

BILL ANALYSIS

Senate Research Center
78R1649 KEL-D

S.B. 999
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Intergovernmental Relations
4/25/2003
As Filed

DIGEST AND PURPOSE

Currently, the Texas Department of Housing and Community Affairs (TDHCA) does not require applicants for TDHCA assisted projects for multifamily rental projects to establish and maintain reserve fund accounts for the maintenance and repair of the property. As proposed, S.B. 999 requires TDHCA to make reserve funds mandatory for any multifamily housing project it approves.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTION 1 (Section 2306.186, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter H, Chapter 2306, Government Code, by adding Section 2306.186, as follows:

Sec. 2306.186. MANDATORY DEPOSITS TO FUND NECESSARY REPAIRS. (a) Defines “department assistance,” “first lien lender,” “reserve account,” and “state bank trustee.”

(b) Requires each developer who applies for and receives department assistance for a multifamily rental housing development to deposit annually into a reserve account certain funds.

(c) Requires the developer to begin making annual deposits to the reserve account on the date that occupancy of the multifamily rental housing development stabilizes or the date that permanent financing for the development is completely in place, whichever occurs later, and to continue making deposits until the earliest of certain dates.

(d) Requires the developer, to assess the repair needs of the multifamily rental housing development and to evaluate the adequacy of the reserve account for funding those repairs, to inspect the development at least once during each five-year period after the date the developer is required to make the first annual deposit with respect to the development. Requires the developer to notify the department of any necessary repairs and of the amount in the reserve account. Requires the Texas Department of Housing and Community Affairs (TDHCA), if the amount in the reserve account is considered by the department to be inadequate to fund the costs of the necessary repairs, to reassess and, if appropriate, revise the deposit amount required of the developer and the level of department assistance provided for the development.

(e) Provides that the duties of the developer of a multifamily rental housing development under this section cease on the date of a voluntary change in ownership of the development, but the subsequent owner of the development is subject to the deposit, inspection, and notification requirements of Subsections (b), (c), and (d).

(f) Requires the first lien lender to maintain the reserve account. Authorizes the first lien holder, on the satisfaction of its lien, to continue to maintain the reserve account. Requires TDHCA, if the first lien lender does not elect to continue maintaining the reserve account, to appoint a state bank trustee to continue maintenance of the account.

(g) Requires TDHCA to adopt certain rules.

SECTION 2. (a) Requires TDHCA to adopt the rules required by Section 2306.186, Government Code, as added by this Act, not later than December 1, 2003.

(b) Makes application of the change in law made by Section 2306.186, Government Code, as added by this Act, prospective to January 1, 2004.

SECTION 3. This Act takes effect September 1, 2003.