amounts. The percentage of the total Tx CDBG dollars for each activity is then multiplied by the appropriate score and the sum of the calculations determines the score. Related acquisition costs are applied to the associated activity.)

APPENDIX B –

Scoring if a RRC for a region fails to approve an objective scoring methodology to the satisfaction of the Tx CDBG consistent with the requirements in this Action Plan by the established deadline or if the RRC fails to implement the approved methodology.

The state Tx CDBG staff will begin with the final RRC scoring factors for the 2009/2010 cycle and adjust them based on the following:

- a. The state may establish the maximum number of regional scoring factors that may be used in order to improve review and verification efficiency and may insert factors to provide a minimum number of factors;
- b. The state may determine that certain regional scoring factors may not be used because the data is not readily available or would require excessive effort to verify the information in a timely manner; and
- c. To ensure consistency, the state may determine the acceptable data source for a particular regional scoring factor.

NON-HOMELESS SPECIAL NEEDS ACTION PLAN: HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

Situated within a comprehensive network of HIV care services, the Texas HOPWA Formula program addresses the unmet housing and supportive services needs of persons living with HIV/AIDS (PSWHA) and their families in Texas by providing housing assistance and supportive services to income-eligible individuals. These services are integrated with the larger Ryan White Program both in administration and service delivery, which in turn is integrated into the larger, multi-sectoral system for delivering treatment and care to these clients. The goals of the HOPWA program are to help low-income HIV-positive clients establish or maintain affordable and stable housing, to reduce the risk of homelessness, and to improve access to health care and supportive services. According to the 2009 Annual Texas HIV Surveillance Report, at the end of 2009, 66,126 persons were known to be living with HIV in Texas. This is an increase of 3,167 from 2008, and housing is consistently cited as a service gap in every service area in Texas.

The HOPWA Formula program is administered by the TB/HIV/STD Unit - HIV/STD Prevention and Care Services Branch of the Department of State Health Services (DSHS) and provides the following services (91.320(d) and (e)):

TENANT-BASED RENTAL ASSISTANCE (TBRA) PROGRAM

The TBRA program provides tenant-based rental assistance to eligible individuals until they are able to secure other affordable and stable housing.

SHORT-TERM RENT, MORTGAGE, AND UTILITIES (STRMU) ASSISTANCE PROGRAM

The STRMU program provides short-term rent, mortgage, and utility payments to eligible individuals for a maximum of 21 weeks of assistance in a 52-week period.

SUPPORTIVE SERVICES PROGRAM

The Supportive Services program provides case management, basic telephone service and assistance to purchase smoke detectors to eligible individuals.

PERMANENT HOUSING PLACEMENT SERVICES (PHP)

The PHP program provides assistance for housing placement costs which may include application fees, related credit checks, and reasonable security deposits necessary to move persons into permanent housing.

ANNUAL PROGRAM GOALS

Based on prior-year performance and available funding, DSHS estimates that 555 households can be provided with short-term rent, mortgage, and utility payments, 475 households can be provided tenant-based rental assistance, 1,030 can be provided with supportive services and 10 households can be provided permanent housing placement during the 2011 project year.

PROJECT SPONSOR SELECTION PROCESS

DSHS selects seven Administrative Agencies (AAs) across the state through a combination of competitive Requests for Proposals (RFP) and intergovernmental agency contracts. The AAs act as an administrative arm for DSHS by administering the HOPWA program locally for a three-year project period. This period is concurrent with the Ryan White Part B grant period, which delivers case management and other supportive services to HOPWA clients.

These AAs in turn select HOPWA Project Sponsors through local competitive processes that are open to all grassroots, faith-based, and community-based organizations, and governmental agencies. Each AA contracts with one or more Project Sponsors who directly provide HOPWA services to eligible clients throughout the state’s 26 HIV Service Delivery Areas (HSDA). Some Project Sponsors may change during 2011 due to local competitive processes or contract revisions.

PROGRAM BUDGET

DSHS reserves 3% of the total award for administrative and indirect costs, including, personnel, supplies, travel, training/technical assistance, and contractual support for ARIES. Project Sponsors are allowed up to 7% of their allocation for personnel or other administrative costs. The funding allocation is distributed geographically by HSDA and is based on a formula including HIV/AIDS morbidity, poverty level, and population distribution with annual adjustments for project sponsor funding needs.

The 2011 HOPWA Program budget is revised to reflect the 2011 allocation of \$2,807,104 per notice received May 31, 2011 from HUD plus \$214,109 estimated unexpended from 2010 for a total of \$3,021,213. The following are the 2011 allocated amounts:

DSHS administration (3%)	\$84,213 (indirect costs, personnel, supplies, travel, training/technical assistance, contractual support for ARIES)
Contractual	\$2,937,000
TBRA	\$1,875,631
STRMU	\$446,172
Supportive Services	\$425,734
Permanent Housing Placement	\$3,441
Project Sponsor Administration (not greater than 7%)	\$186,022

GEOGRAPHIC DISTRIBUTION

§91.320(f) and (k)

The funding allocations are geographically distributed across the state to the 26 HSDAs and all 254 Texas counties.

ADMINISTRATIVE AGENCIES AND PROJECT SPONSORS

The following chart summarizes the 2011 HOPWA funding allocation for the seven AAs and their 26 Project Sponsors/HSDAs. DSHS distributes funding in excess of the HUD grant award to spend down unobligated balances from previous years. The 2011 funding allocations were estimates based on 2010 funding levels, program expenditures, and waiting lists. Allocations are subject to revisions based on contract changes.

