

# AFFORDABLE HOUSING

*Official Weekly Newsletter From Kercheval & Associates*



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## **Tax reform adds uncertainty to Houston's weak affordable housing supply**

*By: Rebecca Elliott*

*December 26, 2017*

*Source: Houston Chronicle*

*A federal finding that accuses the city of "blocking" affordable housing in integrated neighborhoods is complicating matters. The city has asked federal officials to drop the case*



Photo: Jon Shapley, Staff

The outlook for affordable housing in Houston is not rosy, nor is it as catastrophic as some had feared it would be.

That's because the Republican tax reform bill signed by President Donald Trump maintains a type of tax-exempt bond that had been on the chopping block and is key to financing new subsidized housing.

However, Hurricane Harvey destabilized the region's already fragile low-cost housing market, and local leaders worry a lower corporate tax rate, coupled with an uncertain federal budget, could make building and maintaining affordable homes more difficult.

"The safety net the housing authority provides was full before the storm, and it's full now," said Tory Gunsolley, president and CEO of the Houston Housing Authority. "It's looking like we'll get our funding cut, and make our safety net full of holes. So, it's just hard to see how we're able to actually help all of the people that need help."

"The safety net the housing authority provides was full before the storm, and it's full now," said Tory Gunsolley, president and CEO of the Houston Housing Authority.

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Diane Yentel, president and CEO of the National Low Income Housing Coalition, was similarly apprehensive in a statement about tax reform.

"While the preservation of low-income housing tax credits and private activity bonds avoids an immediate devastating impact on affordable housing, this bill will exacerbate our country's already yawning income inequality and will harm efforts to end homelessness and housing poverty," Yentel said. "At a time when we should be increasing investments in solutions to the housing crisis impacting low income people across the country, the increased deficits created by these tax cuts puts the national Housing Trust Fund and other vital housing and community development programs at risk of deep spending cuts down the line."

Houston is known for being affordable, but housing assistance is harder to come by here for very low-income renters than it is in most other large metropolitan areas in the country, according to an August federal report to Congress.

About 55,000 Houston-area families receive some type of rental subsidy, said Jonathan Spader, a researcher with Harvard University's Center for Joint Housing Studies, leaving hundreds of thousands spending a large portion of their income on housing or living in what the federal government calls "severely inadequate conditions."

It remains unclear how many of these houses and apartments flooded during Harvey, but studies show the storm hit lower- and middle-income residents hardest by inundating their homes or cutting their earnings. Recovery will be particularly difficult for these families, many of whom are renters.

"The financial circumstances of many of those who were affected by Harvey were tenuous even before the hurricane, and few report having many financial resources to fall back on," a recent survey from the Kaiser Family Foundation found.

Houston's capacity to accommodate these families - not to mention low-income households who survived Harvey unscathed - is limited.

The Houston Housing Authority has not been issuing housing vouchers to new families since April because of a funding shortfall, and, Spader said, the affordability requirements for more than 16,000 of the Houston area's subsidized rentals are set to expire in the next decade.

Meanwhile, disaster recovery funding from the U.S. Department of Housing and Urban Development is months, if not years, away.

"There are still way too many people, thousands of people who are in homes that need to be remediated in some form," Mayor Sylvester Turner said earlier this month. "That remains a major, major issue."

Complicating matters is an open federal finding that faults the city for "blocking and deterring affordable housing proposals in integrated neighborhoods," a violation of civil rights law. The city has denied any discrimination and asked HUD to drop its case.

Layer on an uncertain federal budget and a lower corporate tax rate, and Houston's chances of maintaining or expanding housing options for poor residents only get worse.

Cutting the corporate tax rate to 21 percent from 35 percent is expected to further devalue low-income housing tax credits, which companies buy to lower their tax liability. Those tax credits are the primary funding source for new affordable housing.

Already, the value of tax credits has dropped 16 cents since Trump was elected, as investors anticipated a hefty tax cut, according to Novogradac & Company, a San Francisco-based public accounting and consulting firm.

Jason Aldridge, vice president of originations for the National Equity Fund, a Chicago-based tax credit syndicator, expects tax reform to drive the price of credits another three or four cents lower, making it harder for builders to finance new subsidized housing. Developers then would need to lean more heavily on outside entities, such as the city housing department, to close their funding gaps.

"These projects that are already difficult to find financing for - especially in times when we have rising construction costs and all of the typical headwinds that developers face - it certainly doesn't make their job easier," Aldridge said.



