

## **BILL ANALYSIS**

Senate Research Center  
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S.B. 1861  
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As Filed

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

The Public Facility Corporation Act of 1999 enables sponsors to create public facility corporations (PFC) to fund and operate public facilities. The statute gives the public corporations broad powers over public facilities, including financing, acquisition, construction, rehabilitation, renovation and repair, and to issue bonds on behalf of a sponsoring public entity. PFCs have been formed by school districts, cities, housing authorities and other public-sector entities. In San Antonio, a PFC has been involved in the creation of a 252-unit affordable housing complex and the removal of 200 outdated housing units. Many school districts also create PFCs to utilize these bonds in construction projects for schools.

This statute currently poses issues for governmental sponsors as it does not explicitly state whether they would have the ability to benefit from PFCs as well. Governmental sponsors, such as counties and trustees of community college districts, would like to sponsor public facility corporations for this purpose, but in some instances their staff members have questioned whether changes in the law from 2015 clearly authorize them to do so because it is not yet a standard practice, even though bond counsel has assured them that they have this authority under current law and many such developments have already occurred. This bill seeks to clarify the 2015 changes to the law.

S.B. 1861 clarifies changes in the law from 2015 to imply that any type of governmental sponsor of a public facility corporation would have the same tax benefits for affordable housing as do housing authorities that create public facility corporation for this purpose, which would require that at least 50 percent of the units be reserved for low income residents. This amendment places governmental sponsors on equal footing with housing authorities and increases the ability to provide residential rental developments that help these public entities serve their constituents.

As proposed, S.B. 1861 amends current law relating to certain public facilities financed, owned, and operated by a public facility corporation.

### **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 303.021, Local Government Code, by adding Subsection (c), as follows:

(c) Provides that this chapter (Public Facility Corporation) expressly authorizes a sponsor to which Section 303.042(d) (relating to an exception for a multifamily residential development applying under certain conditions) does not apply to create a corporation to finance, own, and operate a multifamily residential development that meets the requirements of Section 303.042(d-1).

SECTION 2. Amends Section 303.042, Local Government Code, by adding Subsections (d-1) and (g), as follows:

(d-1) Provides that an exemption under this section for a multifamily residential development that is owned by a corporation created under this chapter and that is not otherwise described by Subsection (d) applies only if the development meets the requirements of Subsection (d)(2) (relating to at least 50 percent of the units in the multifamily residential facility being reserved for individuals and families earning less than 80 percent of the median area family income) or accomplishes a governmental purpose of the sponsor.

(g) Provides that, for purposes of Subsections (a) (relating to requiring a public facility to be assessed to the user of the public facility to the same extent and the same taxation exemptions as if the user owned the public facility) and (b) (relating to the user of a public facility being considered the owner of the facility for purposes of certain applications), if a corporation created under this chapter owns a multifamily residential development described by Subsection (d-1), the sponsor of the corporation is considered the user of the public facility.

SECTION 3. Effective date: upon passage of September 1, 2019.