Item 2:

Presentation, Discussion and Possible Approval of the Policy for Implementation of HR 3221 on the Housing Tax Credit Program including possible allocation of 2008 Housing Tax Credit ceiling

As identified in the previous Board Book posting this is the Original posting of Item 2

EXECUTIVE DIVISION
BOARD ACTION REQUEST
September 3-4, 2008

Action Item

Presentation, Discussion and Possible Action on Recommendations to Implement the Housing and Economic Recovery Act of 2008, HR 3221, and to Address Credit Pricing Reductions for Housing Tax Credit Awards that Have Not Yet Placed in Service.

Requested Action

Discuss and Take Action on Recommendations to Implement the Housing and Economic Recovery Act of 2008, HR 3221, and to Address Credit Pricing Reductions for Housing Tax Credit Awards that Have Not Yet Placed in Service.

Background

Credit Pricing Concerns
Public comment relating to the significant decline in housing tax credit pricing was provided to the Board at the December and January Board meetings. That testimony indicated that tax credit prices have fallen and that the market for investors to purchase tax credits from syndicators has softened. According to the Global Real Estate Monitor: "Over the past 12 months, pricing for low-income housing tax credits (LIHTC) has decreased by as much as 20 percent, making it harder for developers to get affordable housing projects to pencil out. The pricing change also is creating some angst for LIHTC sponsors and syndicators. Even worse, the turmoil in the bond markets has caused rate increases on tax-exempt bonds (TEBs), also impacting developers' ability to finance projects." (October 2007) A presentation was also made to the Board by debt and equity providers at the March Board meeting outlining their concerns. In May 2008 the Journal of Tax Credit Housing noted that "Current tax credit prices range from the mid 70 cents to the mid 80 cents—notably lower than the $1 or more price per credit that some deals were fetching 18 months ago."

The effect of the pricing reductions is that tax credit applicants who submitted applications with more robust credit pricing letters from syndicators are now unable to sustain that original credit pricing. Further, the impact of the downturn in the economy is prompting many of the larger credit investors to have a significantly reduced demand for credits thereby exacerbating developers' ability to find and keep syndicators for their properties. Those applicants are now in a position of needing alternative solutions to support the property or risk the possibility of having to return their credit allocation.

Housing and Economic Recovery Act of 2008, HR 3221
On July 30, 2008, the President signed into law the housing stimulus bill, the Housing and Economic Recovery Act of 2008, H.R. 3221. The provisions of the bill are far-reaching and impact the Department in a variety of ways, however there are several specific provisions that relate directly to the agency's administration of the Housing Tax Credit Program. The most urgent of these issues is the allocation of an additional 10%, or $4.7 million in credits per year for 2008 and 2009. Tax credit pricing is not explicitly addressed in the bill, however the issues regarding pricing were discussed during the passage of the bill and some interested parties suggest that it is intended for that use. Several of the provisions of the bill, as noted in more detail below, were written to apply to properties that had not yet "placed in service" at the

time of the passage of the bill, which would include properties awarded in 2007 and 2008 - and possibly even some 2005 and 2006 allocations.

On August 14, 2008 the Department hosted a work group to gather input on the implementation of H.R. 3221 for the Texas Housing Tax Credit Program. More than 130 people were in attendance and represented for profit and non profit developers, interest groups (including the Texas Affiliation of Affordable Housing Providers and the Rural Rental Housing Association), consultants, attorneys, one syndicator, local government, legislative staff, advocates, supportive housing proponents, property management firms and other interested parties.

Several provisions of the bill do not provide for any necessary action for 2008 or earlier applications, but instead warrant program revisions going forward. Those revisions are not discussed in this document and are found in the Draft 2009 QAP.

Discussion

I. Temporary Increase in Housing Credits and 9% Credit

The bill provides a per capita allocation increase of 10% ($0.20) up to $2.20 for 2008 and 2009. For Texas this equates to approximately $4.7 million per year. To prevent any risk that the Department may be considered ineligible for national pool credits, staff recommends that the 2008 ceiling increase be allocated by the Department no later than December 31, 2008. It should be noted that for both years, all statutory requirements apply including the regional allocation formula and set-asides. The bill also temporarily provides a credit percentage of not less than 9% for buildings placed in service after enactment and before December 31, 2013. The most significant issue for consideration is how the 2008 and 2009 increased credits be allocated.