Administrative Agency	2010 funding allocation	Project Sponsor/HSDA	2011 funding allocation
Bexar County Dept. of Community Investment 230 N. Pecos, Ste 590 San Antonio, TX 78207	211,000	Alamo Area Resource Center/San Antonio	107,000
		United Medical Centers/Uvalde	28,000
		Victoria City-County Health Department/Victoria	76,000
Brazos Valley Council of Governments P.O. Box 4128 Bryan, TX 77805-4128	262,000	Community Action, Inc./Austin	37,000
		Shannon Supportive Health Services	28,000
		United Way of the Greater Fort Hood Area/Temple-Killeen	37,000
		Project Unity/Bryan-College Station	70,000
		Waco/McLennan County Public Health District/Waco	105,000
Dallas County HHS 2377 North Stemmons Frwy., Ste. 600 Dallas, TX 75207-2710	59,000	Dallas County Health and Human Services -HOPWA Program/Dallas	2,000
		Your Health Clinic/Sherman-Dennison	57,000
Houston Regional Resource Group 500 Lovett Boulevard, Ste. 100 Houston, TX 77006	812,000	AIDS Coalition of Coastal Texas/Galveston	7,000
		AIDS Foundation of Houston/Houston	20,000
		Health Horizons/Lufkin	140,800
		Special Health Resources for Texas, Inc. Longview/Tyler	448,500
		Special Health Resources for Texas, Inc. Paris/Texarkana	82,000
		Triangle AIDS Network/Beaumont-Port Arthur	117,700
Lubbock Regional MHMR Center P.O. Box 2828 1602 Tenth St. Lubbock, TX 79408-2828	588,000	Panhandle AIDS Service Organization/Amarillo	116,000
		Sun City Behavioral Health Center/EI Paso	216,000
		Permian Basin Community Center/Permian-Basin	121,000
		South Plains Community Action, Inc. (Project CHAMPS)/Lubbock	135,000
South Texas Development Council (STDC) P.O. Box 2187 4812 North Bartlett	824,000	City of Laredo Health Department/Laredo	88,000
		Coastal Bend AIDS Foundation/Corpus Christi	358,000

Administrative Agency	2010 funding allocation	Project Sponsor/HSDA	2011 funding allocation
Laredo, TX 78044-2187		Valley AIDS Council/Brownsville	378,000
Tarrant County Health Department 1101 South Main St., Ste. 2500 Fort Worth, TX 76104-4802	181,000	AIDS Resources of Rural Texas - Abilene/Abilene	72,000
		AIDS Resources of Rural Texas - Weatherford/Fort Worth	43,000
		Wichita Falls Wichita County Health Department/Wichita Falls	66,000
Total	\$2,937,000		\$2,937,000

CLIENT PARTICIPATION

Clients participate in shaping local approaches to meeting housing needs in three ways:

All areas conduct periodic needs assessment of client needs, and assessment of housing needs are included in such assessments. These assessments vary in methodology and depth with which housing needs are explored, which is appropriate given the varying needs for housing assistance in various areas of the state. Additionally, all Ryan White Part A councils in Texas have either completed special assessments of homeless persons or persons at risk for homelessness, or will be completing such assessments within the next year. Assessments in all EMAs are joint Ryan White Part A and Part B assessments.

All planning areas in the state must have ways for community members, including clients, to have input into local priorities, allocations, and plans. All plans include discussions of how best to deliver services to meet the needs identified in assessments, and plans that prioritize expenditures on housing or identify housing needs that would include discussions of how best to meet these needs. Plans are written on three to four year cycles, but reviewed annually.

Finally, clients shape housing services via direct interactions with service providers. Through the intake system, HIV/AIDS clients are informed about the HOPWA program, assisted with the application, or referred directly to the HOPWA Project Sponsor. Clients' housing needs are also assessed regularly with case managers as circumstances change and as determined by clients' housing plans.

OUTCOME MEASURES

§91.320(c)(3), §91.320(e), §91.320(g)

DSHS HOPWA contractors must address the following outcomes pursuant to the new performance measurement outcome system mandated by HUD:

Annual Action Plan - Planned Project Results

Outcomes and Objectives	Performance Indicators	Expected Number	Activity Description
DH-2	# of households served	475	TBRA housing assistance
DH-2	# of households served	555	STRMU housing assistance
DH-2	# of households served	1,030	Supportive Services (restricted to case mgt., smoke detectors, and phone service)
DH-1	# of households served	10	Permanent Housing Placement (security deposits, application fees, credit checks)
Key	Availability/Accessibility	Affordability	Sustainability
Decent Housing	DH-1	DH-2	DH-3

HOPWA Homeless and Special Needs Goals

ANNUAL AFFORDABLE HOUSING GOALS	Expected Annual Number of Units To Be Completed
Homeless households	10
Non-homeless households	1,030
Special needs households	10

OTHER ACTIONS

The actions listed below are Other Actions taken by the Departments to meet the requirements of §91.320(j). Other Actions include Meeting Underserved Needs; Fostering and Maintaining Affordable Housing; Lead-Based Paint Hazard Mitigation; Reducing Poverty-Level Households; Developing Institutional Structure; Coordination of Housing and Services; and Addressing Public Housing Authorities Needs.

MEETING UNDERSERVED NEEDS

§91.320(j)

Given the large need for affordable housing and the limited supply of funding, one major obstacle is the lack of sufficient funding to meet underserved housing needs in Texas. When compared to the demographic characteristics of Texas, there is a shortage of affordable housing stock and funding sources to assist in the development and maintenance of affordable housing.

