

1-1 By: Davis of Dallas, Flores, Hodge H.B. No. 2308
1-2 (Senate Sponsor - Lucio)
1-3 (In the Senate - Received from the House May 11, 2009;
1-4 May 11, 2009, read first time and referred to Committee on
1-5 International Relations and Trade; May 23, 2009, reported
1-6 adversely, with favorable Committee Substitute by the following
1-7 vote: Yeas 6, Nays 0; May 23, 2009, sent to printer.)

1-8 COMMITTEE SUBSTITUTE FOR H.B. No. 2308 By: Davis

1-9 A BILL TO BE ENTITLED
1-10 AN ACT

1-11 relating to the provision of affordable housing in this state.
1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-13 SECTION 1. Subchapter I, Chapter 487, Government Code, is
1-14 amended by adding Sections 487.355 and 487.356 to read as follows:
1-15 Sec. 487.355. NONBORDER COLONIA FUND. (a) In this
1-16 section, "nonborder colonia" means a geographic area that:
1-17 (1) is located in a county all parts of which are
1-18 located at least 150 miles from the international border of this
1-19 state;
1-20 (2) is located in a county or municipality that is
1-21 eligible, as identified by office rule, to receive community
1-22 development block grant money under this subchapter;
1-23 (3) consists of 11 or more dwellings that are located
1-24 in close proximity to each other in an area that may be described as
1-25 a community or neighborhood; and
1-26 (4) either:
1-27 (A) has a majority population composed of
1-28 individuals and families of low income, based on the federal Office
1-29 of Management and Budget poverty index, and meets the
1-30 qualifications of an economically distressed area under Section
1-31 17.921, Water Code; or
1-32 (B) has the physical and economic
1-33 characteristics of a colonia, as determined by the office.
1-34 (b) The nonborder colonia fund is an account in the general
1-35 revenue fund.
1-36 (c) In each state fiscal year, from amounts allocated to the
1-37 state under the federal community development block grant
1-38 nonentitlement program authorized by Title I of the Housing and
1-39 Community Development Act of 1974 (42 U.S.C. Section 5301 et seq.),
1-40 the office shall set aside and transfer to the account for the
1-41 purposes of this section the portion of that money, not to exceed
1-42 \$7.5 million each year, that exceeds the amount provided to the
1-43 state under that program for the state fiscal year ending August 31,
1-44 2008.
1-45 (d) Except as provided by Subsection (e), amounts deposited
1-46 to the account may be appropriated to the office only for the
1-47 benefit of counties and municipalities identified by office rule as
1-48 eligible to receive community development block grant money under
1-49 this subchapter for:
1-50 (1) housing initiatives for nonborder colonias
1-51 located in those counties and municipalities, including
1-52 infrastructure associated with new construction, rehabilitation,
1-53 or improvements; and
1-54 (2) the improvement of the housing conditions in those
1-55 colonias.
1-56 (e) Amounts deposited to the account may not be appropriated
1-57 to the office for financial assistance to political subdivisions
1-58 for the construction, acquisition, or improvement of water supply
1-59 and sewer services, as described by Section 17.922, Water Code.
1-60 (f) Sections 403.095 and 404.071 do not apply to the
1-61 account.
1-62 Sec. 487.356. COORDINATION WITH TEXAS DEPARTMENT OF HOUSING
1-63 AND COMMUNITY AFFAIRS. The office shall work with the Texas

2-1 Department of Housing and Community Affairs to:
 2-2 (1) identify available sources of funding for housing
 2-3 initiatives in a county or municipality that is eligible, as
 2-4 identified by office rule, to receive financial assistance from the
 2-5 nonborder colonia fund established by Section 487.355;
 2-6 (2) coordinate housing initiatives that receive funds
 2-7 under Section 487.355(d); and
 2-8 (3) make available on or before August 1 of each year a
 2-9 plan that addresses the housing and infrastructure needs for the
 2-10 following state fiscal year for at least one colonia, as defined by
 2-11 Section 2306.083.

2-12 SECTION 2. Subchapter E, Chapter 2306, Government Code, is
 2-13 amended by adding Sections 2306.098 and 2306.099 to read as
 2-14 follows:

2-15 Sec. 2306.098. COORDINATION WITH OFFICE OF RURAL COMMUNITY
 2-16 AFFAIRS. The department shall work with the Office of Rural
 2-17 Community Affairs to:

2-18 (1) identify available sources of funding for housing
 2-19 initiatives in a county or municipality that is eligible, as
 2-20 identified by office rule, to receive financial assistance from the
 2-21 nonborder colonia fund established by Section 487.355;

2-22 (2) coordinate housing initiatives that receive funds
 2-23 under Section 487.355(d); and

2-24 (3) make available on or before August 1 of each year a
 2-25 plan that addresses the housing and infrastructure needs for the
 2-26 following state fiscal year for at least one colonia, as defined by
 2-27 Section 2306.083.

