

United States Department of Housing and Urban Development

Case No. 06-10-0410-8 (Title VIII)

Case No. 06-10-0410-9 (Section 109)

Texas Low Income Housing Information Service,
Complainant

Texas Appleseed,
Complainant

v.

The State of Texas, by and through
The Texas Department of Rural Affairs and
The Texas Department of Housing and Community Affairs,
Respondent

CONCILIATION AGREEMENT

Approved by the Assistant Secretary for Fair Housing and Equal Opportunity on
behalf of the United States Department of Housing and Urban Development

Effective Date: May 25, 2010

I. PARTIES, DEFINITIONS, AND STATEMENT OF FACTS

A. Parties and Issues in Controversy

Complainants:

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Representing Complainants:

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Respondent:

State of Texas, by and through:

Texas Department of Rural Affairs

Charlie Stone

Executive Director

Texas Department of Rural Affairs

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Texas Department of Housing and Community Affairs

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Texas Department of Housing and Community Affairs

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Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas
CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

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Representing Respondent:

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Issues in Controversy:

Complainants allege the State has violated 42 U.S.C. §§3604(a), 3604(b), and 42 U.S.C. §§5309 in connection with its administration of funds under P.L. 110-329 (see Complaints). HUD understands and agrees that the execution of this agreement does not confer upon HUD any additional rights or obligations beyond those specified in Public Law 110-329 and the August 14, 2009 issue of the Federal Register. The regular (non-disaster, annual) allocation of CDBG funds to the State of Texas is in no way delayed or otherwise affected by the execution of this agreement. Nothing herein constitutes a finding or admission of any fact or noncompliance by the State of Texas, TDHCA or TDRA.

B. Definitions

For purposes of this Conciliation Agreement, the following terms shall have the meanings indicated below:

1. "Agreement" means this Conciliation Agreement.
2. "AFFH" means, as the context may indicate, either affirmatively furthering fair housing or to affirmatively further fair housing.
3. "Amendment" means the amendment to the State's Action Plan submitted by the State to HUD on September 30, 2009 describing the proposed use of an additional \$1.7 billion made available under P.L. 110-329.
4. "CDBG" means Community Development Block Grant.
5. "Complaints" means HUD Case No. 06-10-0410-8 and 06-10-0410-9, submitted to HUD by Texas Low Income Housing Information Service on December 1, 2009, deemed filed by HUD on January 21, 2010, and joined by Texas Appleseed as a Complainant on February 7, 2010, the amendment thereto filed with HUD by Texas Low Income Housing Information Service and Texas Appleseed on April 27, 2010, and the Administrative

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas
CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

Complaint filed with HUD by Texas Low Income Housing Information Service and Texas Appleseed on October 28, 2009. The term “Complaint,” as used in this Agreement and when considered in context, refers to the applicable filing that is described in the preceding sentence.

6. “Council of Governments” or “COG” means a regional planning commission or similar regional planning agency as described in Chapter 391, Texas Local Government Code.
7. “FEMA” means the Federal Emergency Management Agency.
8. “HUD” means the U.S. Department of Housing and Urban Development.
9. “Hurricane Block Grant Funds” means \$3.1 billion in supplemental Community Development Block Grant disaster recovery funds allocated by HUD to the State to respond to the needs of Texans affected by The Hurricanes pursuant to Public Law 110-329.
10. “Hurricane Recovery Funds” means any Round I funds that are reallocated during the Term of this Agreement and Round II funds.
11. “LMI” means persons of low or moderate income as defined by HUD for purposes of the Hurricane Recovery Funds.
12. “LURA” means a land use restriction agreement, being a recorded agreement setting forth, among other things, income and rent restrictions applicable to units of affordable rental housing and constituting, with respect to the specific affordable rental housing identified therein, a covenant running with the land.
13. “MODs” means methods of distribution, as provided for in HUD’s rules governing the CDBG disaster recovery program.
14. “Program” or “Programs” means any program, programs, or project funded by Hurricane Recovery Funds.
15. “Revised Amendment” means the revised amendment to the State’s Action Plan describing the use of Hurricane Recovery Funds to be prepared by the State pursuant to Section II.B. of this Agreement. The Revised Amendment may be submitted to HUD as a series of partial amendments, and this term may refer to the revised amendment as a whole or in part as context may indicate.
16. “Round I” refers to Hurricane Block Grant Funds made available to the State under its Action Plan for CDBG Disaster Recovery Funds pursuant to notice in the *Federal Register* published by HUD on February 13, 2009.

17. "Round II" refers to Hurricane Block Grant Funds allocated to the State pursuant to notice in the *Federal Register* published by HUD on August 14, 2009.
18. "Recipient" means any entity that receives or administers any Hurricane Recovery Funds. The term does not include TDHCA or TDRA, unless the context clearly indicates otherwise.
19. "State" means the State of Texas.
20. "Term of this Agreement" means the period commencing on the Effective Date and ending on the Expiration Date.
21. "TDHCA" means the Texas Department of Housing and Community Affairs.
22. "TDRA" means the Texas Department of Rural Affairs.
23. "The Hurricanes" means Hurricanes Dolly and Ike.

Terms used in HUD regulations and not specifically defined herein have the meanings ascribed to them in such HUD regulations.

C. Statement of Facts

Pursuant to Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, Public Law 110-329 (2008), Congress appropriated \$6.5 billion in supplemental CDBG funds, of which HUD allocated \$3.1 billion in funding to respond to the needs of Texans affected by The Hurricanes. Thereafter, HUD published two notices of allocations, waivers, and alternative grant requirements in the *Federal Register*. The State designated TDRA its lead agency for administration of programs funded under P.L. 110-329. On May 14, 2009, HUD issued a general conditional approval of the State's Action Plan for use of Hurricane Block Grant Funds of approximately \$1.3 billion, and supplemental approvals thereof on July 2, 2009, and July 24, 2009.