Not only does a lack of funding limit the capacity of service providers, but service providers may also lack organizational capacity. Because of the remote nature of smaller communities in rural areas, many of these communities are not aware of public or private resources or do not know how to successfully obtain them. The service providers in these communities may not know when or where to apply for funding, have availability of qualified staff, or have experience completing a successful housing program. Since one focus of the Department is non-participating jurisdictions which are often in rural areas, this lack of organizational capacity is of particular concern for TDHCA.

Another obstacle to affordable housing can be difficulty obtaining a clear title for low-income homeowners. Clear titles are required for homeowners to meet program eligibility requirements and protect TDHCA's investment in affordable housing. Homeowners in need of housing repair or contract-for-deed conversions often have difficulty obtaining a clear title. Titles may not be in the homeowners' name because of divorce or widowhood, in which case the ex-spouse is also on the title. Titles with liens are a common occurrence when converting contract-for-deeds into traditional mortgages.

To address underserved needs, TDHCA closely monitors affordable housing trends and issues as well as conducting its own research. For example, as a result of the identification of insufficient funding, the Department requested and received an increase in Housing Trust Fund monies during the 81st Legislative Session. In addition, TDHCA makes adjustments to address community input gathered through roundtable discussions and public hearings held throughout the state. To illustrate this point, for the 2010-2011 Biennium Plan, the Housing Trust Fund is including a capacity-building component into its Rural Housing Expansion Program as a result of public input at a roundtable. To address the clear title issue, TDHCA is investigating a partnership with the Office of the Attorney General to help low-income Texans receive assistance by meeting the clear title program guideline. These efforts, combined with public outreach and education, are part of TDHCA's commitment to overcome obstacles to affordable housing.

HOME AND ESGP ADDRESS UNDERSERVED NEEDS

The HOME Program provides grant funds, deferred forgivable loans and repayable loans to Units of General Local Government, nonprofit and for-profit organizations, Community Housing Development Organizations (CHDOs), and Public Housing Authorities (PHAs). These funds are primarily used to foster and maintain affordable housing by providing rental assistance, rehabilitation, or reconstruction of owner-occupied housing units, down payment and closing cost assistance with or without accessibility modifications for the acquisition of affordable single family housing, single family housing development, and funding for rental housing development including the preservation of existing affordable or subsidized rental housing.

HOME funds may also be used in conjunction with the Housing Tax Credit Program to construct or rehabilitate affordable rental housing.

ESGP funds are utilized to provide transitional housing. However, funds are awarded based on the requests for funding and the majority of funds are utilized by awardees to provide emergency shelter. These funds meet the needs of local homeless populations. Awardees have limited federal funds available to support the operations and maintenance of shelter facilities. ESGP funds have the flexibility to be utilized for up to 100% of the award for maintenance and operations costs of a shelter.

CDBG ADDRESSES UNDERSERVED NEEDS

Tx CDBG encourages affordable housing projects using several methods in the allocation of CDBG funds to the eligible communities that can participate in its programs, including favorable state scoring and regional prerogative to prioritize funding for housing infrastructure and rehabilitation. Each region is encouraged to set aside a percentage of the regional allocation for housing improvement projects, and housing applications are scored as high priority projects at the state level. Housing projects continue to be funded through the Colonia Self-Help Centers as well.

In addition, CDBG funding provides a cost savings for housing when CDBG funds are used to provide first-time water and wastewater services by installing water and sewer yardlines and paying impact and connection fees for qualifying residents. For PY 2011, the Tx CDBG will make funds available through five different grant categories to provide water or sewer services on private property, with the vast majority being low and moderate income households.

The most commonly cited obstacle to meeting the underserved community development needs of Texas cities (aside from inadequate funding) is the limited administrative capacity of the small rural towns and counties the CDBG program serves. Tx CDBG staff offers technical assistance to communities to promote successful CDBG projects.

CDBG funding also helps cities and counties study affordable housing conditions. The plans produced through a Tx CDBG planning contracts provide both valuable data concerning a city's or county's affordable housing stock and planning tools for expanding their affordable housing. In PY 2011, Tx CDBG will make funds available for planning through the Planning and Capacity Building Fund and the Colonia Planning and Construction Fund.

The Colonia Self-Help Centers continue to address affordable housing needs in border counties by assisting qualifying colonia residents to finance, refinance, construct, improve or maintain a safe, suitable home in suitable areas.

Another obstacle to meeting underserved needs applies to colonias projects. There have been cases when a county applies to provide water service to an area, but more than one water supply corporation or city may have a Certificate of Convenience and Necessity (CCN) in that territory (CCNs have been issued which have overlapping territories). In these cases, a dispute over which water supply corporation/city has the right to serve the territory (and therefore collect the revenues) may arise. A public hearing process may be necessary to resolve this issue, which can then delay projects for months. Tx CDBG will continue to work with regulatory agencies as appropriate to resolve issues in project areas in a timely manner.

HOPWA ADDRESSES UNDERSERVED NEEDS

The Texas HOPWA program continues to meet the needs of underserved populations in several ways.

As assessed regularly by Ryan White needs assessments in all HSDAs, housing needs are high among people living with HIV/AIDS. The Texas HOPWA program meets the needs of this underserved population throughout the state by providing essential housing and utilities assistance as part of a comprehensive medical and supportive services system. As a result, people living with HIV/AIDS and their families are able to maintain safe and affordable housing, reduce their risk of homelessness, and access medical care and supportive services.

