

SUBJECT: State assistance for housing developments located in flooded areas

COMMITTEE: Border and International Affairs — committee substitute recommended

VOTE: 7 ayes — T. King, Frost, Castro, Hardcastle, Hernandez, Merritt, Pickett  
0 nays

WITNESSES: For — (*Registered, but did not testify*: David Mintz, Texas Apartment Association)

Against — None

On — Kevin Hamby, Texas Department of Housing and Community Affairs

BACKGROUND: Government Code, sec. 2306 governs the Texas Department of Housing and Community Affairs (TDHCA). Among its duties, the department assists the state and local governments in addressing the housing needs of low-income and homeless populations and providing public and community services. In addition, TDHCA distributes federal grant funds for housing and community development.

Under sec. 2306.127, TDHCA gives priority to certain communities when evaluating funding applications for housing programs. Specifically, the department gives priority to programs located in federally designated urban enterprise communities, urban enhanced enterprise communities, and economically distressed areas. All programs also are evaluated according to a regional allocation formula.

Under sec. 2306.6710(b), TDHCA administers the Housing Credit Tax program, which distributed more than \$43 million in 2006 to low-income housing developers. In this competitive program, TDHCA uses a point system to rank all applications that meet the department's threshold criteria. The department considers the following criteria, in descending order of priority:

- financial feasibility;
- quantifiable community participation;
- tenant income level;

- unit quality and size ;
- funding commitment by local political subdivisions ;
- community support;
- unit rent level;
- development cost by square foot; and
- services for tenant residents.

Under sec. 2306.359(a), TDHCA uses a point system to determine how to issue private activity bonds to low-income housing developments. Criteria include:

- tenant income level;
- unit rent level;
- community support;
- period of guaranteed affordability;
- cost per unit;
- size, quality, and amenities of each unit;
- tenant services;
- funding commitment by local agencies; and
- other criteria developed by the TDHCA board.

Under sec. 2306.565(e), TDHCA uses a certain set of criteria when issuing residential rental project bonds. Pertaining to each housing development, criteria include cost per unit, proposed rent per unit, and residential income level.

Under sec. 2306.0721(c), TDHCA issues an annual low-income housing plan. The plan estimates and analyzes the housing needs of low-income populations, individuals with special needs, and homeless populations. The plan also includes an estimate of available federally assisted housing units and a resource allocation plan for low income and special needs populations. Additionally, the plan describes TDHCA's efforts to provide housing for special needs populations and monitor services for homeless individuals, among other things.

**DIGEST:**

CSHB 684 would modify TDHCA's process for evaluating housing program applications to give priority to communities located wholly or partly in places designated by executive order or proclamation of the governor as disaster areas due to flooding. Applications from communities submitted within two years of such widespread or severe flooding would

receive priority.

The bill would put proposed developments located in disaster areas due to flooding at the top of the priority list used to rank applications for the Housing Tax Credit program. TDHCA would consider a proposed development's location in a disaster area due to flooding when determining how to issue private activity bonds and residential rental project bonds.

CSHB 684 also would stipulate that TDHCA's low-income housing plan should estimate and analyze the housing needs of populations residing in areas impacted by widespread flooding. The bill would require TDHCA to include flood victims in its resource allocation plan, estimate of federal resources, and housing provision strategies.

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, 2007.

**SUPPORTERS  
SAY:**

CSHB 684 appropriately would give flooded disaster areas priority when distributing state and federal funding for housing programs. Texas endured disastrous flooding in recent years due to hurricanes and severe rainfall. Certain areas of the state were devastated, with residents losing their homes and belongings. By requiring TDHCA to consider these criteria, CSHB 684 would help distribute money where it is most needed.

Flood-relief funding from federal agencies such as Federal Emergency Management Agency is meant to be short-term. CSHB 684 would ensure the delivery of more long-term funding for housing assistance in flooded disaster areas. If a flooded disaster area was located in an unpopulated area, the area could be removed from TDHCA's list of criteria during a public hearing on the state's low-income housing plan.

CSHB 684 would not require TDHCA to put more money into certain regions. Instead, the bill would give a much needed boost to flooded disaster areas in qualifying for state funding. The flooding designation would be one criterion out of many, with other criteria continuing to carry weight. Also, an area affected by flooding would not qualify for priority after two years of being declared a disaster area. CSHB 684 would give affected areas high priority in the short term while recognizing that the governor's designation is intended to be temporary.

OPPONENTS  
SAY:

The Housing Tax Credit program is extremely competitive, with requests for funding totaling \$165 million last year alone. In this oversubscribed program, every point matters when TDHCA evaluates applications. By giving flooded areas the greatest weight, CSHB 684 would place other needy areas seeking funding at a disadvantage. Moreover, housing tax credits are distributed over a 10-year period, thereby going against the bill's intent to assist areas impacted within the last two years.

OTHER  
OPPONENTS  
SAY:

CSHB 684 should be modified to assist any area declared an official disaster area. For instance, wildfires can inflict widespread property damage, and these areas also should receive special consideration for TDHCA funding.

NOTES:

CSHB 684 differs from the bill as introduced by requiring that TDCHA include disaster areas due to flooding in its low income housing plan, resource allocation plan, estimation of federal resources, and housing provision strategies. The committee substitute also would modify the housing program scoring criteria to give priority to communities located wholly or partly in zones declared as official disaster areas due to flooding within the two-year period preceding the application's submission.