

By: Gates

H.B. No. 21

Substitute the following for H.B. No. 21:

By: Bell of Montgomery

C.S.H.B. No. 21

A BILL TO BE ENTITLED

AN ACT

relating to housing finance corporations; authorizing a fee.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 394.004, Local Government Code, is amended to read as follows:

Sec. 394.004. APPLICATION OF CHAPTER TO CERTAIN RESIDENTIAL DEVELOPMENTS. This chapter applies only to a residential development that ~~[at least 90 percent of which]~~ is occupied ~~[for use]~~ by or is intended to be occupied by persons of very low, low, ~~[and]~~ moderate, and middle income in accordance with the requirements of this chapter ~~[whose adjusted gross income, together with the adjusted gross income of all persons who intend to reside with those persons in one dwelling unit, did not for the preceding tax year exceed the maximum amount constituting moderate income under the housing finance corporation's rules, resolutions relating to the issuance of bonds, or financing documents relating to the issuance of bonds]~~.

SECTION 2. Subchapter A, Chapter 394, Local Government Code, is amended by adding Section 394.0045 to read as follows:

Sec. 394.0045. APPLICABILITY OF OPEN MEETINGS AND OPEN RECORDS LAWS. (a) Chapter 551, Government Code, applies to actions and proceedings under this chapter.

(b) Chapter 552, Government Code, applies to all records of a housing finance corporation.

SECTION 3. The heading to Section 394.031, Local Government Code, is amended to read as follows:

Sec. 394.031. EXERCISE OF POWERS; AREA OF OPERATION.

SECTION 4. Section 394.031, Local Government Code, is amended by adding Subsections (c), (d), and (e) to read as follows:

(c) Subject to Subsection (d), the area in which a housing finance corporation may own real property for residential development or engage in residential development is limited to:

(1) for a housing finance corporation sponsored by a municipality under Section 394.011, the boundaries of the municipality that sponsored the corporation;

(2) for a housing finance corporation sponsored by a county under Section 394.011, the boundaries of the county that sponsored the corporation; or

(3) for a housing finance corporation sponsored by more than one local government under Section 394.012:

(A) the boundaries of each municipal sponsor of the corporation; and

(B) the boundaries of each county sponsor of the corporation.

(d) A housing finance corporation may own real property for residential development or engage in residential development outside an area described by Subsection (c) only if a resolution or order, as applicable, approving that ownership or development in the outside area is adopted by the governing bodies of:

(1) each municipality that contains any part of the outside area in which the corporation proposes to own real property

for residential development or engage in residential development;  
(2) for a residential development or home located in  
the unincorporated area of a county, each county that contains any  
part of the outside area in which the corporation proposes to own  
real property for residential development or engage in residential  
development; and  
(3) any housing finance corporation sponsored by a  
municipality or county described by Subdivision (1) or (2), as  
applicable.

(e) This section does not prohibit or limit a housing  
finance corporation from owning real property outside an area  
described by Subsection (c) or (d) if the property is not owned for  
purposes of residential development.

SECTION 5. Section 394.032(e), Local Government Code, is amended to read as follows:

(e) A housing finance corporation may delegate to the Texas Department of Housing and Community Affairs the authority to act on its behalf in the financing, refinancing, acquisition, leasing, ownership, improvement, and disposal of home mortgages or residential developments, ~~[within and outside the jurisdiction of the housing finance corporation,~~] including its authority to issue bonds for those purposes.

SECTION 6. Section 394.037, Local Government Code, is amended by adding Subsection (a-1) to read as follows:

(a-1) A housing finance corporation may issue bonds under  
this chapter for a purpose described by Subsection (a) only to  
finance or support a residential development or home that is

located or will be constructed:

(1) within the boundaries of a local government in which a housing finance corporation is permitted to own real property for residential development or engage in residential development under Section 394.031(c); or

(2) outside the boundaries of a local government described by Subdivision (1) if a resolution or order, as applicable, approving the issuance of bonds is adopted by the governing body of:

(A) each municipality that contains any part of the residential development or home; and

(B) for a residential development or home located in the unincorporated area of a county, each county that contains any part of the residential development or home.

