



Testimony of John Henneberger, co-director before the Texas Senate Intergovernmental Relations Committee on the committee interim charge

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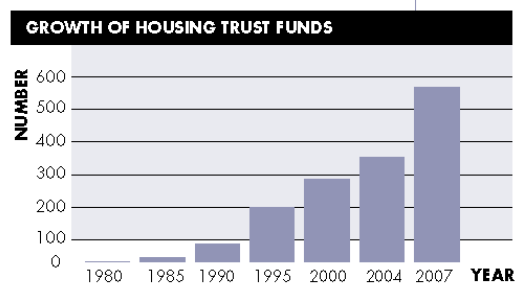
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Monitor the expansion of the Housing Trust Fund by the 80th Legislature; review the funds of other states to develop recommendations for a permanent funding source for the Texas Housing Trust Fund.

February 29, 2008

On the behalf of the Texas Low Income Housing Information Service¹ and Housing Texas² I want to express our strong support for expansion of the Texas Housing Trust Fund to a \$50-\$100 million per year program. The organizations on the front line of providing for our state's growing affordable housing needs believe the expansion of the Texas Housing Trust Fund is the number one state housing priority.

There are nearly 600 housing trust funds established by cities, counties and states in the United States which generate more than \$1.6 billion per year to fund affordable housing.³



During the 80th session of the Texas Legislature, a coalition of housing advocates, housing developers, faith-based groups, government officials and citizens worked together to urge the state to properly fund affordable housing through the Texas Housing Trust Fund. This coalition included several of the state's major banks,

¹ The mission of the Texas Low Income Housing Information Service (TxLIHIS) is to support low-income Texans' efforts to achieve the American dream of a decent, affordable home in a quality neighborhood.

TxLIHIS was founded in 1988 by public and private housing providers, low-income people and other community leaders who subscribe to the national goal of decent, affordable housing for all Americans and who believe there must be an organized, concerted effort to achieve that goal in Texas. TxLIHIS is Texas' foremost supporter of housing for the poor and for neighborhood preservation, and is one Texas' primary source of research on low-income housing.

² Housing Texas is diverse, statewide coalition devoted to changing negative perceptions of "low-income housing," disseminating housing research, educating the public on the state's housing needs, and cultivating better housing opportunities. Through education and outreach, the campaign aims to raise public awareness and encourage civic participation to achieve affordable housing for low-income families.

³ Housing Trust Fund Progress Report 2007, Center for Community Change (also source of charts).

Habitat for Humanity, domestic violence organizations, and nonprofit developers from across Texas.

In terms of the need for more funding, the numbers speak for themselves. Today, over three million Texans are homeless, living in housing they cannot afford, or enduring conditions deemed “substandard”—a label that fails to evoke the shacks of scrap metal in border colonias, run-down mobile homes in rural areas or decaying, unsafe apartments in Texas cities. Texas has one of the largest populations of families living in poverty, yet until last year, the state was appropriating only \$4 million a year to the Texas Housing Trust Fund. The Trust Fund is the only state funding source to help working families obtain safe, decent, affordable housing.

As the Housing Texas coalition advocated for increased funding, we pointed to the fact that, according to the Texas State Comptroller, state government was spending more on magazine and periodical subscriptions every year than it was to help house the state’s neediest families. By comparison, Florida devotes more than \$600 million, Washington State more than \$100 million, Ohio \$60 million, Illinois \$90 million, New Jersey \$153 million and our neighbor New Mexico \$10 million to their respective housing trust funds.

With the leadership of Senator Eddie Lucio and the active support of Lt. Gov. David Dewhurst and Finance committee Chairman Steve Ogden, the Texas Legislature approved a temporary and modest expansion of the Housing Trust Fund last session. The Senate Finance committee appropriated \$5 million in additional funding for affordable housing over the biennium. This reversed a decade-long decline in funding for the Trust Fund and essentially doubled the Trust Fund for two years. It also represented Texas’ first step toward becoming part of a growing momentum across the nation to make housing trust funds a key part of providing an adequate supply of decent affordable homes.

Housing Texas members, meeting in the 2007 Texas Housing Forum agreed on the following goals for the Texas Housing Trust Fund:

Funding Source

A document-recording fee is the best funding source for the Trust Fund and a popular source for housing funds in other states. Analysis by TxLHIS indicates that a document recording fee of \$10 could generate \$40 million per year for the Texas Housing Trust Fund. The second most popular funding source among participants was a fee on real estate transfers.

Funding Goal

\$50-\$100 million per year.

