

BILL ANALYSIS

C.S.H.B. 3878
By: Menendez
Urban Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently the Texas State Affordable Housing Corporation (TSAHC) and the Texas Department of Housing and Community Affairs (TDHCA) conduct virtually identical programs that provide both multifamily and single family housing assistance and purchase programs to qualified low income families throughout Texas.

Specifically TSAHC and TDHCA manage multifamily private activity bonds for the purpose of financing multifamily housing properties as rental housing for low income families as well as a variety of first time home buyer programs, buyer education opportunities and other identical initiatives related to affordable housing in Texas

While the TSAHC does not receive general revenue from appropriations, the corporation pays significantly high overhead costs from revenue earned on the private activity bond authority issued by the state. By combining the programs and assets of the TSAHC into those identical programs administered on a much larger scale by TDHCA, the earned revenue would be available for re-investment into the Housing Trust Fund or other associated programs that are necessary but currently significantly under-funded.

TDHCA administers the same programs on a larger volume scale; the department earns a much stronger bond rating standard with the investment community. This allows the department to offer more attractive financing to the development and especially to the first time home buyers. Additionally the administration of all programs under just TDHCA would ensure uninterrupted opportunities to the home buyers currently served by the TSAHC; the Professional Educators, Professional Nursing Instructors and the Police and Fire Fighters initiatives.

The combined benefits of lower mortgage rates, uninterrupted buyer opportunities and the overhead costs savings represent a significant enhancement to the state's affordable housing programs. Passage of this act would reduce redundancy in overhead costs for operations and administration of affordable housing programs, ensure a better utilization of available housing resources and provide enhanced service to the low income working families of Texas.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Texas Department of Housing and Community Affairs is modified in SECTION 1 (Section 2306.058, Government Code).

SECTION-BY-SECTION ANALYSIS

SECTION 1. Amends Chapter 2306, Government Code, by adding Section 2306.058 as follows:

(a) Requires the executive director of the Texas Department of Housing and Community Affairs (TDHCA) by rule to adopt a transition plan for TDHCA's assumption of the former powers and duties of the Texas State Affordable Housing Corporation (TSAHC) and requires the transfer to be fully implemented not later than September 1, 2009.

(b) Authorizes TDHCA's executive director to adopt necessary rules to improve the efficiency or effectiveness of any program that is transferred, including rules that combine program operations.

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SECTION 2. Amends Section 2306.551, Government Code, and adds Section 2306.5511, as follows:

- (a) Includes that all powers and duties of TSAHC are transferred to TDHCA.
- (b) Requires TSAHC to transfer to TDHCA certain assets, records, and any pending applications.

Requires the board of directors of TSAHC to take all necessary actions to dissolve the corporation and assist TDHCA, at its director's request, in formulating the transition plan.

Section 2306.5511(a) makes a conforming change.

- (b) Includes a reference in law to TSAHC is a reference to TDHCA.

SECTION 3. Amends Section 2306.553(a) and (b), Government Code as follows:

- (a) Replaces "professional educators", "fire fighters," "professional nursing program faculty member" and certain law enforcement personnel with "persons who are eligible for loans."
- (b) Makes conforming changes.

SECTION 4. Amends Section 2306.562(a), Government Code, as follows:

Redefines "Professional educator" to include a full-time faculty member of an undergraduate professional nursing program or graduate professional nursing program and defines "Undergraduate professional nursing program" and "graduate professional nursing program."

SECTION 5. Amends Section 2306.562 (b) and (c), Government Code, as follows:

- (b) Makes a conforming change.
- (c) Includes a full-time faculty member of an undergraduate professional nursing program or graduate professional nursing program to those eligible for a professional educators home loan.

SECTION 6. REPEALER: Section 1372.0223 (regarding the state ceiling for the professional nursing program faculty member home loan program); Section 2306.255(g) (relating to TDHCA's use of TSAHC's services for the contract for deed conversion program); 2306.552 (relating to the creation of TSAHC); and Section 2306.5622 (relating to the professional nursing program faculty member home loan program), Government Code.

SECTION 7. Effective date: September 1, 2007.

EFFECTIVE DATE

September 1, 2007

COMPARISON OF ORIGINAL TO SUBSTITUTE

SECTION 1. Deletes the requirements for a transition of authority plan of the Corporation into the Texas Department of Housing and Community Affairs under Subchapter C, Chapter 2306, Government Code and adds a requirement for all corporation employees to comply with Section 654.012(4) of the Government Code regarding position classification.

SECTION 2. Deletes the requirement for the transfer of Corporation powers and duties to the Texas Department of Housing and Community Affairs under Section 2306.551 of the Government Code and adds provisions under Section 2306.07051 of the Government Code

establishing procedures for the annual approval of the Corporation budget by the Board of Directors of the TDHCA.

SECTION 3. Replaces the original section to amend Section 2306.205 of the Government Code to require the Corporation to transfer any excess fees or revenue that exceeds the overhead operating costs of the corporation or any revenue the Corporation receives as donations made directly to the corporation to the Texas Department of Housing and Community Affairs.

SECTION 4. Moves the original SECTION 3 to SECTION 4 of the Committee Substitute in its entirety.

SECTION 5. Replaces the original section to establish a section under 2306.5545 of the Government Code adding an additional category of ETHICS to the existing CONFLICT OF INTERESTS.

SECTION 6. Amends Section 2306.5545(a) of the Government Code in that the board of directors of the corporation shall require corporation employees to comply with the same ethical standards and laws which apply to Texas Department of Housing and Community Affairs including lobbying or engaging in lobbying activities.

SECTION 7. Moves SECTION 4 of the original to SECTION 7 of the Committee Substitute in its entirety.

SECTION 8. Moves SECTION 5 of the original to SECTION 8 of the Committee Substitute in its entirety.

SECTION 9. Establishes a new SECTION that amends Sections 2306.565(e) and (i) of the Government Code to require the Corporation to establish criteria for scoring and ranking applications for the application of rental bonds that is substantially similar to or at least as stringent as the criteria the TDHCA executive award and review advisory committee uses to develop priorities for the selection of applicants that are best able to meet established award criteria.

This SECTION also requires the Corporation to use underwriting criteria that are similar to and at least as stringent as the underwriting criteria established by the TDHCA executive award and review committee in administering department multifamily bond programs.

SECTION 10. Amends Subchapter Y, Chapter 2306 of the Government Code by adding Section 2306.570 that requires the Corporation to locate the administrative offices of the corporation in office space owned or leased by the state and if possible at or near the area of the administrative offices of a state agency that administers affordable housing programs. This section also requires the Corporation to terminate any current leases at the earliest possible date without inquiring a penalty.

Section 2306.571 requires the Corporation to set salary rates for all employees at equivalent rates to similarly classified employees of the state and that the president may not be paid a salary that exceeds the maximum salary for a Group IV exempt position specified in the General Appropriations Act.

Section 2306.572 establishes the dates the Corporation shall submit the proposed budget in odd numbered years for the state fiscal biennium to the presiding officer of each standing committee with jurisdiction over affordable housing programs for review and to the TDHCA for approval.

SECTION 11. Repeals current provisions relating to the professional nurses educators first time home buyer program which was added to existing programs elsewhere by this act.

SECTION 12. Establishes the effective date of this Act as September 1, 2007.