2-28 Sec. 2306.099. RURAL HOUSING FIELD OFFICES. (a) The board
 2-29 by rule shall:

2-30 (1) establish field offices in rural areas of each
 2-31 uniform state service region to assist political subdivisions and
 2-32 nonprofit entities in developing or administering affordable
 2-33 housing programs in those areas; and

2-34 (2) specify the duties for each field office.

2-35 (b) The rules under Subsection (a) must include the
 2-36 following duties for each field office:

2-37 (1) identifying affordable housing needs for rural
 2-38 areas of the uniform state service region in which the field office
 2-39 is located;

2-40 (2) identifying state and federal programs that may
 2-41 address the needs identified under Subdivision (1);

2-42 (3) facilitating the development of relationships
 2-43 that will assist in building local capacity to address the needs
 2-44 identified under Subdivision (1); and

2-45 (4) providing information regarding state programs to
 2-46 assist in the development of affordable housing for rural areas of
 2-47 the uniform state service region in which the field office is
 2-48 located.

2-49 SECTION 3. Section 2306.201, Government Code, is amended by
 2-50 amending Subsection (b) and adding Subsection (c) to read as
 2-51 follows:

2-52 (b) The fund consists of:

2-53 (1) appropriations or transfers made to the fund;

2-54 (2) unencumbered fund balances;

2-55 (3) public or private gifts, ~~or~~ grants, or
 2-56 donations;

2-57 (4) investment income, including all interest,
 2-58 dividends, capital gains, or other income from the investment of
 2-59 any portion of the fund;

2-60 (5) repayments received on loans made from the fund;
 2-61 and

2-62 (6) funds from any other source.

2-63 (c) The department may accept gifts, grants, or donations
 2-64 for the housing trust fund. All funds received for the housing
 2-65 trust fund under Subsection (b) shall be deposited or transferred
 2-66 into the Texas Treasury Safekeeping Trust Company.

2-67 SECTION 4. Section 2306.202(a), Government Code, is amended
 2-68 to read as follows:

2-69 (a) The department, through the housing finance division,

3-1 shall use the housing trust fund to provide loans, grants, or other
 3-2 comparable forms of assistance to local units of government, public
 3-3 housing authorities, nonprofit organizations, and income-eligible
 3-4 individuals, families, and households to finance, acquire,
 3-5 rehabilitate, and develop decent, safe, and sanitary housing. In
 3-6 each biennium the first \$2.6 million available through the housing
 3-7 trust fund for loans, grants, or other comparable forms of
 3-8 assistance shall be set aside and made available exclusively for
 3-9 local units of government, public housing authorities, and
 3-10 nonprofit organizations. Any additional funds may also be made
 3-11 available to for-profit organizations provided that ~~[so long as]~~ at
 3-12 least 45 percent of available funds, as determined on September 1 of
 3-13 each state fiscal year, in excess of the first \$2.6 million shall be
 3-14 made available to nonprofit organizations for the purpose of
 3-15 acquiring, rehabilitating, and developing decent, safe, and
 3-16 sanitary housing. The remaining portion shall be distributed to
 3-17 ~~[competed for by]~~ nonprofit organizations, for-profit
 3-18 organizations, and other eligible entities. Notwithstanding any
 3-19 other section of this chapter, but subject to the limitations in
 3-20 Section 2306.251(c), the department may also use the fund to
 3-21 acquire property to endow the fund.

3-22 SECTION 5. Section 2306.203, Government Code, is amended to
 3-23 read as follows:

3-24 Sec. 2306.203. RULES REGARDING ADMINISTRATION OF HOUSING
 3-25 TRUST FUND. The board shall adopt rules to administer the housing
 3-26 trust fund, including rules providing:

3-27 (1) that the division give priority to programs that
 3-28 maximize federal resources;

3-29 (2) for a process to set priorities for use of the
 3-30 fund, including the distribution of fund resources in accordance
 3-31 with a plan that is ~~[under a request for a proposal process]~~
 3-32 developed and approved by the board and included in the
 3-33 department's annual report regarding the housing trust fund as
 3-34 described in the General Appropriations Act;

3-35 (3) that the criteria used to evaluate a proposed
 3-36 activity ~~[rank proposals]~~ will include the:

3-37 (A) leveraging of ~~[federal]~~ resources;

3-38 (B) cost-effectiveness of the ~~[a]~~ proposed
 3-39 activity ~~[development]~~; and

3-40 (C) extent to which individuals and families of
 3-41 very low income are served by the proposed activity ~~[development]~~;

3-42 (4) that funds may not be made available for a proposed
 3-43 activity ~~[to a development]~~ that permanently and involuntarily
 3-44 displaces individuals and families of low income;

3-45 (5) that the board attempt to allocate funds to
 3-46 achieve a broad geographical distribution with:

3-47 (A) special emphasis on equitably serving rural
 3-48 and nonmetropolitan areas; and

3-49 (B) consideration of the number and percentage of
 3-50 income-qualified families in different geographical areas; and

3-51 (6) that multifamily housing developed or
 3-52 rehabilitated through the fund remain affordable to
 3-53 income-qualified households for at least 20 years.