Structure

1. The Texas Department of Housing and Community Affairs (TDHCA) should continue to administer the Texas Housing Trust Fund;
2. TDHCA should create an advisory board representing financial institutions, developers, and housing experts to monitor the program's successes and help draft an annual report;
3. The Trust Fund's flexible funding priorities should be maintained.

Principles

A Texas Housing Trust Fund is good for the economy. Housing construction creates jobs, wages, and tax revenues which stimulate the economy.

Communities must recognize the cost of not providing affordable housing. The lack of affordable housing cuts Texans off from supportive communities, employment and educational opportunities. Communities absorb the costs of homelessness, unemployment, transportation and dependency on social services.

Affordable homes improve communities. Rehabilitation of deteriorated properties enhances property values and serves as a catalyst for other neighborhood and community improvements.

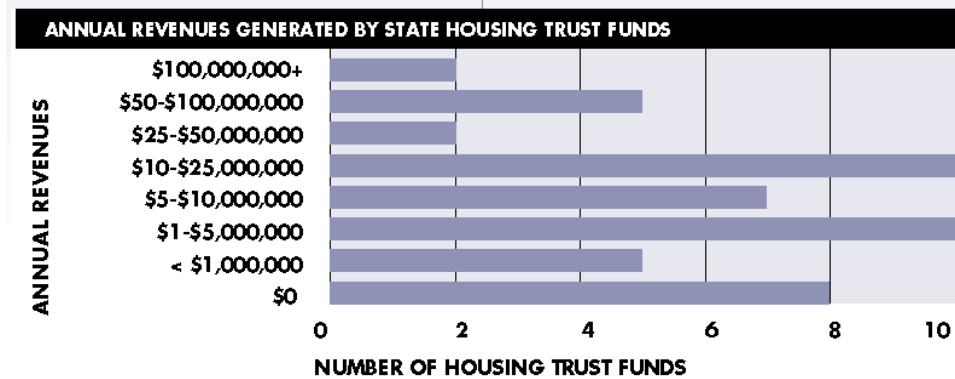
The main use of the Housing Trust Fund is that at least \$3 million is used each fiscal year to make loans to new homeowners through the owner-builder revolving fund known as the "Bootstrap Program." Bootstrap is a nationally acclaimed program that allows low-income families to contribute the majority of the labor toward building their own home. Their

contribution of labor costs allows the modest homes built under the program to remain affordable. Our coalition supports this dedication of funding.

Lower Valley Housing Corporation, one of the key partners in the Housing Texas coalition, helps families earning as little as \$9,600 a year, build modest brick homes with Bootstrap loans — homes they can afford, homes that give them immediate equity, and homes that pull many out of dire poverty. Despite its limited funding, Bootstrap is having a very real impact on the lives of thousands of families and is reviving countless communities, especially in impoverished border regions.



The Committee has heard testimony about the Bootstrap program and Lower Valley Housing earlier today.



There are 43 housing trust funds in 37 states. The flexibility of these trust funds is reflected in their wide range of eligible activities. New construction, rehabilitation/preservation, acquisition, serving special populations, and permanently supportive housing are activities undertaken by most of the state housing trust funds. Transitional housing, matching funds for federal or state programs, downpayment assistance, emergency rental assistance, and weatherization are also very common.

Summary of state housing trust funds - 2006⁴

| Housing Trust Fund | Revenue Source | Fund amount | Capitalization |
|--|---|---------------|----------------|
| California Housing Trust Fund | No revenue. | \$0 | |
| Connecticut Community Investment Act | Document recording fee | \$6,000,000 | |
| Connecticut Interest on Real Estate Brokers Trust Account | Interest on real estate escrow accounts | \$877,703 | |
| Connecticut Housing Trust Fund for Economic Growth and Opportunity | GO bonds (committed for 5 years) | \$20,000,000 | |
| Delaware Housing Development Fund | Document recording fee General Fund | \$5,600,000 | \$8,000,000 |
| District of Columbia Housing Production Trust Fund | Deed recordation and transfer tax | \$54,000,000 | |
| Florida William E. Sadowski Act | Document stamp taxes | \$606,245,000 | |
| Georgia Homeless Trust Fund | General fund | \$3,000,000 | |
| Hawaii Rental Trust Fund | Real estate conveyance tax | \$16,000,000 | \$150,000,000 |
| Idaho Housing Trust Fund | No revenue | \$0 | |
| Illinois Affordable Housing Trust Fund | Real estate transfer tax | \$60,000,000 | |
| Illinois Rental Housing Support Program | Real estate document recording fee | \$30,000,000 | |
| Indiana Low Income Housing Trust Fund | Program income | \$1,031,500 | \$35,000 |
| Iowa Housing Trust Fund | HFA funds | \$1,647,500 | \$800,000 |
| Kansas Housing Trust Fund | Bond and fee revenues | \$872,878 | |
| Kentucky Affordable Housing Trust Fund | General fund | \$2,000,000 | \$100,000 |