Option 1 – New Units Generated. This option uses the new additional 2008 tax credits to fund more applications from the 2008 Waiting List. If this were to occur, several of the applications that have been requesting forward commitments during public testimony would be recommended by staff to receive an allocation. In this scenario, the 2009 credits would be rolled into the ceiling for next year and be allocated using our normal competitive process. Staff does not recommend using the 2009 credits for the 2008 Waiting List because of the limited demand for credits. This approach generates more affordable housing units, but it had limited support from the workgroup attendees. If the Board opts to consider action solely going forward, market forces will essentially dictate which previously awarded developments are able to remain viable; some developments may be infeasible and prompt a potential return of credits (in which case the credits would be reallocated to 2008 applications on the Waiting List).

Option 2 – Lower Income Units Generated. This option uses the 2008 and/or 2009 credits as a pool of credits which applicants can apply for if they are willing to commit to providing additional deeper low income units (going to 50% of AMGI or lower). This was suggested by two attendees at the working group, however there was little support from the development community who feel that their developments are already financially challenged and can't absorb deeper income units.

Option 3 – Existing Units Assisted. This option uses the 2008 and 2009 credits and if necessary, go into the 2009 ceiling to give all 2007 and 2008 competitive awards additional credits up to the new permitted 9% rate including those that have locked in at a lower rate conditioned on final guidance from the IRS that the bill supersedes prior lock in rates. By taking this action the Board would be waiving the method for estimating the applicable rate denoted in the 2007 and 2008 QAPs. The majority of those at the work group strongly endorsed using the credits for existing 2007 and 2008 properties to ensure that existing properties are not put at risk. Based on a show of hands at the work group, of approximately 130 attendees only five felt that the increase in credits should be used for awards from 2005 or 2006; only ten indicated that the credits should be used for applications from the 2008 waiting list. The group almost unanimously indicated that the credits from both years should be used for both existing 2007 and 2008 awards.

Option 4 – Combination Approach. This option would use the 2008 and/or 2009 funds, up to a certain amount, for example 50% of the funds, to assist existing units from 2007 and 2008 on a case-by-case basis, in which current 2007 and 2008 applicants would be required to submit specific new documents to assist the Department in a reevaluation of their credit amount. Increases would not be assured but one or more of the decision points noted below could apply to this portion of funds (i.e. not applying the $1.2 million cap, not limiting to the original application amount, etc.). Since the amount of funds needed is currently unknown, this approach could require a competitive process if there are more requests for funds than funds available, and may not be able to assist all of the existing applications that request assistance. The remainder of funds would be used to fund new units from the 2008 waiting list. If this option is selected, the Board will need to give direction on the portion of funds to be used for each component. Staff would request the authority to make a determination on whether 2008 or 2009 credits are the most administratively efficient approach for each portion of funds and for each development. This approach was not discussed at the Workgroup meeting.

Decision Points if Credits Allocated to 2007 and/or 2008 Awards (Options 2, 3 or 4)

A. Method for Calculation of Additional Credits. Currently there are three methods utilized in underwriting each application to determine the possible credit allocation amount: the requested credit amount, the gap method which evaluates the gap between the sources and uses available to the property, and the eligible basis method which evaluates all eligible costs. The method that yields the lowest credit amount is the method used for the credit recommendation to the Board.

Staff recommends that under Options 2, 3, or 4, 2007 and 2008 Applicants not be limited by their original application request amount, nor would they be limited by the $1.2 million cap per Application (by taking this action the Board would be waiving those applicable sections of the 2007 and 2008 QAPs). Looking at very preliminary figures the amount of credits needed to institute this option for all 2007 and 2008 awards at the 9% rate without the $1.2 limit would be approximately $11.2 million. This calculation does not utilize the gap method in calculating the credits. The 9% rate would be applied to qualified basis (as opposed to eligible basis) so that it is applied to include any applicable 30% boosts that were permitted at original underwriting.

However, staff does recommend still applying the gap methodology in calculating potential credits to ensure an efficient use of this limited resource. The evaluation of the gap method should be recalculated based on updated syndication pricing letters. Further it can be calculated either based on a) costs reflected in the application or b) new cost estimates and financing commitments. Which approach being taken, and the content of new documents, would dictate the total amount of credits that would be needed. If approved staff would request that the Board direct staff whether to allow, or not allow, new cost documentation. If allowed to submit new cost documentation, staff: 1) requests permission from the Board to determine what additional documents and evidence are needed to calculate the new credit amount and 2) would need to reevaluate the timeline noted later in this write up as it would be a significant challenge to obtain the documents, provide analysis and dialogue with applicants, allow for appeals if necessary, and still satisfy a use of funds by the end of the calendar year.

B. Affirmation from Syndicators. At the work group one syndicator noted that not all syndicators will allow an additional infusion of credits and that some may be unwilling to accept the additional credits. Therefore, if this option were used staff suggests that the 2007 and 2008 applicants be required to provide a syndicator letter acknowledging that they will be able to utilize the credits if given to the deal.

