

## **BILL ANALYSIS**

Senate Research Center  
89R18654 JAM-D

H.B. 1585  
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Local Government  
5/26/2025  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Local housing finance corporations were created by the Texas Housing Finance Corporations Act of 1979 with the express purpose of providing decent, safe, and sanitary housing at affordable prices for residents of local governments. One of the primary ways that housing finance corporations (HFC) help to provide affordable housing is through their ability to assign developments with a total property tax exemption. While most HFCs are doing the important work of ensuring our communities have access to affordable housing, several "traveling" HFCs have taken advantage of a loophole in state law allowing them to operate outside of the city or county that sponsored them. According to the Texas Association of Local Housing Finance Agencies, these HFCs have removed approximately \$3.6 billion of taxable value from local tax rolls in the past six months. H.B. 1585 seeks to address this issue and close this "traveling" loophole by limiting the application of a housing finance corporation's tax and fee exemption to developments located within the boundaries of the local government that formed the corporation.

H.B. 1585 amends current law relating to housing finance corporations and to the location of residential developments owned by those corporations.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 394.032(e), Local Government Code, to delete existing text authorizing a housing finance corporation to delegate to the Texas Department of Housing and Community Affairs the authority to act on its behalf, outside the jurisdiction of the housing finance corporation, including its authority to issue bonds for those purposes.

SECTION 2. Amends Section 394.039, Local Government Code, as follows:

Sec. 394.039. SPECIFIC POWERS RELATING TO FINANCIAL AND PROPERTY TRANSACTIONS. Authorizes a housing finance corporation to take certain actions, including, subject to Section 394.905(c), to purchase, receive, lease, or otherwise acquire, own, hold, improve, use, or deal in and with real or personal property or interests in that property, as required by the purposes of the corporation or as donated to the corporation. Deletes existing text authorizing a housing finance corporation to take certain actions, including certain actions wherever the property is located, as required by the purposes of the corporation or as donated to the corporation.

SECTION 3. Amends Section 394.903, Local Government Code, as follows:

Sec. 394.903. New heading: LOCATION OF RESIDENTIAL DEVELOPMENTS; TRANSFER OF SITES. (a) Requires that a residential development subject to, rather than covered by, Chapter 394 (Housing Finance Corporations in Municipalities and Counties) to be located within the boundaries of the local government that formed the housing finance corporation that owns the development.

(b) Provides that the site location is subject to the requirements of this chapter, rather than authorizes the site to be located wholly or partly inside or outside the local government.

SECTION 4. Amends Section 394.905, Local Government Code, as follows:

Sec. 394.905. New heading: EXEMPTION FROM TAXES AND FEES. (a)-(b) Creates these subsections from existing text and makes no further changes.

(c) Provides that, notwithstanding Subsections (a) (relating to the tax-exempt nature of a housing finance corporation) and (b) (relating to exempting the housing finance corporation from a certain franchise tax), a residential development owned by a housing finance corporation is exempt from taxes imposed by this state or a political subdivision of this state only if the development is located within the boundaries of the local government that formed the corporation.

SECTION 5. Makes application of Section 394.905(c), Local Government Code, as added by this Act, prospective.

SECTION 6. Effective date: upon passage or September 1, 2025.