

# SENATE AMENDMENTS

## 2<sup>nd</sup> Printing

By: Alvarado

H.B. No. 3576

A BILL TO BE ENTITLED

1 AN ACT

2 relating to restrictions on the use, transfer, and sale of housing  
3 developments that have received certain financial assistance  
4 administered by the Texas Department of Housing and Community  
5 Affairs.

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

7 SECTION 1. Section 2306.185, Government Code, is amended by  
8 adding Subsection (d-1) and amending Subsection (e) to read as  
9 follows:

10 (d-1) The department shall adopt rules that provide for the  
11 amendment of a land use restriction agreement, including rules that  
12 give the owner of a development the right to amend any existing  
13 restriction on the right of first refusal to conform with Section  
14 2306.6726. Rules adopted under this subsection must require  
15 reasonable notice to tenants, a public hearing, and board approval  
16 for any material amendment to a land use restriction agreement.

17 (e) Subsections (c), ~~and~~ (d), and (d-1) and Section  
18 2306.269 apply only to multifamily rental housing developments to  
19 which the department is providing one or more of the following forms  
20 of assistance:

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

24 (2) a loan guarantee for a loan in an amount greater

1 than 33 percent of the market value of the development on the date  
2 the recipient took legal title to the development; or

3 (3) a low income housing tax credit.

4 SECTION 2. Section 2306.6713, Government Code, is amended  
5 by amending Subsection (a) and adding Subsection (g) to read as  
6 follows:

7 (a) An applicant may not transfer an allocation of housing  
8 tax credits and a development owner may not transfer ~~or~~ ownership  
9 of a development supported with an allocation of housing tax  
10 credits to any person other than an affiliate unless the applicant  
11 obtains the director's prior, written approval of the transfer.

12 (g) The transfer of ownership of a development supported  
13 with an allocation of housing tax credits under this section does  
14 not subject the development to a right of first refusal under  
15 Section 2306.6726 if the transfer is made to:

16 (1) a newly formed entity:

17 (A) that is under common control with the  
18 development owner; and

19 (B) the primary purpose of the formation of which  
20 is to facilitate the financing of the rehabilitation of the  
21 development using assistance administered through a state  
22 financing program; or

23 (2) a qualified entity, as defined by Section  
24 2306.6726(d)(3).

25 SECTION 3. Section 2306.6720, Government Code, is amended  
26 to read as follows:

27 Sec. 2306.6720. ENFORCEABILITY OF APPLICANT

1 REPRESENTATIONS. Each material representation made by an applicant  
2 to secure a housing tax credit allocation is enforceable by the  
3 department and the tenants of the development supported with the  
4 allocation. Subject to modification and enforcement as provided by  
5 this chapter, a land use restriction agreement that is recorded  
6 with respect to a development is considered to state the  
7 development owner's ongoing obligations with regard to the matters  
8 addressed in the agreement.

9 SECTION 4. Section 2306.6725(b), Government Code, is  
10 amended to read as follows:

11 (b) The department shall provide appropriate incentives as  
12 determined through the qualified allocation plan to reward  
13 applicants who agree to:

14 (1) equip the development [~~property~~] that is the basis  
15 of the application with energy saving devices that meet the  
16 standards established by the state energy conservation office or to  
17 provide [~~to a qualified nonprofit organization or tenant~~  
18 ~~organization~~] a right of first refusal to purchase the development  
19 in the manner provided by Section 2306.6726 [~~property at the~~  
20 ~~minimum price provided in, and in accordance with the requirements~~  
21 ~~of, Section 42(i)(7), Internal Revenue Code of 1986 (26 U.S.C.~~  
22 ~~Section 42(i)(7))~~]; and

23 (2) locate the development in a census tract in which  
24 there are no other existing developments supported by housing tax  
25 credits.

26 SECTION 5. Section 2306.6726, Government Code, is amended  
27 to read as follows:

1           Sec. 2306.6726. SALE OF CERTAIN LOW INCOME HOUSING TAX  
2 CREDIT DEVELOPMENTS [~~PROPERTY~~]. (a) An owner of a development  
3 subject to [~~Not later than two years before the expiration of the~~  
4 ~~compliance period, a recipient of a low income housing tax credit~~  
5 ~~who agreed to provide~~] a right of first refusal under Section  
6 2306.6725 [~~and~~] who intends to sell the development at any time  
7 after the expiration of the compliance period [~~property~~] shall  
8 notify the department of the owner's [~~recipient's~~] intent to sell  
9 and, if applicable, shall specifically identify to the department  
10 any qualified entity that is the owner's intended recipient of the  
11 right of first refusal in the land use restriction agreement.

