



TEXAS LOW INCOME HOUSING INFORMATION SERVICE

HOUSING MATTERS

A newsletter dedicated to the goal that every Texan should have decent, safe, affordable housing

2005's top housing issues, predictions and resolutions

The biennial Texas Legislature is set to convene on January 11. Nine days later, a new Congress will convene in Washington. In this issue of *Housing Matters* TxLIHIS presents our review of the top affordable housing issues for 2005 at the federal and state levels, our predictions about what will happen, and New Year's resolutions everyone should commit to. 🏠

Key to predictions for 2005



likely to improve













likely to get worse



likely to stay the same

Issue	Prediction	Status	New Year's Resolutions
Home ownership tax credit	↑	This could be a major new housing initiative from the Bush Administration promoting an "ownership society". Like the rental housing tax credit program, will it encourage sprawl and allow for outrageous developer profits, or will it truly benefit the poor?	Let's get it right and prioritize the poor, promote fair housing, reward urban development and control developer profits.
Section 8 and public housing funding	↓	The Bush Administration already tried to cut Section 8 funds by capping program expenditures and forcing public housing authorities to either reduce the number of vouchers or serve higher income people who can pay more rent. The new Congress might give the Administration what it wants.	Congress should not cripple Section 8. It has bipartisan support, it works, and it is not broken. The program needs to assist more poor families, not fewer.
Land banks	↔	Land banks let cities transfer tax delinquent properties directly to nonprofit and for profit developers to build housing. TxLIHIS feared it might become another urban renewal program that promotes gentrification, so we counseled a "go slow" approach. The 2003 Leg authorized setting up a trial program in Dallas in 2003-2004 before extending the program statewide. We have yet to see how it will work. But other cities, notably Houston, are anxious to set up land banks, and it looks likely the Leg will let them. We are very worried that this will become a modern day urban renewal program.	Other cities besides Dallas should be able to have land banks, but community-based nonprofits should have top priority to get the lots. The law should be written to prevent politically connected developers from using it to obtain the land of low-income owners. We must ensure this does not lead to gentrification.
Farm worker housing	↑	As described in our September newsletter, the state of farm worker housing in Texas is deplorable and the Texas Health Department has failed to properly license and inspect housing. The US Dept of Agriculture has set aside millions to improve the worst housing and TDHCA is moving to establish a pilot program to respond to the crisis.	Let's get the existing housing repaired this year and develop some model housing developments where farm worker housing is in short supply.
NIMBY	↔	In 2003 the Leg passed a law that confused and confounded developers, neighborhood organizations and advocates alike. TDHCA was told to rank "quantifiable community participation" as the #2 criteria in deciding which Low Income Housing Tax Credit developments to fund. This gives neighborhood organizations virtual veto power over housing developments. The bill did not define "community participation" and confusion reins. The Leg is likely to provide more guidance and may actually give firm veto power to neighborhoods.	The desire of homeowners to exclude apartment projects and the poor must not preempt the basic rights of low-income families to live in safe, quality neighborhoods. The Leg needs to amend the law to provide more consideration for the poor.