On September 30, 2009, the State submitted the Amendment describing the proposed use of an additional \$1.7 billion made available under P.L. 110-329. By letter of October 28, 2009, to HUD Secretary Shaun Donovan, Texas Low Income Housing Information Service ("TxLIHIS") and Texas Appleseed lodged objections to the Amendment. On November 10, 2009, HUD informed the State that it had determined the Amendment to be "substantially incomplete," and directed the State to revise and resubmit the Amendment within forty-five (45) days.

On December 1, 2009, Complainant TxLIHIS submitted a Complaint to HUD alleging the State had violated 42 U.S.C. §§3604(a), 3604(b) and 3608 in its administration of certain Hurricane Block Grant Funds. HUD deemed that Complaint officially filed on January 21,

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas
CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

2010. Texas Appleseed requested to be added as a Complainant on February 7, 2010. The Complaint was amended on April 27, 2010. HUD accepted the amended Complaint. This amended Complaint alleged violations of 42 U.S.C. §§ 3604(a), 3604(b) and 5309. The allegation under 42 U.S.C. § 3608 was dropped in the amended Complaint.

The Complaints provide the basis for this Conciliation Agreement. The acceptance by HUD of the Complaints does in no way confer upon HUD any additional rights or obligations beyond those specified in Public Law 110-329 and the August 14, 2009 issue of the Federal Register. The regular (non-disaster, annual) allocation of CDBG funds to the State of Texas is in no way delayed or otherwise affected by the execution of this Conciliation Agreement.

- D. With the approval of this Conciliation Agreement, the Parties commit themselves to affirmatively furthering fair housing for survivors of The Hurricanes in an expeditious manner.

The Parties commit themselves to honor the terms of this Agreement and to work together to obtain HUD approval of this Agreement; a Revised Amendment that will provide for allocation of funds consistent with this Agreement; an updated AI consistent with the state's needs, the law, and guidance of HUD; and MODs for each COG informed by the applicable AI and respectful to public input and the dignity of people and communities these funds are intended to assist.

II. TERMS OF AGREEMENT

In approving this Agreement as an acceptable conciliation of the Complaints, HUD is making a finding that the terms and conditions of this Agreement adequately address all issues urged in the Complaints, including, without limitation, the substantive and legal issues. To facilitate the efficient delivery of Hurricane Recovery Funds to eligible Texans affected by The Hurricanes, and without admission of liability by the State, TDHCA, or TDRA with respect to the allegations of the Complaints, TDHCA, TDRA and Complainants commit to the following terms:

A. Analysis of Impediments to Fair Housing ("AI")

1. **Updated AI.** The State, acting through TDHCA, will update its AI. TDHCA acknowledges that this updated AI must conform to HUD's requirements in effect at the time that it is prepared. The State will develop its updated AI in two phases. Both phases of the development of the updated AI will be done by a qualified consultant or organization with experience in development of Analyses of Impediments. Under phase 1, within one-hundred-twenty (120) days of HUD's approval of this Agreement, plus such reasonable time as may be necessary for a lawful procurement, TDHCA shall produce for public comment a materially complete draft of that portion of its AI covering the areas eligible to receive Hurricane Recovery Funds (including the entitlement

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas
CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

jurisdictions within that area). Under phase 2, which will begin once phase 1 of the updated AI is accepted by HUD, TDHCA will, as promptly as reasonably possible, while still ensuring a thorough and competent product, produce for public comment a materially complete draft of that portion of its AI covering the balance of the State.

- a. With respect to all Round I and Round II activities for which reimbursable activity has already occurred, the applicable Program shall be subject to the AI in effect at the time the reimbursable activity commenced.
- b. Phase 1 of the updated AI shall include and provide separately for the identification and analysis of impediments to fair housing in each of the following areas and shall recommend appropriate actions utilizing applicable Hurricane Recovery Funds to overcome the effects of the impediments identified in each area:
 - 1) The geographic area represented by the Houston-Galveston Area Council (hereafter, "H-GAC"). Phase 1 of the updated AI shall assess, among other factors, any fair housing impediments related to:
 - (i) the impact of the hurricane evacuee population within the City of Houston and Harris County; and
 - (ii) rebuilding public, assisted, and affordable housing on Galveston Island that was destroyed by The Hurricanes.
 - 2) The geographic area represented by the South East Texas Regional Planning Commission (hereafter, "SETRPC").
 - 3) The geographic area represented by the Deep East Texas Council of Governments (hereafter, "DETCOG").
 - 4) The geographic area represented by the Lower Rio Grande Valley Development Council (hereafter, "LRGVDC"), specifically including impediments to fair housing faced by farmworkers and residents of colonias.
 - 5) The geographic area represented by the remaining areas eligible as Recipients.
- c. After TDHCA produces the draft of phase 1 of the updated AI for public comment, pursuant to Section II.A.1. of this Agreement, the public shall have ten (10) days, pursuant to applicable law, to provide comments on the draft phase 1 of the updated AI. After the close of the public comment period, TDHCA shall submit phase 1 of the updated AI to HUD for review, together with TDHCA's written responses to any public comments as part of the submission, and seek confirmation from HUD that phase 1 of the updated AI complies with federal requirements. TDHCA will timely respond to any questions raised by HUD. TDHCA will copy the Complainants on

written responses it provides to HUD in response to HUD's questions under this subparagraph.

