

SUBJECT: Abolishing the Texas State Affordable Housing Corporation

COMMITTEE: Urban Affairs — committee substitute recommended

VOTE: 6 ayes — Y. Davis, Alvarado, Kent, Pierson, C. Turner, Walle
0 nays
5 absent — C. Howard, Fletcher, Gutierrez, Mallory Caraway, Miklos

SENATE VOTE: On final passage, April 29 — 31-0

WITNESSES: (*On original bill:*)
For — Matt Hull, Habitat for Humanity Texas; Bob Jones, Texas State Affordable Housing Corporation; (*Registered, but did not testify:* Donna Chatham, Association of Rural Communities in Texas; Ron Cranston; William Dietz, Cynthia Leon, Texas State Affordable Housing Corporation; Spencer Duran, on behalf of Jean Lagendorf, United Cerebral Palsy of Texas; Bob Kafka, David Wittie, ADAPT of Texas; Thomas Leeper; Sarah Mills, Advocacy, Incorporated; Deena Perkins, Texas Association of Community Development Corporations)

Against — William Betts; Joe Garcia, Texas Manufacturer Housing Association; T.J. Patterson, City of Fort Worth; (*On committee substitute:*) Matt Hull, Habitat for Humanity Texas

On — Katherine Closmann, David Long, Texas State Affordable Housing Corporation; Christian Ninaud, Texas Sunset Advisory Commission; (*Registered, but did not testify:* Michael Gerber, Texas Department of Housing and Community Affairs)

BACKGROUND: The Texas State Affordable Housing Corporation (TSAHC) was established in 1995 as a way to help low-income residents obtain affordable housing. The corporation was separated from the Department of Housing and Community Affairs (TDHCA) in 1997 and established as a self-sustaining federal tax-exempt 501(c)(3) non-profit organization. TSAHC has a staff of 12, and a five-member board of directors whose members are appointed by the governor and selected from various housing

industry sectors, including real estate, banking, mortgage brokering, financial advising, and nonprofit housing development. The corporation receives no state-appropriated funding, but may raise funds and market its programs to provide bonds, loans, and grants, and also receives awards from banks and other entities. In fiscal 2007, TSAHC generated about \$2 million in revenue and spent \$1.7 million on operations.

The corporation administers three single-family housing programs, each financed by private activity bonds. The Professional Educators Home Loan Program provides financing to low- and moderate-income teachers, teacher's aides, and school nurses, librarians, and counselors. The Homes for Texas Heroes Program provides home financing to low- and moderate-income peace officers, correctional officers, juvenile corrections officers, county jailers, public security officers, paid firefighters, and EMS personnel. The Home Sweet Texas program targets other low-income families. In 2007, TSAHC issued bonds to finance \$133 million in single-family housing loans.

TSAHC also issues bonds to finance the development and rehabilitation of multi-family rental housing and oversees the properties to ensure that they are properly maintained and comply with income eligibility requirements. In 2007, the corporation issued \$36 million to rehabilitate multi-family housing property and conducted 150 compliance site visits. The corporation also makes short-term capital loans to single- and multi-family housing developers to help defray start-up costs.

If not continued by the Legislature, the corporation will be abolished September 1, 2009.

DIGEST:

CSSB 1002 would abolish TSAHC on January 1, 2010, and transfer its powers, duties, and assets to the Texas Department of Housing and Community Affairs (TDHCA). The director of TDHCA would be required to adopt a transition plan by October 1, 2009, that included a timetable with specific steps and deadlines required to fully complete the transfer by January 1, 2010. The director also would be able to adopt any necessary rules to improve the efficiency or effectiveness of any corporation program that transferred to TDHCA.

TSAHC would be required to transfer all of its assets to TDHCA, including any real or personal property owned by the corporation and any bond revenue distributed by the corporation, all records related to any

home loan programs the corporation operated, and any applications pending on January 1, 2010. All TSAHC policies and procedures related to the corporation's duties would be continued as policies and procedures of TDHCA, unless the department adopted rules to change the policies. Any contract, acquisition, proceeding, obligation, grant, or loan undertaken, made, awarded, or incurred by TSAHC would remain in effect.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009.

**SUPPORTERS
SAY:**

The Texas State Affordable Housing Corporation has not fulfilled its unique role as a non-profit housing entity in a meaningful way. While the corporation's tax-exempt status allows it to raise private funds and market its programs, it only began its fundraising efforts in 2006 and has raised just \$45,000 in private donations. Since 2002, it has issued only eight loans to housing developers using funds awarded by financial institutions.

Many of TSAHC's programs, such as the issuance low-income housing bonds and compliance site visits, are duplicated by the Texas Department of Housing and Community Affairs. Transferring the corporation's duties and programs to TDHCA would help improve the administration of the state's low-income single- and multi-family housing programs and increase state government efficiency.

**OPPONENTS
SAY:**

TSAHC has a unique role in providing low-income housing to state residents, and CSSB 1002 should continue the corporation on a limited trial basis. Both the Professional Educators and Homes for Texas Heroes Programs have had successful track records, and the corporation has done a good job seeking and receiving bond financing. While some of TDHCA's programs are similar to those administered by TSAHC, the department's single-family housing loans do not target specific populations such as firefighters or teachers.

While focused fundraising efforts could have begun sooner, TSAHC's current fundraising strategy should be given time to succeed. The corporation also has just created a new program, the Texas Foundations Fund, that provides grants to local communities and other non-profit organizations to support housing initiatives targeted to hard-to-serve populations. TSAHC is in the process of encouraging private donations to

the fund, and that process should be allowed to continue as well. TDHCA would be unlikely to raise as many private funds as TSAHC does because many donors are hesitant to donate funds to state agencies and other taxpayer-funded entities. TSAHC receives no state appropriations, so continuing the corporation would not cost the state any money.

NOTES:

The House committee substitute differs from the Senate-passed version of the bill by abolishing the Texas State Affordable Housing Corporation rather than continuing TSAHC until 2015. The substitute would transfer the corporation's powers and duties to the Texas Department of Housing and Community Affairs, rather than requiring an annual report on the number, amount, and use of public and private grants, loans, donations, or other funds received by the corporation and the corporation's revenues and expenditures, requiring TSAHC to include enforcement options in its bond-financed multifamily housing compliance contracts, requiring the establishment and maintenance of a website containing single family housing lending information, increasing the size of the corporation's board of directors to include representatives from nonprofit housing organizations and families served by the corporation's single family housing loan programs, and implementing certain across-the-board recommendations.

The Legislative Budget Board estimates that abolishing the Texas State Affordable Housing Corporation would have no effect on general revenue funds, but that operating costs for TSAHC programs transferred to the Texas Department of Housing and Community Affairs would total about \$3.2 million in fiscal 2010-2011 and about \$8 million for the five-year fiscal period of 2010-2014.

An identical bill, HB 1650 by McClendon, was heard by the House Urban Affairs Committee on April 23 and was left pending.