# Allied Orion Group to Manage Houston Affordable Housing

**The community, located in Crosby, Texas, and currently undergoing renovations, contains 86 units and five buildings.**

*By Jeff Hamann  
December 21, 2017  
Multi Housing News*

Allied Orion Group has been chosen to manage Crosby Plaza, an 86-unit affordable housing community in the Houston suburb of Crosby, Texas. The owner, Crosby Plaza 34 LLC, acquired the property in November and is planning to start renovating the buildings in 2018.



Image via Google Maps: Crosby Plaza

Located at 6616 Farm-to-Market 2100 Road, the five-building apartment community features a mix of one-, two- and three-bedroom apartments ranging in size from 686 to 995 square feet. The properties amenities include on-site laundry facilities, high-speed Internet and a room available for residents to host activities.

Crosby Plaza sits less than 25 miles from downtown Houston, accessible via the Crosby Freeway three miles to the south. Nearby retail options include the Town Center Plaza a two-minute walk away, complete with a grocery store, a Subway restaurant and a post office. Crosby Park, which offers football, soccer and baseball fields for use by town residents, is immediately adjacent to the apartments.

“When we entered the Texas affordable housing market three short years ago, we decided to partner with Allied Orion Group due to their strong reputation in the industry,” said Christian Szymczak, co-manager of Crosby Plaza 34 LLC, in a prepared statement. “For the past three years, our firm has worked closely with Allied Orion on three new affordable rehabilitation projects in the San Antonio area. Their on-site management during the busy rehabilitation and tenant relocation process showed a high level of preparation.”

In addition to Allied Orion Group’s affordable housing portfolio, the company was recently selected to manage a luxury apartment community in Charlotte, N.C.

# Natural Disasters, Homelessness, and the Affordability Crisis Defined U.S. Housing in 2017

*By: Grace Cuarnieri*

*December 31, 2017*

*Source: News Week*

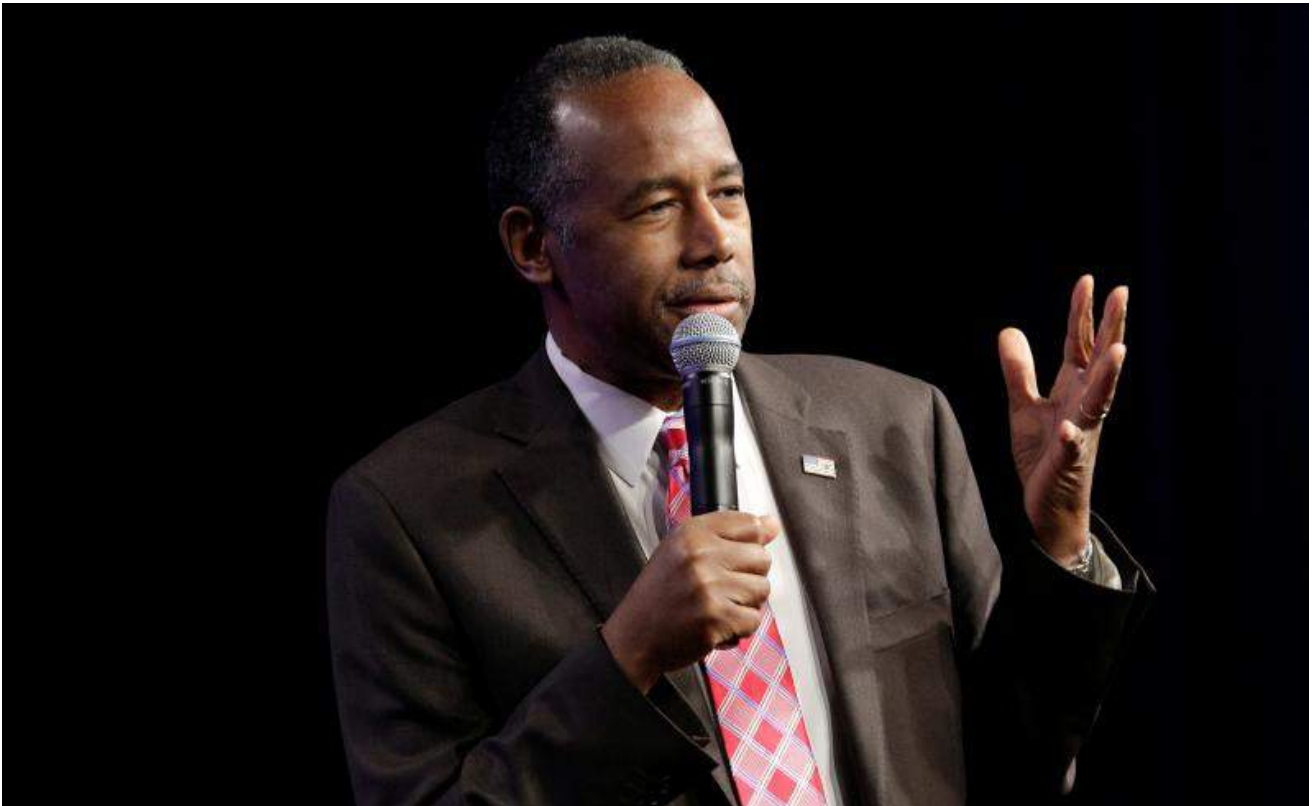
By the end of 2017, the value of homes in the United States reached \$31.8 trillion, but as homeowners saw their home values climb to the highest they've ever been this year, affordability suffered and homelessness worsened in American cities. Housing became an even bigger concern in 2017 when American cities were hit by hurricanes and fires.