- d. TDHCA shall appoint an advisory committee to review and provide comment to TDHCA prior to the release of phase 1 of the updated AI and to assist TDHCA with the evaluation of phase 1 of the updated AI and associated work products. This advisory committee may, as deemed necessary by TDHCA, be consulted with respect to the procurement of the consultant to develop the updated AI, which procurement shall be done as expeditiously as possible with the objective that it be completed and accepted by HUD no later than January 1, 2011, but earlier if possible.
 - e. Notwithstanding any other provision in this Conciliation Agreement, the State, through TDHCA and TDRA, may submit amendments for allocation to Recipients of Hurricane Recovery Funds to the Action Plan during the pendency of HUD's acceptance of phase 1 of the updated AI, and irrespective of any determination by HUD with respect to phase 1 of the updated AI. If HUD has not accepted phase 1 of the updated AI by January 1, 2011, neither TDHCA nor TDRA shall, except as provided by Section II.A.3.5, expend any further Hurricane Recovery Funds until such time as phase 1 of the updated AI has been accepted by HUD.
 - f. **Phase 2.** Under phase 2, which will begin once phase 1 of the updated AI is accepted by HUD, TDHCA will, as promptly as reasonably possible produce for public comment a materially complete draft of that portion of its AI covering the balance of the State. Phase 2 must be developed by a qualified consultant or organization with experience in the development of AIs. After TDHCA produces phase 2 of the updated AI for public comment; the public shall have thirty (30) days, pursuant to applicable law, to provide comments. After the close of the public comment period, TDHCA shall submit phase 2 of the updated AI to HUD for review, including written responses to any public comments as part of the submission.
2. **Application of Phase 1 of the Updated AI.** For Hurricane Block Grant Funds for which MODs have been reviewed and approved as of the Effective Date of this Agreement, TDHCA, TDRA, and Recipients may proceed to expend such funds. The Action Plan and MODs that have previously been submitted to and approved by HUD are not subject to the updated AI. Upon HUD's acceptance of phase 1 of the updated AI, TDHCA and TDRA will review the substance and effect of all Programs funded with applicable Hurricane Recovery Funds for consistency with phase 1 of the updated AI. Such Programs shall be funded and undertaken in a manner that affirmatively furthers fair housing consistent with this Agreement and federal law and regulations. TDHCA and TDRA shall require Recipients to review expenditures of Hurricane Recovery Funds to ensure they will be consistent with phase 1 of the updated AI. In the event of noncompliance by a Recipient with its AFFH obligations (as defined by phase 1 of the updated AI), TDHCA or TDRA shall impose progressive sanctions, which TDHCA and

TDRA shall promulgate by rule, up to and including termination of funding to a non-compliant Recipient.

3. **Use of Funds and Planning Activities Prior to the Completion of Production of Phase 1 of the Updated AI.** . Subject to Section 3.5 of this Agreement, TDHCA or TDRA may not expend Hurricane Recovery Funds (except for planning and administrative funds) until the earlier of January 1, 2011 or HUD's acceptance of phase 1 of the updated AI.

- 3.5 **Expenditures of Round II Funds Prior to the Acceptance of Phase 1 of the Updated AI.** Except as explicitly provided for elsewhere in this Agreement, neither TDHCA nor TDRA shall commit or expend any Hurricane Recovery Funds prior to HUD's acceptance of phase 1 of the updated AI, or January 1, 2011, whichever is earlier, except in cases of locally identified priority Programs that cannot be carried out without Hurricane Recovery Funds. With respect to a non-housing Program that is subject to this Section II.A.3.5, TDRA will, using an independent consultant acceptable to the Complainants, notify Complainants of the Program in question, describe the Program in detail and state explicitly how the Program is consistent with HUD's current Fair Housing Guidance. This notification shall contain the consultant's assessment of how the Program in question will be consistent with the State's and each Recipient's obligation to AFFH. For each housing Program that is subject to this Section II.A.3.5, TDHCA will notify Complainants of the Program in question, describe the Program in detail and state explicitly how the Program is consistent with HUD's current Fair Housing Guidance or this Conciliation Agreement. From the date of notification, Complainants will have ten business days within which to lodge an objection stating how the Program does not comply with HUD's current Fair Housing Guidance or this Conciliation Agreement. Upon mutual consent of the applicable agency and the Complainants, the period may be extended. The applicable agency and the Complainants commit to work together in good faith to resolve and address differences or concerns about such Programs. The Complainants may, while deciding whether to object or not, ask questions to and request clarifications directly from the consultant. In the event of an objection, TDHCA or TDRA will not expend Hurricane Recovery Funds until Complainants withdraw their objection, phase 1 of the updated AI is accepted by HUD or January 1, 2011, whichever is earlier. Complainants are bound by a covenant of good faith and fair dealing with respect to any objection. If Complainants do not timely object, they will be deemed to have waived any objection to the Program. With respect to each allocated area, the amount of money that may be spent under this Section II.A.3.5 is capped at the lesser of 33% the area's total allocation under the Revised Action Plan Amendment or \$258 million.

4. **AFFH Training.** TDHCA and TDRA shall provide mandatory training to Recipients on AFFH and civil rights compliance.
 - a. TDHCA or TDRA, as appropriate, shall promptly provide mandatory training to each Recipient's designee(s) concerning the Recipient's obligations to AFFH and to comply with civil rights certifications and the reporting requirements required by this Agreement.
 - b. Upon HUD's acceptance of phase 1 of the updated AI, TDHCA and TDRA shall conduct additional mandatory training with respect to Hurricane Recovery Funds to review with Recipients the impediments identified in phase 1 of the updated AI, to provide guidance and assistance on how to use phase 1 of the updated AI to inform their recovery activities regarding The Hurricanes, to help prepare them to carry out their responsibilities to AFFH, and to prepare them to meet their compliance requirements in administering their Programs in a manner consistent with this Agreement.
 - c. TDHCA and TDRA shall separately approve training curricula for the AFFH training described in this Section II.A.4. of this Agreement after a public notice and comment period of at least fifteen (15) days.