3-54 SECTION 6. Chapter 2306, Government Code, is amended by
 3-55 adding Subchapter N to read as follows:

3-56 SUBCHAPTER N. OFFICE OF RURAL COMMUNITY AND SMALL MUNICIPALITY

3-57 HOUSING INITIATIVES

3-58 Sec. 2306.301. DEFINITION. In this subchapter, "office"
 3-59 means the office established by Section 2306.302 to support rural
 3-60 community and small municipality housing initiatives.

3-61 Sec. 2306.302. ESTABLISHMENT OF OFFICE. (a) The
 3-62 department shall establish an office to support rural community and
 3-63 small municipality housing initiatives.

3-64 (b) The department by rule shall define for purposes of this
 3-65 subchapter:

3-66 (1) a rural community; and

3-67 (2) a small municipality.

3-68 (c) Subject to available funding, the department by rule may
 3-69 establish not more than seven field offices as part of the office.

4-1 (d) The office shall work with each regional council of
 4-2 government to:

4-3 (1) match housing sponsors to the housing needs of
 4-4 rural communities and small municipalities; and

4-5 (2) identify available sources of funds for those
 4-6 housing needs.

4-7 (e) The office shall use funds available from the housing
 4-8 trust fund established under Section 2306.201 to administer
 4-9 capacity building programs for rural communities and small
 4-10 municipalities.

4-11 (f) The office shall coordinate a meeting at least two times
 4-12 each year between department program directors and representatives
 4-13 of rural communities and small municipalities to discuss best
 4-14 practices for rural community and small municipality housing
 4-15 initiatives.

4-16 (g) The office shall establish an online clearinghouse of
 4-17 information relating to best practices for rural community and
 4-18 small municipality housing initiatives.

4-19 (h) The director may assign additional duties to the office.
 4-20 Sec. 2306.303. REGIONAL HOUSING DEVELOPMENT ORGANIZATIONS.

4-21 (a) The office shall establish regional nonprofit housing
 4-22 development organizations that serve rural communities and small
 4-23 municipalities in accordance with the purposes of this subchapter.

4-24 (b) To implement this section, the department may use any
 4-25 money available to the department for the purpose, including gifts,
 4-26 grants, and donations and funds allocated to the state under the
 4-27 federal HOME Investment Partnerships program established under
 4-28 Title II of the Cranston-Gonzalez National Affordable Housing Act
 4-29 (42 U.S.C. Section 12701 et seq.).

4-30 Sec. 2306.304. TRAINING. (a) The office annually shall
 4-31 provide to elected officials, community organizations, nonprofit
 4-32 organizations, and private developers a training course that
 4-33 addresses housing programs and techniques that increase housing
 4-34 opportunities in rural communities and small municipalities. The
 4-35 office shall provide the course at an appropriate location selected
 4-36 by the office and shall make the course available online in real
 4-37 time.

4-38 (b) The department periodically shall also provide to
 4-39 elected officials a training course regarding housing programs and
 4-40 sources of funding for these programs.

4-41 Sec. 2306.305. HOUSING DEVELOPMENT PLANNING ASSISTANCE. On
 4-42 the request of the governing body of a municipality or county, the
 4-43 office shall assign an employee or independent contractor to assist
 4-44 the municipality or county in:

4-45 (1) developing comprehensive housing plans for rural
 4-46 communities and small municipalities in that county;

4-47 (2) supporting housing development initiatives in
 4-48 those communities and municipalities; and

4-49 (3) identifying financial resources available for
 4-50 those plans and initiatives.

4-51 Sec. 2306.306. RURAL COMMUNITY AND SMALL MUNICIPALITY
 4-52 HOUSING DEVELOPMENT PILOT PROJECTS. Notwithstanding other program
 4-53 rules and procedures of the department, the department may
 4-54 establish pilot projects to test and develop new approaches to
 4-55 providing housing in rural communities and small municipalities
 4-56 for:

4-57 (1) individuals and families of low income; and

4-58 (2) individuals and families of very low income.

4-59 Sec. 2306.307. AGRICULTURAL WORKER HOUSING INITIATIVE.
 4-60 (a) The office shall fund housing initiatives that serve
 4-61 agricultural workers and their families, including:

4-62 (1) new housing initiatives;

4-63 (2) housing rehabilitation initiatives; or

4-64 (3) tenant-based rental assistance.

4-65 (b) The office may designate as a pilot project a housing
 4-66 initiative implemented under this section for agricultural workers
 4-67 and their families.

