

BILL ANALYSIS

S.B. 679
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Urban Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

S.B. 679 is a clean-up bill that was developed in conjunction with the Texas Department of Housing and Community Affairs (TDHCA) relating to the housing trust fund and the owner-builder program (Texas Bootstrap Program) to modernize the programs and improve their efficiency as well as effectiveness. The bill clarifies TDHCA's authority to accept gifts, grants, or donations for the housing trust fund and the requirement to produce a report on the planned use of the fund. The bill also conforms the statute governing the owner-builder program with adopted agency rules and practices so as to allow those who are helped by established state certified self-help organizations (e.g., Habitat for Humanity) to be able to participate in the program. The bill also updates the loan and funding amounts under the program since the costs of construction and materials have increased since the program was first established in 1999. Additionally, the bill adjusts loan eligibility requirements for owner-builders.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the governing board of the Texas Department of Housing and Community Affairs in SECTION 3 of this bill.

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTIONS 4 and 5 of this bill.

ANALYSIS

S.B. 679 amends the Government Code to include donations in the composition of the housing trust fund and to authorize the Texas Department of Housing and Community Affairs (TDHCA) to accept gifts, grants, or donations for that fund. The bill requires all funds received for the housing trust fund to be deposited or transferred into the Texas Treasury Safekeeping Trust Company.

S.B. 679 specifies that the determination of the availability of additional funds for for-profit and nonprofit organizations is September 1 of each state fiscal year and that the remainder of the housing trust fund, in excess of the first \$2.6 million and after 45 percent of that excess has been made available to nonprofit organizations, is to be distributed to, rather than be competed for by, nonprofit and for-profit organizations and other eligible entities. The bill requires the governing board of TDHCA, in its adoption of rules providing for a process to set priorities for use of the housing trust fund, to include the distribution of fund resources in accordance with a plan that is developed and approved by the board and is included in TDHCA's annual report regarding the housing trust fund as described in the General Appropriations Act, rather than including the distribution of fund resources under a request for proposal process as provided by existing law. The bill establishes that, under board rules, proposals will be evaluated, rather than ranked, and the criteria for evaluation will include the leveraging of resources generally, rather than of federal resources specifically, and revises such criteria to refer to proposed activity, rather than proposed developments. The bill makes the changes relating to the administration and use of the housing trust fund applicable beginning with the state fiscal year that begins September 1, 2009.

S.B. 679 specifies that as a precondition to eligibility for a loan under the owner-builder loan program an owner-builder must agree to provide through personal labor at least 65 percent, rather than 60 percent, of the labor necessary to build or rehabilitate the proposed housing by working through a state-certified owner-builder housing program or to provide an equivalent amount of personal labor in connection with building or rehabilitating housing for others through such a program. The bill includes as alternatives to these eligibility preconditions the provision through the noncontract labor of friends, family, or volunteers and through personal labor at least 65 percent of the labor necessary to build or rehabilitate the proposed housing by working through a state-certified owner-builder housing program or the provision through the noncontract labor of friends, family or volunteers at 65 percent of the labor necessary, if due to documented disability or other limiting circumstance as defined by department rule the owner-builder cannot provide the amount of personal labor otherwise required.

S.B. 679 increases from \$30,000 to \$45,000 the cap on a loan made by TDHCA under the owner-builder loan program and specifies that if it is not possible for an owner-builder to purchase necessary real property and build or rehabilitate adequate housing under the cap, the owner-builder must obtain the amount necessary that exceeds the cap from other sources of funds, rather than from one or more local governmental entities, nonprofit organizations, or private lenders. The bill increases from \$60,000 to \$90,000 the cap on the total amount of amortized, repayable loans made by TDHCA and other entities to an owner-builder under the program and requires, rather than authorizes, a loan to be secured by a first lien by TDHCA on the real property, if the loan is the largest amortized, repayable loan secured by the real property, or a co-first lien or subordinate lien as determined by TDHCA rule, if the loan is not the largest loan. The bill makes conforming changes to reflect the inclusion of housing rehabilitation under the program.

S.B. 679 specifies TDHCA is prohibited from using more than 10 percent of its available revenue from the owner-builder program for enhancing the number, in addition to the ability, of tax-exempt organizations that are able to implement TDHCA-related purposes and requires TDHCA to use the available revenue to provide financial assistance, technical training, and management support for this purpose.

S.B. 679 extends from August 31, 2010, to August 31, 2020, the expiration date of a provision requiring TDHCA to transfer at least \$3 million to the owner-builder revolving fund each state fiscal year from money received under the federal HOME Investments Partnership program, from money in the housing trust fund, or from money appropriated by the legislature to the TDHCA.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.