

BILL ANALYSIS

Senate Research Center

S.B. 284
By: Lucio
Government Organization
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Enrolled

DIGEST AND PURPOSE

In 1995, the 74th Texas Legislature established the Texas State Affordable Housing Corporation (TSAHC) as a self-sustaining non-profit entity to facilitate the provision of affordable housing for low-income Texans. To achieve its mission, TSAHC issues mortgage revenue bonds to finance the creation of affordable multifamily housing units by non-profit organizations, and to finance the purchase of single-family homes under the Teacher Home Loan Program. TSAHC underwent a Sunset review in 2001. The 77th Legislature continued TSAHC for two years, rather than the standard 12 years, and required the Sunset Commission to evaluate TSAHC's new business focus. S.B. 284 continues TSAHC until September 1, 2009, and requires TSAHC to adopt a minimum dollar-for-dollar public benefit requirement for recipients of 501(c)(3) bonds.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1372.0221, Government Code, as follows:

Sec. 1372.0221. DEDICATION OF PORTION OF STATE CEILING FOR PROFESSIONAL EDUCATORS HOME LOAN PROGRAM. Provides until August 1, out of that portion of the state ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds, \$25 million must be allotted for the purpose of issuing qualified mortgage bonds in connection with the professional educators, rather than teachers, home loan program.

SECTION 2. Amends Section 1372.023(b), to change from one-fourth to one-fifth that portion of the state ceiling that is available for reservations by issuers of qualified residential rental project bonds which is available to the Texas Department of Housing and Community Affairs (TDHCA).

SECTION 3. Amends Section 1372.0231, Government Code, by amending Subsection (a) and adding Subsection (b-1), as follows:

(a) Until August 15, of that portion of the state ceiling that is available exclusively for reservations by issuers of qualified residential rental project bonds:

- (1) 20, rather than 25, percent is available exclusively to the TDHCA in the manner described by Subsection (b);
- (2) 70, rather than 75, percent is available exclusively to housing finance corporations in the manner described by Subsections (c)-(f); and
- (3) 10 percent is available exclusively to the Texas State Affordable Housing

Corporation (TSAHC) in the manner described by Subsection (b-1).

(b-1) Requires (TSAHC), with respect to the amount of the state ceiling set aside under Subsection (a)(3), to issue qualified residential rental project bonds and allocate bond funds at the direction of the TSAHC as provided by Section 2306.565. Provides that issuances made by TSAHC under this subsection are subject to review and approval by the board under Section 1231.041.

SECTION 4. Amends Section 2306.057, Government Code, by adding Subsection (d), to require TSAHC, in assessing the compliance of the project, applicant, or affiliate, to consider any relevant compliance information in TDHCA's database created under Section 2306.081, including compliance information provided to TDHCA by TSAHC.

SECTION 5. Amends Section 2306.0721, Government code, by adding Subsections (g) and (h), as follows:

(g) Requires TDHCA to include the plan developed by TSAHC under Section 2306.565 in TDHCA's resource allocation plan under Subsection (c) (5).

(h) Requires TDHCA to consider and incorporate the specific results of the programs of TSAHC in TDHCA's estimate and analysis of the housing supply in each uniform state service region under Subsection (c)(9).

SECTION 6. Amends Section 2306.0722(b), Government Code, to provide the needs assessment information compiled for the report and plan to TSAHC.

SECTION 7. Amends Section 2306.081, Government Code, by amending Subsection (d) and adding Subsection (e), as follows:

(d) Requires TDHCA to create a database that contains information including project compliance information provided to TDHCA by TSAHC.

(e) Requires TDHCA to allow TSAHC timely access to the information in the database.

SECTION 8. Amends Section 2306.5521, Government Code, to continue TSAHC until September 1, 2009.

SECTION 9. Amends Section 2306.553(a) and (b), as follows:

(a) Makes conforming changes.

(b) Provides that the corporation's primary public purpose is to facilitate the provision of housing by issuing qualified 501(c)(3) bonds and qualified residential rental project bonds. Makes conforming changes.

SECTION 10. Amends Section 2306.554, Government Code, by amending Subsection (c) and adding Subsection (f), as follows:

(c) Updates standard Sunset language relating to reimbursement for board members for certain expenses.

(f) Adds standard Sunset language requiring appointments to the board of directors (board) to be made without regard to certain personal characteristics.

