

By: Lucio

S.B. No. 679

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to the administration of certain housing funds by the  
3 Texas Department of Housing and Community Affairs.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 2306.201, Government Code, is amended by  
6 amending Subsection (b) and adding Subsection (c) to read as  
7 follows:

8 (b) The fund consists of:

- 9 (1) appropriations or transfers made to the fund;  
10 (2) unencumbered fund balances;  
11 (3) public or private gifts, ~~or~~ grants, or  
12 donations;  
13 (4) investment income, including all interest,  
14 dividends, capital gains, or other income from the investment of  
15 any portion of the fund;  
16 (5) repayments received on loans made from the fund;  
17 and  
18 (6) funds from any other source.

19 (c) The department may accept gifts, grants, or donations  
20 for the housing trust fund. All funds received for the housing  
21 trust fund under Subsection (b) shall be deposited or transferred  
22 into the Texas Treasury Safekeeping Trust Company.

23 SECTION 2. Section 2306.202(a), Government Code, is amended  
24 to read as follows:

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

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

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

1 (1) that the division give priority to programs that  
2 maximize federal resources;

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

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

11 (A) leveraging of [~~federal~~] resources;

12 (B) cost-effectiveness of the [~~a~~] proposed  
13 activity [~~development~~]; and

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

16 (4) that funds may not be made available for a proposed  
17 activity [~~to a development~~] that permanently and involuntarily  
18 displaces individuals and families of low income;

19 (5) that the board attempt to allocate funds to  
20 achieve a broad geographical distribution with:

21 (A) special emphasis on equitably serving rural  
22 and nonmetropolitan areas; and

23 (B) consideration of the number and percentage of  
24 income-qualified families in different geographical areas; and

25 (6) that multifamily housing developed or  
26 rehabilitated through the fund remain affordable to  
27 income-qualified households for at least 20 years.

1 SECTION 4. Sections 2306.753(b) and (d), Government Code,  
2 are amended to read as follows:

3 (b) To be eligible for a loan under this subchapter, an  
4 owner-builder:

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

9 (2) must have resided in this state for the preceding  
10 six months;

11 (3) must have successfully completed an owner-builder  
12 education class under Section 2306.756; and

13 (4) must agree to:

14 (A) provide through personal labor at least 65  
15 [~~60~~] percent of the labor necessary to build the proposed housing by  
16 working through a state-certified owner-builder housing program;  
17 [~~or~~]

18 (B) provide an amount of personal labor  
19 equivalent to the amount required under Paragraph (A) in connection  
20 with building housing for others through a state-certified  
21 nonprofit owner-builder housing program; or

22 (C) if approved by the department, provide  
23 through noncontract labor of friends, family, or volunteers at  
24 least 65 percent of the labor necessary to build the proposed  
25 housing by working through a state-certified owner-builder housing  
26 program.

27 (d) At least two-thirds of the dollar amount of loans made

1 under this subchapter in each fiscal year must be made to borrowers  
2 whose property is located in a county that is in a census tract that  
3 has a median household income that is not greater than 75 percent of  
4 the median state household income for the most recent year for which  
5 statistics are available [~~eligible to receive financial assistance~~  
6 ~~under Subchapter K, Chapter 17, Water Code~~].

7 SECTION 5. Sections 2306.754(a), (b), and (c), Government  
8 Code, are amended to read as follows:

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

12 (b) If it is not possible for an owner-builder to purchase  
13 necessary real property and build adequate housing for \$45,000  
14 [~~\$30,000~~], the owner-builder must obtain the amount necessary that  
15 exceeds \$45,000 [~~\$30,000~~] from one or more local governmental  
16 entities, nonprofit organizations, or private lenders or from  
17 grants awarded by the department for the purposes of this  
18 subchapter. The total amount of amortized, repayable loans made by  
19 the department and other entities to an owner-builder under this  
20 subchapter may not exceed \$90,000 [~~\$60,000~~].

21 (c) A loan made by the department under this subchapter:

22 (1) may not exceed a term of 30 years;

23 (2) may bear interest at a fixed rate of not more than  
24 three percent or bear interest in the following manner:

25 (A) no interest for the first two years of the  
26 loan;

27 (B) beginning with the second anniversary of the

1 date the loan was made, interest at the rate of one percent a year;

2 (C) beginning on the third anniversary of the  
3 date the loan was made and ending on the sixth anniversary of the  
4 date the loan was made, interest at a rate that is one percent  
5 greater than the rate borne in the preceding year; and

6 (D) beginning on the sixth anniversary of the  
7 date the loan was made and continuing through the remainder of the  
8 loan term, interest at the rate of five percent; and

9 (3) shall ~~may~~ be secured by a lien by the department  
10 on the real property, including a lien that is subordinate to a lien  
11 that secures a loan made under Subsection (b), regardless of  
12 whether the other lien ~~and that~~ is greater than, equal to, or less  
13 than the department's lien.

14 SECTION 6. Section 2306.758(c), Government Code, is amended  
15 to read as follows:

16 (c) In a state fiscal year, the department may use not more  
17 than 10 percent of the revenue available for purposes of this  
18 subchapter to enhance the ability of tax-exempt organizations  
19 described by Section 2306.755(a) to implement the purposes of this  
20 chapter and to enhance the number of such organizations that are  
21 able to implement those purposes. The department shall use that  
22 available revenue to provide financial assistance, technical  
23 training, and management support for the purposes of this  
24 subsection.

25 SECTION 7. Section 2306.7581(a-1), Government Code, is  
26 amended to read as follows:

27 (a-1) Each state fiscal year the department shall transfer

1 an amount equal to the greater of \$6 million or an amount of funds  
2 that is based on the annual volume of demand for the owner-builder  
3 loan program, as determined using the total amount of loan  
4 originations made under the program in the preceding state fiscal  
5 year, [at least \$3 million] to the owner-builder revolving fund  
6 from money received under the federal HOME Investment Partnerships  
7 program established under Title II of the Cranston-Gonzalez  
8 National Affordable Housing Act (42 U.S.C. Section 12701 et seq.),  
9 from money in the housing trust fund, or from money appropriated by  
10 the legislature to the department. This subsection expires August  
11 31, 2020 [~~2010~~].

12 SECTION 8. (a) The change in law made by this Act in  
13 amending Sections 2306.202, 2306.203, 2306.758, and 2306.7581,  
14 Government Code, applies beginning with the state fiscal year that  
15 begins September 1, 2009.

16 (b) The change in law made by this Act in amending Sections  
17 2306.753 and 2306.754, Government Code, applies only to  
18 owner-builder loans granted by the department on or after the  
19 effective date of this Act. An owner-builder loan granted before  
20 the effective date of this Act is governed by the law in effect at  
21 the time the loan was granted, and the former law is continued in  
22 effect for that purpose.

23 SECTION 9. This Act takes effect immediately if it receives  
24 a vote of two-thirds of all the members elected to each house, as  
25 provided by Section 39, Article III, Texas Constitution. If this  
26 Act does not receive the vote necessary for immediate effect, this  
27 Act takes effect September 1, 2009.