5. **Reporting On AFFH.** TDHCA and TDRA, by rule, shall establish procedures to collect data relevant to actions to AFFH for any Programs and shall require each Recipient to collect and report to TDHCA or TDRA, as applicable, on a quarterly basis, data relevant to actions to AFFH and ensure compliance with civil rights certifications. Upon written request by Complainants, TDHCA or TDRA, as applicable, will make available free of charge and within ten business days, data including but not limited to the following (unless such data can not be produced within such ten business days, in which case the applicable agency shall certify that fact in writing to the Complainants, and set a date within a reasonable time when the data will be available):
 - a. For each Program activity requiring a direct application by an individual or a non-institutional entity: the applicant household's income, the household's income as a percentage of area median family income as defined by HUD, the race and ethnicity of the head of the household, the household's familial status, and the presence or non-presence of a household member with a disability.
 - b. For each non-housing Program activity directly linked to an individual beneficiary: the beneficiary household's income and that household's income as a percentage of area median family income as defined by HUD, the race and ethnicity of the beneficiaries using census or survey data.

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas

CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

- c. For each activity providing housing or housing assistance that is not directly linked to a specific beneficiary: the cost of the housing unit to the applicant and to the occupant, the maximum qualifying household income as a percentage of area median family income as defined by HUD, restrictions regarding the age or familial status of occupants, the presence or non-presence of design or services that make the housing unit accessible to an individual with a disability, and the number of fully accessible units.
- d. For each non-housing activity that is identified as principally benefitting low- and moderate-income persons, a description detailing the methodology used for the determination of the LMI benefit that permits an independent evaluation of that determination, including a detailed geographic description of the households benefited with the census geographies used to make the determination or, if other methodology was utilized to make the determination, a clear and complete description of the methodology and data. This description shall include surveys, survey tabulations, correspondence, sampling methodology, and other material documentation on which TDHCA or TDRA, as applicable, has relied in making its LMI certification.
- e. TDHCA and TDRA, as applicable, shall collect and maintain, until at least the Expiration Date of this Agreement, all final documents listed in this Section II.A.5. of this Agreement.
- f. Final Program applications shall be posted on TDHCA's or TDRA's website, or linked to a single website, as appropriate, from the time of award through a period of six months following the applicable Program's closeout.
- g. For purposes of monitoring compliance with this Agreement and applicable law, TDHCA and TDRA agree to provide information to Complainants as follows:
 1. TDCHA and TDRA are each state agencies subject to the Texas Public Information Act, Texas Government Code, Chapter 552 ("Act"). Except as provided herein, nothing in this Agreement shall obligate TDHCA or TDRA to provide any information which it may not lawfully provide or is not required by law to provide. If any information is requested by Complainants that TDHCA or TDRA believes may be excepted from disclosure under the Act, the information may not be withheld unless the procedures and requirements of the Act are followed.
 2. The Complainants acknowledge that the Act does not require TDRA or TDHCA to create new documents, information or reports to respond to information requests under the Act. Should Complainants request documents, information or reports that do not exist or that TDHCA and TDRA do not possess, TDHCA and

TDRA agree to so notify Complainants within the timeframes established under the Act.

3. TDHCA and TDRA shall provide public information requested by Complainants within ten (10) business days of request, unless the applicable agency seeks an opinion from the Attorney General in good faith under the Act, or unless the information can not be produced within such ten business days, in which case the applicable agency shall certify that fact in writing to the Complainants, and set a date within a reasonable time when the information will be available.
4. To the extent Complainants request information that is available in electronic form, TDHCA and TDRA shall provide such information without charge or other fee. TDHCA and TDRA agree to provide such information in the electronic format used by TDHCA or TDRA. TDHCA and TDRA shall, without charge to Complainants, collectively provide Complainants up to 10,000 pages of information that is available only in paper form. When information is kept electronically and in paper form, Complainants have the option to elect the form in which the information that is to be provided.
5. Within thirty (30) days after the Effective Date, and upon written request by the Complainants (which requests shall in no event be more frequent than quarterly during the term of the Agreement), TDHCA and TDRA shall provide Complainants reports containing all data reported in the HUD Disaster Recovery Grant Reporting System with respect to Hurricanes Ike, Dolly and Rita.

B. Allocation of Funds to Affirmatively Further Fair Housing

1. **Action Plan Amendment.** TDRA and TDHCA shall prepare a Revised Amendment and submit it to HUD. TDRA and TDHCA acknowledge that prior to such submission they are responsible for satisfying applicable federal statutes and regulations governing public participation, as well as the provisions for public participation as announced in the February 13, 2009, and August 14, 2009 *Federal Registers*.

After the Revised Amendment is developed by TDRA and TDHCA TDRA and TDHCA shall submit the Revised Amendment to HUD for review. TDHCA and TDRA shall include written responses to any public comments as part of the submission. TDHCA and TDRA shall submit the Revised Amendment to HUD, seeking confirmation that it complies with federal requirements. TDHCA and TDRA will timely respond to any questions regarding the Revised Amendment raised by HUD. TDHCA and TDRA will copy the Complainants on written responses it provides to HUD in response to HUD's questions under this subparagraph.

The Revised Amendment may be submitted to HUD as a series of partial amendments. Subject to applicable federal requirements for public comment, the Revised Amendment (as a whole) shall include the following:

