

BILL ANALYSIS

H.B. 2966
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Urban Affairs
Committee Report (Unamended)

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 a lack of transparency with and input from the impacted municipal governing bodies and the expansion of the public facility corporation program in 2015, the result is unfunded mandates on local taxing entities and greater costs to taxpayers. H.B. 2966 seeks to address this issue by revising the 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

H.B. 2966 amends the Local Government Code to revise and establish requirements that must be satisfied for a multifamily residential development that is owned by a public facility corporation and that does not have at least 20 percent of its units reserved for public housing units to be eligible for the public facility corporation tax exemption, 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 public hearing requirement and a requirement to reserve a certain percentage of units for occupancy by individuals and families earning less than 80 percent of the area median family income (AMFI), applicable to all multifamily residential developments owned by a public facility corporation, regardless of the sponsor type;
- raises from 50 percent to 75 percent the minimum percentage of units in the development that are reserved for occupancy by individuals and families earning less than 80 percent of AMFI and provides for an adjustment for family size; and
- requires the owning corporation, not later than April 1 of each year, to submit to the chief appraiser of the appraisal district in which the development is located an audit report for a compliance audit conducted by an independent auditor or compliance expert that establishes that the development is in compliance with the tax exemption requirements.

H.B. 2966 establishes that an exemption does not apply for a tax year in which the development submits a required audit report that does not establish the development's compliance with the requirements or in which the development does not submit the required audit report. 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.