4-68 (c) The office shall coordinate with appropriate divisions
 4-69 of the department to:

5-1 (1) document agricultural worker housing needs;
5-2 (2) determine whether a housing need documented by the
5-3 department is critical; and
5-4 (3) develop initiatives to address those housing
5-5 needs.
5-6 (d) The department may use any available funds to implement
5-7 this section, including gifts, grants, and donations and funds
5-8 allocated to the department under the federal HOME Investment
5-9 Partnerships program established under Title II of the
5-10 Cranston-Gonzalez National Affordable Housing Act (42 U.S.C.
5-11 Section 12701 et seq.).
5-12 (e) In this section, "agricultural worker":
5-13 (1) means a person who receives a substantial portion
5-14 of income from employment that involves:
5-15 (A) the primary production of agricultural or
5-16 aquacultural commodities; or
5-17 (B) the handling of agricultural or aquacultural
5-18 commodities in an unprocessed state, including handling those
5-19 commodities in a feedlot or a meat processing plant; and
5-20 (2) includes a person who is retired or disabled but
5-21 was employed as described by Subdivision (1) at the time of that
5-22 person's retirement or disablement.
5-23 Sec. 2306.308. COMMUNITY DEVELOPMENT CORPORATION FOR
5-24 AGRICULTURAL WORKER HOUSING FACILITIES. (a) In this section,
5-25 "community development corporation" means a private, nonprofit
5-26 corporation organized to foster economic growth and
5-27 revitalization, create small businesses, or develop affordable
5-28 housing in a defined neighborhood or for a targeted population.
5-29 (b) Using existing resources, the department shall create a
5-30 statewide community development corporation charged with
5-31 developing, acquiring, and rehabilitating housing facilities in
5-32 appropriate areas in the state for agricultural workers and their
5-33 families.
5-34 (c) The department shall work with the community
5-35 development corporation to implement the findings and
5-36 recommendations of the department in the report submitted under
5-37 Section 2(f), Chapter 60 (H.B. 1099), Acts of the 79th Legislature,
5-38 Regular Session, 2005.
5-39 (d) The department may use any available funds to implement
5-40 this section, including gifts, grants, and donations and funds
5-41 allocated to the department under the federal HOME Investment
5-42 Partnerships program established under Title II of the
5-43 Cranston-Gonzalez National Affordable Housing Act (42 U.S.C.
5-44 Section 12701 et seq.).
5-45 (e) In this section, "agricultural worker":
5-46 (1) means a person who receives a substantial portion
5-47 of income from employment that involves:
5-48 (A) the primary production of agricultural or
5-49 aquacultural commodities; or
5-50 (B) the handling of agricultural or aquacultural
5-51 commodities in an unprocessed state, including handling those
5-52 commodities in a feedlot or a meat processing plant; and
5-53 (2) includes a person who is retired or disabled but
5-54 was employed as described by Subdivision (1) at the time of that
5-55 person's retirement or disablement.
5-56 SECTION 7. Chapter 2306, Government Code, is amended by
5-57 adding Subchapter EE to read as follows:
5-58 SUBCHAPTER EE. RURAL HOUSING LAND ASSEMBLAGE PROGRAM
5-59 Sec. 2306.701. SHORT TITLE. This subchapter may be cited as
5-60 the Rural Housing Land Assemblage Program Act.
5-61 Sec. 2306.702. DEFINITIONS. In this subchapter:
5-62 (1) "Affordable" means that the monthly mortgage
5-63 payment or contract rent does not exceed 30 percent of the
5-64 applicable median income for that unit size, in accordance with the
5-65 income and rent limit rules adopted by the department.
5-66 (2) "Low-income household" means:
5-67 (A) for rental housing, a household with a gross
5-68 income not to exceed 80 percent of the greater of the area median
5-69 income or national nonmetropolitan median income, adjusted for

6-1 household size, as determined annually by the United States
6-2 Department of Housing and Urban Development; or
6-3 (B) for purchased housing, a household with a
6-4 gross income not to exceed 80 percent of the greater of the area
6-5 median income or the state median income, adjusted for household
6-6 size, as determined annually by the United States Department of
6-7 Housing and Urban Development or by the department based on data
6-8 from the United States Department of Housing and Urban Development,
6-9 as appropriate.

6-10 (3) "Office" means the Office of Rural Community
6-11 Affairs.

6-12 (4) "Rural county" means, notwithstanding Section
6-13 2306.004, a county classified as a rural county by the United States
6-14 Department of Agriculture for purposes of the rural housing loan
6-15 programs authorized by the Housing Act of 1949 (42 U.S.C. Section
6-16 1471 et seq.).

6-17 (5) "Rural housing land assemblage entity" means an
6-18 entity established or designated by the governing bodies of one or
6-19 more rural municipalities or rural counties for the purpose of
6-20 participating in the rural housing land assemblage program.

6-21 (6) "Rural housing land assemblage program" means a
6-22 program established by the department to acquire, hold, and
6-23 transfer real property under this subchapter for the purpose of
6-24 providing affordable housing for low-income households.

6-25 (7) "Rural municipality" means a municipality
6-26 classified as a rural municipality by the United States Department
6-27 of Agriculture for purposes of the rural housing loan programs
6-28 authorized by the Housing Act of 1949 (42 U.S.C. Section 1471 et
6-29 seq.).

6-30 Sec. 2306.703. RURAL HOUSING LAND ASSEMBLAGE PROGRAM.

6-31 (a) The department, in consultation with the office, shall
6-32 establish the rural housing land assemblage program.

6-33 (b) The governing bodies of one or more rural municipalities
6-34 or rural counties may agree to establish a rural housing land
6-35 assemblage entity and for that purpose may apply to participate in
6-36 the rural housing land assemblage program.

