

**SUBJECT:** Distribution of federal housing funds by TDHCA

**COMMITTEE:** Land and Resource Management — favorable, without amendment

**VOTE:** 5 ayes — Walker, F. Brown, Geren, Krusee, B. Turner  
2 nays — Howard, Truitt  
2 absent — Crabb, Mowery

**WITNESSES:** For — John Henneberger, Texas Low Income Housing Information Service;  
Reymundo Ocañas, Texas Association of Community Development  
Corporations  
  
Against — None  
  
On — Ann V. Denton, The Enterprise Foundation

**BACKGROUND:** The Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. §12701 et seq.) provides federal funds to state and local governments to increase the supply of decent, affordable housing for low- and moderate-income families. Communities that receive funds directly from the federal government — primarily urban areas — are called participating jurisdictions. All other communities, called non-participating jurisdictions, apply for grants for these funds from the HOME program of the Texas Department of Housing and Community Affairs (TDHCA).  
  
Government Code, sec. 2306.111(c) requires TDHCA to give the highest priority to non-participating jurisdictions in awarding HOME funds unless the department finds that there is insufficient need and demand for housing funds within these areas.

**DIGEST:** HB 1811 would amend Government Code, sec. 2306.111(c) to require TDHCA to expend at least 95 percent of HOME funds on non-participating jurisdictions. It also would strike the provision allowing the department to expend less money if it finds that there is insufficient need and demand for housing funds within these areas.

The bill would take effect September 1, 2001.

**SUPPORTERS  
SAY:**

HB 1811 would ensure that all jurisdictions in the state receive their fair share of federal housing funds to help provide affordable housing for low- and moderate-income families. The HOME funds administered by TDHCA, about \$38 million in fiscal year 2001, are granted to the department by the federal government specifically to address the housing needs of non-participating jurisdictions throughout the state. Participating jurisdictions, which currently include 39 cities and counties, receive their share of these funds, about \$62 million, directly from the federal government.

In the past, TDHCA inappropriately has granted some of its HOME funds to participating jurisdictions, giving these areas an unfairly large share of the funds available. Although TDHCA has improved its policies in the past few years and now grants about 85 to 90 percent of its HOME funds to non-participating jurisdictions, it is important to make this distribution a statutory requirement to ensure that the department will continue to award this money appropriately. HB 1811 would clarify exactly how much the department must expend on non-participating jurisdictions and would guarantee that these areas' housing needs are met.

Non-participating jurisdictions contain some of the poorest, neediest sections of the state, including most of the colonias. There is more than enough need to guarantee that all of the housing funds granted to the state would be used and that no unspent money would have to be returned to the federal government. Historically, there have been few Community Housing Development Organizations (CHDOs), which under federal law are required to receive 15 percent of the department's housing funds. Adequate capacity now exists to expend all of these funds in non-participating jurisdictions.

Requiring that these funds go to non-participating jurisdictions also would help stimulate the growth of new CHDOs in these areas. Even if the state were to have trouble expending these funds, other solutions would enable the money to be spent in non-participating jurisdictions, such as creating a statewide program in partnership with a CHDO to provide housing down-payment assistance for low-income families.

Although the housing needs of persons with disabilities are extremely important, the HOME program is not the appropriate program for addressing these needs. These funds should go to the non-participating jurisdictions for which the federal government intended and where there are critical housing

needs. The state should re-prioritize other available funding sources, such as the Housing Trust Fund, to ensure that the housing needs of persons with disabilities are met.

OPPONENTS  
SAY:

HB 1811 is unnecessary and could cost the state millions of dollars in federal housing aid. Current law already requires the department to give the highest priority to non-participating jurisdictions. Requiring that an even greater percentage of these funds go to non-participating jurisdictions would separate inappropriately the level of funding from any assessment of need. Moreover, if the department is unable to spend all of the funds within a specified number of years, those funds must be returned to the federal government.

Since most CHDOs are concentrated in participating jurisdictions, it would be extremely difficult for TDHCA to expend almost all of the required set-aside funds for CHDOs in non-participating jurisdictions. According to the fiscal note, the state would have to return about \$946,000 in HOME funds under the requirements of this bill. The state's affordable housing need is too great to be sending money back to the federal government. The department should maintain the flexibility to award these funds in those areas that have the capacity to build affordable housing.

HB 1811 also could reduce available funding for affordable housing for persons with disabilities. About 10 percent of HOME funds are set aside by TDHCA for persons with special needs, which includes persons with disabilities. These funds often go to programs that help persons with disabilities attain home ownership, remove architectural barriers, and subsidize rent. Persons with disabilities often must live in urban areas because only these areas provide the necessary level of services, such as transportation, disabled persons need to be self-sufficient. By reducing the amount of funds available for participating areas, this bill could reduce the amount of money available for the housing needs of the disabled.