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Non-border colonias		Substandard unincorporated communities (modern "Hooverilles") of very poor families living in mobile homes or owner-builder homes are an emerging problem all across Texas. Driven by lack of affordable housing in cities, these informal communities grow rapidly in the absence of county ordinances and zoning authorities. Yet this issue is flying below most lawmaker's radar screens.	The state needs to identify these areas, devise a plan to upgrade them, help cities produce more affordable housing and give counties ordinance powers to prevent this from occurring.
Predatory lending		Since Texas amended its constitution to allow home equity lending almost a decade ago, homestead protections have been eroded with each successive Legislature. These protections kept predatory lending activity in Texas to a minimum. But that has begun to change as loan rip-offs are on the rise. Unfortunately, there is no indication that the Leg intends to pass any consumer protections.	Congress must pass an anti-predatory lending bill right away before more families lose their homes. The Leg must stop passing laws that help enrich loan sharks at the expense of the poor.
Gentrification		The rapid transformation of the inner city neighborhoods of Freedmen's Town in Houston and East Austin illustrates the growing problem of low income families being forced out of existing neighborhoods to make way for the more affluent. Rep. Eddie Rodriguez filed the Texas Homestead Preservation District bill last session that would give cities the power to prevent low income and elderly homeowners from being squeezed out of their homes through redevelopment. It did not pass.	The Leg should give Texas cities the tools they need to address this problem. Chasing poor people out of the inner city is simply bad social policy, as it leads to low quality housing sprawl in suburban areas.
Fair housing		Fair housing is almost never given serious attention in Texas until the courts order it. Racial and economic segregation are among the root causes of Texas' social and economic problems. Incredibly, some leaders in the Texas House want to make segregation an official state policy by restricting low income housing tax credit developments to low income neighborhoods.	Texas needs to get serious about fair housing. A comprehensive fair housing plan is in order. Restricting all new low-income housing to poor neighborhoods is a disastrous idea.
Colonias		Colonias are among the most talked about, yet least acted on poverty issues in Texas. After years of study and hundreds of consultants, Texas has received no major help from Washington. The state has created a very good but modestly funded Bootstrap Owner-Builder Home Loan program and Colonia Self-Help Centers.	Time for Congress to pony up some real money to help Texas address this problem. The Leg should keep funding Bootstrap loans and self-help centers.
Landlord/tenant law		"Tenant rights" is an oxymoron in Texas. Despite the fact that more Texas households rent than own, the Leg is unlikely to give renters basic rights due to an effective, big-money landlord lobby and the lack of an organized statewide tenant movement.	The Leg should give tenants a break by creating security deposit protections, just-cause evictions, and better repair laws.
Mobile homes		The mobile home industry imploded a few years ago in the wake of over-building and rampant predatory lending. Now the industry is making a comeback. Oh no! Consumer protections are virtually nonexistent in Texas. Texas does more to protect cows than it does to protect Texas families from a mobile home rip-off that will cost them their life savings.	Texas needs better controls on the sale of used mobile homes, a requirement that mobile homes and land be sold as a package, a mobile home owner's bill of rights and more consumer education.
Public support		After years of housing and community development languishing on the back burner in Texas, a new statewide campaign with representatives of all the interested stakeholders is getting started. Called "Housing Texas" this campaign is a major bright spot on the 2005 horizon.	We think Housing Texas is going to make housing a priority in Texas and solve a lot of problems but it will take several years to succeed.
Self-help housing		One area where Texas excels is in high quality owner-builder, self-help housing programs. These programs have helped Texas families build more than 2,000 homes. The challenge is to ramp up the program and expand it beyond the border.	Government and providers need to figure out what is keeping this program from going big time all across the state.
Government Sponsored Enterprises		Fannie Mae and Freddie Mac have been getting some long over due Congressional scrutiny. But Congress may not address the real problems with the GSEs. TxLHIS' research on Fannie Mae's record in Texas found that the problem with the GSEs is that they are not delivering on their obligations to extend credit to minority borrowers or to offset excessive subprime lending. We are hopeful that meaningful reform is possible.	Mend 'em, don't end 'em is our advice to Congress as they reform the GSEs. The affordable housing goals need to be vastly strengthened in the law and the GSE' need to fully and accurately disclose their track records.