6-37 (c) The department and the office shall:

6-38 (1) jointly select not more than five applications for
6-39 participation in the program; and

6-40 (2) enter into a memorandum of understanding to
6-41 establish a selection procedure and address performance of other
6-42 duties imposed on the department and the office under this
6-43 subchapter.

6-44 (d) If selected to participate in the program, a
6-45 municipality or county shall:

6-46 (1) enter into interlocal agreements with any other
6-47 municipalities or counties selected to participate in the program
6-48 with that municipality or county, subject to the provisions of this
6-49 subchapter; and

6-50 (2) establish or designate a rural housing land
6-51 assemblage entity to exercise powers as described by this
6-52 subchapter.

6-53 Sec. 2306.704. RURAL HOUSING LAND ASSEMBLAGE ENTITY. For
6-54 the purpose of providing affordable housing for low-income
6-55 households, a rural housing land assemblage entity may acquire,
6-56 hold, and transfer real property that is not improved with a
6-57 habitable building or buildings and is otherwise unoccupied.

6-58 Sec. 2306.705. PRIVATE SALE TO LAND ASSEMBLAGE ENTITY.

6-59 (a) Notwithstanding any other law and except as provided by
6-60 Subsection (f), real property that is ordered sold pursuant to
6-61 foreclosure of a tax lien may be sold in a private sale to a rural
6-62 housing land assemblage entity by the officer charged with the sale
6-63 of the property, without first offering the property for sale as
6-64 otherwise provided by Section 34.01, Tax Code, if:

6-65 (1) the property is used for the purpose of providing
6-66 affordable housing as described by Section 2306.704;

6-67 (2) the market value of the property as appraised by
6-68 the local appraisal district and as specified in the judgment of
6-69 foreclosure is less than the total amount due under the judgment,

7-1 including all taxes, penalties, and interest, plus the value of
 7-2 nontax liens held by a taxing unit and awarded by the judgment,
 7-3 court costs, and the cost of the sale;

7-4 (3) the property is not improved with a habitable
 7-5 building or buildings and is otherwise unoccupied;

7-6 (4) there are delinquent taxes on the property for a
 7-7 total of at least five years; and

7-8 (5) each municipality or county that established or
 7-9 designated the rural housing land assemblage entity has executed
 7-10 with the other taxing units that are parties to the tax suit an
 7-11 interlocal agreement that enables those units to retain the right
 7-12 to withhold consent to the sale of specific properties to the rural
 7-13 housing land assemblage entity.

7-14 (b) A sale of property for use in connection with the rural
 7-15 housing land assemblage program is a sale for a public purpose.

7-16 (c) If the person being sued in a suit for foreclosure of a
 7-17 tax lien does not contest the market value of the property in the
 7-18 suit, the person waives the right to challenge the amount of the
 7-19 market value determined by the court for purposes of the sale of the
 7-20 property under Section 33.50, Tax Code.

7-21 (d) For any sale of property under this section, each person
 7-22 who was a defendant to the judgment, or that person's attorney,
 7-23 shall be given, not later than the 60th day before the date of sale,
 7-24 written notice of the proposed method of sale of the property by the
 7-25 officer charged with the sale of the property. Notice shall be
 7-26 given in the manner prescribed by Rule 21a, Texas Rules of Civil
 7-27 Procedure.

7-28 (e) After receipt of the notice required by Subsection (d)
 7-29 and before the date of the proposed sale, the owner of the property
 7-30 subject to sale may file with the officer charged with the sale a
 7-31 written request that the property not be sold in the manner provided
 7-32 by this section.

7-33 (f) If the officer charged with the sale receives a written
 7-34 request as provided by Subsection (e), the officer shall sell the
 7-35 property as otherwise provided in Section 34.01, Tax Code.

7-36 (g) The owner of the property subject to sale may not
 7-37 receive any proceeds of a sale under this section. However, the
 7-38 owner does not have any personal liability for a deficiency of the
 7-39 judgment as a result of a sale under this section.

7-40 (h) Notwithstanding any other law, if consent is given by
 7-41 the taxing units that are a party to the judgment, property may be
 7-42 sold to the rural housing land assemblage entity for less than the
 7-43 market value of the property as specified in the judgment or less
 7-44 than the total of all taxes, penalties, and interest, plus the value
 7-45 of nontax liens held by a taxing unit and awarded by the judgment,
 7-46 court costs, and the cost of the sale.

7-47 (i) The deed of conveyance of the property sold to a rural
 7-48 housing land assemblage entity under this section conveys to the
 7-49 entity the right, title, and interest acquired or held by each
 7-50 taxing unit that was a party to the judgment, subject to the right
 7-51 of redemption.