SECTION 7. Section 394.039, Local Government Code, is amended to read as follows:

Sec. 394.039. SPECIFIC POWERS RELATING TO FINANCIAL AND PROPERTY TRANSACTIONS. Subject to Sections 394.031(c), (d), and (e), a [A] housing finance corporation may:

(1) lend money for its corporate purposes, invest and reinvest its funds, and take and hold real or personal property as security for the payment of the loaned or invested funds;

(2) mortgage, pledge, or grant security interests in any residential development, home mortgage, note, or other property in favor of the holders of bonds issued for those items;

(3) purchase, receive, lease, or otherwise acquire, own, hold, improve, use, or deal in and with real or personal

1 property or interests in that property, [~~wherever the property is~~  
2 ~~located,~~] as required by the purposes of the corporation or as  
3 donated to the corporation; and

4 (4) sell, convey, mortgage, pledge, lease, exchange,  
5 transfer, and otherwise dispose of all or part of its property and  
6 assets.

7 SECTION 8. Section 394.9025, Local Government Code, is  
8 amended to read as follows:

9 Sec. 394.9025. MULTIFAMILY RESIDENTIAL DEVELOPMENT. (a)  
10 Following a public hearing by the governing body of the applicable  
11 local government, a housing finance corporation may, subject to the  
12 geographic limitations of Section 394.037(a-1), issue bonds to  
13 finance a multifamily residential development to be owned by the  
14 housing finance corporation if at least 50 percent of the units in  
15 the multifamily residential development are reserved for occupancy  
16 by individuals and families earning less than 100 [~~80~~] percent of  
17 the area median family income.

18 (b) Following a public hearing by the governing body of the  
19 applicable local government, a housing finance corporation may,  
20 subject to the geographic limitations of Section 394.037(a-1),  
21 issue bonds to finance a multifamily residential development to be  
22 owned by the housing finance corporation in accordance with Section  
23 394.004 if the housing finance corporation receives approval of the  
24 governing body of the local government.

25 SECTION 9. Subchapter 2, Chapter 394, Local Government  
26 Code, is amended by adding Sections 394.9026 and 394.9027 to read as  
27 follows:

1       Sec. 394.9026. ADDITIONAL CONDITIONS FOR BENEFICIAL AD  
2 VALOREM TAX TREATMENT RELATING TO CERTAIN MULTIFAMILY RESIDENTIAL  
3 DEVELOPMENTS. (a) In this section:

4           (1) "Housing choice voucher program" means the housing  
5 choice voucher program under Section 8, United States Housing Act  
6 of 1937 (42 U.S.C. Section 1437f).

7           (2) "Housing finance corporation user" means:

8                   (A) a housing finance corporation; or

9                   (B) for a multifamily residential development  
10 that is not owned directly by a housing finance corporation, a  
11 public-private partnership entity or a developer or other person or  
12 entity that has an ownership interest or a leasehold or other  
13 possessory interest in multifamily residential development  
14 financed or supported by a housing finance corporation.

15           (3) "Lower income housing unit" means a residential  
16 unit reserved for occupancy by an individual or family earning not  
17 more than 60 percent of the area median income, adjusted for family  
18 size, as defined by the United States Department of Housing and  
19 Urban Development.

20           (4) "Middle income housing unit" means a residential  
21 unit reserved for occupancy by an individual or family earning not  
22 more than 100 percent of the area median income, adjusted for family  
23 size, as defined by the United States Department of Housing and  
24 Urban Development.

25           (5) "Moderate income housing unit" means a residential  
26 unit reserved for occupancy by an individual or family earning not  
27 more than 80 percent of the area median income, adjusted for family

size, as defined by the United States Department of Housing and Urban Development.