In addition, DSHS is continuing to update funding allocations to address the changing needs of local communities and to maximize and target HOPWA funding to HSDAs that are in greatest need. DSHS will consider a variety of factors including but not exclusive to HIV/AIDS morbidity, poverty level, housing costs and needs, homelessness data, program waitlists, and program expenditures.

FOSTERING AND MAINTAINING AFFORDABLE HOUSING

§91.320(j)

The Departments provides funds for non-profit and for-profit organizations and units of local government to develop and maintain affordable housing. Funds include grants, low-interest loans, low income housing tax credits, and mortgage revenue bonds.

The Departments coordinate funding of rehabilitation or development of affordable housing with the Housing Tax Credit (HTC) program in accordance with the Qualified Allocation Plan (QAP). In addition, credits awarded through the HTC program can be layered with awarded funds from the HOME or Housing Trust Fund multifamily programs. When more than one source of funds is used in an affordable housing project, the state is able to ensure affordability to low-income renters beyond the rent and occupancy restrictions imposed by U.S. Internal Revenue Service that set the requirements of the HTC program.

HOME ADDRESSES AFFORDABLE HOUSING

The HOME Program provides grant funds, deferred forgivable loans, and repayable loans to units of local government, nonprofit and for-profit organizations, community housing development organizations (CHDOs), and public housing authorities (PHAs). These funds are primarily used to foster and maintain affordable housing by providing rental assistance, rehabilitation, or reconstruction of owner-occupied housing units with or without refinancing, down payment and closing cost assistance with optional rehabilitation for the acquisition of affordable single family housing, single family development and funding for rental housing preservation of existing affordable or subsidized developments.

ESGP ADDRESSES AFFORDABLE HOUSING

While TDHCA encourages the use of ESGP funds to provide affordable transitional housing, the majority of funds are utilized to provide emergency shelter. Fostering affordable housing is not an initiative for which TDHCA provides funding or that TDHCA monitors for the ESGP Program.

CDBG ADDRESSES AFFORDABLE HOUSING

Tx CDBG encourages affordable housing projects using several methods. First, it provides for a scoring preference under the largest fund category. Each of the 24 regions is encouraged to set aside a percentage of the regional allocation for housing improvement projects. The Community Development Fund and Colonia Fund provide for housing rehabilitation to improve affordable housing.

In addition, CDBG funding provides a cost savings that leads to affordable housing when CDBG funds are used to provide first-time water and wastewater services by installing water and sewer yardlines and paying impact and connection fees for qualifying residents. For PY 2011, the Tx CDBG will make funds available through five different grant categories to provide water or sewer services on private property, with the vast majority being low and moderate income households.

CDBG funding also helps cities and counties study affordable housing conditions. The plans produced through a Tx CDBG planning contracts provide both valuable data concerning a city's or county's affordable housing stock and planning tools for expanding their affordable housing. In PY 2011, Tx

CDBG will make funds available for planning through the Planning and Capacity Building Fund and the Colonia Planning and Construction Fund.

The Colonia Self-Help Centers continue to address affordable housing needs in border counties by assisting qualifying colonia residents to finance, refinance, construct, improve or maintain a safe, suitable home in suitable areas.

HOPWA ADDRESSES AFFORDABLE HOUSING

HOPWA addresses affordable housing by providing rental assistance for people living with HIV/AIDS and their families. Low-income people living with HIV/AIDS often struggle to make their house payments because of high costs for medical care and medications or loss of employment. HOPWA makes housing costs more affordable for those PLWHA who are income eligible so they can maintain their housing and adhere to their medical treatment.

LEAD-BASED PAINT HAZARD MITIGATION

§91.320(j)

HUD's final regulations for Title X (24. CFR.105) calls for a three pronged approach to target conditions that pose a hazard to households: (1) notification of occupants about the existence of hazards so they can take proper precautions, (2) identification of lead-based paint hazards before a child can be poisoned and, (3) control of these lead-based paint hazards in order to limit exposure to residents. While TDHCA monitors its properties for compliance with these regulations, at the state level, the Texas Department of State Health Services (DSHS) has been charged with oversight of the Texas Environmental Lead Reduction Rules (TELRR). These rules cover areas of lead-based paint activities in target housing (housing constructed prior to 1978) and child-occupied facilities, including the training and certification of persons conducting lead inspections, risk assessments, abatements, and project design. For all projects receiving over \$25,000 in federal assistance, contractors need to follow inspections and abatements standards overseen by DSHS. By following these standards, the state is increasing the access to housing without lead-based paint hazards. The adherence to inspection and abatement standards is related to the extent of lead-based paint in that a majority of the housing in need of rehabilitation is likely housing built before 1978.

HOME ADDRESSES LEAD-BASED PAINT

The HOME Program requires lead screening in housing built before 1978 for all HOME eligible activities and in accordance with 24 CFR Part 92.355 and 24 CFR Part 35, subparts A, B, J, K, M, and R. The HOME Program increases the awareness of the hazards of lead-based paint by requiring screening for TBRA, homebuyer assistance and homeowner rehabilitation. Furthermore, single-family and multifamily development activities in HOME increase the access to lead-based-paint-free housing through the construction of new housing. The HOME Program requires an environmental site assessment and the abatement of lead-based paint if the structure being rehabilitated was constructed prior to 1978. There is significant training, technical assistance, and oversight of this requirement on each contract funded under the HOME Program.

