

- SUBJECT:** Continuing the Texas State Affordable Housing Corporation
- COMMITTEE:** Urban Affairs — favorable, without amendment
- VOTE:** (*After recommitted:*)
6 ayes — Dutton, Alvarado, Gutierrez, Parker, Paxton, Simpson

0 nays

3 absent — Callegari, P. King, Mallory Caraway
- WITNESSES:** For — Joann DePenning, J. DePenning Consulting, Inc.; Rev. Bob Jones, Texas State Affordable Housing Corp.; Jean Langendorf, Easter Seals Central Texas; Joyce McDonald, Frameworks Community Development Corp. ; Deena Perkins, TX Association of CDCs; Jerry Romero, Texas State Affordable Housing Corp.; (*Registered, but did not testify:* Bob Dransfield, Texas State Affordable Housing Corporation; Spencer Duran, Accessible Housing Austin; Mike Higgins, Texas State Association of Fire Fighters; Matt Hull, Habitat for Humanity; Blanca Laborde, The Real Estate Council; Scott Norman, Texas Association of Builders; Jeffrey Smith, Jeanne Talerico, Texas Association of Local Housing Finance Agencies; Woody Widrow, Raise Texas; Ron Williams, Texas Association of Local Housing Finance Agencies; David Wittie, Adapt of Texas; Kathy Tyler)

Against — (*Registered, but did not testify:* Granger MacDonald, Justin MacDonald)

On — John Henneberger, Texas Low Income Housing Information Service; (*Registered, but did not testify:* David Danenfelzer, David Long, Texas State Affordable Housing Corp; Christian Ninaud, Sunset Advisory Commission)
- BACKGROUND:** The Texas State Affordable Housing Corporation (TSAHC) was established in 1995 to help low-income residents obtain affordable housing. TSAHC has a staff of 14 and a five-member board of directors appointed by the governor. The corporation receives no state-appropriated funding, but may raise funds and market its programs, issue bonds, and

provide housing loans and grants. In fiscal 2010, TSAHC generated about \$4.2 million in revenue and spent \$1.9 million on operations.

The corporation administers single-family housing programs. In fiscal 2010, TSAHC issued bonds to finance \$123 million in single-family housing loans and down payment assistance.

TSAHC receives 10 percent of the state's private activity bond authority to help finance developers of affordable multifamily rental housing. However, due to unfavorable market conditions, TSAHC has not issued multifamily bonds since 2007. TSAHC makes small loans to developers for the construction or rehabilitation of multifamily properties and has issued \$1.6 million in these loans since 2008.

Since 2008, the corporation has raised about \$2.9 million in grants and donations in addition to its \$6.3 million federal Neighborhood Stabilization Program grant. In 2010, TSAHC received about \$1.7 million to help support local foreclosure mitigation counseling services and redevelop foreclosed properties.

TSAHC created the Texas Foundations Fund Grants and has awarded \$700,000 in grants since 2008 to nonprofits and rural communities to support housing initiatives for very low and extremely low-income families. TSAHC has raised \$111,600 in private donations for the fund since 2008. TSAHC provides support to the Texas Foreclosure Prevention Task Force and created the Affordable Communities of Texas program in 2008 to work with local nonprofit agencies to redevelop foreclosed properties.

A full Sunset review of TSAHC occurred in 2008, but the Sunset bill did not pass. The Legislature continued TSAHC for two years and directed Sunset staff to conduct a special-purpose review on the appropriateness of the 2008 recommendations.

If not continued by the Legislature, TSAHC will be abolished September 1, 2011.

DIGEST:

HB 1818 would continue TSAHC until September 1, 2023. The bill would change the composition of the board of directors, add requirements to annual financial reporting, and revise TSAHC's enforcement authority. The bill also would apply standard Sunset language to TSAHC in areas

including conflicts of interest, presiding officer designation, board member training, and the complaint process.