- a. **Methods of Distribution.** MODs shall be proposed that describe each Recipients' Programs, including a description of the funding levels, eligibility requirements, intended beneficiaries, and maximum and minimum benefit levels. For each Program listed in a MOD, TDRA and TDHCA, as applicable, shall describe how the Program will address identified impediments and AFFH in accordance with phase 1 of the updated AI. TDHCA and TDRA shall not release Hurricane Recovery Funds for any Program until a MOD as described above is proposed, published for public comment, submitted to the appropriate state agency for review, and thereafter submitted to and approved by HUD. Before any MOD is finalized, it shall be posted on the applicable agency's website so that it may be reviewed for a period of not less than fifteen (15) days for public comment.
- b. **LMI Allocation.**
 - i. TDHCA and TDRA shall expend at least 55 percent of Hurricane Block Grant Funds and Program income on Programs to benefit low- and moderate-income persons.
 - ii. TDHCA and TDRA may administer a Program directly if, at any point, in TDHCA's or TDRA's sole determination, there is no acceptable provider capable of serving the needs of low- and moderate-income persons residing in the locality or region in a competent and efficient manner.
 - iii. TDHCA and TDRA shall regularly report on their websites or link to a single website, and require regular reporting by Recipients, to ascertain and ensure compliance with the requirement in this Section II.B.1.b.
- c. **Housing Allocation.** TDHCA and TDRA shall expend at least 55 percent of Hurricane Block Grant Funds on housing Programs.
- d. **Recipient Performance.** TDHCA shall require Recipients to adhere to expenditure performance requirements with respect to the applicable Hurricane Recovery Funds used for housing, and to submit to performance evaluations of their expenditure rates every six months during the term of this Agreement. TDHCA's proposed performance standards shall be set at a level of incremental expenditure to reasonably assure that, within a period of no more than eighteen months from the date of the commencement of the Program, each Recipient will have identified sufficient eligible beneficiaries such that the Recipient will be able to provide reasonable assurance that the Recipient will be able to expend all applicable Hurricane Recovery Funds utilized for housing in compliance with

TDHCA-established benchmarks. TDHCA will require each Recipient to ensure that expenditure of those committed funds is in compliance with TDHCA-established benchmarks. If a Recipient is unable or unwilling to administer its allocated Hurricane Recovery Funds in compliance with TDHCA's benchmarks, the COG in which the Recipient is located will determine, in a manner acceptable to TDHCA, whether the COG or another eligible provider with demonstrated capacity will assume responsibility for the administration of those Hurricane Recovery Funds for the same purposes and for the benefit of the same beneficiaries. If the COG and TDHCA cannot find a mutually agreeable administrator, TDHCA agrees to administer a Program to carry out those responsibilities.

- e. TDHCA shall provide the proposed expenditure performance requirements for public review and comment fifteen (15) days before they are approved by TDHCA. TDHCA will provide a written response to any public comment.
- f. **Housing Program Guidelines.** TDHCA shall create a task force comprised of representatives of TDHCA and the COGs, that shall in one or more posted public meetings, develop criteria governing all housing Programs to be carried out with Hurricane Recovery Funds. Such recommendations, upon adoption by TDHCA, will direct the available scope of housing activities Recipients may carry out and will be reflected in an amendment. TDHCA must consider these recommendations and approve guidelines which shall include and address but not be limited to:
 - i. A list of housing Program activities (including appropriate relocation and buyout activities) from which Recipients may select housing Programs that they will offer;
 - ii. The cost and benefit criteria for each housing Program;
 - iii. The Program participant eligibility and qualification criteria for each housing Program;
 - iv. Housing quality standards for housing funded with Hurricane Recovery Funds;
 - v. The priority factors that Recipients must consider in administering their overall housing Program, including prioritization for persons at various income levels, persons with special needs, and relocation Programs;
 - vi. An evaluation of the income levels of disaster survivors and the establishment of reasonable guidelines to ensure that the housing needs of low-, very low- and extremely low-income households are assisted with housing in no less than the proportion to their relative percentages of the overall populations

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas
CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

which suffered housing damage within the community being served by the Program;

vii. Appropriate outreach and public awareness measures for housing Programs;

viii. The recommendations will provide and allow for objectively determined regional adjustments for these criteria to reflect differences in the costs of delivery for benefits and the economic profile of local target populations.

2. **Housing Initiatives.** Subject to applicable federal requirements for public comment, TDHCA shall establish and fund from Hurricane Recovery Funds the following housing initiatives as part of its Revised Amendment:

a. **Affordable Rental Housing Program.** Set asides from the Hurricane Block Grant Funds for affordable rental housing Programs administered by TDHCA, sufficient to ensure that TDHCA will meet the mandate of P.L. 110-329, and addressing multifamily rental housing, single family rental housing, and public housing needs arising from The Hurricanes. Such funds relating to affordable multifamily rental housing and owners of 20 or more single family or duplex private rental housing units constructed, repaired, or reconstructed using Hurricane Recovery Funds will be governed by appropriate use restrictions, to be evidenced by duly-recorded LURAs having terms of ten (10) years. TDHCA shall require all owners of affordable multifamily rental housing units and owners of 20 or more single family or duplex private rental housing units receiving assistance under this Program to accept Housing Choice Voucher holders under the same substantive provisions as those in place in the Texas Low Income Housing Tax Credit program established by Internal Revenue Code §42, Texas Government Code, Chapter 2306, and rules and guidelines promulgated by TDHCA relating thereto.

If, and only if, prior to the execution of the first such LURA applicable to an affordable multifamily property or owner of 20 or more single family or duplex private rental properties constructed, repaired, or reconstructed using Hurricane Recovery Funds, HUD has provided TDHCA written confirmation, in form and substance reasonably acceptable to TDHCA, that TDHCA shall have no responsibility to monitor or enforce any such LURA or the ownership and operation of the property to which it relates after ten (10) years from the date such LURA is executed and recorded, a subsequent ten (10) year period shall be included in the LURA, which shall expressly provide that such additional ten (10) year period shall be enforceable under the same substantive provisions as those in place in the Texas Low Income Housing Tax Credit program established by Internal Revenue Code §42, Texas Government Code, Chapter 2306, and rules and guidelines promulgated by TDHCA relating thereto.