Ben Carson was confirmed as the Secretary of the U.S. Department of Housing and Urban Development in March, 2017. Shortly thereafter, Carson began a listening tour of HUD programs around the United States. While on the tour, Secretary Carson stressed to local government officials that too much federal assistance from HUD led to too much dependence on the agency.

As Secretary Carson advocated for more local solutions to homelessness, natural disasters, housing affordability, and increased levels of homelessness rocked the nation on a national scale.

Hurricane Irma, Hurricane Maria, and the California wildfires devastated homes in the latter half of 2017. Local news reported that at least 765 homes were destroyed and hundreds more were threatened by the Thomas Fire in California in December. Hurricane Maria and Hurricane Harvey led to homeowners filing insurance claims with the National Flood Insurance Program en masse for their flooded homes in Florida and Texas, but in Puerto Rico it is much less common for homeowners to have flood insurance and so they either had to pay out of pocket or apply for FEMA aid.

After Hurricane Maria devastated Puerto Rico in September, a spokesman for the governor's office reported that 80 to 90 percent of homes were completely destroyed by the storm. Over 100 days later, many homes still did not have power, though Secretary Carson said that HUD plans to assist Puerto Rico as it continues to recover from the storm during a visit to the island in December.



"You take somebody that has the right mindset, you can take everything from them and put them on the street, and I guarantee in a little while they'll be right back up there," Housing and Urban Development Secretary Ben Carson said in an interview.

#### **JOSHUA ROBERTS/REUTERS**

In May, President Donald Trump and his administration proposed a \$6 billion, 15 percent budget cut to HUD spending for 2018. By December, a HUD report revealed that the number of homeless people living on the streets increased for the first time since the 2010 recession to almost 554,000, with many homeless individuals in West Coast cities where rent had become unaffordable. In 2017, renters paid a record \$485 billion according to real estate database Zillow and more people were living in doubled-up households due to rising monthly rent costs. Carson said in a HUD statement that the shortage of affordable housing on the West Coast was manifesting on the streets.

"Where we're not making great progress are in places like Los Angeles and New York City," Carson told NPR in December. "These happen to be places where the rents are going up much faster than the incomes."

West Coast cities have reported increased numbers of homeless deaths on the streets in recent years, and have responded to the crisis by putting millions of dollars towards building affordable housing.

“I think poverty to a large extent is also a state of mind,” Carson said during a Sirius XM Radio interview in May. “You take somebody that has the right mindset, you can take everything from them and put them on the street, and I guarantee in a little while they’ll be right back up there.”



PHOTO BY MARIO TAMA/GETTY IMAGES. A family rests in a shelter more than 100 days after their home was destroyed by Hurricane Maria in Puerto Rico.

On the local level, cities and counties have taken continued steps in 2017 to house those in need of homes. San Diego announced it would issue \$54 million in tax-exempt bonds to put towards building affordable housing units and Seattle announced \$100 million in spending towards affordable housing in December. The U.S. House of Representatives passed an \$81 million bill for emergency disaster relief in California, Texas, Florida and Puerto Rico that would give money to housing and public works recovery efforts on December 21. The bill has since faced opposition in the Senate.



