

**SUBJECT:** Establishing the workforce housing capital investment fund

**COMMITTEE:** Urban Affairs — committee substitute recommended

**VOTE:** 6 ayes — Lozano, Bernal, Cortez, Cunningham, J. González, Hayes

2 nays — Gates, Tepper

1 absent — Romero

**WITNESSES:** For — Cristen Incitti, Habitat for Humanity of Minnesota; Melissa Alexander, Habitat for Humanity SBC; Amy Parham, Habitat for Humanity Texas; (*Registered, but did not testify*: Craig Chick, Habitat for Humanity Texas; Paul Sugg, Harris County Commissioners Court; Bill Kelly, Mayor’s Office, City of Houston; Joy Horak-Brown & Katie Stewart-Anchondo, New Hope Housing; Ja’net Huling, TAAHP; Ben Stratmann, Texans for Reasonable Solutions; Roger Arriaga, Texas Affiliation of Affordable Housing Providers; David Mintz, Texas Apartment Association; J.D. Hale & Scott Norman, Texas Association of Builders; Emily Eby French, Texas Civil Rights Project; Seth Juergens, Texas REALTORS; Kelsey Streufert, Texas Restaurant Association; Cynthia Van Maanen, Travis County Democratic Party; Ashley Harris, United Ways of Texas; 16 individuals)

Against — (*Registered, but did not testify*: Henry Bohnert)

On — Clarisse Roquemoire, Texas Comptroller of Public Accounts

**DIGEST:** CSHB 1704 would establish the workforce housing capital investment fund as a special fund in the state treasury outside the general revenue fund, consisting of:

- gifts, grants, and donations;
- legislative appropriations;
- any fees dedicated to be deposited in the fund;
- repayment of loans made from the fund; and
- interest earned on money deposited.

The loans provided by this program would be interest free.

**Program administration.** The Department of Housing and Community Affairs would contract with a nonprofit housing organization through a one-time competitive procurement process to administer the program. The nonprofit would be required to have:

- had a statewide service area with organizational affiliates;
- provided to other nonprofits training and technical support;
- built single family residential homes;
- provided financial literacy education to low-income home buyers; and
- worked with homebuyers who contributed to the construction of their home or rehabilitation of another's home, including as a nonprofit owner-builder program provider with at least 15 years of experience.

**Use of funds.** The department would provide money from the fund to the program administrator to disburse zero interest loans to participants. Money provided from the fund could be used only for costs associated with the development and construction of single-family workforce housing projects primarily for households that earned between 30 and 80 percent of the area median income.

Interest earned on money deposited in the fund could be used for program staffing, other administrative costs, and training programs associated with the program.

**Application requirements.** A nonprofit applicant would be required to be:

- organized for the purpose of building homes for households that earn 30-80 percent of the area median income and have done so for 15 years; and
- experienced in providing training and technical support, resource development, mortgage services, and disaster preparedness and response resources that expand the applicant's capacity to serve communities in this state.

Applicants would be reviewed on their ability to perform the duties laid

out in the bill, and priority could be given to applicants who partnered with organizations that provided training opportunities to construction trade workforce members. Applicants could be required to pay an origination fee on a loan application.

**Annual report.** The program administrator would be required to submit an annual report to the department, which would include:

- information on program recipients that received a loan during the preceding year;
- description of the workforce housing project, including its expected completion date and the progress made in the preceding year, the number of families expected to be served, and total amount and repayment status of the loan; and
- other information requested by the department.

The annual report would be posted on the department's website.

**Audit.** The program administrator would annually commission an independent audit of the program's activities by a certified public accounting firm, and would provide the results to the department. If the department determined from the audit that money had not been used in accordance with the provisions of the bill, the department could require the repayment of the money.

**Rules.** The department would be required to adopt rules on application procedures and requirements for applicants to receive a loan, investment of money in the fund, and administration of the fund.

The bill would take effect September 1, 2023.

**SUPPORTERS  
SAY:**

CSHB 1704 would help to ease Texas's housing crisis while also providing much-needed workforce training. Demand for low-income housing continues to rise and CSHB 1704 would provide a funding mechanism to build this type of housing. The fund would only require a one-time investment from the state and would become self-sufficient through loan repayments and donations.

The program established by the bill would uniquely focus on households making between 30 and 80 percent of the median area income, providing

these individuals with the benefits of affordable housing, such as greater stability and the ability to be more engaged in their communities. By incorporating financial literacy and workforce training into the program, the bill could help ensure that recipients stayed financially stable and gained access to new employment opportunities in construction. Texas needs more skilled construction workers, and CSHB 1704 could help address this need.

**CRITICS  
SAY:**

CSHB 1704 could create a lack of accountability by providing zero interest loans. Zero interest loans could disincentivize the loans from being paid back, which could affect the liquidity of the fund over time.