- b. **One-For-One Replacement.** From TDHCA's affordable housing set aside out of the Hurricane Recovery Funds, no less than \$50 million shall be available for use in the City of Galveston for the one-for-one replacement of all family and elderly public housing units damaged or destroyed in Hurricane Ike. Of the remaining funds, no less than \$25 million shall be provided for the construction, reconstruction, replacement, or rehabilitation of family and elderly public housing units damaged or destroyed by The Hurricanes, with priority being given to activities which include one-for-one replacement of family and elderly public housing units within a Public Housing Authority jurisdiction, or federally funded farm labor housing.
- c. **Disaster Housing Demonstration Program.** TDHCA shall administer \$6 million in Hurricane Recovery Funds for the disaster housing pilot program required by HB 2450 (81st Legislature, regular session). This funding shall be administered with \$2 million available in each of the following areas Lower Rio Grande Valley Development Council, Harris County, and Galveston County. TDHCA will publish the criteria under which interested parties may compete to administer such pilot projects.
- d. **Title Clearance and Legal Assistance Program.** A title clearance and legal assistance Program funded from Hurricane Recovery Funds at \$500,000.
- e. **Rebuilding Subsidized Housing.** In furtherance of the objective of restoration of subsidized housing damaged or destroyed by The Hurricanes and to ensure funds are available to address issues identified in phase 1 of the updated AI, TDHCA shall create a Program, to be administered by the appropriate COG, funded at \$100 million, for the sole benefit of low- and moderate-income persons with unmet housing needs resulting from The Hurricanes, with priority given to addressing issues identified with public housing and affordable rental housing damaged or destroyed by The Hurricanes. Of this amount, \$90 million shall be made available in the Counties of Harris and Galveston, and \$10 million shall be made available in the County of Orange. Such Program shall require:
 - i. The one-for-one replacement or rehabilitation of all family and elderly public housing units that were damaged or destroyed as a result of The Hurricanes within the local jurisdictions in a manner that affirmatively furthers fair housing in compliance with phase 1 of the updated AI. Twenty million dollars shall be reserved specifically to support the one-for-one replacement of family and elderly public housing damaged or destroyed by The Hurricanes in the City of Galveston. Once all public housing units damaged or destroyed by The Hurricanes in Galveston have been addressed the reservation shall be released for other rental housing activities under this section.

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas

CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

- ii. The rehabilitation, reconstruction or construction of single-family and multi-family rental housing units damaged or destroyed by The Hurricanes within the jurisdictions or surrounding regions in a manner that affirmatively furthers fair housing in compliance with phase I of the updated AI in sufficient numbers and at appropriate rents to affordably house an equal number of Housing Choice Voucher holders as were living within each jurisdiction at the time of The Hurricanes.
 - 1) TDHCA will work with units of local government in the areas where applicable Hurricane Recovery Funds are to be administered requiring that zoning and permitting in connection with the use of Hurricane Recovery Funds are addressed in a manner which is consistent with AFFH and other applicable laws.
 - 2) TDHCA shall require all Recipients for multifamily and owners of 20 or more units of single family or duplex private rental housing to accept Housing Choice Voucher holders under the same substantive provisions as those in place in the Texas Low Income Housing Tax Credit program established by Internal Revenue Code §42, Texas Government Code, Chapter 2306, and rules and guidelines promulgated by TDHCA relating thereto, for a period of ten (10) years. Such provisions shall be evidenced by duly-recorded LURAs. Furthermore, such housing shall be subject to the same use restrictions as those described in Section II.B.2.a.
- f. **Impacted Area Buyout Criteria.** TDHCA shall set aside \$18 million of Hurricane Recovery Funds to fund relocation and buyout assistance for low and moderate income victims of The Hurricanes living in FEMA designated “High Risk Areas” and areas of high minority and poverty concentration as approved by TDHCA. These activities will be administered by the COGs under policies developed by TDHCA, and will use relocation counselors and licensed real-estate professionals.
- g. **Moving To Opportunity Program.** TDHCA and Complainants shall work together to prepare a request to HUD for an allocation of additional Housing Choice Vouchers, or assistance in developing alternative tenant-based rental assistance for eligible households. Contingent on securing federal appropriations to fully fund Housing Choice Vouchers or equivalent tenant-based rental assistance to assist up to 2,500 eligible households, TDHCA shall propose to establish a Moving to Opportunity Program, funded at \$1 million per year for five years and operated by Public Housing Authorities, to permit eligible renter households in areas affected by The Hurricanes to locate alternative rental housing in higher opportunity areas. Such funds shall be expended to provide relocation counseling, security and utility deposits, moving expenses, and reasonable Program administrative expenses under criteria developed by TDHCA.

3. **Tax Issues.** In addition to other requirements described in this Agreement, TDHCA shall prohibit the denial of assistance to applicants who are elderly or disabled based upon an election to defer property tax payments as permitted under Texas law, or to applicants who have property tax debt so long as the applicant has entered or agrees to enter into a plan with the appropriate local taxing authority to pay such taxes. TDHCA shall require contractors for the State, COGs, and Recipients being paid from Hurricane Recovery Funds to properly state these criteria in all public notices and media communications regarding their Programs, and to use a TDHCA-approved disclosure form to inform potential beneficiaries and applicants of their right to enter into a payment plan or defer taxes as provided in Texas law. This disclosure will be in clear language, understandable to a layperson. TDHCA shall approve the proposed disclosure and instructions after a 15 day public comment period.
4. **Ownership.** TDHCA shall provide Recipients with clear instructions concerning the standards that must be used to establish property ownership as provided under Texas Government Code §2306.188, and prohibit Recipients' use of standards that are more onerous than those in Texas Government Code §2306.188. TDHCA shall approve the proposed instructions after a fifteen (15) day public comment period.
5. **Access to Housing for Persons with Disabilities.** TDHCA shall establish clear standards under which all housing constructed or rehabilitated with Hurricane Recovery Funds shall be designed to be visitable by people with disabilities.
 - a. TDHCA shall create a task force, appointed in consultation with Complainants, to develop a practical policy for the waiver of requirements allowed under Texas Government Code §2306.514(b) related to new construction and rehabilitation of properties using Hurricane Recovery Funds. No such waiver would be granted where the property being constructed was being built specifically for an applicant with special needs. TDHCA shall provide full consideration to Hurricane Recovery Funds applications for LMI households with special needs and will give such applications funding priority.
 - b. Visitability standards set forth in Texas Government Code §2306.514(b) shall apply to all housing constructed with Hurricane Recovery Funds except if a waiver is granted under Section II.B.5.a. of this Agreement.
 - c. TDHCA and TDRA shall establish rules, procedures and funding guidelines requiring their contractors and Recipients to (i) adequately assess the needs of survivors of The Hurricanes with disabilities for funding to be carried out with Hurricane Recovery Funds and (ii) assign the highest funding priority to Programs serving low and moderate income households within this population.

