

Recovery Snapshot:

Texas Homeowner Assistance Program

Grantee: State of Texas

Administering Agency: Texas Department of Housing and Community Affairs

Program started: Phase I 7/28/06; Phase II 11/15/07

Projected end date: Phase I 7/27/08; Phase II 11/15/09

Households benefiting: 89

CDBG DR funds expended: \$2 million as of 12/31/07

Impact of Disaster: Texas was affected primarily by Hurricane Rita which slammed into the coast of Texas on September 24, 2005, less than a month after the Hurricane Katrina disaster. Twenty-nine counties were declared eligible for CDBG disaster recovery assistance, 22 of them for housing assistance. More than 75,000 homes in the area suffered major damage or were destroyed. Of these, approximately 40,000 homeowners were uninsured. A substantial percentage of the damaged households were located in areas predominantly occupied by low- and moderate-income households. According to *Texas Rebounds: Helping Our Communities and Neighbors Recover from Hurricanes Rita and Katrina*, approximately \$322 million was needed to address housing alone. In addition, according to FEMA, 640,968 Katrina and Rita applicants for assistance were residing in Texas as of February 2006, mostly in southeast Texas.

Coordinating the Disaster Recovery Effort:

Phase I: Upon receiving the first appropriation of \$74.5 million in CDBG Disaster Recovery funds for the State, the Texas Department of Housing and Community Affairs (TDHCA) worked closely with and listened to local elected officials, community leaders and faith based organizations. Because the funds were so limited, local governments wanted to be directly involved with their distribution so that they could maximize these funds. TDHCA utilized local Councils of Government (COGs), organizations made up of local elected officials and key staff that serve as a regional planning board. TDHCA contracted with three COGs in Southeast Texas in July 2006 for the distribution of \$40.3 million in housing funds. These COGs were responsible for identifying and qualifying eligible families for help, and then hiring contractors to make emergency repairs, rebuild homes, and replace manufactured housing units. The balance of the \$74.5 million was used for infrastructure repair throughout Southeast Texas, including fixing water and wastewater systems. TDHCA provided the State administration for housing and the Office of Rural Community Affairs (ORCA) provided the State administration for non-housing needs. Three COGs were given an allocation for housing activities, and four COGs were allocated funds for non-housing activities. The COGs then applied on behalf of eligible entitlement communities, non-entitlement communities and Indian tribes. One of the COGs, the South East Texas Regional Planning Commission (SETRPC), also made a direct allocation of funds to the entitlement cities of Beaumont, Port Arthur and Orange.

The COGs worked in a very short timeframe to create a method of distribution for all of the jurisdictions in their respective areas. Contracts were signed with the three COGs in the fall of 2006 for housing activities that included emergency repairs, rehabilitation, reconstruction, and

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demolition. As of December 31, 2007, the Deep East Texas COG had installed seven manufactured housing units and awarded three purchase contracts for manufactured housing units. SETRPC had installed 22 manufactured housing units, reconstructed two stick-built houses, and had 18 homes under construction. The Houston-Galveston Area Council had installed 14 manufactured housing units.

Phase II: The second appropriation of CDBG Disaster Recovery Funds for Texas was \$428.7 million, nearly six times the first appropriation. In this case, TDHCA decided to play a much stronger role in the allocation and oversight of funds, as shown below:

Homeowner Assistance Program (HAP)	\$210,371,273
Sabine Pass Restoration Program (SPRP)	\$12,000,000
TDHCA Multifamily Rental Housing Stock Restoration Program	\$82,867,166
City of Houston and Harris County Public Service and Community Development Program	\$60,000,000
Restoration of Critical Infrastructure Program	\$42,000,000
Total Administration Funds Allowable	\$21,433,592

Nearly half of the funds were allocated to the HAP. An additional \$12 million was allocated to the community of Sabine Pass for the Sabine Pass Restoration Program (SPRP), since that community was nearly destroyed by the storm. Grants and loans were also made available to the owners of affordable rental properties that were damaged by Hurricane Rita. And the city of Houston and Harris County received \$60 million for public services, community development, and housing activities in areas where there was a dramatic population increase due to an influx of Katrina evacuees.

Most significant was the decision to use a project management firm to administer the \$222 million for HAP and SPRP. TDHCA released a competitive RFP with the primary objective of obtaining a turnkey solution managed by one program management firm to administer the HAP and SPRP. Contrary to the COGs that administered Round 1 CDBG disaster recovery funds, the RFP required that the firm selected have substantial capacity and experience in administering this program and other similar programs. ACS State & Local Solutions, Inc., a for-profit entity, was selected and the contract was executed on December 31, 2007. The contract allows for significant expediting of approving existing applications that were collected but not funded in Round 1 and calls for contracts with local builders to provide cost-efficient reconstruction or manufactured home replacement where necessary by local builders, thereby assuring a commitment to the home by the builder and helping the local economy.

Program Design: The maximum benefit under the HAP is \$40,000 per household (although a proposed amendment to the Action Plan would increase that amount), which is in the form of either a grant or deferred forgivable loan. Twenty percent of the HAP funds are targeted specifically for persons with special needs. Assistance is available for both homeowners who had insurance but in an insufficient amount to cover the storm damage, and those who did not have homeowners insurance at all.

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The homeowner must agree to sign a legally binding agreement that commits the owner to the following terms and conditions:

- The home will meet the legal requirements of the State Uniform Construction Code, comply with local zoning, and comply with the latest available FEMA guidance for base flood elevations.
- The homeowner will ensure that the home will remain owner-occupied for at least three years after the repairs, replacement, or new purchase.
- The homeowner will maintain flood insurance if the home is located in a flood plain.
- The homeowner will subrogate claims for unpaid and outstanding insurance claims back to the Program.
- The homeowner will ensure that mitigation efforts to reduce the impact of future storms are undertaken, as long as mitigation can be done to make a home safer, the improvements are cost beneficial to undertake, and the homeowner's eligible assistance allows funds to be used for these types of activities.

If the cost to fully repair the home exceeds that covered by the grant or loan, then the homeowner must provide evidence that they have the available funds or can obtain financing from an outside source to cover the funding gap.

For more information, visit <http://www.tdhca.state.tx.us/cdbg/second-supplemental/docs/07-2ndSuppActionPlan.pdf>