HOUSE
RESEARCH
ORGANIZATION bill analysis | 5/12/2011 | HB 59
Martinez

SUBJECT: Financial assistance for housing very low-income people

COMMITTEE: Urban Affairs — favorable, without amendment

VOTE: 6 ayes — Dutton, P. King, Mallory Caraway, Parker, Paxton, Simpson

0 nays

3 absent — Alvarado, Callegari, Gutierrez

WITNESSES: For — (*Registered, but did not testify*: Jim T. Brown, Texas Affiliation of Affordable Housing Providers; David Mintz, Texas Apartment Association; Andrew Rivas, Texas Catholic Conference; Jodie Smith, Texans Care for Children)

Against — None

BACKGROUND: Under Government Code, sec. 2306.111, the housing finance division of the Texas Department of Housing and Community Affairs (TDHCA) is directed to adopt a goal to apply an aggregate minimum of 25 percent of the division's total housing funds toward housing assistance for individuals and families of extremely low and very low income.

DIGEST: HB 59 would require TDHCA to adopt policies by December 1, 2011 to ensure that each housing development that received financial assistance administered by the department, including from the proceeds of bonds, reserved a certain number of units in the development for individuals and families of very low income.

Except as otherwise permitted by law, a development would have to accept individuals and families receiving rental assistance under Section 8, U.S. Housing Act of 1937, or some other form of government rental assistance.

TDHCA would have to establish enforcement mechanisms for housing developments that refused to admit individuals and families as directed under the bill.

The bill would apply only to an application for financial assistance that was submitted by a housing development to TDHCA on or after January 1, 2012.

The bill would take effect September 1, 2011.

SUPPORTERS SAY:

HB 59 would ensure that individuals and families of very low income were not discriminated against in seeking affordable housing. It is important for developments that do not already set aside units for people of very low income to do so.

The purpose of the state's housing tax credit programs is to meet the housing needs that the private market cannot. HB 59 would allow the state to better meet the needs of the financially vulnerable individuals and families in our state.

HB 59 would not require that all units in a development be set aside, only a certain number, so a developer's business model for utilizing the tax credits should be feasible without additional subsidies.

OPPONENTS SAY:

HB 59 has good intentions, but it could be difficult to make projects targeted for very low-income people financially feasible unless there was a subsidy from somewhere other than the tax credits. In practice, a developer would receive state tax credits, but then could have a difficult time finding permanent financing if the income stream at the proposed rent rate was insufficient. If a developer could not find permanent financing, the tax credits could be tied up for years and eventually given back to the state. This would be inefficient, since the tax credits could have been made available for an organization that could have used them more effectively.

If subsidies from the Housing Trust Fund or another source were made available for such projects, the desired results would be much more likely.