

BILL ANALYSIS

C.S.H.B. 1704
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Urban Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

A coalition of organizations, including Habitat for Humanity Texas and the Texas Association of Builders, are calling for issues regarding housing affordability, economic stability, and homeownership to be addressed within the State of Texas through an evergreen revolving fund to finance related capital activities. Increased access to capital not only facilitates the creation of more housing options in the state, but will also help stabilize the state and local economies and reduce the need for other state-provided services. C.S.H.B. 1704 seeks to increase the development of housing and access to capital for households that earn between 30 and 80 percent of median area income by creating a workforce housing capital investment fund.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTION 2 of this bill.

ANALYSIS

C.S.H.B. 1704 amends the Government Code to create the workforce housing capital investment fund program to fund the development of workforce housing in Texas by providing zero interest loans to program recipients. The bill includes legislative findings regarding the relationship between the creation of more housing options for households that earn between 30 and 80 percent of the area median income and the stabilization of the state economy and local economies for purposes of reducing the need for other government-provided services. The bill also includes a finding that skilled construction and trade labor shortages impact the cost of housing at all income levels.

C.S.H.B. 1704 requires the Texas Department of Housing and Community Affairs (TDHCA) to contract with a nonprofit housing organization through a one-time competitive procurement process to administer the program. Eligibility for selection as the program administrator is conditioned on the nonprofit housing organization, as follows:

- being designated as a 501(c)(3) tax-exempt organization;
- having a statewide service area with organizational affiliates;
- providing to designated 501(c)(3) tax-exempt organizations training and technical support, resource development, mortgage services, and disaster preparedness and response resources;
- providing financial literacy education to low-income homebuyers;
- building single-family residential homes; and

- working with homebuyers who contribute to the construction of their home or the rehabilitation of another individual's home, including as a certified nonprofit owner-builder housing program provider under the owner-builder loan program with not less than 15 years of experience.

C.S.H.B. 1704 establishes the workforce housing capital investment fund as a special fund in the state treasury outside the general revenue fund that consists of the following:

- gifts, grants, and donations received by the state for the purposes of the fund;
- applicable legislative appropriations;
- any fees or other sources of revenue that the legislature dedicates for deposit to the fund;
- repayments of loans made from the fund; and
- interest earned on money deposited to the fund.

C.S.H.B. 1704 requires TDHCA to provide money from the fund to the program administrator to make and disburse zero interest loans to program recipients. The bill restricts the use of money by program recipients to payment of costs associated with developing and constructing workforce, single-family housing projects primarily for households that earn between 30 and 80 percent of the area median income. Such costs include the following:

- planning and design costs;
- land acquisition costs;
- impact fees and permitting costs;
- costs associated with flood mitigation, water quality, and environmental controls; and
- costs associated with infrastructure, including roads, sidewalks, utilities, and broadband service.

The bill authorizes the program administrator to use interest earned on money deposited to the fund for costs associated with administering the program and associated training programs.

C.S.H.B. 1704 requires TDHCA to prescribe the form and manner for an applicant to apply for a loan under the program. An application must demonstrate that the applicant:

- is incorporated as a nonprofit organization under state law;
- is organized for the purpose of building owner-occupied residential homes for households that earn between 30 and 80 percent of the area median income and has carried out that purpose for not less than 15 years; and
- has experience in providing training and technical support, resource development, mortgage services, and disaster preparedness and response resources that expand the applicant's capacity to serve communities in Texas.

The bill requires the program administrator to review applications and select program recipients and, in doing so, to consider the quality of the application, the applicant's ability to carry out the program's purposes, and whether the applicant has partnered with organizations that provide training opportunities to construction trade workforce members. The bill authorizes the program administrator to require an applicant to pay an origination fee on a loan application.

C.S.H.B. 1704 requires the program administrator to prepare and submit to TDHCA an annual report on the program that includes the following:

- information on the program recipients that received a loan under the program during the preceding year;
- a description of each workforce housing project funded by a loan under the program, including the following:
 - the project's expected completion date and information on the progress made during the preceding year toward completing the project;
 - the number of families the project is expected to serve; and
 - the total amount and repayment status of the loan; and
- other information TDHCA requires.

The bill requires TDHCA to post the submitted information on its website.

C.S.H.B. 1704 requires the program administrator to annually commission, from a certified public accounting firm, an independent financial audit of the program administrator's financial activities in relation to the program and to provide the audit results to TDHCA for review and evaluation. If it is determined that money from the fund has not been used in accordance with the bill's provisions, TDHCA is authorized to require repayment of the money over a period and in the manner TDHCA requires.

C.S.H.B. 1704 requires TDHCA to adopt rules to implement the program as soon as practicable after the bill's effective date, including rules on the application procedures, requirements for an applicant to receive a loan under the program, the investment of money in the fund, and the administration of the fund.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 1704 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute omits an authorization from the introduced for TDHCA to use the workforce housing capital investment fund without further legislative appropriation.

Whereas the introduced required that a nonprofit housing organization, to be eligible for selection as the program administrator, have a minimum service area of 40 areas statewide through its affiliates, the substitute requires that the organization, to be eligible for selection, instead have a statewide service area with organizational affiliates.