

## **BILL ANALYSIS**

C.S.H.B. 4505  
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Intergovernmental Affairs  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The bill author has informed the committee that, at the same time that the cost of construction continues to increase, demand for affordable housing in Texas is at an all-time high, pricing many in the workforce out of the market. The bill author has also informed the committee that increased access to capital not only can facilitate the creation of more housing options in the state but can also help stabilize the state and local economies and reduce the need for other state-provided services. C.S.H.B. 4505 seeks to increase the development of housing and access to capital for households that earn between 30 and 80 percent of the area median income by creating a workforce housing capital investment fund program.

### **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 rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTION 2 of this bill.

### **ANALYSIS**

C.S.H.B. 4505 amends the Government Code to provide for the establishment of the workforce housing capital investment fund program to fund the development of workforce housing in Texas. The bill includes legislative findings regarding the relationship between the creation and use of the fund and the increase in the development of workforce housing for households that earn between 30 and 80 percent of the area median income; the fund's enabling of loan recipients to access needed capital to plan for future growth; the relationship between the creation of more housing options in Texas and the stabilization of the state economy and local economies and reduction of the need for other government-provided services; the impact of skilled construction and trade labor shortages on the cost of housing at all income levels; and the use of the fund to mitigate housing deficits and provide housing to a critical segment of Texas' population for the benefit of the state and its political subdivisions.

C.S.H.B. 4505 establishes the workforce housing capital investment fund as a special fund in the state treasury outside the general revenue fund that consists of the following:

- gifts, grants, and donations received by the state for the purposes of the fund;
- legislative appropriations for the purposes of the workforce housing capital investment fund program;
- any fees or other sources of revenue that the legislature dedicates for deposit to the fund;
- repayments of loans made from the fund; and
- interest earned on money deposited to the fund.

C.S.H.B. 4505 requires the Texas Department of Housing and Community Affairs (TDHCA) to contract with a nonprofit housing organization through a one-time competitive procurement process to administer the program in accordance with the bill's provisions. The bill requires the organization with which TDHCA contracts to be designated as a 501(c)(3) tax-exempt organization that meets the following criteria:

- has a statewide service area with organizational affiliates;
- provides to designated 501(c)(3) tax-exempt organizations training and technical support, resource development, mortgage services, and disaster preparedness and response resources;
- provides financial literacy education to low-income homebuyers;
- builds single-family residential homes; and
- works with homebuyers who contribute to the construction of their home or the rehabilitation of another individual's home, including as a certified nonprofit owner-builder housing program provider under applicable state law with not less than 15 years of experience.

C.S.H.B. 4505 requires TDHCA to provide money from the fund to the program administrator with which TDHCA contracts to make and disburse zero-interest loans to program recipients in accordance with the bill's provisions. The bill restricts the use of money by program recipients to payment of costs associated with developing and constructing workforce, single-family housing projects primarily for households that earn between 30 and 80 percent of the area median income, including the following:

- planning and design costs;
- land acquisition costs;
- impact fees and permitting costs;
- costs associated with flood mitigation, water quality, and environmental controls;
- costs associated with infrastructure, including roads, sidewalks, and utilities; and
- costs associated with broadband services for single-family housing in a project area that is part of an unserved or underserved broadband serviceable location under statutory provisions relating to the broadband development map.

The bill restricts the use of money provided from the fund for broadband services to the payment of costs associated with the construction of broadband infrastructure that is completed by a broadband service provider selected after a competitive proposal solicitation process. The bill authorizes the program administrator to use interest earned on money deposited to the fund for program staffing and other related costs associated with administering the program and for training programs associated with the bill's purposes.

C.S.H.B. 4505 requires TDHCA to prescribe the form and manner for an applicant to apply for a loan under the program and requires an application to satisfy the requirements prescribed by TDHCA and to demonstrate that the applicant meets the following criteria:

- is incorporated as a nonprofit organization under state law;
- is organized for the purpose of building owner-occupied residential homes for households that earn between 30 and 80 percent of the area median income and has carried out that purpose for not less than 15 years; and
- has experience in providing training and technical support, resource development, mortgage services, and disaster preparedness and response resources that expand the applicant's capacity to serve communities in Texas.

The bill requires the program administrator to review applications and select applicants to provide loans to under the program and, in doing so, to consider the quality of the application and the applicant's ability to carry out the program's purposes. The bill authorizes the program administrator to give priority to applicants that partner with organizations that provide training opportunities to construction trade workforce members and to require an applicant to pay an origination fee on a loan application.

C.S.H.B. 4505 requires the program administrator to prepare and submit to TDHCA an annual report on the program that includes the following:

- information on the program recipients that received a loan under the program during the preceding year;
- a description of each workforce housing project funded by a loan under the program, including the following:
  - the project's expected completion date and information on the progress made during the preceding year toward completing the project;
  - the number of families the project is expected to serve; and
  - the total amount and repayment status of the loan; and
- other information TDHCA requires.

The bill requires TDHCA to post the submitted information on its website.

C.S.H.B. 4505 requires the program administrator to annually commission from a certified public accounting firm an independent financial audit of the program administrator's financial activities in relation to the program and the use of money in the fund and to provide the audit results to TDHCA for review and evaluation. The bill authorizes TDHCA, in the event it determines from the audit results that money from the fund has not been used in accordance with the bill's purposes, to require repayment of the money over a period and in the manner TDHCA requires.

C.S.H.B. 4505 requires TDHCA, as soon as practicable after the bill's effective date, to adopt rules to implement the program and carry out the bill's provisions, including rules on application procedures and requirements for an applicant to receive a loan under the program, the investment of money in the workforce housing capital investment fund, and the administration of the fund.

#### **EFFECTIVE DATE**

September 1, 2025.

#### **COMPARISON OF INTRODUCED AND SUBSTITUTE**

While C.S.H.B. 4505 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 the substitute establish that money provided from the fund to program recipients to be used for the payment of costs associated with the development and construction of certain workforce, single-family housing projects includes costs associated with broadband services. However, the substitute specifies that costs associated with broadband services are for single-family housing in a project area that is part of an unserved or underserved broadband serviceable location, whereas the introduced did not. The substitute also includes a provision absent from the introduced restricting the use of money provided from the fund for broadband services to the payment of costs associated with the construction of broadband infrastructure that is completed by a broadband service provider selected after a competitive proposal solicitation process.