BILL ANALYSIS

H.B. 1342
By: Gervin-Hawkins
Pensions, Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill author has informed the committee that stakeholders have noted needed statutory revisions regarding the issuance of private activity bonds for qualified residential rental projects and that this financing tool loses value when sitting unused for months at a time, leaving its reach limited. H.B. 1342 seeks to increase the efficiency of the program and reorganize the priority scheme for granting reservations to issuers of qualified residential rental projects by revising requirements for certain priority projects to provide evidence to the Texas Department of Housing and Community Affairs that an award of low-income housing tax credits has been approved for a project.

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. 1342 amends the Government Code to require the Bond Review Board (BRB) to give second order of priority in the granting of reservations to issuers of qualified residential rental project issues for a portion of the state ceiling on the amount of tax-exempt private activity bonds that may be issued during a calendar year in Texas. The second priority is for projects, as follows:

- for which an application was filed on or before October 20 of the program year occurring two years before the current program year and was not withdrawn and did not receive a bond reservation;
- that meet at least one requirement of the projects given third priority under the bill's provisions; and
- for which, as follows:
  - a binding contract to incur significant expenditures for construction, reconstruction, or rehabilitation was entered into before submission of the application;
  - significant expenditures, defined by the bill as expenditures that exceed the lesser of $500,000 or 10 percent of the reasonably anticipated cost of the project, for construction, reconstruction, or rehabilitation were readily identifiable with and necessary to carry out a binding contract for the supply of property or services or the sale of output; or
  - significant expenditures were paid or incurred before submission of the application.

H.B. 1342 subsequently revises the requirements for otherwise qualified third and fourth priority projects as follows:

- for third priority projects in which 50 or 85 percent of the project's residential units, as applicable, are under the restriction that the maximum allowable rents are an amount equal to 30 percent of 60 percent of the area median family income minus an allowance for utility costs authorized under the federal low-income housing tax credit program and are reserved for families and individuals earning not more than 60 percent of the area median income, increases 60 percent to 80 percent; and
- for third and fourth priority projects in which 100 percent and 80 percent, respectively, of the residential units in the project are under the restriction that the maximum allowable rents are an amount equal to 30 percent of 60 percent of the area median family income minus an allowance for utility costs authorized under the federal low-income housing tax credit program and reserved for families and individuals earning not more than 60 percent of the area median income, specifies that the maximum allowable rents be on average equal to the applicable amount and the earnings of families and individuals be on average not more than the applicable amount.

H.B. 1342 repeals the provision that prohibits the BRB from reserving a portion of the state ceiling for a first, second, or third priority project described by the applicable provisions unless the BRB receives evidence that an application has been filed with the Texas Department of Housing and Community Affairs for the low-income housing tax credit that is available for multifamily transactions that are at least 51 percent financed by tax-exempt private activity bonds.

H.B. 1342 applies to the allocation of the available state ceiling under provisions relating to private activity bonds and certain other bonds beginning with the 2026 program year.

H.B. 1342 repeals Section 1372.0321(e), Government Code.

EFFECTIVE DATE

September 1, 2025.