12           (a-1) After receiving notice under Subsection (a), the  
13 department [~~The recipient~~] shall provide to any qualified entity  
14 specifically identified under Subsection (a) notice regarding the  
15 owner's intent to sell the development at not less than the minimum  
16 purchase price.

17           (a-2) In the absence of a specifically identified,  
18 qualified entity under Subsection (a-1), or if the specifically  
19 identified, qualified entity no longer exists, notice that the  
20 development is available for [~~notify qualified nonprofit~~  
21 ~~organizations and tenant organizations of the opportunity to~~]  
22 purchase by qualified entities at not less than the minimum  
23 purchase price shall be:

24                   (1) provided to the tenants of the development by the  
25 owner of the development; and

26                   (2) posted on the department's Internet website [~~the~~  
27 ~~property~~].

1        (a-3) Not later than the 180th day after the date notice is  
2 provided or posted under Subsection (a-1) or (a-2), whichever date  
3 is later, a qualified entity seeking to purchase a development  
4 pursuant to the right of first refusal must submit to the department  
5 the terms of the entity's offer along with evidence of its financial  
6 plan to enable the purchase.

7        (a-4) The department shall review for reasonableness the  
8 terms of an offer and financial plan submitted under Subsection  
9 (a-3).

10        (b) Beginning on the 181st day after the date the owner  
11 provides notice under Subsection (a-2) or the department posts  
12 notice under that subsection, whichever date is later, an owner of a  
13 development subject to a right of first refusal [~~The recipient may:~~

14            [~~(1) during the first six-month period after notifying~~  
15 ~~the department, negotiate or enter into a purchase agreement only~~  
16 ~~with a qualified nonprofit organization that is also a community~~  
17 ~~housing development organization as defined by the federal home~~  
18 ~~investment partnership program;~~

19            [~~(2) during the second six-month period after~~  
20 ~~notifying the department, negotiate or enter into a purchase~~  
21 ~~agreement with any qualified nonprofit organization or tenant~~  
22 ~~organization; and~~

23            [~~(3) during the year before the expiration of the~~  
24 ~~compliance period, negotiate or enter into a purchase agreement~~  
25 ~~with the department or any qualified nonprofit organization or~~  
26 ~~tenant organization approved by the department.~~

27        [~~(c) Notwithstanding an agreement~~] under Section

1 2306.6725 [~~, a recipient of a low income housing tax credit~~] may sell  
2 to any purchaser a development [property] to which the right of  
3 first refusal [~~tax credit~~] applies [~~to any purchaser after the~~  
4 ~~expiration of the compliance period~~] if:

5 (1) a qualified entity [~~nonprofit organization or~~  
6 ~~tenant organization~~] does not offer to purchase the development for  
7 a price that is at least equivalent to [property at] the minimum  
8 purchase price; or

9 (2) a qualified entity offers to purchase the  
10 development for a price described by Subdivision (1) but does not  
11 complete the purchase [~~provided by Section 42(i)(7), Internal~~  
12 ~~Revenue Code of 1986 (26 U.S.C. Section 42(i)(7)), and the~~  
13 ~~department declines to purchase the property~~].

14 (c) The department shall adopt rules and procedures to give  
15 effect to the right of first refusal granted by any land use  
16 restriction agreement.

17 (d) In this section:

18 (1) [~~7~~] "Compliance [compliance] period" has the  
19 meaning assigned by Section 42(i)(1), Internal Revenue Code of 1986  
20 (26 U.S.C. Section 42(i)(1)).

21 (2) "Minimum purchase price" has the meaning assigned  
22 by Section 42(i)(7)(B), Internal Revenue Code of 1986 (26 U.S.C.  
23 Section 42(i)(7)(B)).

24 (3) "Qualified entity" means an entity described by,  
25 or an entity controlled by an entity described by, Section  
26 42(i)(7)(A), Internal Revenue Code of 1986 (26 U.S.C. Section  
27 42(i)(7)(A)).

