

BILL ANALYSIS

C.S.H.B. 1585
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Intergovernmental Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

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. C.S.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.

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. 1585 amends the Local Government Code to condition the eligibility for the tax and fee exemption for a residential development owned by a housing finance corporation on the development being located within the boundaries of the local government that formed the corporation. The bill clarifies that the location of a residential development site transferred by a local government to a housing finance corporation is subject to the requirements of the Texas Housing Finance Corporations Act and accordingly removes provisions authorizing the transferred site to be located wholly or partly inside or outside the local government.

C.S.H.B. 1585 applies only to a tax or fee to be imposed on a housing finance corporation with respect to a newly built residential development for which a certificate of occupancy is issued on or after the bill's effective date or with respect to any other residential development that is acquired by the corporation on or after the bill's effective date.

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. 1585 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.

Both the introduced and substitute include provisions limiting the area in which a housing finance corporation may operate, but those provisions differ as follows:

- the substitute omits provisions from the introduced specifying the areas in which a housing finance corporation may exercise its powers as follows:
 - for a housing finance corporation sponsored by a municipality, the jurisdictional boundaries of the municipal sponsor;
 - for a housing finance corporation sponsored by a county, the unincorporated areas of the county sponsor; and
 - for a housing finance corporation sponsored by more than one local government, the jurisdictional boundaries of each municipal sponsor and the unincorporated areas of each county sponsor;
- the substitute omits provisions from the introduced that condition the eligibility of the tax and fee exemption for a housing finance corporation, all property owned by it, the income from the property, all bonds issued by it, the income from the bonds, and the transfer of the bonds on the applicable property, including a development, facility, or home, being located in an area in which the housing finance corporation is authorized to exercise its powers; and
- the substitute includes a provision absent from the introduced that instead conditions the eligibility for the tax and fee exemption for a residential development owned by a housing finance corporation from taxes imposed by the state or a political subdivision of the state on the development being located within the boundaries of the local government that formed the corporation.

The substitute also omits the corresponding procedural provisions of the introduced relating to the applicability of its limitation on the operating area of a housing finance corporation and to the applicability of the tax and fee exemption for those corporations with respect to an occupied residential development. The substitute includes a procedural provision absent from the introduced establishing the application of the bill's provisions to a tax or fee imposed on a housing finance corporation with respect to a newly built residential development for which a certificate of occupancy is issued.

Whereas the introduced removed the requirement for a residential development covered by the act to be located within the local government, the substitute instead revises that requirement by specifying that the development must be located within the boundaries of the local government that formed the housing finance corporation that owns the development.