

By: Menéndez

S.B. No. 1989

A BILL TO BE ENTITLED

AN ACT

1
2 relating to underwriting standards for developments receiving an
3 allocation of low income housing tax credits administered by the
4 Texas Department of Housing and Community Affairs.

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

6 SECTION 1. Section 2306.148, Government Code, is amended to
7 read as follows:

8 Section 2306.148. Underwriting Standards. The board shall
9 have the specific duty and power to adopt underwriting standards
10 for loans made or financed by the housing finance division and tax
11 credits allocated by the department. Underwriting standards
12 adopted under this section and used to determine feasibility of a
13 proposed development shall meet the criteria set forth in Section
14 2306.185 of this Chapter.

15 SECTION 2. Section 2306.185, Government Code, is amended by
16 adding subsection (d-1) and amending subsection (e) to read as
17 follows:

18 (d-1) For Housing Tax Credit Developments at cost
19 certification, the department shall:

20 (1) determine feasibility using the actual net
21 operating income as adjusted for stabilization of rents and
22 extraordinary lease-up expenses. The permanent lender and equity
23 partner stabilization requirements document in the loan and
24 partnership or entity agreements will be considered when

1 determining the appropriate adjustments and the net operating
2 income used by the department's underwriter.

3 (2) use a maximum debt coverage ratio of 1.50

4 (3) require that no year in the first 15 years of the
5 long term compliance reflect (i) negative cash flow or (ii) a
6 stabilized debt coverage ratio below 1.15;

7 (4) determinations of feasibility at time of cost
8 certification shall not include a maximum operating expense to
9 income ratio.

10 (e) Subsections (c), (d) and (d-1) and Section [2306.269](#)
11 apply only to multifamily rental housing developments to which the
12 department is providing one or more of the following forms of
13 assistance:

14 (1) a loan or grant in an amount greater than 33
15 percent of the market value of the development on the date the
16 recipient completed the construction of the development;

17 (2) a loan guarantee for a loan in an amount greater
18 than 33 percent of the market value of the development on the date
19 the recipient took legal title to the development; or

20 (3) a low income housing tax credit.

21 SECTION 3. The changes in law made by this Act apply only to
22 an application for financial assistance submitted to the Texas
23 Department of housing and Community Affairs during an application
24 cycle that begins on or after the effective date of this Act. An
25 application submitted during an application cycle that began before
26 the effective date of this Act is governed by the law in effect on
27 the date the application cycle began, and the former law is

1 continued in effect for that purpose.

2 SECTION 4. This Act takes effect September 1, 2015.