SECTION 11. Amends Subchapter Y, Chapter 2306, Government Code, by adding Sections 2306.5541, 2306.5542, and 2306.5543, as follows:

Sec. 2306.5541. TERMS OF MEMBERS. Adds standard Sunset language relating to the terms of membership of the board.

Sec. 2306.5542. REMOVAL OF MEMBERS. Adds standard Sunset language relating to the grounds for removal of board members.

Sec. 2306.5543. TRAINING. Adds standard Sunset language relating to the training program that a person who qualifies for board membership must undertake before being counted as a member.

SECTION 12. Amends Section 2306.5545, Government Code, to add standard Sunset language relating to conflicts of interests applicable to TSAHC employees, and board members.

SECTION 13. Amends Subchapter Y, Chapter 2306, Government Code, by adding Sections 2306.5546, 2306.5547, and 2306.5548, as follows:

Sec. 2306.5546. STANDARDS OF CONDUCT. Adds standard Sunset language requiring information on standards of conduct to be provided to members of a policymaking body and employees.

Sec. 2306.5547. DIVISION OF RESPONSIBILITY. Adds standard Sunset language requiring TSAHC to develop and implement policies that clearly separate the functions of the policymaking body and the agency staff.

Sec. 2306.5548. EQUAL EMPLOYMENT OPPORTUNITY POLICY. Adds standard Sunset language requiring the president of TSAHC or the president's designee to develop an equal opportunity program.

SECTION 14. Amends the heading to Section 2306.562, Government Code, to read as follows:

Sec. 2306.562. PROFESSIONAL EDUCATORS HOME LOAN PROGRAM.

SECTION 15. Amends Section 2306.562(a) through (d) and (f), as follows:

(a) Defines "home," "mortgage lender," "professional educator," and "program."

(b) Makes a conforming change.

(c) Requires professional educator to perform certain tasks in order to be eligible for a loan under this section.

(d) Makes a conforming change.

(f) Requires the board of directors of the corporation to adopt rules governing the verification of occupancy of the home by the professional educator as the professional educator's principal residence.

SECTION 16. Amends Subchapter Y, Chapter 2306, Government Code, by adding Sections 2306.563 through 2306.569, as follows:

Sec. 2306.563. PUBLIC BENEFIT REQUIREMENT. (a) Requires TSAHC to implement a requirement that a community housing development organization that receives an issuance of

qualified 501(c)(3) bonds from the corporation to develop property must invest at least one dollar in projects and services that benefit income-eligible persons for each dollar of taxes that is not imposed on the property as a result of a property tax exemption received under Section 11.182, Tax Code.

(b) Requires the projects and services to benefit income-eligible persons in the county in which the property supported with the tax exemption is located.

(c) Requires the projects and services to consist of certain items.

(d) Authorizes TSAHC and the organization to determine on a case-by-case basis the specific projects and services in which the organization must invest under this section.

(e) Requires the dollar-for-dollar public benefit requirement imposed by this section to be reduced by an amount equal to each dollar that, in lieu of taxes, a community housing development organization pays to a taxing unit for which the property receives an exemption under Section 11.182, Tax Code.

(f) Requires TSAHC, in implementing the public benefit requirement, to adopt guidelines for reasonable rent reductions, capital improvement projects, and social, educational, and economic development services.

Sec. 2306.564. REVIEW OF QUALIFIED 501 (c)(3) BOND ISSUANCE POLICIES. (a) Requires TSAHC to review annually its qualified 501(c)(3) bond issuance policies, including the public benefit requirement implemented under Section 2306.563.

(b) Requires TSAHC to give to the secretary of state for publication in the Texas Register any proposed policy revisions and allow a reasonable period for public comment.

(c) Requires the board to approve any change to the bond issuance policies.

Sec. 2306.565. ISSUANCE OF QUALIFIED RESIDENTIAL RENTAL PROJECT BONDS; ALLOCATION OF BOND FUNDS. (a) Requires the corporation to direct the Bond Review Board on the issuance of the portion of state ceiling set aside for the corporation under Section 1372.0231(a).

(b) Requires the board of directors of the corporation to adopt guidelines governing the method by which the corporation identifies target areas for the allocation of qualified residential rental project bond funds. Provides that the guidelines must include a clear demonstration of local need and community support for a housing development.

(c) Requires the corporation to research the state's strategic housing needs by coordinating with the department and reviewing relevant needs assessment information, as required by Section 2306.566. Requires the corporation to also solicit information regarding housing needs from local and regional housing organizations.