C. Order for Utilizing Credits. The source of credits to be used for any one of these options would be in this priority order 1) the $4.7 million of new credits from 2008 plus 2) any returned credits from prior years applications, 3) the $4.7 million of new credits from 2009, and 4) if necessary, going into the regular 2009 ceiling. We do not anticipate that it would be necessary to utilize the regular 2009 ceiling, but it will depend on the method used and whether or not the gap method is used with new cost information. Staff requests that the Board grant staff permission to issue commitments in the amount determined by the Real Estate Analysis Division without returning to the Board for credits issued from the first three order options (this will ensure that these decisions don't have to wait until November) but that staff will present them to the Board for ratification in November or December. Prior to any credits being utilized from the 2009 regular ceiling, staff would present a total amount to the Board for approval. As part of approval of this order of utilization of credits, the Board is waiving its prior direction relating to the 2008 Waiting List; returned credits will not return to their region or set-aside, but instead will first go toward ensuring the extra credits are provided to each award as calculated by Real Estate Analysis.

D. $2 Million Cap per Applicant. The $2 million cap on Applicants still applies because it is a statutory revision that the Board has no authority to waive. It applies regardless of which credit ceiling year the additional credits would come from (2008 or 2009) because the statute refers to the application round – not to the ceiling. Therefore, the $2 million cap will be applied to the year the development's allocation was originally awarded.

E. Means of Providing the Credits. Staff requests that the Board grant staff the discretion to determine the specific administrative means by which the additional credits will be allocated and under which cases either 2008 or 2009 credits will be used. This will ensure that staff can use the most effective and accurate method.

F. Timeline. Staff proposes utilizing the following timeline.

September 3/4	Board approves Policy
September 18	New Syndicator Letters (with new prices and ability to accept credits) and New Cost Documentation Due (if that approach is used)
October 1	Staff Releases New/Revised Commitment Notices reflecting New Credit Amounts Based on Evaluation (if only new syndication letters are provided; if new cost information is provided this benchmark will be 30 to 60 days later)
October 12	Commitment Notices with all fees and conditions Returned to Department
November 1	Amnesty Period Ends (if approved - see IV below)
November 1	Carryovers Due (no longer including site control if approved - see III below)

II. 10% Test Deadline.

The bill extends the federal deadline for meeting the 10% test to one year from the date of allocation. Staff recommends that for existing 2008 and 2009 awards the 10% test deadline be moved to 11 months, just minimally less than the full term permitted by the federal law changes. By approving this option, the Board waives the applicable section of the 2008 QAP. For 2008 and 2009 (reflected in the draft 2009 QAP) the requirement would indicate that applicants who submit their 10% test by an earlier date can get points in the following year to help incentivize them to stay on track. The timeline and dates to be used for 2008 will be those ultimately approved by the Board in the 2009 QAP in November 2008.

III. Site Control

Staff recommends, based on input from the applicant community that the requirement to purchase the site will be moved from carryover to the 10% test, as long as the applicant still can show site control, as defined in the QAP, at carryover. Staff has recommended in the draft QAP that Applicants who do have their site control (through ownership or leasehold) by an earlier date can get points in the following year to help incentivize them to stay on track. By approving this item the Board is waiving this requirement from the 2008 QAP.

IV. Amnesty

Currently the QAP indicates that if someone returns credits after they have received a Carryover allocation, they will have a point reduction of 20% the following year. This strongly discourages applicants from returning credits even when keeping the credits may not be in the best interest of that development. In order to encourage only those applications that are financially sound to proceed, staff recommends that 2007 and 2008 applications have the ability to return their credit allocation during a thirty day amnesty period that would remove the penalty points the following year for that return of credits. The short time frame encourages that credits be returned timely and in a way that will allow those credits to be reallocated. If Options 2, 3, or 4 are approved, the amnesty period would begin when Commitment Notices are issued by the Department on the new credit amounts. If additional credits are not allocated to 2007 or 2008 applications, staff still recommends that a 30 day amnesty period (for any previous allocations) take place that would begin September 5 and end October 6 If new credits are being allocated to 2007 and 2008 applications, any applicant that pays the commitment fee for their allocation but then chooses before the end of the amnesty period to return their credits, will be eligible for a refund of their commitment fee for the new credits. By approving this proposal, the Board waives the sections of the 2007 and 2008 QAPs that indicate that fees are non-refundable.

Recommendation

Staff recommends that the Board discuss the noted options and:

1. Approve one of the four options identified in Section I
2. If Options 2, 3 or 4 are approved, approve the staff recommendations on Decision Points A through F of Section I and approve either option a) or b) relating to additional cost evidence for Decision Point IA
3. Approve staff recommendation for Items II, III and IV.