(6) "Multifamily residential development" means any residential development consisting of four or more residential units intended for occupancy as rentals, regardless of whether the units are attached or detached.

(7) "Rent" means any recurring fee or charge a tenant is required to pay as a condition of occupancy, including a fee or charge for the use of a common area or facility reasonably associated with residential rental property. The term does not include fees and charges for services or amenities that are optional for a tenant, such as pet fees and fees for storage or covered parking.

(8) "Rent reduction" means the projected difference between the rent charged for an income-restricted unit and the maximum market rate rent that could be charged for that same unit without the income restrictions.

(9) "Very low income housing unit" means a residential unit reserved for occupancy by an individual or family earning not more than 50 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development.

(b) This section does not apply to a multifamily residential development that is the recipient of a low income housing tax credit allocated under Subchapter DD, Chapter 2306, Government Code.

(c) Subject to Subsection (g), an ad valorem tax exemption under Section 394.905 for a multifamily residential development

owned by a housing finance corporation is available only if the other requirements of this chapter are satisfied and if:

(1) at least:

(A) 10 percent of the units in the development are reserved for occupancy as lower income housing units and at least 40 percent of the units in the development are reserved for occupancy as moderate income housing units; or

(B) 10 percent of the units in the development are reserved for occupancy as very low income housing units and at least 40 percent of the units in the development are reserved for occupancy as middle income housing units;

(2) the rent reduction at the development in the preceding tax year was:

(A) not less than 60 percent of the amount of the estimated ad valorem taxes that would have been imposed on the applicable property in the same preceding tax year if the property did not receive an exemption from those taxes under Section [394.905](#), beginning with:

(i) for a multifamily residential development that is acquired by the corporation, the third tax year after the tax year that the corporation acquires the development; and

(ii) for a newly constructed multifamily residential development not described by Subparagraph (i), the first tax year after the tax year in which the development first achieves an occupancy rate of 90 percent; or

(B) less than 60 percent of the amount of the



estimated ad valorem taxes described by Paragraph (A) beginning with the tax year specified by that paragraph, but the housing finance corporation user paid to the Texas Permanent School Fund Corporation for the applicable tax year an amount equal to the rent reduction shortfall that exists based on the difference between the amount described by this paragraph and the amount described by Paragraph (A);

(3) the income-restricted residential units in the development have the same unit finishes and equipment and access to community amenities and programs as residential units that are not income-restricted;

(4) the percentage of very low, lower, moderate, and middle income housing units reserved in each category of income-restricted residential units in the development, based on the number of bedrooms per unit, is the same as the percentage of each category of income-restricted residential units reserved in the development as a whole;

(5) the monthly rent charged per unit does not exceed:

(A) for a very low income housing unit, 30 percent of 50 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development;

(B) for a lower income housing unit, 30 percent of 60 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development;

(C) for a moderate income housing unit, 30

1 percent of 80 percent of the area median income, adjusted for family  
2 size, as defined by the United States Department of Housing and  
3 Urban Development; or

4 (D) for a middle income housing unit, 30 percent  
5 of 100 percent of the area median income, adjusted for family size,  
6 as defined by the United States Department of Housing and Urban  
7 Development;

8 (6) the housing finance corporation user and the  
9 development do not:

10 (A) refuse to rent a residential unit in the  
11 development to an individual or family because the individual or  
12 family participates in the housing choice voucher program; or

13 (B) use a financial or minimum income standard  
14 that requires an individual or family participating in the housing  
15 choice voucher program to have a monthly income of more than 250  
16 percent of the individual's or family's share of the total monthly  
17 rent payable for a unit;

18 (7) the housing finance corporation user causes to be  
19 published on the Internet website of the development information  
20 about the development's policies regarding tenant participation in  
21 the housing choice voucher program;

22 (8) the housing finance corporation user for the  
23 development:

24 (A) affirmatively markets available residential  
25 units directly to individuals and families participating in the  
26 housing choice voucher program; and

27 (B) notifies local housing authorities of the

development's acceptance of tenants in the housing choice voucher program; and

(9) each lease agreement for an income-restricted residential unit in the development provides that:

(A) the landlord may not retaliate against the tenant or the tenant's guests by taking an action because the tenant established, attempted to establish, or participated in a tenant organization;

(B) the landlord may only choose to not renew the lease if the tenant:

(i) committed one or more substantial violations of the lease;

(ii) failed to provide required information on the income, composition, or eligibility of the tenant's household; or

(iii) committed repeated minor violations of the lease that disrupt the livability of the property, adversely affect the health and safety of any person or the right to quiet enjoyment of the leased premises and related development facilities, interfere with the management of the development, or have an adverse financial effect on the development, including the failure of the tenant to pay rent in a timely manner; and

(C) to not renew the lease, the landlord must serve a written notice of proposed nonrenewal on the tenant not later than the 30th day before the effective date of nonrenewal.

(d) In calculating the income of an individual or family for a very low, lower, moderate, or middle income housing unit, the

1 housing finance corporation user must use the definition of annual  
2 income described in 24 C.F.R. Section 5.609, as implemented by the  
3 United States Department of Housing and Urban Development. If the  
4 income of a tenant exceeds an applicable limit at the time of the  
5 renewal of a lease agreement for a residential unit, the provisions  
6 of Section 42(g)(2)(D), Internal Revenue Code of 1986, apply in  
7 determining whether the unit may still qualify as a very low, lower,  
8 moderate, or middle income housing unit.

9 (e) A housing finance corporation user may require an  
10 individual or family participating in the housing choice voucher  
11 program to pay the difference between the monthly rent for the  
12 applicable unit and the amount of the monthly voucher if the amount  
13 of the voucher is less than the rent.

14 (f) A tenant may not waive the protections provided by  
15 Subsection (c)(9). A housing finance corporation user may adopt  
16 tenant protections that are more protective of tenants than the  
17 tenant protections provided by Subsection (c)(9).

18 (g) A multifamily residential development that is acquired  
19 by a housing finance corporation and is occupied on the date of the  
20 acquisition is eligible for an ad valorem exemption under Section  
21 394.905 for the two tax years following the date of the acquisition,  
22 regardless of whether the development complies with the conditions  
23 prescribed by Subsection (c), if the development comes into  
24 compliance with Subsection (c) not later than the end of the second  
25 tax year after the date of the acquisition.

26 Sec. 394.9027. AUDIT REQUIREMENTS FOR CERTAIN MULTIFAMILY  
27 RESIDENTIAL DEVELOPMENTS. (a) In this section:

1           (1) "Department" means the Texas Department of Housing  
2 and Community Affairs.

3           (2) "Housing finance corporation user" has the meaning  
4 assigned by Section 394.9026.

5           (b) A housing finance corporation or housing finance  
6 corporation user that claims an ad valorem tax exemption for a  
7 multifamily residential development under Section 394.905 must  
8 annually submit to the department an audit report for a compliance  
9 audit, prepared at the expense of the housing finance corporation  
10 user and conducted by an independent auditor or compliance expert  
11 with an established history of providing similar audits on housing  
12 compliance matters, that:

13           (1) states whether the corporation is in compliance  
14 with the requirements imposed for the exemption by Section  
15 394.9026; and

16           (2) identifies the difference in the rent charged for  
17 income-restricted residential units and the estimated maximum  
18 market rents that could be charged for those units without the  
19 income restrictions.

20           (c) Not later than the 60th day after the date of receipt of  
21 the audit conducted under Subsection (b), the department shall  
22 examine the audit report and publish a report summarizing the  
23 findings of the audit. The report must:

24           (1) be made available on the department's Internet  
25 website;

26           (2) be issued to the housing finance corporation that  
27 owns or is associated with the development that is the subject of an

audit, the housing finance corporation user of the development, the comptroller, and the governing body of the sponsoring local government or governments of the housing finance corporation; and

(3) describe in detail the nature of any failure to comply with the requirements of Section 394.9026.