6. **Eligibility.** In the administration of Hurricane Recovery Funds, TDHCA shall prohibit COGs and Recipients from refusing housing assistance to applicants solely on the basis that the applicants were denied assistance by FEMA. TDHCA shall include in each Hurricane Recovery Funds grant contract provisions to require the Recipient to accept reasonable alternative proof of damage from The Hurricanes in the event a homeowner has been denied FEMA assistance. TDHCA will promulgate clear standards to be used for establishing whether an applicant's home is eligible for housing benefits out of Hurricane Recovery Funds because of damage related to The Hurricanes and shall require all COGs and Recipients to adhere to these standards. TDHCA shall issue proposed instructions for compliance with this provision after a 15 day public comment period.

III. REPORTING

TDHCA and TDRA shall increase the accountability and transparency for Hurricane Recovery Funds by posting on their respective websites, or linking to a single website, the HUD-approved updated AI, Revised Amendment, all final MODs, all final Program applications, all project status and fund expenditure reports provided to HUD, and reporting data required in Sections II.A.5 and II.B.1.b.iii of this Agreement.

- A. TDHCA and TDRA shall require each Recipient to submit to TDHCA or TDRA, as applicable, all notices of any public hearings or requests for public comment the Recipient may have that relates to the administration of Hurricane Recovery Funds that are provided to such Recipient. TDHCA and TDRA agree to post on their respective websites, or link to a single website, all such notices that TDRA or TDHCA, as applicable, receives from any such Recipient. Such postings will not fulfill the Recipients' responsibility under Chapter 551 of the Texas Government Code.
- B. Assistance with Document Location. If TDHCA or TDRA receives a request for information under the Act that the agency does not possess, then in response to the request for information, the applicable agency will, within ten business days, provide the Complainants with a list of governmental bodies that the agency, reasonably and in good faith, believes may have the information.
- C. In the event of noncompliance by a Recipient with the applicable terms of this Agreement or with federal law or regulation governing the administration of Hurricane Recovery Funds, TDHCA and TDRA shall by rule provide for the imposition of progressive sanctions, consistent with the requirements of applicable state and federal law, up to and including a termination of funds to that non-compliant Recipient.

IV. OTHER

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas

CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

A. Withdrawal and Dismissal of Complaints

Upon the Effective Date of this Agreement, the Complaints will be deemed to have been withdrawn and dismissed without need of any further action by any party and with the express understanding that neither the Complaints nor any issue or allegation urged in such Complaints, that had been urged in any previous version of such Complaints, or that may have been urged in any of the Complaints in connection with the State's administration of the Hurricane Block Grant Funds, may be re-filed, in whole or in part by, on behalf of or at the request of any Complainant.

B. Miscellaneous Terms

1. **Notice.** If any legal notice is provided concerning this Agreement, notice shall be given at the following:

For TxLIHIS:

John Henneberger, Co-Director
Texas Low Income Housing Information Service
508 Powell Street
Austin, Texas 78703-5122

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas
CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

For Texas Appleseed:

M. Madison Sloan, Staff Attorney
Texas Appleseed
1609 Shoal Creek, Suite 201
Austin, Texas 78701
msloan@texasappleseed.net

For TDRA:

Charles Stone
Executive Director
Texas Department of Rural Affairs
P. O Box 12877
Austin, Texas 78711
charlie.stone@tdra.state.tx.us

For TDHCA:

Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
P. O. Box 13941
Austin, Texas 78711
michael.gerber@tdhca.state.tx.us

Notice shall be sent either electronically or, in compliance with the "mailbox" rule, when sent first class, return receipt required.

2. **Venue.** The parties, and by approving this Agreement HUD, agree that venue for any suit brought by the Department of Justice to enforce the terms of this Agreement should be brought in the federal district court for the Southern, Eastern, or Western District of Texas in which one or more of the defendants in such suit resides or has its principle place of business. Except as otherwise provided in this paragraph, any action to enforce the terms of this Agreement shall be brought in a State District Court for Travis County, Texas.
3. **Headings.** Headings are included solely for the ease of locating subjects and shall not be considered for purposes of interpreting this Agreement, nor do they enlarge or limit any term of this Agreement.
4. **Plural and Gender.** Every singular word may be read as a plural and vice versa. Any reference to gender herein may be read as either masculine, feminine, or neuter and should not be interpreted as a limitation.

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas

CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

5. **Remedies for Breach.** Each party agrees that, in the event of a breach of this Agreement, the harmed party is limited to seeking injunctive relief to compel compliance with this Agreement.
6. **Use of Funds.** Notwithstanding anything contained in this Agreement: (a) the State represents that state law does not prohibit TDHCA and TDRA from entering into this Agreement and complying with its terms; (b) this Agreement applies solely to Hurricane Block Grant Funds and does not and shall not be construed to apply to any other federal funds or to any State funds; (c) State funds may not be used in a manner inconsistent with Texas law, including without limitation, the General Appropriations Act and the Texas Constitution; and, (d) this Agreement shall not control or compel appropriation of any State funds.
7. **Severability.** If any section of this Agreement is determined by a court to be in violation of the laws of the State, federal law or regulation, or against public policy, the remainder of the Agreement shall continue to operate in full force.
8. **Entire Agreement.** This Agreement contains the entire Agreement and understanding between the parties. With respect to this Agreement, no representations, promises, agreements or understandings, written or oral, not herein contained shall be valid or binding unless the same is in writing and signed by the party intended to be bound.
9. **Construction.** This Agreement is the result of conciliation negotiations undertaken in good faith and in that regard the rule of contractual construction that an ambiguous term shall be construed against the drafter shall not be employed.
10. **Review by Counsel.** Each of the Parties represents and warrants to the others that it has had this Agreement reviewed by counsel prior to execution.
11. **Notice and Cure.** An action by Complainants or either of them for breach of this Agreement may not be commenced until and unless TDHCA or TDRA or both, as appropriate, have been given written notice specifying the basis for the assertion of a material breach, a reasonable opportunity to cure, and have failed to cure or take steps to cure.
12. **Force Majeure.** "Force Majeure event" means an event beyond the control of the State, TDHCA, or TDRA which prevents or delays compliance with one or more of their obligations under this Agreement, such events including but not limited to the following:
 - a. an act of God (such as, but not limited to, hurricanes, tornadoes, and floods);
 - b. war, hostilities (whether war be declared or not), invasion, or embargo;