1           SECTION 6. Sections 2306.6713, 2306.6725, and 2306.6726,  
2 Government Code, as amended by this Act, apply to the transfer or  
3 sale of a development supported with an allocation of low income  
4 housing tax credits issued before, on, or after the effective date  
5 of this Act.

6           SECTION 7. This Act takes effect September 1, 2015.

ADOPTED

MAY 26 2015

*Atay Spaw*  
Secretary of the Senate

By: *Joe Menendez* H.B. No. 3576  
Substitute the following for H.B. No. 3576:  
By: *Joe Menendez* C.S. H.B. No. 3576

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to restrictions on the use, transfer, and sale of housing  
3 developments that have received certain financial assistance  
4 administered by the Texas Department of Housing and Community  
5 Affairs.

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

7 SECTION 1. Section 2306.185, Government Code, is amended by  
8 adding Subsection (d-1) and amending Subsection (e) to read as  
9 follows:

10 (d-1) The department shall adopt rules that provide for the  
11 amendment of a land use restriction agreement. Rules adopted under  
12 this subsection must require reasonable notice to tenants, a public  
13 hearing, and board approval for any material amendment to a land use  
14 restriction agreement.

15 (e) Subsections (c), ~~[and]~~ (d), and (d-1) and Section  
16 2306.269 apply only to multifamily rental housing developments to  
17 which the department is providing one or more of the following forms  
18 of assistance:

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

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



1 (3) a low income housing tax credit.

2 SECTION 2. Section 2306.6713, Government Code, is amended  
3 by adding Subsection (g) to read as follows:

4 (g) The transfer of ownership of a development supported  
5 with an allocation of housing tax credits under this section does  
6 not subject the development to a right of first refusal under  
7 Section 2306.6726 if the transfer is made to a newly formed entity:

8 (1) that is under common control with the development  
9 owner; and

10 (2) the primary purpose of the formation of which is to  
11 facilitate the financing of the rehabilitation of the development  
12 using assistance administered through a state financing program.

13 SECTION 3. Section 2306.6720, Government Code, is amended  
14 to read as follows:

15 Sec. 2306.6720. ENFORCEABILITY OF APPLICANT  
16 REPRESENTATIONS. Each material representation made by an applicant  
17 to secure a housing tax credit allocation is enforceable by the  
18 department and the tenants of the development supported with the  
19 allocation. Subject to modification and enforcement as provided by  
20 this chapter, a land use restriction agreement that is recorded  
21 with respect to a development is considered to state the  
22 development owner's ongoing obligations with regard to the matters  
23 addressed in the agreement.

24 SECTION 4. Section 2306.6725(b), Government Code, is  
25 amended to read as follows:

26 (b) The department shall provide appropriate incentives as  
27 determined through the qualified allocation plan to reward

1 applicants who agree to:

2 (1) equip the development [~~property~~] that is the basis  
3 of the application with energy saving devices that meet the  
4 standards established by the state energy conservation office or  
5 ~~[to]~~ provide to a qualified entity, in a land use restriction  
6 agreement in accordance with Section 2306.6726, [nonprofit  
7 ~~organization or tenant organization]~~ a right of first refusal to  
8 purchase the development [~~property~~] at the minimum price provided  
9 in, and in accordance with the requirements of, Section 42(i)(7),  
10 Internal Revenue Code of 1986 (26 U.S.C. Section 42(i)(7)); and

11 (2) locate the development in a census tract in which  
12 there are no other existing developments supported by housing tax  
13 credits.

14 SECTION 5. Section 2306.6726, Government Code, is amended  
15 to read as follows:

16 Sec. 2306.6726. SALE OF CERTAIN LOW INCOME HOUSING TAX  
17 CREDIT DEVELOPMENTS [~~PROPERTY~~]. (a) An owner of a development  
18 subject to [~~Not later than two years before the expiration of the~~  
19 ~~compliance period, a recipient of a low income housing tax credit~~  
20 ~~who agreed to provide]~~ a right of first refusal under Section  
21 2306.6725 [~~and]~~ who intends to sell the development at any time  
22 after the expiration of the compliance period [~~property~~] shall  
23 notify the department and the tenants of the development of the  
24 owner's [~~recipient's~~] intent to sell and, if applicable, shall  
25 specifically identify to the department any qualified entity that  
26 is the owner's intended recipient of the right of first refusal in  
27 the land use restriction agreement.