Item 3c:

Presentation, Discussion and Possible Action on the publication in the *Texas Register* of a notice proposing new Title 10, Part 1 of the Texas Administrative Code, Chapter 5 concerning Community Affairs Programs

This document reflects a change that was inadvertently left out in Item 3c:
Subchapter C. Emergency Shelter Grants Program (ESGP)
in the original Board Book

TITLE 10. COMMUNITY DEVELOPMENT
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5. COMMUNITY AFFAIRS PROGRAMS
SUBCHAPTER C. EMERGENCY SHELTER GRANTS PROGRAM (ESGP)
10 TAC §5.401 - §5.411

§5.411 Reports

(a) The ESGP contract requires subrecipients to submit the Monthly Funding/Financial/Performance Report (MFFPR) no later than the 20th day of the month after each month of the contract period.

(b) Even if a fund reimbursement is not being requested, an MFFPR must be submitted electronically on or before the twentieth (20th) day of each month of the grant period. A final MFFPR must be submitted within 60 days after the ESGP contract ends.

(c) Subrecipients shall submit, by the 30th day of the month, a Monthly Service Summary Report of ESGP clients reported during the prior month in the Homeless Management Information Systems (HMIS) database.

(d) A user name and password are needed to access the reporting system to submit monthly reports. The "Community Affairs Contract User Guide System" may be accessed through the TDHCA website under "Interactive" "Contractor Tools".

Item 6a:

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit Appeals of Underwriting

Additional Appeal Letter Timely Filed after Original Board Book posting

2216 HARRIS INVESTORS LLC
1050 WALL STREET WEST, SUITE 230
LYNDHURST, NEW JERSEY 07071
(201) 531-9100
FAX: (201) 935-5272

August 27, 2008

Texas Department of Housing & Community Affairs
Attention: Michael Gerber, Executive Director
221 East 11th Street
Austin, TX 78701

Re: Underwriting Appeal for TDHCA # 08260, Harris Manor Apartments

Dear Mr. Gerber:

In light of the denial of our appeal we hereby request that our appeal be heard at the September 4th Board meeting. 2216 Harris Investors LLC (the "Applicant") hereby appeals to the Board the first condition imposed in the underwriting report performed by the Real Estate Analysis Division dated 7/23/08. It reads as follows:

1. The rent and income levels for all one- and two-bedroom units should be restricted to no more than 50% of AMGI.

Background

Harris Manor Apartments (the "Development") is an existing tax credit development that originally received credits in 1992 (TDHCA #92028). The project was placed-in-service in 1993 and the first year of the credit period started on January 1, 1993. The original compliance period ended on December 31, 2007, which is 15 years after the start of the credit period. The Development has been operated and managed with rent and income levels for all units no more than 60% of AMGI.

In the initial 2008 application, the Applicant designated 32 of the Development's 58 one-bedroom units as 60% AMGI units and 65 of the Development's 116 two-bedroom units as 60% AMGI units. The remaining one- and two-bedroom units were designated with incomes and rent limits at or below a combination of 50% and 30% of AMGI.

The TDHCA Real Estate Analysis Division invoked Section 1.32(i)(4) of the Real Estate Analysis Rules as follows:

> The Restricted Market Rent for units with rents restricted at 60% of AMGI is less than both the Net Program Rent and Market Rent for units with rents restricted at or below 50% of the AMGI unless the development proposes all restricted units with rents restricted at or below the 50% of AMGI level.

Please note that the Real Estate Analysis rules do not discuss income at all; only rents. The Applicant agreed to abide by this guideline and restrict the rents on the one- and two-bedrooms to 50% of AMGI level. However, the Applicant believes it is in the best interest of both the Development and the potential low-income renters in the Development's market, to allow the income of the residents to be restricted at 60% of AMGI or less for the units we originally designated as 60%.

The Division also states the following reason for the first condition, on page 8 of the underwriting report:

> "The Department would be missing the opportunity to target more units specifically toward the harder to reach 50% income level without negatively impacting the income potential for the development. The rental income for the development would be the same either way but the benefit to households earning 50% or less of the area median income would be more units available. For these reasons the underwriting report will recommend that the one- and two-bedroom units be restricted at corresponding rent and income limits no greater than 50% of AMGI. "

Please consider the following:

1. The Real Estate Analysis Rules do not require a restriction of the tenant incomes in this instance. They only require a restriction of the rents, as evidenced by the language above.

2. The Applicant disagrees with the Department's assertion that targeting more units specifically toward 50% income level tenants will not negatively impact the income potential for the development. The restriction will limit the pool of potential renters available to the Development thereby making it more difficult to maintain occupancy and thereby could negatively affect rental income.