# Harvey-hit Texans still struggle with recovery amid housing challenges

*By: Phil Mccausland*

*December 31, 2017*

*Source: NBC News*

Debbie Gillespie Stephenson just wants to rebuild her house, which was destroyed by the raging waters of Hurricane Harvey's historic flooding.

After some good Samaritans on an airboat rescued her and two grandchildren from her engulfed home, she and her husband have spent more than four months at their deer lease — a sparse structure meant only for a hunter's temporary stay — about an hour north of their Rose City, Texas, home. Until Harvey, they had lived in that same house in that same small town for the past 42 years.

But there's been no progress toward their hopes of returning. Stephenson lays the blame at FEMA's doorstep, and many in the region are facing a wide variety of challenges, bureaucratic and otherwise.

The EHF and the Kaiser Family Foundation produced a study in December 2017 that concluded that approximately a third of those who lived in the Golden Triangle — an area between Beaumont, Port Arthur and Orange, where Rose City falls — said their lives are “still very disrupted” because of the storm.

Housing and financial issues are at the top of their list.

“In the Golden Triangle area, the damage is much more significant and the recovery is going much more slowly. They could use way more resources,” said Elena Marks, president and CEO of the Episcopal Health Foundation.

Stephenson's house was so damaged that she and her husband chose to demolish it. Then, a little over a month ago, FEMA approved the couple to receive a trailer and they thought they were in luck. They'd be able to rebuild their home while living on the property.

But that temporary housing — a boon for most anyone in this hard-hit region — has only been a major setback.

"We saw this three-bedroom trailer parked perpendicular in the middle of where our house is going to go," said Stephenson, explaining that they are now unable to build their home because a FEMA contractor placed a large trailer on their plot of land.

Stephenson and her husband had been told they would be given a smaller trailer, and they certainly didn't want it on top of their home's intended foundation. Now they don't want to move in because they need the trailer to be moved or removed before they can start building.

She and her husband even asked if the structure could be given to someone else in need — anything so that they can begin to rebuild.

Every attempt to have the trailer moved has been stymied by bureaucracy.

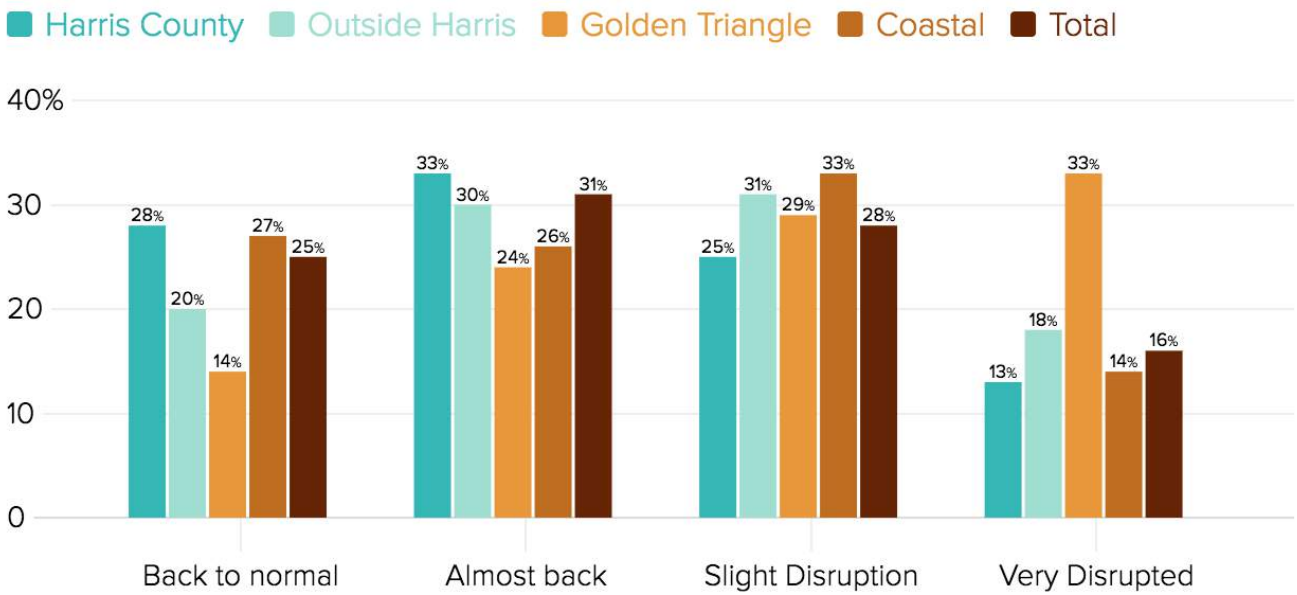
"We've spoken to six people at FEMA asking to get it moved," Stephenson said. "Our understanding is that once your trailer is dropped off, then they close your case. Three of them gave me the FEMA hotline, but the number they gave is disconnected and no longer works."