1           (a-1) As soon as practicable after receiving notice under  
2 Subsection (a), the department [~~The recipient~~] shall:

3           (1) provide to any qualified entity specifically  
4 identified under Subsection (a) notice regarding the owner's intent  
5 to sell the development; and

6           (2) post on the department's Internet website the  
7 notice described by Subdivision (1) [~~notify qualified nonprofit~~  
8 ~~organizations and tenant organizations of the opportunity to~~  
9 ~~purchase the property~~].

10          (b) The owner of a development subject to a right of first  
11 refusal under Section 2306.6725 [~~recipient~~] may:

12          (1) during the first 60-day [~~six-month~~] period after  
13 notice is provided under Subsection (a-1) [~~notifying the~~  
14 ~~department~~], negotiate or enter into a purchase agreement only with  
15 a qualified entity [~~nonprofit organization~~] that is:

16           (A) [also] a community housing development  
17 organization as defined by the federal HOME [~~home~~] investment  
18 partnership program; or

19           (B) controlled by an entity described by  
20 Paragraph (A);

21          (2) during the second 60-day [~~six-month~~] period after  
22 notice is provided under Subsection (a-1) [~~notifying the~~  
23 ~~department~~], negotiate or enter into a purchase agreement with a  
24 [~~any~~] qualified entity that:

25           (A) is described by Section 2306.6706 and has a  
26 principal place of business in the uniform state service region in  
27 which the development is located; or

1                   (B) is controlled by an entity described by  
2 Paragraph (A) [nonprofit organization or tenant organization]; and

3                   (3) during the last 60-day period after notice is  
4 provided under Subsection (a-1) [year before the expiration of the  
5 compliance period], negotiate or enter into a purchase agreement  
6 with [the department or] any other qualified entity [nonprofit  
7 organization or tenant organization approved by the department].

8                   (c) Beginning on the 181st day after the date the department  
9 posts notice under Subsection (a-1), an owner of a development  
10 subject to a right of first refusal [Notwithstanding an agreement]  
11 under Section 2306.6725[, a recipient of a low income housing tax  
12 credit] may sell to any purchaser a development [property] to which  
13 the right of first refusal [tax credit] applies [to any purchaser  
14 after the expiration of the compliance period] if:

15                   (1) a qualified entity [nonprofit organization or  
16 tenant organization] does not offer to purchase the development for  
17 a price that the department determines to be reasonable; or

18                   (2) a qualified entity enters into a purchase  
19 agreement for the development but does not complete the purchase on  
20 or before the 270th day after the date the agreement is entered  
21 into, unless the failure to complete the purchase is due to default  
22 by the seller or a title problem [property at the minimum price  
23 provided by Section 42(i)(7), Internal Revenue Code of 1986 (26  
24 U.S.C. Section 42(i)(7)), and the department declines to purchase  
25 the property].

26                   (c-1) This section applies only to a right of first refusal  
27 memorialized in a land use restriction agreement. This section

1 does not authorize a modification of any other agreement between an  
2 owner of a development and a qualified entity.

3 (c-2) The department shall adopt rules and procedures to  
4 give effect to the right of first refusal granted by any land use  
5 restriction agreement.

6 (d) In this section:

7 (1) [7] "Compliance [~~compliance~~] period" has the  
8 meaning assigned by Section 42(i)(1), Internal Revenue Code of 1986  
9 (26 U.S.C. Section 42(i)(1)).

10 (2) "Qualified entity" means an entity described by,  
11 or an entity controlled by an entity described by, Section  
12 42(i)(7)(A), Internal Revenue Code of 1986 (26 U.S.C. Section  
13 42(i)(7)(A)).

14 SECTION 6. Sections 2306.6713, 2306.6725, and 2306.6726,  
15 Government Code, as amended by this Act, apply to the transfer or  
16 sale of a development supported with an allocation of low income  
17 housing tax credits issued before, on, or after the effective date  
18 of this Act.