ESGP ADDRESSES LEAD-BASED PAINT

For ESGP, TDHCA requires subrecipients to evaluate and reduce lead-based paint hazards for conversion, renovation, or rehabilitation projects funded with ESGP funds, and tracks work in these efforts as required by Chapter 58 of the Environmental Protection Act. During the annual contract implementation training, the Department will provide ESGP subrecipients with information related to lead-based paint regulations and the Department's requirements related to such. The Department will require ESGP funded subrecipients to determine if a housing unit was built prior to 1978, for households seeking ESGP funded rent or rent deposit assistance whose household has a family member(s) 6 year of age or younger. If the housing unit is built prior to 1978, the ESGP subrecipient will notify the household of the hazards of lead-based paint.

ESGP subrecipients utilizing ESGP funds for renovation, rehabilitation or conversion must comply with the Lead Based Paint Poisoning and Prevention Act and the Residential Lead-Based Paint Hazard Reduction Act of 1992. Through renovation, rehabilitation or conversion, ESGP increases access to shelter without lead-based paint hazards. TDHCA evaluates and reduces lead-based hazards for

conversion, renovation, or rehabilitation projects funded with ESGP funds and tracks work in these efforts in the ESGP Program as required by Chapter 58 of the Environmental Protection Act.

CDBG ADDRESSES LEAD-BASED PAINT

The Tx CDBG encourages the reduction of lead-based hazards through favorable scoring under its Community Development Funds for the replacement of lead fixtures and other lead hazards that are an imminent public health threat. The Tx CDBG program encourages regional priority set-asides for housing projects such as housing rehabilitation. Under the set-aside, the highest ranked applications for a housing activity, regardless of the position in the overall ranking, would be selected to the extent available regional funding permits. These housing rehabilitation projects lead to access to housing without lead hazards. This regional prioritization is related to the extent of lead hazards and the identified need within the region. In addition, lead-based paint mitigation is a common activity eligible under housing rehabilitation that is funded under the Colonia Planning and Construction Fund and Community Development Funds. Each contract awarded requires the sub-grantee to conform to Section 302 of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4831(b)) and procedures established by the Tx CDBG in response to the Act.

In accordance with CDBG state regulations and the Lead-Based Paint Poisoning Prevention Act, Tx CDBG has adopted a policy to eliminate as far as practicable the hazards of lead poisoning due to the presence of lead-based paint in any existing housing assisted under the CDBG. In addition, this policy prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance. Abatement procedures should be included in the housing rehabilitation contract guidelines for each project and must appear in the approved work write-up documentation for all homes built prior to 1978 that will be rehabilitated, as outlined in the Housing Rehabilitation Manual.

HOPWA ADDRESSES LEAD-BASED PAINT

EPA requires that Project Sponsors give all HOPWA clients utilizing homes built before 1978 the pamphlet entitled, "Protect Your Family from Lead in Your Home" during the intake process. The client's case record must include documentation that a copy of the pamphlet was given to the client.

For each HOPWA household, the case manager must certify the following:

If the structure was built prior to 1978, and there is a child under the age of six who will reside in the property, and the property has a defective paint surface inside or outside the structure, the property cannot be approved until the defective surface is repaired by at least scraping and painting the surface with two coats of non-lead based paint. Defective paint surface means: applicable surface on which paint is cracking, scaling, chipping, peeling or loose. If a child under age six residing in the HOPWA-assisted property has an Elevated Blood Lead Level, paint surfaces must be tested for lead-based paint. If lead is found present, the surface must be abated in accordance with 24 CFR Part 35.

REDUCING POVERTY-LEVEL HOUSEHOLDS

§91.320(j)

TDRA, TDHCA, and DSHS have an important role in addressing Texas poverty. These agencies seek to reduce the number of Texans living in poverty, thereby providing a better future for all Texans. This means trying to provide long-term solutions to the problems facing people in poverty and targeting resources to those with the greatest need.

HOME AND ESG ADDRESS POVERTY-LEVEL HOUSEHOLDS

Through the HOME Tenant-Based Rental Assistance Program, TDHCA assists households with rental subsidy and security and utility deposit assistance for a period not to exceed 24 months. As a condition to receiving rental assistance, households must participate in a self-sufficiency program, which can include job training, GED classes, or drug dependency classes. The HOME Program enables households to receive rental assistance while participating in programs that will enable them to improve employment options and increase their economic independence and self-sufficiency. Additionally, the Department allocates funding toward the rehabilitation and construction of affordable rental housing, incentivizing units to assist very low income households and assists very low income households along the international border of Texas and Mexico by promoting the conversion of contract for deed arrangements to traditional mortgages. The ESG Program funds activities that provide shelter and essential services for homeless persons, as well as intervention services for persons threatened with homelessness. Essential services for homeless persons include medical and psychological counseling, employment counseling, substance abuse treatment, transportation, and other services. While TDHCA supports the use of ESGP funds to help ESGP clients lift themselves above the poverty line, it is not a specific initiative for which TDHCA earmarks ESGP funding or that TDHCA monitors for the ESGP Program.

For individuals threatened with homelessness, homelessness prevention funds can be used for short-term subsidies to defray rent and utility arrearages for households receiving late notices, security deposits, and payments to prevent foreclosure.

CDBG ADDRESSES POVERTY-LEVEL HOUSEHOLDS

A substantial majority, 86%, of Tx CDBG funds are obligated to cities and counties under the funding competitions meeting the national objective to “principally benefit low and moderate income persons.” Tx CDBG encourages the funding of communities with a high percentage of persons in poverty through its application scoring. The CDBG projects under this national objective are required to serve 51 percent low to moderate income persons; however, for PY2011, the scoring portion of the largest fund category, the Community Development Fund, provides for points only if it meets the national objective of benefiting low and moderate income persons. In addition, the CDBG allocation formula used to distribute Community Development funds among regions includes a variable for poverty. The percentage of persons in poverty for each region is factored into the allocation formula in order to target funding toward the greatest need.

