BILL ANALYSIS

C.S.H.B. 2714
By: Menendez
Urban Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

While the Texas Department of Housing and Community Affairs (TDHCA) has funded affordable housing and assisted many communities, problems exist in TDHCA's ability to allocate resources to meet all of the state's most pressing housing needs.

C.S.H.B. 2714 modifies the allocation processes and the computation of the regional allocation formula in order to direct affordable housing to the neediest parts of the state.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTION 2 of this bill.

ANALYSIS

C.S.H.B. 2714 amends the definition section of Chapter 2306, Government Code to establish new definitions of urban area and rural area as well as creating an area known as a "Historically underserved urban area". The definition of "person with a disability" is also modified to mirror the definition used by the department in its qualified allocation plan (QAP).

The bill requires the department to have a goal to apply a minimum of 25 percent of the community affairs division's total housing-related funds to individuals and families of very low income. The department shall also have a goal to apply 25 percent of the housing finance division's funds toward housing assistance for individuals and families of extremely low and very low income if possible to obtain rental assistance operating subsidies from other governmental sources.

The bill requires that the department by rule shall set aside 5 percent of funds administered under the Cranston-Gonzalez National Affordable Housing Act to non-participating rural areas. The department shall also use $10 million of those available in the Housing Trust Fund in an open application cycle for housing development construction or rehabilitation. If the department does not receive a sufficient number of financially feasible applications within the first 120 days, the funds shall be open for other purposes authorized under the Cranston-Gonzalez National Affordable Housing Act.

In determining its regional allocation formula, the department shall consider the dollar amount of multifamily tax exempt bonds, HOME funds and financing provided by or through local governments for construction or rehabilitation or multifamily housing restricted to individuals and families who earn 60 percent or less of the area median family income.

The department may allocate the housing trust fund among the state service regions without dividing among urban and rural areas if there is less than $5 million in funds available and the department shall designate a person to act as liaison to provide information about proposed developments to state senators and state representatives during the application process.

The department shall establish a uniform cycle for all housing funds administered by the department. If the department does not receive a sufficient number of financially feasible applications during the first 120 days of the application cycle, the department may administer those funds after the first 120 days. During the first 120 days of the cycle, the department may not consider applications requesting a grant of funds.

The bill establishes that certain parts of the state are historically underserved urban area and defines where those areas exist within the state. The department shall subdivide all of the funds administered under the federal low income housing tax credit program in areas containing historically underserved urban areas, based on the ratio in population between the total number of historically underserved urban areas within an urban area and the population of the urban areas as a whole.

The bill requires the department to allocate in 2006 and 2007 to state service region nine $2 million per year, $1 million per year in state service region 13, and $750,000 per year to state service region 11 to alleviate under funding for those state service regions in past years.

The bill repeals Section 2306.111(g), Government Code.

Finally, the bill requires the department to use 5 percent of each uniform state service region's allocations to developments financed through the Texas Rural Development Office of the USDA that do not exceed 48 units for new construction or are any size for a rehabilitation of an existing development. Funds must come from the funds set-aside for at-risk developments.

EFFECTIVE DATE

This Act takes effect September 1, 2005 or immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute adds definitions not included in the original, reorganizes changes to law proposed by the original version of the bill and removes the requirement that the department use forward commitments to alleviate under funding to state service regions nine, thirteen, and eleven.