

**SUBJECT:** Continuing the Texas State Affordable Housing Corporation

**COMMITTEE:** Urban Affairs — favorable, without amendment

**VOTE:** 8 ayes — Carter, Bailey, Burnam, Callegari, Ehrhardt, Hill, E. Jones, Najera  
0 nays  
1 absent — Edwards

**WITNESSES:** For — Reymundo Ocañas, Texas Association of Community Development Corporations  
Against — Marlene Hagesfeld  
On — Henry Flores, Texas State Affordable Housing Corporation

**BACKGROUND:** Created by the Texas Department of Housing and Community Affairs in 1994, the Texas State Affordable Housing Corporation is a nonprofit organization dedicated to serving the needs of low, very low, and extremely low income Texans. The corporation was established in law by the Legislature in 1995 and separated from the department in 1997.

The corporation provides loans to low-income individuals for home improvements and home ownership, as well as loans to non-profit and for-profit developers for the development of multi-family housing. The corporation recently began operation of a 501(c)3 bond program to issue bonds for nonprofits to acquire affordable housing properties and has closed out over \$100 million of these bonds. The corporation is not a state agency and cannot bind the state in any way.

The corporation is governed by a five-member board of directors appointed by the governor for indefinite terms to represent for-profit and nonprofit housing related industries.

In fiscal year 1999, the corporation had a budget of about \$6.5 million, of which \$4.6 million came from a federal HOME grant. Other revenue came from asset management, loan interest and servicing, fees, grants, and

investment revenue. The state does not appropriate any money to the corporation.

The corporation will be abolished September 1, 2001, under the Sunset process unless continued by the Legislature.

**DIGEST:** HB 3451 would continue the Texas State Affordable Housing Corporation until 2003, when it would undergo Sunset review.

This 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, 2001.

**SUPPORTERS SAY:** HB 3451 would continue the Texas State Affordable Housing Corporation until 2003 as finally recommended by the Sunset Advisory Commission. This would allow the corporation an opportunity to demonstrate the potential of its new 501(c)3 bond program, which could significantly enhance the capacity of nonprofit housing providers in the state to acquire and develop affordable housing for low-income individuals and families. This program already appears extremely promising, having closed over \$100 million in bonds in the past six months. In order to continue issuing these bonds, the corporation needs to maintain its statutory authority. The importance of providing more affordable housing in Texas, which currently is in the midst of a housing crisis, requires the state to explore this option before it would remove the corporation's statutory link.

The bill would continue the corporation until 2003, when it would undergo another Sunset review. If the new program has not proven itself beneficial to the state, the statutory authority for the corporation could expire at that time. As the governmental body set up to evaluate the need for state agencies and boards, the Sunset Commission is the best determiner of whether the statutory link should be maintained.

**OPPONENTS SAY:** The Texas State Affordable Housing Corporation's statutory authority should be eliminated, as originally recommended by the Sunset Commission staff. The corporation does not need statutory authority to run its loan programs, and the corporation still would be able to operate like any other non-profit housing provider in the state. The state gains little extra benefit from maintaining a statutory link with the corporation. The corporation also

may be a liability to the state since it is perceived as a state entity and could result in an implied liability to the state if a project failed, despite contrary language in statute. Although the corporation recently expressed interest in creating a 501(c)3 bond program, maintaining the statutory link to allow an uncertain future plan would not be responsible.

NOTES: The companion bill, SB 320 by Lucio, has been left pending in the Senate Intergovernmental Relations Committee.