The CDBG economic development funds have been instrumental in creating infrastructure and jobs. By creating and retaining jobs through assistance to businesses and then providing lower income people

access to these jobs, Tx CDBG can be a very effective anti-poverty tool. This potential will be further maximized by providing jobs that offer workplace training and education, fringe benefits, opportunities for promotion, and services such as child care. In addition, programs that improve infrastructure affords the opportunity to upgrade existing substandard housing (such as in the colonias) and build new affordable housing where none could exist before.

HOPWA ADDRESSES POVERTY-LEVEL HOUSEHOLDS

The DSHS HOPWA Program serves HIV positive persons based on income eligibility criteria of no more than 80 percent of the area median income with adjustments for family and household size, as determined by HUD income limits. With varying poverty levels and housing needs in each HSDA across the state, some Project Sponsors may set stricter local income limits to maximize and target HOPWA resources to those with very low-income or poverty-level income. While many of the HOPWA clients assisted may be at poverty-level, this is not a requirement under 24 CFR 574.3

DEVELOPING INSTITUTIONAL STRUCTURE

§91.320(j)

TDRA, TDHCA, and DSHS are primarily pass-through funding agencies and distribute federal funds to local entities that in turn provide assistance to households. Because of this, the agencies work with many housing and community development partners, including consumer groups, community based organizations, neighborhood associations, community development corporations, councils of governments, community housing development organizations, community action agencies, real estate developers, social service providers, local lenders, investor-owned electric utilities, local government, nonprofits, faith-based organizations, property managers, state and local elected officials, and other state and federal agencies.

There are many benefits to these partnerships: risk and commitment are shared; the principle of reciprocity requires that local communities demonstrate an awareness of their needs and a willingness to participate actively in solving problems, therefore local communities play an active role in tailoring the project to their needs; partners are able to concentrate specifically on their area of expertise; and a greater variety of resources ensure a well targeted affordable product.

HOME AND ESG ADDRESS INSTITUTIONAL STRUCTURE

The HOME Program encourages partnerships in order to improve the provision of affordable housing. Organizations receiving Homebuyer Assistance funds are required to provide homebuyer education classes to households directly, or coordinate with a local organization that will provide the education. In addition, organizations receiving Tenant-Based Rental Assistance funds must provide self-sufficiency services directly, or coordinate with a local organization that will provide the services. Finally, partnerships with Community Housing Development Organizations and non profit and private-sector organizations facilitate the development of quality rental housing development and assist in the rehabilitation of owner-occupied housing.

TDHCA encourages ESGP subrecipients to coordinate services with housing and other service agencies. Collaborative applications funded with ESGP funds are required to coordinate services and to provide services as part of a local continuum of care. TDHCA reviews ESGP subrecipients' coordination efforts during on-site and desk monitoring.

CDBG ADDRESSES INSTITUTIONAL STRUCTURE

CDBG funds are awarded to non-entitlement units of general local government thereby providing these communities with financial resources to respond to its community development needs. Such may include planning; constructing community facilities, infrastructure, and housing; and implementing economic development initiatives. Each applicant to the CDBG fund is required throughout its citizen participation process to inform local housing organizations of its intention to apply for CDBG funding through the CDBG and invite their input into the project selection process.

Tx CDBG continues to coordinate with the Texas Department of Housing and Community Affairs, the Texas Department of Agriculture, the Texas Water Development Board, Annual State Agency Meeting on Rural Issues, and the 24 Regional Councils of Governments to further its mission and target

beneficiaries of CDBG funds through programs such as the Colonia Self-Help Centers, the Colonia Economically Distressed Areas Program, the Housing Tax Credit Program, and the Texas Capital Fund.

HOPWA ADDRESSES INSTITUTIONAL STRUCTURE

DSHS contracts with eight Administrative Agencies, which contract directly with the Project Sponsors serving all 26 HSDAs in the state to administer the HOPWA program. The AAs also administer the delivery of a range of other HIV health and social services, including the Ryan White grant and State HIV Services funds. This structure ensures the coordination of all agencies serving people with HIV/AIDS, avoids duplication, saves dollars, and provides the best possible coordination of services for people with HIV/AIDS in each local community. HOPWA program information is made available to all HIV service agencies in the HSDA and a referral network is established for potential clients. DSHS HOPWA clients are linked through their case managers to a comprehensive network of medical care and supportive services for persons living with HIV/AIDS and their families, consisting of 64 local providers across the state. HOPWA Project Sponsors collaborate locally with these providers to ensure that clients receive the services they need to begin treatment and remain in care. Additionally, Project Sponsors collaborate with local housing authorities in their areas to assure that HOPWA clients are referred to the housing programs and services that best fit their needs and circumstances. Most notable is collaboration of Project Sponsors with local Housing Choice Voucher programs.

COORDINATION OF HOUSING AND SERVICES

§91.320(j)

The state agencies are primarily funding entities whose chief function is to distribute program funds to local conduit providers that include units of local government, nonprofit and for profit organizations, community-based organizations, private sector organizations, real estate developers and local lenders. Because the agencies do not fund individuals directly, coordination with outside entities is key to the success of its programs.