Composition of the board of directors. HB 1818 would require that one member of the board represent the interests of individuals and families served by its single-family mortgage loan programs and one member represent nonprofit housing organizations. The bill would not change the total number of board members.

No later than February 1, 2015, the governor would have to appoint members of the board to ensure compliance with the new provisions.

Annual report of financial activity. The bill would require that TSAHC's annual report of financial activity to the governor, the lieutenant governor, the speaker, the comptroller, and the Legislative Budget Board include:

- the number, amount, and purpose of private gifts, grants, donations, or other funds applied for and received;
- the number, amount, and purpose of loans provided to affordable housing developers, regardless of whether the corporation provided those loans directly to the developers or administered the loans from another source;
- the amount and source of funds deposited into any fund created by the corporation for the purpose of providing grants and the number, amount, and purpose of the grants provided; and
- the total amount of annual revenue generated by the corporation in excess of its expenditures.

Enforcement options. The bill would require a compliance contract or agreement between the corporation and a multifamily housing sponsor that received bond financing through TSAHC for affordable multifamily housing to contain a provision stating that if the housing sponsor failed to comply with the terms of the contract or agreement, the corporation could:

- assess penalties;
- remove the manager of the affected property and select a new manager;
- withdraw reserve funds to make needed repairs and replacements to the property; or
- appoint the corporation as a receiver to protect and operate the property.

Instead of having to simply maintain a file on each written complaint, TSAHC would have to maintain a system to promptly and efficiently act on complaints.

The bill would take effect September 1, 2011.

**SUPPORTERS
SAY:**

Continuation of TSAHC for 12 years. TSAHC is highly capable of raising funds and leveraging private funding to sustain its housing initiatives. TSAHC's programs are necessary for our communities, and extending the corporation for 12 years would allow it to continue to perform its vital functions.

Composition of the board. HB 1818 would ensure that the board included members that represented interests from stakeholders served by the single-family programs, and nonprofit organizations that provided affordable housing, without increasing the size of the board. This new composition would shift the board's focus from being purely financial to one oriented to policy and community.

Annual financial reporting. It would be beneficial for the corporation to continue to report detailed financial information to the Legislature annually. HB 1818 would ensure that TSAHC provided the Legislature with information that showed its effectiveness in competing for grant funds, awarding loans, and raising private donations.

Enforcement options. TSAHC has experienced significant compliance problems with properties financed using 501(c)3 tax-exempt bonds. Placing enforcement options in statute would ensure that TSAHC consistently included the provisions in multifamily development contracts.

**OPPONENTS
SAY:**

Continuation of TSAHC for 12 years. TSAHC has not sufficiently addressed the mortgage-lending problems discussed in the 2008 Sunset review and should not be extended for 12 more years.

**OTHER
OPPONENTS
SAY:**

Continuation of TSAHC. While TSAHC should be continued, the bill should address the unclear delineation between TSAHC and the Texas Department Housing and Community Affairs (TDHCA). TSAHC should operate more as a research and development entity to discover new and creative methods to solving the state's housing problems.

There have been concerns that TSAHC's programs are weighted against the interest of consumers and toward the interest of banks. In its counseling services, TSAHC should ensure that consumers receive unbiased advice.

Other concerns. The bill should incorporate a reference to serving underserved populations who do not have comparable housing options through conventional financial channels into TSAHC's statutory purpose.

The bill should direct TSAHC to seek innovative ways to solicit funding for service-enriched housing and to use its programs directly to assist elderly people and people with disabilities in affordable multifamily housing.

The bill should direct TSAHC to collect and publish data on the populations it serves, similar to reports issued by the TDHCA.

NOTES:

The companion bill, SB 649, by Hinojosa, was reported favorably, without amendment, by the Senate Government Organization Committee on May 2 and recommended for the Local and Uncontested Calendar.

HB 1818 originally was on the Major State Calendar for May 5, but was returned to committee when a point of order was sustained. The Urban Affairs Committee again reported the bill favorably, without amendment, on May 5.