While Stephenson's case is somewhat unique, the continued disruption in her life is not — nor is her disquiet with FEMA. Help from the federal government feels as though it's at a standstill.

It's a problem that affects many people on the Texas coast and in the Golden Triangle, an area east of Harris County named for the prosperity gained from the early 20th century oil boom.

"There are currently tent cities there," Marks said. "It's really slow going. We don't know why. We suspect it has to do with less robust county or regional infrastructure."

# How areas in Texas have fared in recovery after Harvey

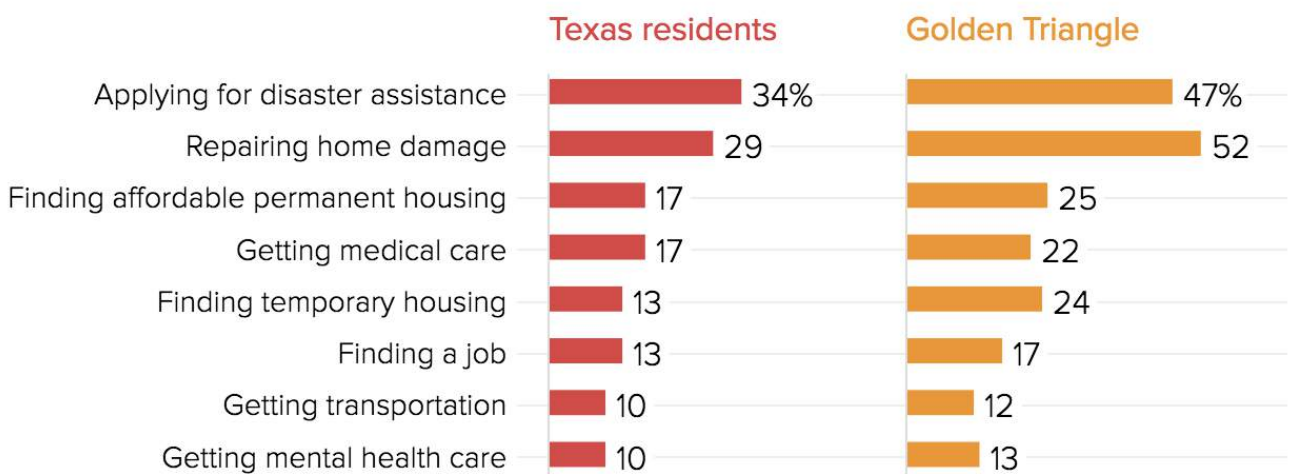


Data: Kaiser Family Foundation/Episcopal Health Foundation

Approximately a third of the residents of Texas's Golden Triangle report that their lives are "still very disrupted" by the devastation caused by Hurricane Harvey. Another 29 percent say their lives are "still somewhat disrupted." Phil McCausland

Nearly half of residents affected by Harvey in this part of Texas need help applying for disaster assistance, and 52 percent say they need help repairing damage to their homes, according to the December study. Still others share that finding an affordable permanent home or temporary housing is still beyond their reach.

## After Harvey, Texas's Golden Triangle still needs a lot of help



Data: Kaiser Family Foundation/Episcopal Health Foundation

Golden Triangle residents affected by Hurricane Harvey continue to experience greater trouble in their recovery after the storm than those affected by it in other parts of southeast Texas. Phil McCausland

Housing isn't the only issue. In Rose City, officials only just lifted a four-month-old boil advisory notice on Dec. 22 because the small town had to essentially rebuild its water treatment plant.

And with every step forward remains the ever-present memory of a storm that forced some through the most difficult period in their lives.

"I was looking through my photographs on my phone the other day, and it was almost like it was a dream," said Becky Ames, the mayor of Beaumont, about 6 miles west of Rose City.

The EHF and KFF study found that 47 percent of those living in the Golden Triangle said that Harvey has had a negative affect on their mental health. Comparatively, nearly a third of residents in other parts of the state reported the same.

