

SUBJECT: Regional allocation of low-income housing funds

COMMITTEE: Urban Affairs — committee substitute recommended

VOTE: 7 ayes — Carter, Bailey, Burnam, Clark, Edwards, Ehrhardt, Najera
0 nays
2 absent — Hill, Hodge

WITNESSES: For — David Mintz, Texas Apartment Association
Against — None
On — Scott Hendrix, Comptroller of Public Accounts; Pam Morris, Texas Department of Housing and Community Affairs

BACKGROUND: The Texas Department of Housing and Community Affairs (TDHCA) administers the state's Housing Trust Fund and the federal HOME block-grant program and Low Income Housing Tax Credit Program.

The Housing Trust Fund is the only state-funded low-income housing program. Funds may be used to buy, rehabilitate, and build affordable housing. The program benefits households at or below 80 percent of the area's average median family income (AMFI).

The HOME program, funded by the U.S. Department of Housing and Urban Development, is aimed at expanding the supply of affordable housing for households at or below 80 percent of the AMFI. TDHCA distributes block-grant funds through statewide or regional competition or by direct award.

The Low Income Housing Tax Credit Program promotes the construction of affordable housing by issuing federal tax credits for new construction and rehabilitation of multifamily residential developments. A developer who sets aside 100 percent of a project for qualified tenants may claim the maximum tax credit eligible for a development. The program benefits households at or below 60 percent of the AMFI.

- DIGEST:** CSHB 3326 would require that all funds administered by TDHCA from the Housing Trust Fund, HOME program, and Low Income Housing Tax Credit program be allocated to the comptroller's 11 uniform state service regions through a formula developed by TDHCA.
- The formula would have to be based on the need for housing assistance, and the allocations would have to be consistent with applicable state and federal requirements and limitations. If the agency determined under the formula that a particular region submitted an insufficient number of eligible applications for assistance, TDHCA would have to use the excess unused funds or credits allocated to that region for other set-asides.
- The agency would have to include the formula and the allocation targets established for each uniform state service region in its annual plan for low-income housing. TDHCA's annual report on low-income housing would have to include the amounts of funds and credits allocated to each region in the preceding year for each federal and state program affected by the allocation.
- This bill would take effect September 1, 2000.
- SUPPORTERS SAY:** CSHB 3326 would change the way low-income housing funds are allocated to ensure that all regions of the state would be served in proportion to their needs and that no funds would be wasted. The bill would direct TDHCA to develop a formula so that if it did not receive enough applications from an area meeting these criteria, other regions could receive the leftover tax credits or funding.
- The bill would provide a much fairer way to allocate funds than the current system. In the past, some of TDHCA's funding allocation methods have favored larger cities. The formula proposed by CSHB 3326 would result in a more equitable distribution of funds across the state, especially in rural communities in the Texas-Mexico border region.
- OPPONENTS SAY:** It is unclear how the proposed statewide allocation formula would work. Depending on how the formula was derived, it could deprive certain areas of essential housing funds. It would be better for the Legislature to gather more details on the effects of the proposed formula before making this change. Since the bill's effective date would be September 1, 2000, to enable TDHCA

to complete its funding cycles, a delay in enacting this measure would have little effect, and the 77th Legislature could take up the matter in 2001.

Funding available for the Housing Trust Fund is so low now that a regional allocation among 11 different regions would not distribute enough funds to any individual region to be useful.

NOTES:

The original bill proposed allocating funds to each geographic state planning region, rather than to the comptroller's uniform state service regions, according to the proportion of households in each region that needed housing assistance.

The companion bill, SB 1112 by Shapleigh, is similar to CSHB 3326 but would specify that excess funds or credits be allocated to all other regions "based on identified needs and financial feasibility" rather than for other set-asides. SB 1112 passed the Senate on April 23 and was reported favorably by the House Urban Affairs Committee on April 28.

A related bill, SB 1506 by Truan, would require TDHCA to commit at least 20 percent of low-income housing tax credits to projects in counties that had income levels 25 percent below the state average and unemployment levels 25 percent above the state average. SB 1506 was withdrawn from the Senate Intent Calendar on April 26.