

# Hot Button Housing Issues for the 89<sup>th</sup> Texas Legislature

November 7, 2024

# Junk Fees \$\$\$\$\$\$\$\$\$\$

Hidden or bogus charges tacked onto the rent:

- ◆ **Mandatory recurring fees:** e.g., pest control fee, valet trash fee, administrative fee, fire hydrant fee, cable fee, insurance fee, billing fee, facilities fee
- ◆ **Excessive up front fees:** high application fees, administrative fees, hold fees, “at risk” fees

Altura Apartments Mandatory Fees	
Application	\$75/person
Administrative Fee	\$200
Trash	\$32
Pest Control	\$7
Cable/Internet	\$85
Administrative Billing Fee	\$3
One-Time Utility Service Connection Fee	\$5

# Junk Fees: Key Issues

- ◆ **Non-disclosure**
  - ◆ Anti-competitive: Inability to comparison shop
  - ◆ Surprise cost burden
  - ◆ Race to the bottom
- ◆ **End run around rent restrictions** in affordable housing programs
- ◆ **Drives up cost of housing**

# Junk Fees: Policy Reforms

- ◆ **Require transparency:** Disclose mandatory fees in advertisements, applications, and leases
- ◆ **Prohibit mid-lease changes in fees**
- ◆ **Restrict fees in affordable housing programs**
  - ◆ Require inclusion of mandatory fees in rent caps
  - ◆ Ban mandatory fees
  - ◆ Restrict application fees

<https://law.utexas.edu/clinics/2024/03/29/combating-junk-fees-in-texas-rental-housing-a-pathway-to-fairer-and-more-transparent-leasing-practices/>

# Reining in Abuses with Tax-Exempt Public-Private Partnerships

- ◆ Traveling HFCs = need to ban
- ◆ Extend guardrails in Chapter 303 to Chapters 392 and 394
  - ◆ Income and rent restrictions
  - ◆ Rein in bad “bail out” acquisition deals
  - ◆ Accountability: audit and reporting
  - ◆ Acceptance of vouchers
  - ◆ Basic tenant protections

# LIHTC Preservation and Habitability



UT Law Housing Policy Clinic Report: <https://law.utexas.edu/wp-content/uploads/sites/11/2024/08/2024-Univ-of-Texas-Housing-Policy-Clinic-LIHTC-and-Reserves.pdf>

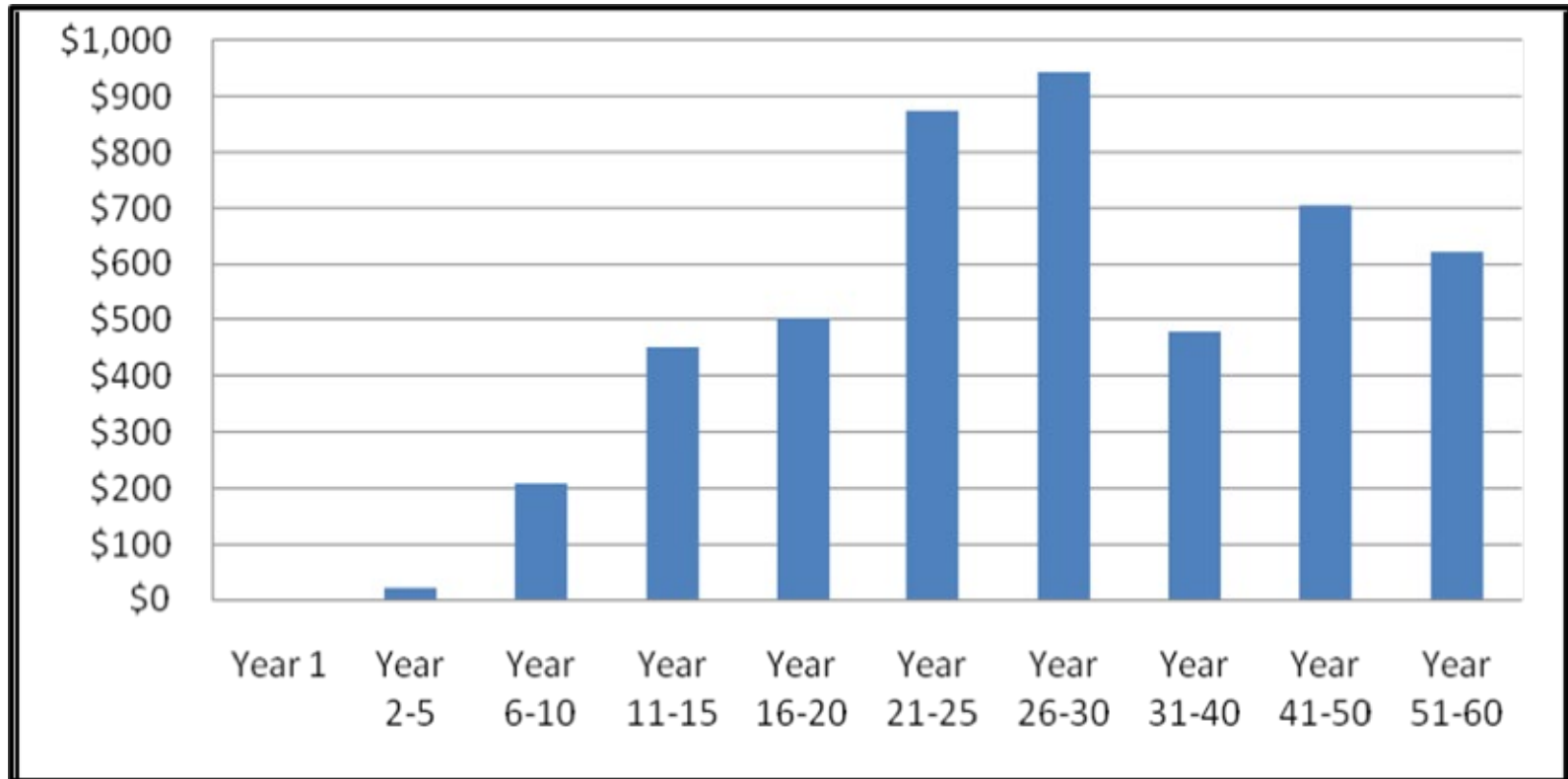
# LIHTC Preservation and Habitability

## Challenges:

- ◆ Investor incentives do not align with long-term preservation
- ◆ LIHTC properties operate on tight margins
- ◆ Properties' capital reserves are inadequate to address long-term capital needs

# LIHTC Preservation and Habitability

## Average Annual Capital Needs Per Unit (constant dollars)



Source: <https://www.nyc.gov/assets/hpd/downloads/pdfs/services/HOME-LowIncomeHousing-Tax-CreditGuidebook.pdf>



# LIHTC Preservation and Habitability

## Policies

- ◆ Increase replacement reserve requirements
- ◆ Reserves stay with property when investors exit
- ◆ Require capital needs assessments every 7 years
- ◆ Strengthen policies governing investor exits and property sales:
  - ◆ 20-year CNA
  - ◆ Immediate needs: Covenant and funding at closing
  - ◆ Short-term needs: Covenant to complete w/in 3 years and funding at closing
  - ◆ Long-term needs: Covenant, deposits to reserve account