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Low Income Housing Tax Credit	↔	The LIHTC program dominates housing politics at the Leg. Lobbyists create constant turmoil in the program as they jockey to get legislators to adjust the program to favor particular developers. The problem is there is too much money to be made on LIHTC <i>not</i> to have a big fight.	Can't we all just get along? This program will work if we don't undermine it with more special interest legislation.
First time homebuyer	↑	New homebuyers get a lot of attention as Bush pushes the "ownership society". The question is: Once you own it will you be able to keep it?	Ownership is not for everyone. We need good rental programs too.
Tax exempt bonds	↓	Low interest rates have diminished the demand for housing bonds over the past two years. Higher interest rates will now increase demand.	Leg needs to resist reducing the availability of housing bonds.
Research and education	↑	The 2003 Leg passed a bill to fund research and education on affordable housing from a fee on tax-exempt bonds. More than \$1 million has been collected to date but cannot be used because of problems with the bill's wording. This is expected to be addressed in 2005 so Texas can be at the forefront of housing research and education efforts.	If the Leg cuts the money loose that is sitting in the state treasury, Texas is poised to lead the nation in well designed housing programs and a better educated public.
Housing quality	↑	Though technology has improved housing quality, housing costs are on the rise.	A statewide design competition through "Housing Texas" will help.
Sprawl	↔	Drive IH 35 from Dallas to San Antonio to see how bad sprawl has become. Will the Leg give counties zoning powers before it is too late?	The Leg needs to let counties zone and regulate development.
Owner affordability	↔	Texas home costs are not as bad as the rest of the country but with low Texas wages, a major affordability problem still exists. Over 28% of Texas jobs pay a wage that leaves workers in poverty.	Congress should raise the minimum wage and the Leg should attract better paying jobs to Texas.
Rental affordability	↓	Bad times for landlords (high vacancy rates) mean good times for tenants (cheaper rents) but demand is fast catching up with supply.	Focus on the underserved rental markets (families at <40% MFI).
Rural housing	↔	Congress has cut rural housing funds and Texas' Office of Rural Community Affairs (ORCA) eliminated all state rural housing funding in 2004. Substandard rural housing is on the rise. The populations of small town and rural Texas are dwindling. Housing is a part of the solution.	Texas needs a rural housing initiative and regional nonprofit housing providers to bring new housing to small towns.
Homelessness	↑	Impressive local efforts to help the homeless succeed in Austin but stall in Dallas. Ordinances to punish the homeless are increasing. Bush steps up and commits to end homelessness but does not provide the money.	More affordable housing for single people with very low incomes. Adequate federal funds are needed.
Homebuyer protection	↔	A new system adopted by the Leg in 2003 to help consumers with housing quality complaints against builders actually does little for them.	The Leg should put more teeth into the law.
Inclusionary zoning	↑	Austin is looking hard at requiring all new developments to have some affordable housing. Finding the economic "tipping point" at which affordable housing can be economically viable is key to success.	Inclusionary zoning holds great promise to increase the amount of affordable housing. Go Austin!
Community revitalization	↓	Houston and Dallas are beginning to focus on the challenge of revitalizing long neglected poor parts of town. CDCs are a valuable but under-utilized tool. Organized residents are an untapped resource.	The Leg should pass the Homestead Preservation Bill to give cities some new tools.
City housing programs	↑	Dallas and Austin have improved the administration of their city's housing programs, but HUD suspended Houston's programs in Dec 04.	Dr. Elizabeth Mueller's city housing report cards should be supported.
Public housing revitalization	↓	In 2003 the Leg cut PHAs out of the tax credit competition, as Bush cut the HOPE VI budget. How long can 60-year-old public housing apartments provide housing to more than 300,000 poor Texas families? The physical condition of Texas public housing is an embarrassment.	Congress needs to fund public housing modernization and the Leg needs to prioritize PHAs for low income housing tax credits.
Community Reinvestment Act	↓	This law was an antidote to predatory lending by encouraging lenders to make loans to minority families, but has suffered rapid erosion. We can't build an "ownership society" without access to capital for homes.	Congress needs to strengthen the law and stop granting exemptions to lenders from CRA.
TDHCA	↑	Thanks to Governor Perry, the state housing agency (TDHCA) is on track with a good board and strong executive leadership. But we wonder if the Leg will give them a chance, or if the pressure from a few private developers will lead the Leg to micro manage?	Past reforms are working, but TDHCA needs to continue improving its contracting practices. Let's give them a chance.
Rural Community Affairs	↓	The executive director resigned after cutting all CDBG funds for housing, leaving Texas with no leadership or money for rural housing. This agency needs a shake-up for the sake of small town and rural Texas.	Time for Leg review. It must produce results and lead in the area of housing or it needs to go.

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Nonprofit property tax exemption	↓	As Texas struggles to fund schools with an antiquated and inadequate property tax system, there is strong resistance at the local level to property tax exemptions for low-income housing. The Leg wisely tightened up on exemptions in 2003.	Don't kill all exemptions, but strictly control multifamily tax exemptions to ensure that the developments are deserving.
Property taxes	↔	The Texas tax system is highly regressive. Poor and middle-class families pay a disproportionate share of taxes on their homes or through their rent.	Time to get on with it and pass a state income tax. It is more fair and it is needed for adequate revenue.
Senior housing	↔	Lots of senior housing is being built with tax credits as NIMBY blocks family housing. This is good for older folks, bad for families and children.	Restore balance in the senior/family housing development mix.
State housing trust fund	↔	With the Texas housing trust fund reduced from \$12 to \$3 million per year, the program is in danger of becoming irrelevant. Yet the Leg's focus on money for schools means new funding is unlikely.	The housing community needs to agree on the amount and source of funds and move on this in 2007.
HOME	↓	War and deficit mean budget cuts are likely to hit this HUD housing block grant. HOME is a program that cities and the state have had some difficulty administering efficiently.	Although TDHCA needs to work on expenditure rates, the HOME program works. Don't cut it.
CDBG	↓	Conservative think tanks have advocated the elimination of Community Development Block Grants and Congress is listening. Rather than a block grant to help the poor, Texas has turned CDBG into a revenue-sharing program. Thus, it is hard for housers to get excited about fighting the upcoming budget cuts.	The Leg should direct ORCA to restore the CDBG housing funding. Congress should mandate that the CDBG program better target the poor.
HUD	↓	When the guy running the place (Texan HUD Secretary Alfonso Jackson) thinks "poverty is a state of mind," Congress will ask why we need HUD at all. Big budget fights over HUD programs are looming.	Secretary Jackson needs to be an advocate for HUD and Congress should preserve the programs.
National Housing Trust Fund	↑	This proposed fund would build 1.5 million homes over ten years, primarily for very low income families. It came very close to passing in 2004. The bill had more than 200 sponsors in the House.	We agree with Jack Kemp and Henry Cisneros: Congress should pass this bill!

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