1-1 By: Menéndez   S.B. No. 1989
1-2   (In the Senate - Filed March 13, 2015; March 25, 2015, read
1-3 first time and referred to Committee on Intergovernmental
1-4 Relations; May 6, 2015, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 5, Nays 0;
1-6 May 6, 2015, sent to printer.)

1-7   COMMITTEE VOTE

1-8		Yea	Nay	Absent	PNV
1-9	Lucio	X			
1-10	Bettencourt			X	
1-11	Campbell	X			
1-12	Garcia	X			
1-13	Menéndez	X			
1-14	Nichols	X			
1-15	Taylor of Galveston			X	

1-16 COMMITTEE SUBSTITUTE FOR S.B. No. 1989   By: Lucio

1-17   A BILL TO BE ENTITLED
1-18   AN ACT

1-19 relating to underwriting standards for evaluating applications for
1-20 low income housing tax credits.
1-21   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-22   SECTION 1. Section 2306.148, Government Code, is amended to
1-23 read as follows:
1-24   Sec. 2306.148. UNDERWRITING STANDARDS.   (a) The board
1-25 shall have the specific duty and power to adopt underwriting
1-26 standards for:
1-27   (1) loans made or financed by the housing finance
1-28 division; and
1-29   (2) housing tax credits allocated by the department.
1-30   (b) Underwriting standards adopted under Subsection (a)(2)
1-31 and used to determine the feasibility of a proposed development
1-32 must be consistent with criteria established under Section
1-33 2306.185.
1-34   SECTION 2. Section 2306.185, Government Code, is amended by
1-35 adding Subsections (d-1), (d-2), (d-3), and (d-4) and amending
1-36 Subsection (e) to read as follows:
1-37   (d-1) For developments receiving housing tax credits, the
1-38 department shall determine the feasibility of the development at
1-39 the time of cost certification using:
1-40   (1) actual net operating income, adjusted for
1-41 stabilization of rents and extraordinary lease-up expenses; and
1-42   (2) a maximum debt coverage ratio of 1.50 or higher as
1-43 adopted by department rule.
1-44   (d-2) A feasibility determination made under Subsection
1-45 (d-1) may not include a maximum operating expense-to-income ratio.
1-46   (d-3) In determining net operating income and making the
1-47 appropriate adjustments under Subsection (d-1)(1), the department
1-48 shall consider the permanent lender and equity partner
1-49 stabilization requirements documented in the loan and in the
1-50 partnership or entity agreements.
1-51   (d-4) The department may adopt rules providing for
1-52 exceptions to the maximum debt coverage ratio requirement of
1-53 Subsection (d-1)(2) with respect to specific types of projects.
1-54   (e) Subsections (c), [and] (d), (d-1), (d-2), (d-3), and
1-55 (d-4) and Section 2306.269 apply only to multifamily rental housing
1-56 developments to which the department is providing one or more of the
1-57 following forms of assistance:
1-58   (1) a loan or grant in an amount greater than 33
1-59 percent of the market value of the development on the date the
1-60 recipient completed the construction of the development;

2-1   (2) a loan guarantee for a loan in an amount greater
2-2   than 33 percent of the market value of the development on the date
2-3   the recipient took legal title to the development; or
2-4   (3) a low income housing tax credit.
2-5   SECTION 3. The change in law made by this Act applies only
2-6   to an application for low income housing tax credits that is
2-7   submitted to the Texas Department of Housing and Community Affairs
2-8   during an application cycle that begins on or after the effective
2-9   date of this Act.   An application that is submitted during an
2-10 application cycle that began before the effective date of this Act
2-11 is governed by the law in effect at the time the application cycle
2-12 began, and the former law is continued in effect for that purpose.
2-13   SECTION 4. This Act takes effect September 1, 2015.

2-14   * * * * *