"It's not surprising that the need is increasing and people are not getting the help they need," Marks said. "People are having to choose between paying rent, transportation to work, buying food and clothes, and going to the doctor."

When it made its second landfall, Harvey essentially turned Beaumont, a city of 118,000, into an island. Amid the turmoil, a widespread fresh water shortage forced officials to evacuate shelters packed with local residents. People are still contending with that memory, Ames said.

It's not all bad news, however.

That was four months ago now, and Ames said that while residents haven't forgotten the hurricane, Beaumont has largely recovered from what it left behind. The city finished its final rounds of debris pickup, she added.

Luckily, her city was financially secure prior to Harvey's arrival.



A boat sits near flooded homes in the aftermath of Tropical Storm Harvey in Beaumont, Texas on Aug. 31, 2017. Gerald Herbert / AP file

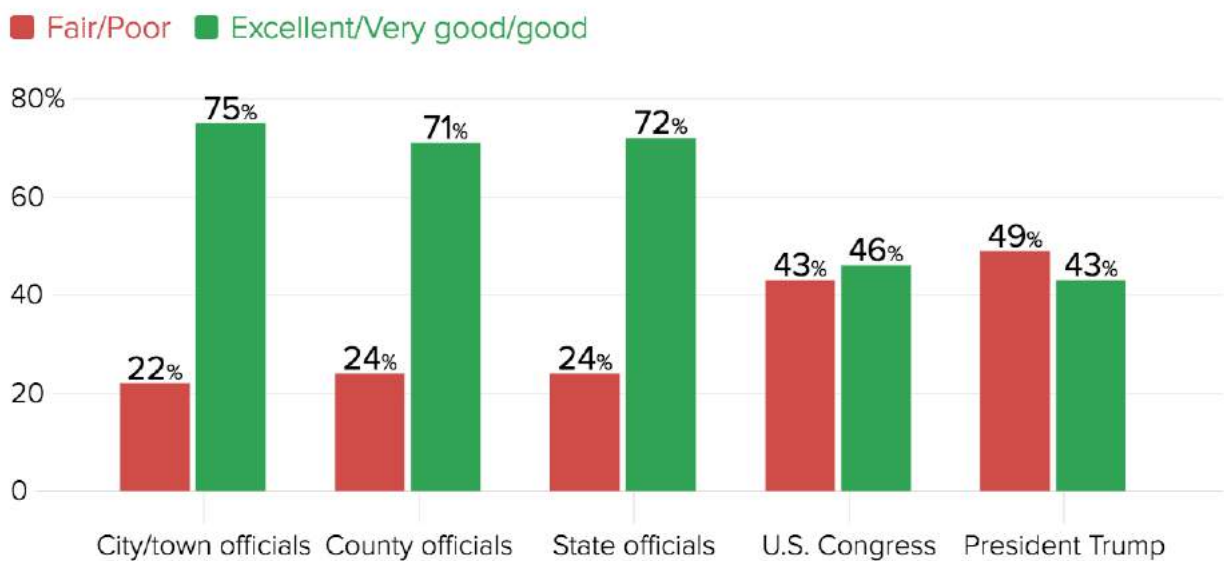


“There are a lot of smaller cities around Beaumont that were hit harder and don’t have as many resources as the city of Beaumont,” Ames said, mentioning Port Arthur and Orange as examples.

Meanwhile, residents across Texas have credited leaders like Ames in the recovery. State and local officials have received top marks for their leadership, according to the December report, but Congress and President Donald Trump did not fare as well.

Nearly half of Texas residents say the Trump administration did a “fair” or “poor” job in responding to the storm and its aftermath.

### Texas Gulf Coast residents rate leaders' response to Harvey



NBC NEWS

Data: Kaiser Family Foundation/Episcopal Health Foundation

Local and state leaders earn high marks during Hurricane Harvey's recovery, but Congress and President Trump did not fare as well. Phil McCausland

But to Stephenson, it doesn't matter what leader ultimately helps her get home. She just wants things back to normal, to be able to rebuild her home and to live out her retirement near her grandchildren in peace.

Right now, she often finds herself shedding tears out of frustration.

“I want to go home,” Stephenson said. “I still live in Rose City, my mail still goes there and we go check our mail. My grandbabies and my son all live in surrounding areas. We just want to go home as soon as we can.”