

BILL ANALYSIS

C.S.H.B. 23
By: Harris
Land & Resource Management
Committee Report (Substituted)

BACKGROUND AND PURPOSE

According to information published by the comptroller of public accounts, the Texas median home sales price reached \$330,950 in the first quarter of 2024, a 1.6 percent increase compared to the same quarter in 2023. According to the Federal Reserve Bank of St. Louis, the median household income in Texas in 2023 was \$79,060. The bill's author has informed the committee that using this information along with current mortgage rates in Texas, a home would need to be less than \$300,000 to be considered affordable using the 2023 median household income in Texas. According to a 2021 study by the National Association of Home Builders, estimates showed that regulations imposed by government at all levels accounted for 23.8 percent of the final price of a new single-family home built for sale, with the cost of regulations including the pure cost of delay caused by complying with the regulations. Furthermore, the association reports that over 100 million households are unable to afford a median-priced new home and a \$1,000 increase in the price of such a home would further price over 100,000 households out of the market.

The bill's author has informed the committee that with the state's continued population growth comes increased construction, which tends to result in backlogs at local planning and building departments as municipalities struggle to hire enough staff. The bill author has further informed the committee that home builders and remodelers are thus frequently stranded waiting for a municipality to review development documents and for building code inspectors to visit developments and approve in-process and completed work. As projects stand idle waiting for reviews and inspections, homeowners could suffer due to lengthy delays in moving into their homes while watching their costs increase. C.S.H.B. 23 seeks to address this issue by revising provisions relating to third-party review of development documents and third-party development inspections in order to help improve building times and reduce housing costs.

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. 23 amends the Local Government Code to replace the following:

- the authorization for a required review of a development document to be performed by a third party if a regulatory authority does not approve, conditionally approve, or disapprove the document by the 15th day after the date prescribed by a provision of the Local Government Code for the approval, conditional approval, or disapproval of the

document with an authorization for an applicant for a required review of such a document to obtain review of the document from a third party; and

- the authorization for a required development inspection to be conducted by a third party if a regulatory authority does not conduct the inspection by the 15th day after the date prescribed by a provision of the Local Government Code for conducting the inspection with an authorization for an owner of land or an improvement to the land that requires a development inspection to obtain the inspection from a third party.

The bill establishes that an applicant or owner of land or an improvement to land who uses a third party to conduct a development document review or a development inspection may rely on the determinations made by the third party and makes any permits and approvals issued based on those determinations binding on the regulatory authority.

C.S.H.B. 23 specifies that the manner in which a third party who reviews a development document or conducts a development inspection is required to review the document, conduct the inspection, and take all other related actions in accordance with all applicable provisions of law is as if the third party is the regulatory authority.

C.S.H.B. 23 requires a third party who reviews a development document or conducts a development inspection to maintain commercially reasonable professional liability insurance with a minimum annual limit of \$500,000 per occurrence and \$1 million in the aggregate and that names the regulatory authority and the applicant as additional insureds. The bill requires the third party to provide a certificate of the required insurance to the regulatory authority before the third party may commence a review or inspection. These provisions of the bill apply only to the review of a development document or development inspection that begins on or after September 1, 2025.

C.S.H.B. 23 exempts a regulatory authority from liability for a review of a development document or development inspection conducted by a third party.

C.S.H.B. 23 requires a regulatory authority to do the following:

- post on the regulatory authority's website each law, rule, standard, fee schedule, and other document necessary for a third party to review a development document or conduct a development inspection; or
- provide an electronic copy of this information on request not later than the second business day after the date the request is made.

The bill establishes that a third party who reviews a development document or conducts a development inspection may rely on the accuracy and completeness of the information provided by a regulatory authority under these provisions of the bill.

C.S.H.B. 23 prohibits a regulatory authority from requesting or requiring an applicant to do the following:

- waive the applicant's right to obtain third-party review; or
- obtain the regulatory authority's approval for a development document or development inspection that a third-party reviewer has approved.

C.S.H.B. 23 defines "plan" for purposes of provisions relating to third-party review of development documents and inspection of improvements as a subdivision development plan, including a subdivision plan, subdivision construction plan, land development application, and site development plan.

C.S.H.B. 23, except as otherwise provided, applies only to a development document or a request for a development inspection that was not final on the bill's effective date. A development document or request for a development inspection that was final before the bill's effective date is governed by the law applicable to the document or inspection immediately before the bill's effective date, and that law is continued in effect for that purpose.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 23 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 includes provisions absent from the introduced that do the following:

- define "plan" for purposes of provisions relating to third-party review of development documents and inspection of improvements;
- establish that an applicant or owner of land or an improvement to land who uses a third party to conduct a development document review or a development inspection may rely on the determinations made by the third party;
- make any permits and approvals issued based on those determinations binding on the regulatory authority;
- require a third party who reviews a development document or conducts a development inspection to maintain certain commercially reasonable professional liability insurance and to provide a certificate of the required insurance to the regulatory authority before the third party may commence a review or inspection;
- establish that such requirement applies only to the review of a development document or development inspection that begins on or after September 1, 2025;
- exempt a regulatory authority from liability for a review of a development document or development inspection conducted by a third party;
- require a regulatory authority either to post on the regulatory authority's website information necessary for a third party to review a development document or conduct a development inspection or provide an electronic copy of the information on request by a certain deadline; and
- establish that a third party who reviews a development document or conducts a development inspection may rely on the accuracy and completeness of such information.