(d) If an audit report submitted under Subsection (b) indicates noncompliance with Section 394.9026, a housing finance corporation user, the associated housing finance corporation, and the chief appraiser of the appraisal district in which the development is located must be given written notice from the department that is provided not later than the 120th day after the date a report has been submitted under Subsection (b) and specifies the reasons for noncompliance. For a finding of noncompliance with any provision of Section 394.9026(c), a housing finance corporation user and the associated housing finance corporation must be given:

(1) additional written notice that:

(A) otherwise complies with the notice requirements of this section;

(B) contains at least one option for a corrective action to resolve the noncompliance; and

(C) informs the housing finance corporation user and associated housing finance corporation that failure to resolve the noncompliance within the period provided by Subdivision (2) will result in the loss of the ad valorem tax exemption under Section 394.905;

(2) a period of 180 days after the date notice is received under Subdivision (1) to resolve the matter that is the

1 subject of the notice; and

2 (3) if a matter that is the subject of a notice  
3 provided under this subdivision is not resolved to the satisfaction  
4 of the department during the period provided by Subdivision (2), a  
5 second notice that informs the housing finance corporation of the  
6 loss of the ad valorem tax exemption for the development due to  
7 noncompliance with Section 394.9026.

8 (e) The initial audit report required by Subsection (b) is  
9 due not later than June 1 of the tax year following:

10 (1) the date of acquisition for an existing  
11 multifamily residential development that is acquired by a housing  
12 finance corporation; or

13 (2) the date a newly constructed multifamily  
14 residential development first becomes occupied by one or more  
15 tenants.

16 (f) Subsequent audit reports following the issuance of the  
17 initial audit report under Subsection (e) are due not later than  
18 June 1 of each year.

19 (g) The department may extend the deadline for submitting  
20 any audit required under this section for good cause shown, as  
21 determined by the department.

22 (h) An independent auditor or compliance expert may not  
23 prepare an audit under Subsection (b) for more than three  
24 consecutive tax years for the same housing finance corporation.  
25 After the third consecutive audit, the independent auditor or  
26 compliance expert may prepare an audit only after the second  
27 anniversary of the preparation of the third consecutive audit.

1        (i) The department:

2                (1) shall adopt forms and reporting standards for the  
3 auditing process;

4                (2) may charge a fee for the submission of an audit  
5 report under this section in a reasonable amount necessary to cover  
6 the expenses of administering this section; and

7                (3) shall adopt rules necessary to implement this  
8 section and Section 394.9026.

9        (j) Rules adopted under Subsection (i)(3) must include  
10 administrative processes and a process by which a housing finance  
11 corporation user may appeal a finding of noncompliance made under  
12 this section or a loss of a tax exemption due to a finding of  
13 noncompliance with Section 394.9026 or any other provision of this  
14 chapter.

15        (k) An audit conducted under Subsection (b) is subject to  
16 disclosure under Chapter 552, Government Code, except that  
17 information containing tenant names, unit numbers, or other tenant  
18 identifying information may be redacted.

19        (l) This section does not apply to a multifamily residential  
20 development during any period that the development is the recipient  
21 of a low income housing tax credit allocated under Subchapter DD,  
22 Chapter 2306, Government Code.