There are many benefits to these partnerships. Risk and commitment are shared. The principle of reciprocity requires that local communities demonstrate an awareness of their needs and a willingness to participate actively in solving problems, therefore local communities play an active role in tailoring the project to their needs. Partners are able to concentrate specifically on their area of expertise. Finally, a greater variety of resources insure a well targeted more affordable product.

FAIR HOUSING COORDINATION

Through program requirements and compliance monitoring, TDHCA works to ensure that housing programs benefit individuals without regard to race, color, religion, sex, disability, familial status or national origin. Complaints involving all forms of housing discrimination are also referred to the Texas Workforce Commission Human Rights Division, which oversees the Texas Fair Housing Act. TDHCA addresses fair housing by complying with the Texas Fair Housing Act in TDHCA administered programs and coordinates fair housing efforts with the Human Rights Division of the Texas Workforce Commission, which was created under the Texas Fair Housing Act to directly address public grievances related to fair housing.

PERSONS WITH DISABILITIES COORDINATION

The Promoting Independence Advisory Committee (PIAC) assists the Health and Human Services Commission in creating the State's response to the Olmstead decision through the biannual Promoting Independence Plan. This plan highlights the State's efforts to assist individuals who are desirous of community placement, appropriate for community placement as determined by the state's treatment professionals and do not constitute a fundamental alteration in the state's services. TDHCA participates in PIAC meetings and is a member of the Housing subcommittee.

TDHCA has found that directly involving program beneficiary representatives, community advocates and potential applicants for funding in the process of crafting its policies and rules is extremely helpful. This process is often done through a working group format. The working groups provide an opportunity for staff to interact with various program stakeholders in a more informal environment than that provided by the formal public comment process. TDHCA has actively maintained a Disability Advisory Workgroup which provides ongoing guidance to the Executive Director on how TDHCA's programs can most effectively serve persons with disabilities.

The Department has created a Housing and Health Services Coordination Council (Council) within the Housing Resource Center to increase state efforts to expand service-enriched housing through increased coordination of housing and health services. The Council has conducted research and identified funding

opportunities to create service-enriched housing for persons with disabilities and seniors. More information about the Council can be found on page 12.

PERSONS WITH HIV/AIDS COORDINATION

DSHS addresses the housing needs of AIDS patients through HOPWA. In Texas, HOPWA funds provide emergency housing assistance, which funds short-term rent, mortgage and utility payments to prevent homelessness; and tenant-based rental assistance, which enables low-income individuals to pay rent and utilities until there is no longer a need. In addition to the DSHS statewide program, the cities of Austin, Dallas, Fort Worth, Houston and San Antonio receive HOPWA funds directly from HUD.

The Housing Tax Credit (HTC) Program addresses the needs of people with HIV/AIDS. According to the 2009 Housing Tax Credit Program Qualified Allocation Plan (QAP), HTC offers additional points during the award process for developments that propose to set aside 10 percent of the units for persons with special needs, such as people with AIDS/HIV.

HOMELESS POPULATIONS COORDINATION

The first phase of TDHCA's Housing Support Continuum outlined in the Institutional Structure of Agencies section is (1) Poverty and Homelessness Prevention which includes the Community Services Block Grant Program, the Comprehensive Energy Assistance Program and the Emergency Shelter Grant Program, all programs that address or prevent homelessness.

While the HTC Program is well-known and primarily used for the construction, acquisition and/or rehabilitation of new, existing, at-risk and rural rental housing, the HTC Program can also be used to develop transitional housing and permanent supportive housing for homeless populations. Furthermore, according to the 2009 Housing Tax Credit Program QAP, HTC offers additional points during the award process for developments that propose to set aside 10 percent of the units for persons with special needs, such as people who are homeless.

In addition, the Housing Trust Fund may develop or rehabilitate transitional housing and permanent supportive housing for homeless populations. While acquisition, rehabilitation and new construction are eligible activities under the program's Rule, this activity may not occur each year.

TDHCA also collaborates with the Texas Homeless Network (THN) to build the capacity of homeless coalitions across the State of Texas, enabling them to become more effective in the communities they serve. The Department provided funds through THN to support technical assistance workshops for the HUD Continuum of Care homeless application. The purpose of the workshops was to assist communities in creating a network of services to the homeless population.

Texas Interagency Council for the Homeless

The Texas Interagency Council for the Homeless (TICH) was created in 1989 to coordinate the State's homeless resources and services. TICH consists of representatives from all state agencies that serve the homeless. The council receives no funding and has no full-time staff, but receives clerical and advisory support from TDHCA. The council holds public hearings in various parts of the state to gather information useful to its members in administering programs. The Council's major mandates include:

- evaluating and helping coordinate the delivery of services for the homeless in Texas;
- increasing the flow of information among service providers and appropriate authorities;

- providing technical assistance to TDHCA in assessing the need for housing for people with special needs;
- developing, in coordination with TDHCA and the Health and Human Services Commission, a strategic plan to address the needs of the homeless; and
- maintaining a central resource and information center for the homeless.

HOUSING AND TRANSPORTATION

Because housing and transportation are usually the two highest percentages of a household's budget, TDHCA and the Texas Department of Transportation (Tx DOT) are taking initial steps to coordinate affordable housing and public transportation. Staffs of both Departments met in July 2010 and are arranging a series of meetings to determine how best to link providers of affordable housing and public transportation.

ADDRESSING PUBLIC HOUSING AUTHORITIES NEEDS

§91.320(j)

To address PHA needs, TDHCA has designated PHAs as eligible entities for its programs, such as the Housing Tax Credit (HTC) Program, HOME Program and ESG Program. PHAs have successfully administered HTC funds to rehabilitate or develop affordable rental housing.

