

BILL ANALYSIS

C.S.H.B. 2964
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Urban Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under current law, property tax exemptions for multifamily developments are allowed without input from or notice to the local taxing entities. To receive the tax exemption, a private apartment developer transfers land to a public facility corporation, which then leases the land and any building on the land back to a limited partnership, controlled by the developer for 75 to 99 years. The developer builds or converts an apartment complex, with 50 percent of units at or below market rate, and then no longer has to pay sales tax on any materials used for construction or renovation, nor property taxes on the entire development.

In some municipalities, these apartment complexes are being removed from the tax rolls at alarming rates. Coupled with lack of transparency with and input from the impacted municipal governing bodies the result is unfunded mandates on local taxing entities. C.S.H.B. 2964 seeks to address this issue by revising eligibility requirements for the public facility corporation tax exemption.

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

ANALYSIS

C.S.H.B. 2964 amends the Local Government Code to revise and establish requirements that must be satisfied for a multifamily residential development owned by a public facility corporation to be eligible for the public facility corporation tax exemption, which apply only if the development does not have at least 20 percent of its units reserved for public housing units, as follows:

- makes the existing requirements for a multifamily residential development owned by a public facility corporation created by a housing authority, which include a requirement for the housing authority to hold a public hearing to approve the development and a requirement to reserve at least 50 percent of the development's units for occupancy by individuals and families earning less than 80 percent of the area median family income, applicable to all multifamily residential developments owned by a public facility corporation, regardless of the sponsor type; and
- adds a requirement for the governing body of each municipality, or county if the development is not located within a municipality, authorized by law to impose taxes on the property containing the development to hold a public hearing and adopt a resolution approving the development.

The bill applies only to a multifamily residential development that is approved on or after the bill's effective date.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 2964 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.

Whereas the introduced required the governing body of each municipality and county authorized to impose taxes on the property containing the development to hold a public hearing and adopt a resolution, the substitute requires the governing body of each such county to do so only if the development is not located within a municipality, but otherwise requires the municipality's governing body to do so.