23        SECTION 10. Section 394.903, Local Government Code, is  
24 amended to read as follows:

25        Sec. 394.903. TRANSFER [LOCATION] OF [RESIDENTIAL  
26 ~~DEVELOPMENT,~~] RESIDENTIAL DEVELOPMENT SITES. Subject to Sections  
27 394.031(c) and (d), a [(a) A residential development covered by



~~this chapter must be located within the local government.~~

~~[(b) The] local government may transfer any residential development site to a housing finance corporation by sale or lease. The governing body of the local government may authorize the transfer by resolution without submitting the issue to the voters and without regard to the requirements, restrictions, limitations, or other provisions contained in any other general, special, or local law. [The site may be located wholly or partly inside or outside the local government.]~~

SECTION 11. Section 394.905, Local Government Code, is amended to read as follows:

Sec. 394.905. EXEMPTION FROM TAXES AND FEES ~~[TAXATION]~~.

(a) Subject to compliance with the requirements of this chapter, a [The] housing finance corporation and[7] all property owned by the corporation [it], the income from that [the] property, all bonds issued by the corporation [it], the income from those [the] bonds, and the transfer of those [the] bonds are exempt, as public property used for public purposes, from license fees, recording fees, and all other taxes imposed by this state or any political subdivision of this state.

(b) A multifamily residential development owned by a housing finance corporation is eligible for an exemption from ad valorem taxes, and the materials used to improve the applicable property are eligible for an exemption from sales and use taxes, only if:

(1) the property is located in an area in which the housing finance corporation is authorized to own real property or

engage in residential development under Section 394.031(c) or (d);

(2) the board of directors of the corporation has adopted a resolution approving the multifamily residential development;

(3) before approval of the board of directors under Subdivision (2), the housing finance corporation or a sponsoring local government of the corporation:

(A) conducts, or obtains from a professional entity that has experience underwriting affordable residential developments and does not have a financial interest in the corporation or the applicable development, developer, or investors, an underwriting assessment of the proposed development that is dated not earlier than 180 days before the date of the board resolution;

(B) based on the underwriting assessment, makes a good faith determination that the annual rent reduction at the development, as defined by Section 394.9026(a), will be not less than 60 percent of the amount of estimated ad valorem taxes that would be imposed on the property in the same tax year if the applicable property did not receive an exemption from those taxes under this section:

(i) for a development that is acquired by the corporation, each of the third, fourth, and fifth tax years after the tax year that the corporation acquires the development; and

(ii) for a newly constructed development not described by Subparagraph (i), each of the first, second, and

third tax years after the tax year in which the development first achieves an occupancy rate of 90 percent; and

(C) publishes on its Internet website a copy of the underwriting assessment required by this subsection; and

(4) the housing finance corporation submits to the Texas Department of Housing and Community Affairs and to the chief appraiser for each appraisal district in which the exemption is sought a one-time exemption application on a form promulgated by the comptroller.

(c) Notwithstanding Subsections (a) and (b), and subject to Section 394.9027, a multifamily residential development owned by a housing finance corporation or a housing finance corporation user is not entitled to an ad valorem tax exemption for any given tax year in which:

(1) the corporation or the housing finance corporation user is not in compliance with any provisions of Section 394.9026(c) and:

(A) the notice requirements in Section 394.9027(d) have been fulfilled; and

(B) the noncompliance is not resolved to the satisfaction of the department within the period provided by Section 394.9027(d)(2); or

(2) the corporation or the housing finance corporation user has not timely submitted the audit report required by Section 394.9027.

(d) Subsection (a) does not apply to ad valorem taxes imposed on a multifamily residential development by a conservation

or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the development, unless the applicable corporation has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement.

(e) Subsections (b)(3), (b)(4), and (c) do not apply to a multifamily residential development that is:

- (1) owned by a housing finance corporation; and
- (2) the recipient of a low income housing tax credit allocated under Subchapter DD, Chapter 2306, Government Code.

(f) The corporation is exempt from the franchise tax imposed by Chapter 171, Tax Code, only if the corporation is exempted by that chapter.

SECTION 12. Section 394.005, Local Government Code, is repealed.