7-52 Sec. 2306.706. EXEMPTION FROM AD VALOREM TAXATION.
 7-53 Property sold to and held by a rural housing land assemblage entity
 7-54 for subsequent resale is entitled to an exemption from ad valorem
 7-55 taxation for a period not to exceed three years from the date of
 7-56 acquisition. The exemption period may be renewed for a property for
 7-57 an additional period, not to exceed three years, on approval of the
 7-58 governing body of each participating municipality or county and any
 7-59 other taxing unit in which the property is located. Property is
 7-60 entitled to an exemption under this section only during the period
 7-61 the property is held by the rural housing land assemblage entity.

7-62 Sec. 2306.707. REGIONAL WORKSHOPS. (a) The department and
 7-63 the office shall conduct regional workshops for rural housing land
 7-64 assemblage entities. A workshop must include information regarding
 7-65 the operation of the rural housing land assemblage program, such as
 7-66 reporting and audit requirements for rural housing land assemblage
 7-67 entities, affordability terms, additional income targeting, and
 7-68 the imposition of deed and resale restrictions on real property
 7-69 sold under the program to achieve the purpose of providing

8-1 affordable housing for low-income households.

8-2 (b) The department and the office shall contract for
8-3 technical assistance in conducting the workshops, if necessary.

8-4 Sec. 2306.708. FUNDING; REPORT. (a) The department shall
8-5 allocate \$1 million to the rural housing land assemblage program
8-6 from funds allocated to the department under the federal HOME
8-7 Investment Partnerships program established under Title II of the
8-8 Cranston-Gonzalez National Affordable Housing Act (42 U.S.C.
8-9 Section 12701 et seq.).

8-10 (b) The office shall allocate \$1 million to the rural
8-11 housing land assemblage program from funds allocated to the office
8-12 under the federal community development block grant nonentitlement
8-13 program authorized by Title I of the Housing and Community
8-14 Development Act of 1974 (42 U.S.C. Section 5301 et seq.).

8-15 (c) Not later than December 1, 2012, the department and the
8-16 office jointly shall submit a report to the legislature on the
8-17 establishment and implementation of the rural housing land
8-18 assemblage program.

8-19 (d) This section expires September 1, 2013.

8-20 Sec. 2306.709. OPEN RECORDS AND MEETINGS. A rural housing
8-21 land assemblage entity is subject to Chapters 551 and 552.

8-22 Sec. 2306.710. RECORDS; AUDIT. (a) A rural housing land
8-23 assemblage entity shall keep accurate minutes of its meetings and
8-24 shall keep accurate records and books of account that conform with
8-25 generally accepted principles of accounting and that clearly
8-26 reflect the income and expenses of the rural housing land
8-27 assemblage entity and all transactions in relation to its property.

8-28 (b) A rural housing land assemblage entity shall file with
8-29 the department and each participating municipality or county, not
8-30 later than the 120th day after the close of the entity's fiscal
8-31 year, annual audited financial statements prepared by a certified
8-32 public accountant. The financial transactions of the rural housing
8-33 land assemblage entity are subject to audit by a participating
8-34 municipality or county and by the department.

8-35 SECTION 8. Section 2306.753(b), Government Code, is amended
8-36 to read as follows:

8-37 (b) To be eligible for a loan under this subchapter, an
8-38 owner-builder:

8-39 (1) may not have an annual income that exceeds 60
8-40 percent, as determined by the department, of the greater of the
8-41 state or local median family income, when combined with the income
8-42 of any person who resides with the owner-builder;

8-43 (2) must have resided in this state for the preceding
8-44 six months;

8-45 (3) must have successfully completed an owner-builder
8-46 education class under Section 2306.756; and

8-47 (4) must agree to:

8-48 (A) provide through personal labor at least 65
8-49 [60] percent of the labor necessary to build or rehabilitate the
8-50 proposed housing by working through a state-certified
8-51 owner-builder housing program; ~~or~~

8-52 (B) provide an amount of personal labor
8-53 equivalent to the amount required under Paragraph (A) in connection
8-54 with building or rehabilitating housing for others through a
8-55 state-certified ~~nonprofit~~ owner-builder housing program;

8-56 (C) provide through the noncontract labor of
8-57 friends, family, or volunteers and through personal labor at least
8-58 65 percent of the labor necessary to build or rehabilitate the
8-59 proposed housing by working through a state-certified
8-60 owner-builder housing program; or

8-61 (D) if due to documented disability or other
8-62 limiting circumstances as defined by department rule the
8-63 owner-builder cannot provide the amount of personal labor otherwise
8-64 required by this subdivision, provide through the noncontract labor
8-65 of friends, family, or volunteers at least 65 percent of the labor
8-66 necessary to build or rehabilitate the proposed housing by working
8-67 through a state-certified owner-builder housing program.

8-68 SECTION 9. Sections 2306.754(a), (b), and (c), Government
8-69 Code, are amended to read as follows:

9-1 (a) The department may establish the minimum amount of a
 9-2 loan under this subchapter, but a loan made by the department may
 9-3 not exceed \$45,000 [~~\$30,000~~].

