

Executive Summary of the Regional Allocation Formula Position Paper

Since it was created in 2000, the Regional Allocation Formula (RAF) has divided funds among 26 sub-regions for the HOME Investment Partnership, Housing Trust Fund and Housing Tax Credit programs. The RAF has had small changes yearly to increase accuracy and transparency. New information has become available since the RAF began and, after careful and thorough analysis, staff recommends a series of substantial changes to increase accuracy and transparency. The benefits for the proposed changes include:

- Increased ability for developers and community members to predict funding availability;
- Elimination of large swings in funding from one region to another each year; and
- A simplified process that will be easier to explain to the Legislature, the Board and the public.

Below is a summary of the changes measuring Housing Need and Availability:

2012 RAF	2013 Proposed RAF	Rationale for Change
Need: Cost Burden	Need: Cost Burden	No change. This is a direct measurement of need for housing assistance.
Need: Overcrowded Units	Need: Overcrowded units	No change. This is a direct measurement of need for housing assistance.
Need: Units with Incomplete Kitchen and Plumbing	Need: Units with Incomplete Kitchen and Plumbing not used	Upon closer inspection of the data that measures this need, the accuracy required to justify using this variable is not available by region.
Need: Poverty	Need: 200% of Poverty	There is a strong link between persons at 200% of poverty (38% of Texans) and households who earn up to 80% area median family income (42% of households). The 200% poverty data is available yearly, while the data for area median family income is available every other year.
Availability: Federal and State Housing Program Awards	Availability: Vacancies	Building affordable housing may take years to complete and, due to market fluctuations, awarded units may never be built at all. Awards also do not account for market-rate unit availability. Using awards as a measurement creates huge swings in funding per region depending on awards the year before. Vacancies in each region indicate a direct need or lack of need for housing.

The proposed data is released yearly, as opposed every 10 years as was previously the case with the census. If the measurements above are used, the RAF will become an active measure of need and availability without the need for data projections.

Other Proposed Changes:

For the 2013 RAF, TDHCA will use data measured by county instead of by place for the process of distributing funds to urban and rural areas. County-level data is more complete than the place-level data that was used in the 2012 RAF.

For the 2013 RAF, the percentages of housing need and housing availability will be weighted equally when distributing funds. The 2012 RAF weighted based on the percentage of population with each need. Weighting equally minimizes population as a variable.

The 2013 RAF will provide more funding for high housing need and funding will be removed for an abundance of housing availability. In order to get the correct relationship between housing and need, the housing availability variable will have negative weight. The 2012 RAF compared each region’s need percentage and its resource percentage before distributing the funding. The 2013 RAF better accounts for variations in the need variables by not trying to relate the percentages of need and availability.