⁴ This table based on an informal survey, data may not be completely accurate.

| Housing Trust Fund | Revenue Source | Fund amount | Capitalization |
|---|--|---------------|----------------|
| Louisiana Housing Trust Fund | Income tax checkoff | \$0 | |
| Maine Housing Opportunities for Maine | Real estate transfer tax | \$6,000,000 | \$2,000,000 |
| Maryland Affordable Housing Trust | Interest on title escrow accounts | \$191,234 | |
| Massachusetts Affordable Housing Trust Fund | GO bonds | \$20,000,000 | |
| Massachusetts Community Preservation Act | Document recording fee (match) | \$12,320,000 | |
| Michigan Housing & Community Development Fund | No revenue | \$0 | |
| Minnesota Housing Trust Fund | Interest on real estate escrow accounts/Revenue bond application fees/General fund | \$4,659,503 | |
| Missouri Housing Trust Fund | Document recording fee | \$6,500,000 | |
| Montana Revolving Loan Account for Housing | No revenue | \$0 | \$1,200,000 |
| Nebraska Affordable Housing Trust Fund | Documentary stamp tax | \$9,000,000 | \$2,000,000 |
| Nebraska Homeless Assistance Trust Fund | Documentary stamp tax | \$1,000,000 | |
| Nevada Account for Low Income Housing | Real estate transfer tax | \$10,000,000 | |
| Nevada Assistance for Low-Income Owners of Mobile Homes | Fees from mobile home park owners | \$350,000 | |
| New Hampshire Affordable Housing Trust Fund | Other | \$45,848 | |
| New Jersey Balanced Housing Program | Realty transfer tax | \$103,072,483 | |
| New Jersey Special Needs Housing Trust Fund | GO bonds (backed by driving violation fees) | \$50,000,000 | |
| New Mexico Housing Trust Fund | Capital outlay fund | \$10,000,000 | |
| North Carolina Housing Trust Fund | General fund | \$8,000,000 | |
| Ohio Housing Trust Fund | Documentary recording fees | \$50,000,000 | \$5,000,000 |
| Oklahoma Housing Trust Fund | Appropriations | | |
| Oregon Housing Development Grant Program | Public purpose charge | \$3,926 | |
| Oregon Low Income Rental Housing Fund | Interest on tenant security deposits/eviction court fees | | |
| Rhode Island Housing and Conservation Trust | No revenue | \$0 | |
| South Carolina Housing Trust Fund | Real estate transfer tax | \$16,000,000 | |
| Texas Housing Trust Fund | General revenue | \$3,455,855 | |
| Utah Olene Walker Housing Trust Fund | General fund | \$3,236,400 | |
| Vermont Housing and Conservation Trust | Real estate transfer tax/general fund | \$14,000,000 | |
| Washington State Housing Trust Fund | Capital budget/interest on real estate escrow accounts | \$71,000,000 | \$1,000,000 |
| Washington Homeless Trust Fund | Document recording fee | \$12,500,000 | |
| Washington 2060 Program | Document recording fee | \$19,236,734 | |
| West Virginia Affordable Housing Trust Fund | Grant | \$0 | |
| Wisconsin Interest Bearing Real Estate Trust Account | Interest on real estate escrow accounts | \$285,599 | |

The beauty of the Texas Housing Trust Fund is that it could be used for any of these purposes, and can be adjusted by the Legislature to meet changing housing need, such as when a disaster strikes and survivors desperately need assistance.

We learned last session that the greatest challenge will be identifying and winning support for a dedicated revenue source that everyone can agree on. In other states, the most common revenue sources are the real estate transfer fee or the documentary stamp. The document recording fee is collected by seven states for their state housing trust funds.

We ask the Committee to recommend a dedicated source of funding of \$50 million a year, so that the Texas Housing Trust Fund can expand programs like the Bootstrap Program across the state, and help the Texans who need housing the most: people with disabilities, our seniors, and working poor families with children.

We are flexible in discussing potential funding sources.

A \$50 million Housing Trust Fund will:

- Support the construction of 25,000 homes, which would shelter approximately 75,000 Texans over the next decade;
- Create jobs;
- Add to the local tax base;
- Increase family stability;
- Reduce health, education, and transportation costs; and
- Make Texas communities vibrant and healthy places for families to live.

Affordable housing has a long history of being a bipartisan issue. We that tradition continues, with strong support from the legislature for a Texas Housing Trust Fund.