9-4 (b) If it is not possible for an owner-builder to purchase
 9-5 necessary real property and build or rehabilitate adequate housing
 9-6 for \$45,000 [~~\$30,000~~], the owner-builder must obtain the amount
 9-7 necessary that exceeds \$45,000 [~~\$30,000~~] from other sources of
 9-8 funds [~~one or more local governmental entities, nonprofit~~
 9-9 ~~organizations, or private lenders~~]. The total amount of amortized,
 9-10 repayable loans made by the department and other entities to an
 9-11 owner-builder under this subchapter may not exceed \$90,000
 9-12 [~~\$60,000~~].

9-13 (c) A loan made by the department under this subchapter:

9-14 (1) may not exceed a term of 30 years;

9-15 (2) may bear interest at a fixed rate of not more than
 9-16 three percent or bear interest in the following manner:

9-17 (A) no interest for the first two years of the
 9-18 loan;

9-19 (B) beginning with the second anniversary of the
 9-20 date the loan was made, interest at the rate of one percent a year;

9-21 (C) beginning on the third anniversary of the
 9-22 date the loan was made and ending on the sixth anniversary of the
 9-23 date the loan was made, interest at a rate that is one percent
 9-24 greater than the rate borne in the preceding year; and

9-25 (D) beginning on the sixth anniversary of the
 9-26 date the loan was made and continuing through the remainder of the
 9-27 loan term, interest at the rate of five percent; and

9-28 (3) shall [~~may~~] be secured by:

9-29 (A) a first lien by the department on the real
 9-30 property if the loan is the largest amortized, repayable loan
 9-31 secured by the real property; or

9-32 (B) a co-first lien or subordinate lien as
 9-33 determined by department rule, if the loan is not the largest loan
 9-34 as described by Paragraph (A) [~~, including a lien that is~~
 9-35 ~~subordinate to a lien that secures a loan made under Subsection (b)~~
 9-36 ~~and that is greater than the department's lien~~].

9-37 SECTION 10. Section 2306.755(a), Government Code, is
 9-38 amended to read as follows:

9-39 (a) The department may certify nonprofit owner-builder
 9-40 housing programs operated by a tax-exempt organization listed under
 9-41 Section 501(c)(3), Internal Revenue Code of 1986, to:

9-42 (1) qualify potential owner-builders for loans under
 9-43 this subchapter;

9-44 (2) provide owner-builder education classes under
 9-45 Section 2306.756;

9-46 (3) assist owner-builders in building or
 9-47 rehabilitating housing; and

9-48 (4) originate or service loans made under this
 9-49 subchapter.

9-50 SECTION 11. Section 2306.756(a), Government Code, is
 9-51 amended to read as follows:

9-52 (a) A state-certified nonprofit owner-builder housing
 9-53 program shall offer owner-builder education classes to potential
 9-54 owner-builders. A class under this section must provide
 9-55 information on:

9-56 (1) the financial responsibilities of an
 9-57 owner-builder under this subchapter, including the consequences of
 9-58 an owner-builder's failure to meet those responsibilities;

9-59 (2) the building or rehabilitation of housing by
 9-60 owner-builders;

9-61 (3) resources for low-cost building materials
 9-62 available to owner-builders; and

9-63 (4) resources for building or rehabilitation
 9-64 assistance available to owner-builders.

9-65 SECTION 12. Section 2306.757, Government Code, is amended
 9-66 to read as follows:

9-67 Sec. 2306.757. LOAN PRIORITY FOR WAIVER OF LOCAL GOVERNMENT
 9-68 FEES. In making loans under this subchapter, the department shall
 9-69 give priority to loans to owner-builders who will reside in

10-1 counties or municipalities that agree in writing to waive capital
10-2 recovery fees, building permit fees, inspection fees, or other fees
10-3 related to the building or rehabilitation of the housing to be built
10-4 or improved with the loan proceeds.

10-5 SECTION 13. Section 2306.758(c), Government Code, is
10-6 amended to read as follows:

10-7 (c) In a state fiscal year, the department may use not more
10-8 than 10 percent of the revenue available for purposes of this
10-9 subchapter to enhance the ability of tax-exempt organizations
10-10 described by Section 2306.755(a) to implement the purposes of this
10-11 chapter and to enhance the number of such organizations that are
10-12 able to implement those purposes. The department shall use that
10-13 available revenue to provide financial assistance, technical
10-14 training, and management support for the purposes of this
10-15 subsection.

10-16 SECTION 14. Section 2306.7581(a-1), Government Code, is
10-17 amended to read as follows:

10-18 (a-1) Each state fiscal year the department shall transfer
10-19 at least \$3 million to the owner-builder revolving fund from money
10-20 received under the federal HOME Investment Partnerships program
10-21 established under Title II of the Cranston-Gonzalez National
10-22 Affordable Housing Act (42 U.S.C. Section 12701 et seq.), from
10-23 money in the housing trust fund, or from money appropriated by the
10-24 legislature to the department. This subsection expires August 31,
10-25 2020 [2010].

10-26 SECTION 15. Chapter 2306, Government Code, is amended by
10-27 adding Subchapter JJ to read as follows:

10-28 SUBCHAPTER JJ. TEXAS SECURE LOAN PILOT PROGRAM

10-29 Sec. 2306.871. DEFINITION. In this subchapter, "program"
10-30 means the Texas secure loan pilot program.

