



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

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Assessing the existing use of state and federal housing funds in relation to statutory and budgetary mandates.

February 28, 2008

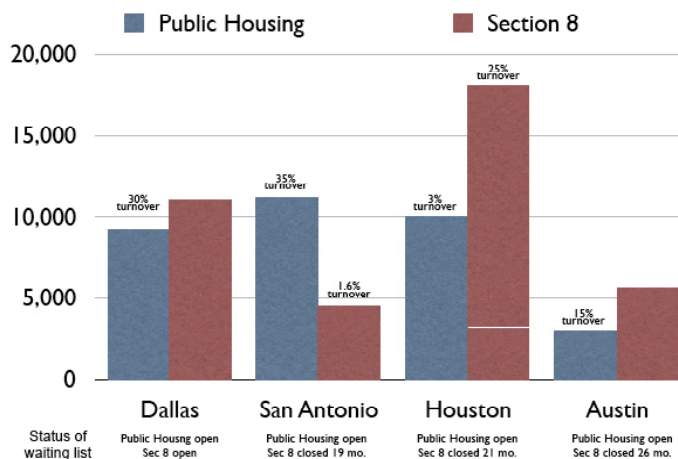
Housing subsidies for middle and upper-income Americans are an entitlement built into the tax code in the form of mortgage interest, property tax, investment, capital gains and home equity deductions. But housing subsidies for low-income Americans are not an entitlement. They are at the mercy of Congress, which appropriates funds each year.

The waiting lists for public housing and Section 8 Housing Choice rent vouchers in Texas show the massive shortcomings of this rationed housing subsidy system.

In all major Texas cities there are long waiting lists for housing assistance (see chart). The wait is usually many years, and most of the families who need help never get assistance.

The consequences of this system are severe. The table on the next page shows the number of Texas households that have what the federal government defines as a “severe housing cost burden” for housing. These are families who pay more than half their income for rent or house payments. Congress has defined these families as having “worst case housing needs.”

Public Housing Authority Waiting Lists



The table demonstrates that 71%, 484,484 Texas households living in worst case housing have incomes below 30% of the area median income. These families comprise more than one-fifth of all the renters in Texas. The federal government has determined that 33% of income is a reasonable share of income for a family to spend for housing. These extremely low income households have a median housing cost to income ratio of a staggering 86.

The indisputable fact is that in Texas and most states the poorest families have the greatest housing need.

Household income level	Texas			
	Total renter households	Severely burdened households	Share of severely burdened households	Median housing cost to income ratio
Extremely low income (<30% of median)	648,820	484,484	71%	86
Very low income (31% - 50% of median)	477,360	150,919	22%	42
Low income (51%-80% of median)	588,123	37,897	6%	30
Not low income (Income greater than 80% of area median)	1,103,993	7,434	1%	18
Total	2,818,296	679,734	100%	29

Source: Tabulations of 2005 US Census Bureau American Community Survey PUMS

The shortage of housing affordable to the poor in Texas is enormous. There are not enough housing units affordable to extremely low and very low income households in Texas. In contrast, the number of housing units affordable to low income households (those who are housed by most Low Income Housing Tax Credit developments) is approximately equal to the demand. (There are exceptions to this supply/demand equilibrium in certain submarkets).

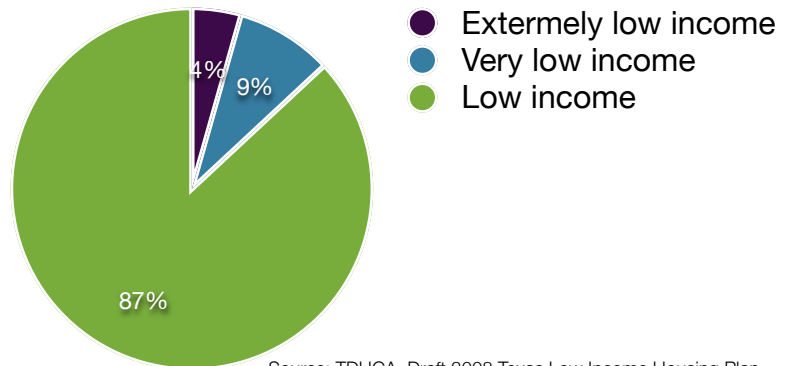
The table on the following page documents the deficit of housing units affordable to extremely low and very low income households in Texas. Texas has a deficit of more than one quarter of a million housing units affordable to extremely low income households and a deficit of 129,068 housing units affordable to very low income households. And these deficits are growing rapidly. But actual housing availability is even worse. Since many units that are affordable to extremely low income households are occupied by households with higher income (“unavailable” in the term of art for these housing units”), the actual net

shortage of extremely low income housing units in Texas is 435,978. There are only 33 affordable and available for every 100 extremely low income Texas households.