3. The Applicant disagrees with the assertion that the restriction of the one- and two-bedrooms will greatly benefit the households earning 50% or less of AMGI. While it is true that more units will be targeted to the 50% AMGI renters the Applicant believes the benefit will be outweighed by the negative impact on the low-income renter who is above 50% but below the 60% AMGI income level that will be restricted from renting one- and two-bedrooms at the Development. The terms of the Development's current LURA are 90% of the units at 60% of AMGI.

At the present time approximately 69% of the one- and two-bedrooms at the Development are rented to tenants that would qualify at the 50% AMGI income level. The fact that the Development had the right to rent every one of these units to 60% AMGI level tenants did not have a negative impact on these 50% AMGI income level households that in fact rented apartments at the Development. On the other hand the approximately 31% of the one- and two-bedroom units which are rented to tenants above the 50% AMGI level but below the 60% AMGI will be restricted from renting at the Development when the new tax credits are put in service. In addition, in light of the fact that we have agreed to restrict all rentals of the one- and two-bedrooms to the 50% level maximum there will be no economic incentive for the Development to target rentals to 60% income level tenants as opposed to 50% income level tenants.

4. It is our understanding that there is a precedent for projections having rent restrictions at the 50% level but with income at 60% level as this was a standard structure for projects using tax exempt bonds with tax credits for many years.

5. The Applicant understands that the Department has language in the QAP with respect to restricting both rents and incomes and targeted units. However, the Applicant would point out that the language in the QAP is only relevant to Section 50.9(i)(3) of the QAP relating to a scoring item in which the applicant has agreed to restrict the rents and incomes of certain specified units, for which they were awarded points. However, this would only apply to those units that the Applicant specified in their original application. The Applicant will meet their obligations as they originally intended to do.

Summary

The Applicant respectfully requests that the Development not be required to meet the first condition of the underwriting report and be permitted to rent 32 one-bedroom units and 65 two-bedroom units to 60% AMGI level tenants but restricted to the maximum rent of the 50% AMGI level tenant. This would allow the Development to continue leasing to essentially the same tenant population that it has served for the last 15 years.

Thank you for your consideration of this matter.

Very truly yours,
2216 Harris Investors, LLC (to be formed)

By: ______________________________
Daniel Betsalel, Authorized Representative

Item 7a:

Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

Due to a numerical error, this document replaces Item 7a in the original Board Book and reflects current status

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

Requested Action

Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

Background

This Board Action Request summarizes the activities of the Disaster Recovery Division which has oversight responsibility for Community Development Block Grant (CDBG) Disaster Recovery Programs for Round I and Round II funding administered by TDHCA, as well as the FEMA Alternative Housing Pilot Program (AHPP).

Public Law 109-148 – 1st Supplemental ($74.5 Million)

Under the **1st Supplemental CDBG Disaster Recovery Program (referred to as Round I),** three Councils of Governments (COGs) are responsible for administering housing contracts to help restore and rebuild in areas of the State most directly impacted by Hurricane Rita. Of the $74.5 million, the total funding allocation administered by the COGs is $40,259,276 broken down as follows:

- Deep East Texas Council Of Governments (DETCOG) - $6,745,034
- Houston-Galveston Area Council (H-GAC) - $7,015,706
- South East Texas Regional Planning Commission (SETRPC) - $26,498,536
  - *SETRPC - $15,788,536*
  - *Beaumont - $5,145,000*
  - *Port Arthur - $5,565,000*

The Disaster Recovery Division has been focused on assisting the COGs with completing activities under Round I. As of this Board meeting, the COGs cumulatively have over 100% of their contracted number of households to be served either under bid award, under construction, or completed. The COGs are continuing to access Housing Trust Fund (HTF) dollars to finance gap amounts as well. As of August 25, 2008, $493,630.63 of HTF dollars has been committed and $166,516.70 had been drawn, for an increase of $80,591.35 and $49,414.11 respectively over the previous month. The COGs have identified an estimated need of approximately $933,755 of the $1,000,000 reserved under the HTF program.

Staff continues to receive weekly updates from each COG to gauge their progress in completing contract activities by the end of the contract term, December 31, 2008. The COGs have completed assistance to two hundred fifty-seven (257) households to date and another eighty-two (82) are currently under construction.