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas
CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

- c. rebellion, revolution, insurrection, or military or usurped power, or civil war;
- d. contamination by radioactivity from any nuclear fuel, or from any nuclear waste from the combustion of nuclear fuel, radioactive toxic explosive, or other hazardous properties of any explosive nuclear assembly or nuclear component of such assembly;
- e. contamination by any other hazardous materials or substance;
- f. riot, commotion, strikes, work stoppages or slowdowns, lock outs or disorder, or
- g. acts or threats of terrorism.

Upon the occurrence of a force majeure event a party to this Agreement shall not be considered in breach of this Agreement for failure to perform any obligation hereunder to the extent that such performance is prevented by that force majeure event. Upon occurrence of a force majeure event the party or parties whose performance is affected shall, as promptly as reasonably possible, provide notice of the facts and circumstances to the other parties hereto. The parties will work in good faith to resume performance as soon as is reasonably possible once such force majeure event no longer impairs or affects their ability to do so.

C. Effective Date and Expiration Date

The Effective Date of this Agreement is the last date on which it is signed by each signatory for the State and each Complainant, and approved by each signatory for the U.S. Department of Housing and Urban Development. If this Agreement, the Revised Amendment, the updated AI, or the ultimate release of funds based on approved MODS—as each may be amended by agreement of the Parties or by agreement between The State and HUD—are not approved by HUD, this Agreement shall be null and void *ab initio* without need of any further action by any party even if it has been executed by each Complainant, TDHCA and TDRA. The Expiration Date of this Agreement is six (6) months following the date of the close out of the Hurricane Block Grant Funds grant.

D. Relief for Complainants

Complainants seek no monetary award of damages. They are, however, entitled to payment of actual and reasonable attorneys' fees and costs in the amount of \$120,000.

E. Monitoring

Complainants and TDHCA and TDRA agree that HUD shall monitor compliance with the terms and conditions specified in this Agreement. As part of such monitoring, HUD may, upon reasonable notice and at reasonable times, inspect TDHCA's and TDRA's records, examine witnesses and copy pertinent records. TDHCA and TDRA agree to provide their

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleseed v. State of Texas

CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

cooperation in any monitoring review undertaken by HUD to ensure compliance with this Agreement.

F. Reporting and Record Keeping

All required certifications and documentation of compliance with the terms of this Agreement shall be submitted to:

U.S. Department of Housing and Urban Development
Fair Housing Enforcement Center
ATTENTION: CONCILIATION REVIEW
801 Cherry Street, Unit #45, Suite 2500
Fort Worth, Texas 76102

G. Consequences of Breach

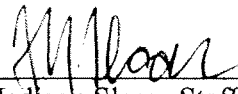
The parties acknowledge that in the event of an uncured breach of this Agreement, 42 USC §3610(c) will apply.

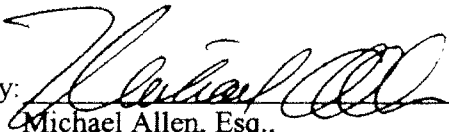
H. Signatures

This Agreement is being signed by TDRA and TDHCA by individuals acting in their official capacity. They have the requisite authority to sign this Agreement on behalf of their respective agencies. These other signatures to this Agreement attest to the approval and acceptance of this Conciliation Agreement by the signatories.

Complainants:

By:  Date: May __, 2010
John Hemeberger, Co-Director, TxLIHIS

By:  Date: May 21, 2010
M. Madison Sloan, Staff Attorney,
Texas Appleseed

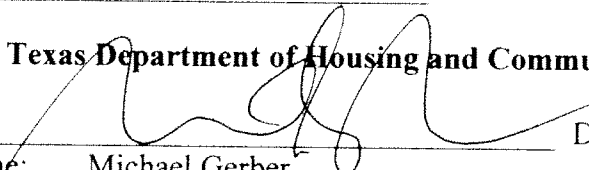
By:  Date: May 21, 2010
Michael Allen, Esq.,
Counsel for TxLIHIS and Texas Appleseed

Conciliation Agreement

CASE NAME: Texas Low Income Housing Information Service and Texas Appleeed v. State of Texas

CASE NUMBERS: 06-10-0410-8 (TITLE VIII); 06-10-0410-9 (SECTION 109)

The Texas Department of Housing and Community Affairs:

By:  Date: May 20, 2010

Name: Michael Gerber

Title: Executive Director

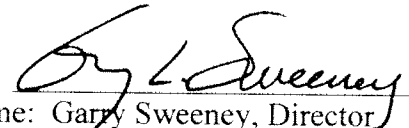
The Texas Department of Rural Affairs:

By:  Date: May 21, 2010

Name: Charles S. ("Charlie") Stone

Title: Executive Director

APPROVED:

By:  Date: May 25, 2010

Name: Garry Sweeney, Director

Fair Housing and Equal Opportunity

Region VI

U.S. Department of Housing and Urban Development