Texas			
Household income level	Deficit of affordable rental units	Deficit of affordable and available units	Affordable and available units per 100 households
Extremely low income (<30% of median)	261,336	436,978	33
Very low income (31% - 50% of median)	129,068	454,573	60

Source: Tabulations of 2005 US Census Bureau American Community Survey PUMS

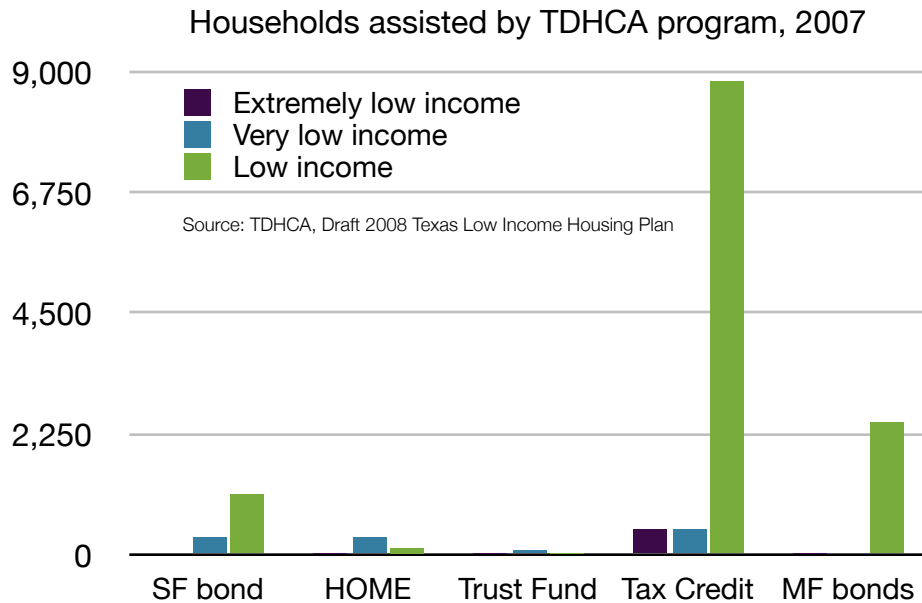
TDHCA 2007 Housing Production Programs (new units)



Source: TDHCA, Draft 2008 Texas Low Income Housing Plan

On the other hand, the number of housing units being developed for extremely low income households is a mere trickle. In 2007 TDHCA produced a total of 641 units affordable to extremely low income families (just 4% of the department's total new housing production). Even if the population of poor households in Texas stopped growing today it would take 681 years to house them based on current production levels.

A principal reason for this imbalance is found in the resources that TDHCA has at its disposal (see chart on the following page). The State of Texas allocates only about \$3 million per year from state funds for housing and relies overwhelmingly on federal dollars to provide housing assistance.



A majority of the funds available come from bonds and housing tax credits. Bonds and tax credits provide a relatively shallow level of subsidy, making it difficult to use these type of funds to aid families at the lowest income levels who need deep housing subsidies.

Conclusion

The Texas Department of Housing and Community Affairs does not do a bad job allocating state housing funds, given the limited resources it has available. The Texas Legislature has directed TDHCA to expend a minimum of \$30 million each year to provide housing assistance to the poorest Texans. Additionally, TDHCA has moved to provide modest incentives to developers to use Low Income Housing Tax Credits and tax exempt bonds, where financially possible, to provide housing to the poor.

Though more can and should be done by TDHCA, the central problem is that most of the \$500 million in housing resources available to the State of Texas are, by virtue of their shallow subsidy levels, inadequate to provide the assistance necessary to house extremely low and very low-income families. The problem is, in other words, that Texas does not have the financial tools it needs to get the job done.

Texas needs a source of housing funding that it can use to address the housing needs of the poor. The best source would be a dedicated, housing trust fund that would provide \$100 million per year. Lacking adequate resources, Texas is losing ground in the battle to overcome the low income housing crisis.