Financial Summary

	Current Budget	Admin $ Drawn To Date	Project $ Drawn To Date	Total Drawn	% of Funds Disbursed
DETCOG	**$6,745,034.00**	**$542,681.39**	**$3,111,159.13**	**$ 3,653,840.52**	**54.17%**
H-GAC	**$7,015,706.00**	**$733,598.56**	**$2,285,583.63**	**$ 3,019,182.19**	**43.03%**
SETRPC	**$26,498,536.00**	**$1,493,520.13**	**$6,028,171.10**	**$ 7,521,691.23**	**28.39%**
SETRPC	$15,788,536.00	$1,387,436.14	$5,231,813.28	$6,619,249.42	41.92%
Beaumont	$5,145,000.00	$91,703.99	$492,612.82	$584,316.81	11.36%
Port Arthur	$5,565,000.00	$14,380.00	$303,745.00	$318,125.00	5.72%
Totals	**$40,259,276.00**	**$2,769,800.08**	**$11,424,913.86**	**$14,194,713.94**	**35.26%**

Project Summary

	No. to be Served per Contract*	No. out for Bid	**Units Under Contract	No. Site-built Under Construction	No. Site-built Constructed	No. of MHUs Delivered	Total No. Constructed/ Delivered
DETCOG	**96**	**0**	**14**	**5**	**6**	**80**	**86**
H-GAC	**110**	**24**	**10**	**18**	**0**	**58**	**58**
SETRPC	**229**	**16**	**45**	**59**	**72**	**41**	**113**
SETRPC	127	0	29	8	50	41	91
Beaumont	56	9	10	32	9	0	9
Port Arthur	46	7	6	19	13	0	0
Total	**435**	**40**	**69**	**82**	**78**	**179**	**257**

** Based on the contractual number of households that the COGs will be able to serve with the funding allocation*
*** Total of MHUs ordered but not yet delivered and construction contracts signed for site-built units*

COG Activity Highlights as of August 25, 2008

Deep East Texas Council of Governments
DETCOG has delivered homes to eighty (80) homeowners, has fourteen (14) additional homes pending delivery or start of construction, has five (5) rehabilitation projects under construction, and has completed construction activities for six (6) rehabilitation projects as of August 25, 2008. DETCOG's Housing Trust Fund (HTF) contract amount is $178,321. DETCOG has identified a gap financing need for eighty-one (81) households totaling approximately $210,641.

Houston-Galveston Area Council
H-GAC has delivered fifty-eight (58) homes to homeowners, has eighteen (18) units under construction, and has ten (10) households that will be under construction or have a new MHU by mid September. H-GAC's HTF contract amount is $184,414. H-GAC has reported a gap financing need for fifty-six (56) households totaling $158,190.

South East Texas Regional Planning Commission
SETRPC has delivered ninety-one (91) homes to homeowners, has eight (8) homes under construction, and has twenty-nine (29) more homes ready to begin construction activities as of August 25, 2008. The total HTF contract amount for SETRPC is $637,265 with $374,360 of that total available for all households within their service area excluding households in the cities of Beaumont and Port Arthur. SETRPC identified a gap financing need for seventy-eight (78) households totaling approximately $298,832 in those areas.

SETRPC continues to work closely with each of its subcontractors, the cities of Beaumont and Port Arthur to move the program forward to a successful completion.

City of Beaumont
The City of Beaumont has nine (9) houses out to bid and ten (10) homes under contract as of August 25, 2008. The city also has thirty-two (32) homes under construction, and has completed assistance to nine (9) households. The amount of the HTF contract amount available to the City of Beaumont is $143,937. The city identified a gap financing need for forty-six (46) households totaling approximately $143,795.

City of Port Arthur
As of August 25, seven (7) houses are out to bid, six (6) construction contracts have been signed and are pending the on-set of construction activities, nineteen (19) units are under construction and thirteen (13) homes have been completed. The amount of the HTF contract amount available to the City of Port Arthur is $118,968. The city identified a gap financing need for thirty-four (34) households totaling approximately $115,150.

Public Law 109-234 – Round II ($428 Million)

The **2nd Supplemental CDBG Disaster Recovery Funding (referred to as Round II)** is the second of two awards in CDBG funding to help restore and rebuild in areas of the State most directly impacted by Hurricanes Rita, but it also addresses needs arising from Katrina evacuees. The total funding allocation is $428,671,849, broken down as follows:

2nd Supplemental CDBG Disaster Recovery Activity	Available Funding	Amount Contracted per Activity	Cumulative Expenditures	% of Expenditures Disbursed	Balance Remaining
Rental Housing Stock Restoration Program (“Rental”)	$82,866,984	$81,147,333	$5,776,659.08	7.12%	$75,370,673.92
ORCA’s Restoration of Critical Infrastructure Program (Infrastructure)	$42,000,000	$42,000,000	$3,844,412.01	9.15%	$38,155,587.99
City of Houston and Harris County Public Service and CDP (“Houston/Harris”)	$60,000,000	$60,000,000	$13,987,365.31	23.31%	$46,012,634.69
Homeowner Assistance Program (“HAP”)	$210,371,273	$210,371,273	$3,692,776.26	1.76%	$206,678,496.74
Sabine Pass Restoration Program (“SPRP”)	$12,000,000	$12,000,000	$154,111.70	1.28%	$11,845,888.30
State Administration Funds (Used to Administer Funding)	$21,433,592	$21,433,592	$3,341,459.35	15.59%	$18,092,132.65
Total CDBG Round 2 Funding	**$428,671,849**	**$426,952,198**	**$30,796,783.71**	**7.21%**	**$396,155,414.29**

