**BILL ANALYSIS**

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| Senate Research Center | S.B. 1474 |
| 86R6952 JAM-D | By: Lucio |
|  | Intergovernmental Relations |
|  | 3/15/2019 |
|  | As Filed |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

During the 85th Legislative Interim, the Senate Committee on Intergovernmental Relations, while addressing their Housing Affordability Interim Charge, heard from concerned stakeholders who indicated that Texas' Private Activity Bond program could be strengthened by undertaking some critical updates and reforms. Interested parties contend that current state statutes that regulate the use of tax-exempt bonds could yield greater, more efficient results that would better allow the state to maximize the bond financing program.

S.B. 1474 proposes several updates and improvements to the program that would allow the state to maximize bond finance. Among these reforms include: capping fees associated with portfolio deals; updating the existing regional collapse date to ensure earlier bond financing in the year; increasing the per project caps to take into account rising costs in residential rental development; and increasing the allowed time to complete a residential rental bond closing by 30 days, which is needed for complex bond deals. Overall, S.B. 1474 updates and improves a critical state program that provides affordable housing opportunities, creates jobs, and fosters economic development.

As proposed, S.B. 1474 amends current law relating to private activity bonds allocated for affordable housing.

**RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 1372.006(a), Government Code, as follows:

(a) Requires an application for a reservation under Subchapter B (Allocation and Reservation of State Ceiling) or a carryforward designation under Subchapter C (Carryforward of State Ceiling) to be accompanied by a nonrefundable fee in the amount of $500, except that:

(1)–(2) makes no changes to these subdivisions; and

(3) for a project, rather than a combined project, that includes multiple qualified residential rental projects authorized under Section 1372.002(c) (relating to types of bond project applications) or (f) (relating to aggregation of projects), rather than under Section 1372.002(f), the application is required to be accompanied by a nonrefundable fee in an amount of $5,000 for each qualified residential rental project included in the application for the project, with a maximum total fee of $15,000. Requires the Texas Bond Review Board (BRB) to retain 20 percent of the total amount of the fee to offset the costs of the private activity bond allocation program and the administration of that program. Requires BRB to transfer 80 percent of the total amount of the fee through an interagency agreement to the Texas Department of Housing and Community Affairs for use in the affordable housing research and information program as provided by Section 2306.259 (Affordable Housing Research and Information Program). Makes conforming and nonsubstantive changes.

SECTION 2. Amends Sections 1372.0231(d), (g), and (i), Government Code, as follows:

(d) Requires BRB, except as provided by Subsection (i), to apportion the amount of the state ceiling set aside under Subsection (a)(2) among the uniform state service regions according to the percentage of the state's population that resides in each of those regions before March 1, rather than May 1.

(g) and (i) Makes conforming changes to these subsections.

SECTION 3. Amends Section 1372.037(a), Government Code, as follows:

(a) Prohibits BRB, except as provided by Subsection (b), from granting before August 15 for any single project a reservation for that year that is greater than:

(1)–(3) makes no changes to these subdivisions;

(4) the greater of $30 million or four percent, rather than the lesser of $20 million or 15 percent, of the amount set aside for reservation by issuers of qualified residential rental project bonds, if the issuer is an issuer of those bonds;

(4-a) the greater of $40 million or six percent of the amount set aside for reservation by issuers of qualified residential rental project bonds for projects that meet the requirements of Section 1372.002(c) or (f), if the issuer is an issuer of those bonds;

(5) the amount as prescribed in Section 1372.033(d) (relating to student loan bond allocation for qualified nonprofit corportations), rather than Sections 1372.033(d), (e), and (f), if the issuer is an issuer authorized by Section 53B.47 (Guaranteed Student Loans and Alternative Education Loans; Bonds for the Purchase of Education Loan Notes), Education Code, to issue qualified student loan bonds; or

(6) makes no changes to this subdivision.

SECTION 4. Amends Sections 1372.042(a-1) and (c), Government Code, as follows:

(a-1) Requires an issuer of qualified residential rental project bonds to close on the bonds for which the reservation was granted not later than the 180th, rather than the 150th, day after the reservation date. Requires an issuer, if the issuer of qualified residential rental project bonds fails to close on the bonds for which a reservation was granted, to pay the full closing fee provided by Section 1372.006(b) (relating to closing fees submitted to BRB) if the application is not withdrawn before the 150th, rather than the 120th, day after the reservation date.

(c) Deletes existing text relating to a certain 150-day period.

SECTION 5. Amends Section 1372.043, Government Code, to include being an issuer of qualified residential rental project bonds among the conditions for eligibility for a carryforward designation for a project in certain circumstances.

SECTION 6. Provides that the change in law made by this Act to Chapter 1372 (Private Activity Bonds and Certain Other Bonds), Government Code, applies to the allocation of the available state ceiling under that chapter beginning with the 2020 program year.

SECTION 7. Effective date: upon passage or September 1, 2019.