SECTION 13. (a) Subject to Subsection (i) of this section, Sections 394.031(c) and (d), Local Government Code, as added by this Act, and Section 394.903, Local Government Code, as amended by this Act, apply only to the ownership of real property that is acquired by a housing finance corporation on or after the effective date of this Act. The ownership of real property acquired by a housing finance corporation before the effective date of this Act, and the authority of a housing finance corporation to own that property or to engage in residential development with respect to that real property in an area outside the areas authorized by Sections 394.031(c) and (d), Local Government Code, as added by

1 this Act, are governed by the law in effect on the date the property  
2 was acquired by the housing finance corporation, and the former law  
3 is continued in effect for that purpose.

4 (b) Section 394.037(a-1), Local Government Code, as added  
5 by this Act, and Section 394.9025, Local Government Code, as  
6 amended by this Act, apply only to bonds issued on or after the  
7 effective date of this Act. Bonds issued before the effective date  
8 of this Act are governed by the law in effect on the date the bonds  
9 were issued, and the former law is continued in effect for that  
10 purpose.

11 (c) Section 394.9026, Local Government Code, as added by  
12 this Act, and Section 394.905, Local Government Code, as amended by  
13 this Act, apply only to a tax for a tax year that begins on or after  
14 the effective date of this Act.

15 (d) Subject to Subsections (e) and (f) of this section,  
16 Sections 394.9026 and 394.9027, Local Government Code, as added by  
17 this Act, apply to all multifamily residential developments  
18 claiming an exemption under Section 394.905, Local Government Code,  
19 regardless of when the developments were approved or acquired.

20 (e) A multifamily residential development that was acquired  
21 by a housing finance corporation before the effective date of this  
22 Act must:

23 (1) not later than January 1, 2026, come into  
24 compliance with Sections 394.9026(c)(2), (6), (7), (8), and (9);  
25 and

26 (2) not later than January 1, 2027, come into  
27 compliance with Sections 394.9026(c)(1), (3), (4), and (5).

1           (f) Notwithstanding Section 394.9027(b) or (f), Local  
2 Government Code, as added by this Act, the initial audit report  
3 required to be submitted under Section 394.9027(b), Local  
4 Government Code, as added by this Act, for a multifamily  
5 residential development that was acquired by a housing finance  
6 corporation before the effective date of this Act must be submitted  
7 by the later of:

8                 (1) the date established by Section 394.9027(e), Local  
9 Government Code, as added by this Act; or

10                (2) June 1, 2026.

11           (g) Subject to Subsections (e), (h), and (i) of this  
12 section, Section 394.905, Local Government Code, as amended by this  
13 Act, applies to all multifamily residential developments owned by a  
14 housing finance corporation, regardless of when the developments  
15 were approved or acquired.

16           (h) Sections 394.905(b)(1), (2), and (3) and (d), Local  
17 Government Code, as added by this Act, apply only to multifamily  
18 residential developments that are acquired by a housing finance  
19 corporation on or after the effective date of this Act.

20           (i) A residential development that is owned by a housing  
21 finance corporation on September 1, 2025, and is located outside an  
22 area in which the corporation is authorized to own real property or  
23 engage in residential development under Section 394.031(c), Local  
24 Government Code, as added by this Act, is not eligible for an ad  
25 valorem tax exemption under Section 394.905, Local Government Code,  
26 as amended by this Act, after January 1, 2027, unless the  
27 corporation obtains the appropriate resolutions or orders required

1 under Section 394.031(d), Local Government Code, as added by this  
2 Act, before that date.

3 (j) Not later than January 1, 2026, the Texas Department of  
4 Housing and Community Affairs shall adopt rules necessary to  
5 implement Section 394.9027(i), Local Government Code, as added by  
6 this Act.

7 SECTION 14. This Act takes effect immediately if it  
8 receives a vote of two-thirds of all the members elected to each  
9 house, as provided by Section 39, Article III, Texas Constitution.  
10 If this Act does not receive the vote necessary for immediate  
11 effect, this Act takes effect September 1, 2025.