CDBG Round II City of Houston and Harris County Public Service and Community Development Program

City of Houston
Funding of $20 million was allocated to the Houston Police Department for establishment of a Multi-Family Apartment Community Program, which includes public safety and police overtime. An additional $20 million was allocated to carry out rehabilitation of existing multi-family housing stock through the existing Apartment to Standards Program.

Based on the collaborative efforts between TDHCA and the City of Houston, expenditures of $13,865,842.31, from October 2007 through June 2008, have been paid to the City of Houston. The majority of expenditures consist of police overtime as well as down payment assistance and multi-rehabilitation expenditures pertaining to the City’s first multifamily rehabilitation project.

Harris County
Funding of $20 million was allocated to provide services to the residents of Harris County among five different program components: Expanded Services to Hurricane Evacuees (Harris County Sheriff's Dept.), Evacuee Medical Services (Harris County Hospital District), Katrina Crisis Counseling Program (Mental Health and Mental Retardation Authority), Youth Offenders Services (Harris County Sheriff's Dept.) and the Disaster Housing Assistance Program Component (Harris County).

Activities for each program continue to be provided to hurricane evacuees and expenditures will be submitted by September 2008. TDHCA is expected to perform additional monitoring to focus on participant program records, which are maintained by the different entities administering each of the five program components.

CDBG Round II Multifamily Rental Housing Stock Restoration Program

On September 13, 2007, the TDHCA Board awarded $81.1 million to repair or rebuild seven Golden Triangle-area affordable multifamily rental properties damaged or destroyed by Hurricane Rita. The construction work, once completed, will restore rental unit housing to 813 low-income individuals and families. Award-specific status is outlined in the table below:

Loan Number	Development Name	City	Total Units	Type of Activity	CDBG Loan Amount	Environ Clearance Date	Loan Closing Date*	Notice to Proceed Date**	Notes on Status of Award
7060007	Orange Navy Homes	Orange	115	Recon.	$14,189,439	Pending	10/15/08*	Pending Closing	Pending Site Environmental Clearance Anticipated for September 24, 2008
7060010	Brittany Place II Single Family	Port Arthur	100	Recon.	$13,077,366	03/11/08	Pending Board Action	Pending Closing	Pending Board Action on September 4, 2008. Applicant has not yet met conditions of Award.
7060006	Pointe North	Beaumont	158	Recon.	$13,778,332	Pending	9/30/08*	Pending Closing	Pending Site Environmental Clearance Anticipated for August 18, 2008
7060011	Gulfbreeze Plaza I	Port Arthur	86	Recon.	$9,067,577	03/18/08	8/30/08*	Pending Closing	Closing is pending resolution of HUD loan issue.
7060012	Gulfbreeze Plaza II	Port Arthur	148	Recon.	$13,280,250	03/18/08	6/11/08	6/12/08	Started Construction
7060008	Virginia Estates	Beaumont	110	Rehab	$6,707,534	05/26/08	6/09/08	6/10/08	Started Construction
7060009	Brittany Place I Multifamily	Port Arthur	96	Recon.	$11,046,835	03/11/08	4/09/08	4/09/08	Started Construction
		Totals:	**813**		**$81,147,333**				

* The awarded applications have not closed, and dates reflected are anticipated closing dates.
** Only applicable once closed on the loan.

CDBG Round II Homeowner Assistance Program and Sabine Pass Restoration Program Update from ACS State & Local Solutions, Inc.

Round II Rita Recovery activities continue on schedule. With the program infrastructure in place, the 30 days since the last Board meeting have included a focus on finalizing contractor agreements, home design, program environmental requirements, and a significant focus on public outreach and interaction with program applicants.

Contractors and Home Design
Since the last Board meeting, we completed negotiations with the selected contractors to finalize pricing and home design for the program. Currently 9 contractors, 5 Site Built and 4 MHU or Modular contractors have submitted

designs and pricing that meet the requirements of the program. Home sizes vary from approximately 800 sq. ft. for a 2 bedroom, 1 bath home to 1,451 sq. ft. for a 4 bedroom, 2 bath home. In addition to discussions with the contractors, the Round II team and members of TDHCA have also met with and incorporated suggestions from local low income housing advocates.