(d) Requires the board of directors of the corporation to adopt criteria governing the method by which the corporation solicits proposals for housing developments in areas targeted by the corporation. Requires the guidelines must state the criteria to be included in the corporation's requests for proposals. Requires the requests for proposals must comply with any relevant federal requirements.

(e) Requires the board of directors of the corporation to adopt criteria governing the method by which the staff of the corporation scores and ranks applications for an

allocation under this section that are received in response to a request for proposals. Requires the criteria must include:

- (1) the cost per unit of the housing development;
- (2) the proposed rent for a unit; and
- (3) the income ranges of individuals and families to be served by the housing development.

(f) Requires the board of directors of the corporation to identify housing developments with respect to which the board anticipates directing the Bond Review Board to allocate bond funds under this section, based on the highest scores received in the scoring and ranking process described by Subsection (e).

(g) Provides that after the board of directors of the corporation has identified housing developments under Subsection (f), the corporation must hold public hearings, as required by federal law, on the housing developments identified by the board.

(h) Provides that following the public hearings, the staff must prepare final evaluations and recommendations for the board, incorporating any public comments received at the hearings. Requires the board to consider the staff's recommendations in making its final decisions regarding the allocation of bond funds for housing developments under this section and must inform the Bond Review Board of those decisions.

(i) Requires the corporation to pay the department a reasonable fee for underwriting an application for an allocation of low income housing tax credits if the housing development proposed in the application is or will be supported by an allocation of bond funds under this section.

(j) Provides that the decisions made by the corporation regarding the allocation of bond funds under this section are not subject to the restrictions in Section 1372.0321, as added by Chapter 1367 or 1420, Acts of the 77th Legislature, Regular Session, 2001.

Sec. 2306.566. COORDINATION REGARDING STATE LOW INCOME HOUSING PLAN. (a) Requires TSAHC to review the needs assessment information provided to the corporation by the department under Section 2306.0722(b).

(b) Requires TSAHC to develop a plan to meet the state's most pressing housing needs identified in the needs assessment information and provide the plan to the department for incorporation into the state low income housing plan.

(c) Requires TSAHC's plan to include specific proposals to help serve rural and other underserved areas of the state.

Sec. 2306.567. COMPLIANCE INFORMATION. (a) Requires TSAHC to provide to TDHCA electronic copies of all compliance information compiled by the corporation.

(b) Requires TSAHC, before approving an application regarding a housing development, to consider any relevant compliance information in TDHCA's database created under Section 2306.081.

Sec. 2306.568. RECORD OF COMPLAINTS. Adds standard Sunset language requiring information to be maintained on complaints.

Sec. 2306.569. EFFECTIVE USE OF TECHNOLOGY. Adds standard Sunset language

relating to the effective use of technology.

SECTION 17. Amends Section 6, Chapter 1194, Acts of the 77th Legislature, Regular Session, 2001, to require TSAHC to aggressively pursue funding for the professional educators home loan program required by Section 2306.562, Government Code.

SECTION 18. (a) Makes application of the change in law made by his Act in amending Chapter 1372, Government Code, prospective.

(b) Provides that the offices of the board of directors of TSAHC serving immediately before the effective date of this Act are abolished at the time three or more of the newly appointed directors under Subsection (c) of this section qualify for office.

(c) Requires the governor to make five appointments to the board of directors of the Texas State Affordable Housing Corporation in accordance with Section 2306.554, Government Code, as amended by this Act, as soon as possible on or after the effective date of this Act. Requires the governor, in making appointments under this subsection, to designate:

- (1) one member for a term expiring February 1, 2005;
- (2) two members for terms expiring February 1, 2007; and
- (3) two members for terms expiring February 1, 2009.

(d) Provides that a member of the board of directors of the Texas State Affordable Housing Corporation appointed under Subsection (c) of this section is not required to comply with the training requirement prescribed by Section 2306.5543, Government Code, as added by this Act, until September 1, 2004.

(e) Provides that this Act does not prohibit a person who is a member of the board of directors of the Texas State Affordable Housing Corporation immediately before the effective date of this Act from being appointed as a member of the board of directors on or after the effective date of this Act if the person has the qualifications required for the position under Chapter 2306Y, Government Code, as amended by this Act.

SECTION 19. Makes application of Section 2306.567, Government Code, as added by this Act prospective.

SECTION 20. Effective date: September 1, 2003.