TDHCA has worked to promote programs that will repair substandard housing and develop additional affordable housing units. TDHCA has developed a relationship with the Texas Housing Association and the Texas chapter of the National Association of Housing and Redevelopment Officials, which represent the public housing authorities of Texas. Furthermore, PHAs staff members are members of the same workgroups as TDHCA, such as the Rural Housing Workgroup, fostering a connection.

TDHCA also has contact with PHAs when PHAs request certifications of consistency with the State's Consolidated Plan. As required by 24 CFR §903.15, in 1999, TDHCA, started a certification process to ensure that the annual plans submitted by PHAs in an area without a local Consolidated Plan are consistent with the State of Texas's Consolidated Plan.

TDHCA believes that the future success of Public Housing Authorities (PHAs) will center on ingenuity in program design, emphasis on resident participation towards economic self-sufficiency, and partnerships with other organizations to address the needs of this population. While TDHCA does not have any direct or indirect jurisdiction over the management or operations of public housing authorities, it is important to maintain a relationship with these service providers.

HOME ADDRESSES PHA NEEDS

Because PHAs are eligible applicants under the HOME Program, TDHCA provides notices of funding availability to all PHAs in the state. At HOME application workshops, application processes are discussed in detail, including those related to homebuyer assistance. Furthermore, staff of PHAs, especially those receiving HOME funds and those with Section 8 Homeownership programs, are targeted by TDHCA's Texas Statewide Homebuyer Education Program for training to provide homebuyer education opportunities and self-sufficiency tools for PHA residents.

In addition to PHAs that have received HOME funds to provide homebuyer assistance in their areas, PHAs have also received HOME tenant-based rental assistance funds, enabling them to provide additional households with rental assistance and services to increase self-sufficiency.

ESG ADDRESSES PHA NEEDS

PHA residents are eligible to receive assistance and services from ESG grantees. Fostering public housing resident initiatives is not an initiative for which TDHCA provides funding or that TDHCA tracks for the ESGP Program.

CDBG ADDRESSES PHA NEEDS

Litigation concerning CDBG funding and public housing authorities, known as *Young v. Martinez*, focused attention and funds on these areas in the past. The State provided three funding set-asides to address Court-ordered activities under the Final Order and Decree for the litigation, obligating a total of \$13,664,753.18 for 62 *Young v. Martinez* Fund projects in PHA areas. Although the litigation has been

settled, Tx CDBG continues to serve public housing areas through other funding categories as residents of PHAs qualify as low to moderate income beneficiaries for CDBG projects.

HOPWA ADDRESSES PHA NEEDS

The HOPWA program administered by DSHS does not provide public housing assistance. However, Project Sponsors coordinate closely with local housing authorities for client referrals and to address local housing issues.

PUBLIC HOUSING AUTHORITIES RESIDENT INITIATIVES

The Texas Department of Housing and Community Affairs believes that the future success of Public Housing Authorities (PHAs) will center on ingenuity in program design, emphasis on resident participation towards economic self-sufficiency, and partnerships with other organizations to address the needs of this population. While TDHCA does not have any direct or indirect jurisdiction over the management or operations of public housing authorities, it is important to maintain a relationship with these service providers.

HOME ADDRESSES PUBLIC HOUSING RESIDENT INITIATIVES

Because PHAs are eligible applicants under the HOME Program, TDHCA provides notification of published notices of funding availability to all PHAs in the state. At HOME application workshops, application processes are discussed in detail, including those related to HBA. In addition to PHAs that have received HOME funds to provide homebuyer assistance in their areas, PHAs have also received HOME Tenant-Based Rental Assistance funds, enabling them to provide additional households with rental assistance and services to increase self-sufficiency.

ESGP ADDRESSES PUBLIC HOUSING RESIDENT INITIATIVES

Fostering public housing resident initiatives is not an initiative for which TDHCA provides funding or that TDHCA tracks for the ESGP Program.

CDBG ADDRESSES PUBLIC HOUSING RESIDENT INITIATIVES

While CDBG does not have a specific fund for PHA residents, it does promote through its Section 3 efforts the use of residents for CDBG-funded projects.

A Tx CDBG grant recipient must take steps to follow its adopted Section 3 policy and document those efforts. It must include its Section 3 Policy and Equal Opportunity Guidelines for Construction Contractors in any bid packets for contracts on Tx CDBG projects.

For any new employment, training, or contracting opportunities created during the expenditure of Tx CDBG funding, the Tx CDBG grant recipient and their contractors or subcontractors as applicable must take the following actions “to the greatest extent feasible”:

- Notify Section 3 Residents in writing about training and employment opportunities generated by the Tx CDBG-funded project;
- Notify potential contractors completing work on Section 3 covered projects of their responsibilities in writing;

Other Actions

Public Housing Authorities

- Incorporate the Section 3 clause into all solicitations and contracts greater than \$100,000, as well as all subcontracts of those contracts;
- Facilitate the training and employment of Section 3 Residents;
- Refrain from entering into contracts with contractors that are in violation with the Section 3 regulations (if the Grant Recipient has been notified of such violations); and
- Document actions taken to comply with Section 3.

HOPWA ADDRESSES PUBLIC HOUSING RESIDENT INITIATIVES

The HOPWA program administered by DSHS does not provide public housing assistance. However, Project Sponsors coordinate closely with local public housing authorities for client referrals and to address local housing issues.