Environmental Noticing

All environmental floodplain noticing has been completed for the Sabine Pass Restoration Program and the required Request for Release of Funds (RROF) was sent to HUD on August 18, 2008. HUD has a 15 day comment period after which grant funds will be made available to the program.

A meeting is scheduled with the Regional HUD environmental staff for August 26th to finalize the environmental program description for the Homeowners Assistance Program (HAP). Once finalized, the required floodplain noticing can begin for HAP, which will culminate in the RROF for this program.

Outreach and Applicant Interaction

Community Days continue to play an important role in informing applicants about the program and assisting them in completing the application process. In July and August, we conducted 10 Community Days where we saw 194 applicants. The events were held in the following locations:

- Beaumont
- Newton
- Jasper
- Port Arthur
- Liberty
- Buna
- Orange
- Sabine Pass

There are currently 4 Community Days scheduled in September. These events will be held in Deweyville, Beaumont, Silsbee, and Port Arthur.

In addition to Community Days, appointments in the Service Centers have increased significantly. In July, we conducted 377 appointments and as of the fifteenth of August, we have conducted 237 appointments. Appointments are scheduled through both inbound and outbound calling by the project call center. In July, we made 4,754 outbound calls and received 2,220. As of August 15th, call center activities include 3,031 outbound calls and 1,174 inbound calls.

To facilitate responses from applicants and to help homeowners complete the application process, we continue to work with the faith-based community. Recent faith-based activities include discussion of missing or incomplete applications by zip code with local church leaders. We believe these discussions will allow the local clergy to reach out to individuals within their congregations that have either not returned Part 1 of the application or need assistance completing Part 2. While currently focused in Beaumont, if this program is successful, it will be implemented in other communities eligible for participation in the program.

The project team is finalizing processes that will allow Lone Star Legal Aid to provide assistance to individuals participating in the program who are having problems proving ownership of the home for which services are being requested. Typically through the use of an Heirship Affidavit, Lone Star will assist homeowners in proving sufficient ownership interest in the home to participate in the program.

Project Metrics

Sabine Pass Restoration Program – As of August 15th, the Sabine Pass Restoration Program has received 81 applications. Of those 81 applicants, 29 have been found eligible to participate in the program. The breakdown of the eligible applicants is as follows:

Eligible Reconstruction/Repair, or replace	21
Eligible Elevation ONLY	5
Eligible Accessibility Assistance only	1
Eligible Elevation and Accessibility only	2

Inspections have been conducted on 19 of these homes and these applicants are moving through the grant determination process. Repair, replacement or reconstruction of these homes will start before September 15th. We continue to work with the homeowners that have yet to be found eligible to gather the necessary information and documentation to complete their applications.

Homeowners Assistance Program – As of August 15th, the program has received 921 Part 1 supplemental applications. Of the applications received, 278 have also returned the Part 2 forms and associated required documentation and affidavits. Eligibility determination is beginning on these applications during the week of August 22nd.

FEMA Affordable Housing Pilot Program

The Disaster Recovery Division is also responsible for administration of the Federal Emergency Management Agency (FEMA) award of $16,471,725 for the Affordable Housing Pilot Program (AHPP). The purpose of the AHPP is to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005 Hurricanes.

On January 7, 2008, the Federal Emergency Management Agency (FEMA) awarded $16,471,725 for the Affordable Housing Pilot Program (AHPP). The purpose of the AHPP is to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005 Hurricanes for a time period of twenty-four months. A one-time exemption to the Stafford Act, AHPP permits the use of FEMA funding to study alternatives to the FEMA trailer by examining cost-effective solutions that meet a variety of housing needs. Pursuant to FEMA requirements, the pre-fabricated units must be awarded within the 22 counties affected by the 2005 Hurricanes.

The Heston Group was selected to pilot a pre-fabricated, panelized solution which can be deployed quickly and built to accommodate a diverse population. According to The Heston Group, an *estimated* average price of each pre-fabricated unit is $77,500.

TDHCA staff continues to work with the Harris County Housing Authority to establish an acceptable budget and scope of work for the proposed Harris County group site.

TDHCA Executive Director and staff met with Congresswoman Sheila Jackson Lee on Friday, August 8, 2008 to discuss the possibility of working with Habitat for Humanity on a potential group site for AHPP. TDHCA Executive Director and staff also attended the Harris County Housing Authority board meeting to answer questions and discuss the logistics of Harris County's potential involvement.

The administrative review on the first four AHPP sites has been completed by the Civil Engineering firm (CBI) procured by Heston to conduct all civil engineering activities. The site visit for the first home was conducted in Jasper by CBI on Friday, August 22, 2008.