

## TACDC Policy Priorities

### **Issue: *Creating a Dedicated Source of Revenue for the Housing Trust Fund***

#### **Recommendations**

1. *Expand The Work Of "Housing Texas!" To Include A Broader Coalition Of Individuals And Organizations That Support Securing A Dedicated Source Of Revenue For The Housing Trust Fund.*
2. *Call on the Legislature to analyze potential funding sources for a dedicated stream of revenue for the Housing Trust Fund. Analysis should include economic benefits of increase in spending on affordable housing, including indirect and induced economic benefits.*
3. *Study Past And Current Housing Trust Fund Appropriations, Statutory Regulations, Permitted Uses, And Administrative Deficiencies To Inform Future Policy Recommendations.*

#### **Background**

The Housing Trust Fund was established by the 72<sup>nd</sup> Legislature to create affordable housing for low- and very low-income individuals and families. The Housing Trust Fund is the only state-authorized affordable housing program. Since its first funding round in 1993, the Housing Trust Fund has awarded over \$15 million in grants and loans, leveraging more than \$35 million, to fund more than 2,700 low- and very low-income housing units.

Senator Lucio (D-Brownsville) authored SB 1760 in the 77<sup>th</sup> Texas Legislature, which would have increased funding for the HTF to \$100 million for the biennial period. This bill passed the Senate but was not voted on by the House. Such a significant increase in the amount of money in the Housing Trust Fund could allow TDHCA to make larger grants to individual recipients. This would make feasible smaller projects that target extremely- and very low-income populations or target new developments in hard to serve areas of the state. Unfortunately, due to budgetary constraints at the state level, funding for the Housing Trust Fund has been restricted to \$3 million per year for the past two years. Currently \$2.8 million of this funding is earmarked for the Bootstrap Program through the Office of Colonia Initiatives and cannot be used for other development spending.

#### **The Need for an Increased Housing Trust Fund**

The need for affordable housing in Texas is high and on the rise. According to the 2004 State of Texas Low-Income Housing Plan and Annual Report, "Long-term projections

indicate that future population characteristics will create an even greater demand for affordable and subsidized housing than there exists currently.” Texas has one of the highest poverty rates in the nation and a population that is projected to age substantially between now and 2030. The state’s minority population is expected to increase, but mainly in households below median income. In short, households in Texas are losing their ability to pay for housing.

In addition to the growing demand for affordable housing, large numbers of affordable housing units in Texas are in jeopardy of being converted to market-rate units. Specifically, almost half of the 41,000 units of HUD Section 8 properties are at risk of becoming market-rate. Without an injection of additional resources, Texas’ housing crunch will go from bad to worse.

The resources for providing affordable housing in Texas have been supplied largely through private sources, and private funding cannot expand indefinitely to meet the increasing need. The Housing Trust Fund is the only program currently funded through general revenue from the State to provide affordable housing for extremely- and very low-income families. In order to avoid the growing affordable housing crisis looming on the horizon, Texas needs a larger Housing Trust Fund that can reach low- and very low-income populations. In Texas, the only way to raise funding for the Housing Trust Fund may be to create a dedicated source of revenue for the Housing Trust Fund.

## Recommendations

1. *Expand The Work Of “Housing Texas!” To Include A Broader Coalition Of Individuals And Organizations That Support Securing A Dedicated Source Of Revenue For The Housing Trust Fund.*

Securing a dedicated source of revenue for the Housing Trust Fund will require a broad-based coalition of supporters. The core constituency of the coalition should be affordable housing providers with participation and support from other groups such as financial institutions, residential and commercial real estate brokers, churches, title insurers, neighborhood associations, economic development corporations, labor groups, and other parties interested in supporting affordable housing and real estate development. The main goal of the coalition will be to advocate for a dedicated source of revenue for the Housing Trust Fund to address the growing affordable housing needs in Texas.

2. *Call on the Legislature to analyze potential funding sources for a dedicated stream of revenue for the Housing Trust Fund. Analysis should include economic benefits of increase in spending on affordable housing, including indirect and induced economic benefits.*

As part of the study on the housing needs in Texas, the Legislature should mandate a study to evaluate possible sources of revenue for the Housing Trust Fund. Factors to be considered should include the amount to be raised, political feasibility, ease of use,

whether the fee or structure for raising funds creates a progressive or regressive tax structure, and level of protection for the source of revenue. Based on a projected stream of revenue from the most promising dedicated source of revenue, an economic impact study should be conducted to analyze the potential benefits of the dedicated source. TACDC is working with Senator Lucio's office and others to create and pass legislation during the 80<sup>th</sup> Texas Legislature to call for such a study.

*3. Study Past And Current Housing Trust Fund Appropriations, Statutory Regulations, Permitted Uses, And Administrative Deficiencies To Inform Future Policy Recommendations.*

At this point, only the Legislature can act to increase funding for the Housing Trust Fund. Due to funding shortages, the Housing Trust Fund has not been able to achieve the scale needed to adequately address the housing needs in Texas. One way to give the Legislature ownership of the future of the Housing Trust Fund is to call on the Legislature to mandate a review of past awards and set-asides linked to funding levels and rates of oversubscription to help determine the uses of the Housing Trust Fund that are most needed in Texas. The Legislature should also review current allocation levels and possible uses of the fund in light of TDHCA's most recent Sunset Legislation and Strategic Plan as well as a look at administrative deficiencies that have prevented organizations from fully utilizing the trust fund.