10-31 Sec. 2306.872. TEXAS SECURE LOAN PILOT PROGRAM. (a) The
10-32 department shall establish the Texas secure loan pilot program to
10-33 provide to individuals and families of low income mortgage loans
10-34 that allow modifications to the terms of the loans, such as
10-35 adjustments to the period of the loans and to interest rates, to
10-36 assist program participants in avoiding foreclosure of those loans.

10-37 (b) The program may include the provision of down payment
10-38 and closing cost assistance.

10-39 (c) The department may work with mortgage brokers, lenders,
10-40 and nonprofit organizations to design mortgage loan products
10-41 available under the program.

10-42 Sec. 2306.873. ADMINISTRATION OF PROGRAM; RULES. (a) The
10-43 department shall administer the program.

10-44 (b) The board shall adopt rules governing:

10-45 (1) the administration of the program, including the
10-46 origination of loans under the program;

10-47 (2) the criteria for approving another entity to
10-48 service loans originated under the program;

10-49 (3) the use of insurance on the loans and the homes
10-50 financed under the program, as considered appropriate by the board
10-51 to provide additional security for the loans;

10-52 (4) the verification of occupancy of the home by the
10-53 homebuyer as the homebuyer's principal residence;

10-54 (5) the terms of any memorandum of understanding or
10-55 contract with another entity for processing, servicing, or
10-56 administering the loans;

10-57 (6) the types of loan modifications that would assist
10-58 a homebuyer in avoiding foreclosure of a loan under this
10-59 subchapter; and

10-60 (7) criteria for authorizing loan modifications for
10-61 homebuyers whose income is adversely affected by circumstances such
10-62 as unemployment, a reduction of wages or hours of employment,
10-63 illness, or the death of a spouse or other person contributing to
10-64 the income of a homebuyer.

10-65 Sec. 2306.874. ELIGIBILITY. (a) To be eligible for a
10-66 mortgage loan issued by the department under this subchapter, a
10-67 homebuyer must:

10-68 (1) earn an income, adjusted for family size, of not
10-69 more than:

11-1 (A) 80 percent of the area median income if the
11-2 homebuyer lives in a rural area; or

11-3 (B) 60 percent of the area median income if the
11-4 homebuyer lives in an urban area;

11-5 (2) intend to occupy, as the homebuyer's principal
11-6 residence, the home for which the mortgage loan is issued; and

11-7 (3) meet any additional eligibility requirements or
11-8 limitations prescribed by the department.

11-9 (b) The department may enter into memoranda of
11-10 understanding with other agencies of the state or may contract with
11-11 private entities to process, service, or administer all or a
11-12 portion of the loans issued under this subchapter.

11-13 SECTION 16. The change in law made by this Act in amending
11-14 Sections 2306.202, 2306.203, and 2306.758, Government Code,
11-15 applies beginning with the state fiscal year that begins September
11-16 1, 2009.

11-17 SECTION 17. The Texas Department of Housing and Community
11-18 Affairs shall create the community development corporations
11-19 required by Section 2306.308, Government Code, as added by this
11-20 Act, as soon as practicable after the effective date of this Act,
11-21 but not later than October 1, 2009.

11-22 SECTION 18. Not later than October 1, 2009, the Texas
11-23 Department of Housing and Community Affairs shall adopt the rules
11-24 required by Subchapter N, Chapter 2306, Government Code, as added
11-25 by this Act.

11-26 SECTION 19. Not later than January 1, 2010, the Texas
11-27 Department of Housing and Community Affairs and the Office of Rural
11-28 Community Affairs shall allocate the funds required by Section
11-29 2306.708, Government Code, as added by this Act, to the rural
11-30 housing land assemblage program established under Subchapter EE,
11-31 Chapter 2306, Government Code, as added by this Act.

11-32 SECTION 20. The change in law made by this Act in amending
11-33 Sections 2306.753 and 2306.754, Government Code, applies only to
11-34 owner-builder loans granted by the department on or after the
11-35 effective date of this Act. An owner-builder loan granted before
11-36 the effective date of this Act is governed by the law in effect at
11-37 the time the loan was granted, and the former law is continued in
11-38 effect for that purpose.

11-39 SECTION 21. The board of directors of the Texas Department
11-40 of Housing and Community Affairs shall adopt the rules required by
11-41 Subchapter JJ, Chapter 2306, Government Code, as added by this Act,
11-42 not later than October 1, 2009, and the Texas Department of Housing
11-43 and Community Affairs shall begin issuing loans under the Texas
11-44 secure loan pilot program not later than January 1, 2010.

11-45 SECTION 22. This Act does not make an appropriation. A
11-46 provision in this Act that creates a new governmental program,
11-47 creates a new entitlement, or imposes a new duty on a governmental
11-48 entity is not mandatory during a fiscal period for which the
11-49 legislature has not made a specific appropriation to implement the
11-50 provision.

11-51 SECTION 23. This Act takes effect September 1, 2009.

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