19 SECTION 7. This Act takes effect September 1, 2015.

ADOPTED

MAY 26 2015

*Atay Dew*  
Secretary of the Senate

*Joe Menendez*

FLOOR AMENDMENT NO. 1

BY: \_\_\_\_\_

1 Amend C.S.H.B. No. 3576 (senate committee report) as  
2 follows:

3 (1) In SECTION 5 of the bill, strike added Section  
4 2306.6726(b)(2)(A), Government Code (page 2, lines 60 through  
5 62), and substitute the following:

6 (A) is described by Section 2306.6706;

7 (2) In SECTION 5 of the bill, in added Section  
8 2306.6726(b)(2)(B), Government Code (page 2, line 64), between  
9 the semicolon and "and", insert the following:

10 or

11 (C) is a tenant organization;

12 (3) In SECTION 5 of the bill, in amended Section  
13 2306.6726(c), Government Code (page 3), strike lines 7 through  
14 18 and substitute the following:

15 ~~after the expiration of the compliance period] if a~~  
16 ~~qualified entity [nonprofit organization or tenant organization]~~  
17 ~~does not offer to purchase the development for a price that the~~  
18 ~~department determines to be reasonable [property at the minimum~~  
19 ~~price provided by Section 42(i)(7), Internal Revenue Code of~~  
20 ~~1986 (26 U.S.C. Section 42(i)(7)), and the department declines~~  
21 ~~to purchase the property].~~

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**May 27, 2015**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3576** by Alvarado (Relating to restrictions on the use, transfer, and sale of housing developments that have received certain financial assistance administered by the Texas Department of Housing and Community Affairs. ), **As Passed 2nd House**

**No significant fiscal implication to the State is anticipated.**

The bill would amend the Government Code relating to restrictions on the use, transfer, and sale of housing developments that have received certain financial assistance administered by the Texas Department of Housing and Community Affairs (TDHCA). Based on the analysis of TDHCA, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 332 Department of Housing and Community Affairs

**LBB Staff:** UP, KVe, JSm

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**May 22, 2015**

**TO:** Honorable Eddie Lucio Jr., Chair, Senate Committee on Intergovernmental Relations

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3576** by Alvarado (Relating to restrictions on the use, transfer, and sale of housing developments that have received certain financial assistance administered by the Texas Department of Housing and Community Affairs.), **Committee Report 2nd House, Substituted**

**No significant fiscal implication to the State is anticipated.**

The bill would amend the Government Code relating to restrictions on the use, transfer, and sale of housing developments that have received certain financial assistance administered by the Texas Department of Housing and Community Affairs (TDHCA). Based on the analysis of TDHCA, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 332 Department of Housing and Community Affairs

**LBB Staff:** UP, KVe, JSm



**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**May 18, 2015**

**TO:** Honorable Eddie Lucio Jr., Chair, Senate Committee on Intergovernmental Relations

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3576** by Alvarado (Relating to restrictions on the use, transfer, and sale of housing developments that have received certain financial assistance administered by the Texas Department of Housing and Community Affairs.), **As Engrossed**

**No significant fiscal implication to the State is anticipated.**

The bill would amend the Government Code relating to restrictions on the use, transfer, and sale of housing developments that have received certain financial assistance administered by the Texas Department of Housing and Community Affairs (TDHCA). Based on the analysis of TDHCA, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 332 Department of Housing and Community Affairs

**LBB Staff:** UP, KVe, JSm

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 22, 2015**

**TO:** Honorable Carol Alvarado, Chair, House Committee on Urban Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3576** by Alvarado (Relating to restrictions on the use, transfer, and sale of housing developments that have received certain financial assistance administered by the Texas Department of Housing and Community Affairs.), **Committee Report 1st House, Substituted**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
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The bill would amend the Government Code relating to restrictions on the use, transfer, and sale of housing developments that have received certain financial assistance administered by the Texas Department of Housing and Community Affairs (TDHCA). Based on the analysis of TDHCA, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 332 Department of Housing and Community Affairs

**LBB Staff:** UP, KVe, JSm

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 6, 2015**

**TO:** Honorable Carol Alvarado, Chair, House Committee on Urban Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3576** by Alvarado (Relating to restrictions on the use, transfer, and sale of housing developments that have received certain financial assistance administered by the Texas Department of Housing and Community Affairs.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would amend the Government Code relating to restrictions on the use, transfer, and sale of housing developments that have received certain financial assistance administered by the Texas Department of Housing and Community Affairs (TDHCA). Based on the analysis of the TDHCA, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 332 Department of Housing and Community Affairs

**LBB Staff:** UP, KVe, NV, JSm