

BILL ANALYSIS

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S.B. 208
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas is in the midst of a well-documented housing affordability crisis. According to the Comptroller of Public Accounts 2023 Housing Affordability study, median home prices increased 40 percent between 2019 and 2023, leaving a shortage of 306,000. This effect has been felt most by very-low income (income 31-50 percent of Area Median Income) and low income (income 51-80 percent of Area Median Income) Texans. According to the National Low Income Housing Coalition, 83.6 percent of very-low income Texans and 54.7 percent of low income Texans were housing-cost burdened, meaning they spent more than 30 percent of their annual income on housing.

A significant driving factor in the affordability crisis is the cost of constructing single-family residential housing units. According to the Texas Real Estate Research Center at Texas A&M University (TRERC), costs of construction goods and services in Texas rose sharply in 2021, reaching a peak in March of that year. Increases flattened out in the early parts of 2022 but still remain far above its average annual growth.

An additional driving factor includes costs associated with development, including development fees, utility connection costs, and development of roads. According to a 2021 study by TRERC, small-scale, residential housing developments incurred an average of \$13,725, ranging from \$5,014 to \$41,303, in development fees per unit. This included an average of \$6,006 in impact fees and \$918 in permitting costs. The cost of utility connections can also be substantial. Several homebuilder websites quote costs to be in the thousands to the tens of thousands of dollars; however, these costs are highly dependent on the build site and its proximity to existing utility infrastructure.

S.B. 208 aims to substantially increase the development of housing for households earning 30 percent to 80 percent of the area median income by providing zero-interest loans to non-profit homebuilders for the planning, land acquisition, permitting, and environmental control costs.

S.B. 208 will create the Workforce Housing Capital Investment Fund, consisting of grants/donations, funds appropriated to the fund, dedicated fees, loan repayments, and interest earned on money in the fund.

To administer the Workforce Housing Capital Investment Fund Program the Texas Department of Housing and Community Affairs (TDHCA) will contract with a nonprofit housing organization that serves the entire state. To be eligible, the organization must have performed the following functions: training and supporting other nonprofit housing organizations, providing financial literacy education for homebuyers, building single-family homes, and working with homebuyers who contribute to the construction of their home.

Money from the fund will be used to provide zero-interest loans to program recipients to develop and construct single-family housing for households earning 30 percent to 80 percent of the Area Median Income. Eligible uses include planning and design costs, land acquisition costs, permitting costs, environmental control costs, and costs associated with infrastructure like sidewalks and utilities.

In developing an application process TDHCA must ensure eligible applicants are nonprofit organizations in Texas that are organized for the purpose of building owner-occupied residential

housing for households earning 30 percent to 80 percent of the area median income and have more than 15 years of experience carrying out that purpose. Currently, there are at least five nonprofit home builder organizations that fulfill these eligibility requirements.

To ensure accountability, the program administrator will submit to TDHCA an annual report including information on program recipients and each workforce housing project funded by the program including expected completion dates, the number of families served, and information regarding the loans provided. Additionally, the program administrator will annually commission an audit of its financial activities in relation to the use of money in the fund. This audit will be submitted to TDHCA for review and evaluation.

As proposed, S.B. 208 amends current law relating to the establishment of the workforce housing capital investment fund program to fund the development of workforce housing in this state and authorizes a fee.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTION 2 (Section 2306.708, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Provides that the legislature finds that:

- (1) the creation of the workforce housing capital investment fund and use of the fund under Subchapter EE, Chapter 2306, Government Code, as added by this Act, will substantially increase the development of workforce housing for households that earn between 30 and 80 percent of the area median income;
- (2) the workforce housing capital investment fund will enable loan recipients to access needed capital to plan for future growth;
- (3) the creation of more housing options in this state will help stabilize the state economy and local economies across this state and reduce the need for other services provided by this state and political subdivisions of this state;
- (4) skilled construction and trade labor shortages impact the cost of housing at all income levels; and
- (5) the use of the workforce housing capital investment fund for the purposes of and in the manner described by Subchapter EE, Chapter 2306, Government Code, as added by this Act, is in furtherance of the public purposes of mitigating housing deficits and providing housing to a critical segment of this state's population that is not often served by for-profit housing and for the benefit of both this state and political subdivisions of this state that are impacted by a lack of workforce housing to provide to qualified homebuyers.

SECTION 2. Amends Chapter 2306, Government Code, by adding Subchapter EE, as follows:

SUBCHAPTER EE. WORKFORCE HOUSING CAPITAL INVESTMENT FUND PROGRAM

Sec. 2306.701. DEFINITIONS. Defines "fund," "program," "program administrator," and "program recipient."

Sec. 2306.702. WORKFORCE HOUSING CAPITAL INVESTMENT FUND. (a) Provides that the workforce housing capital investment fund (fund) is a special fund in the state treasury outside the general revenue fund.

- (b) Provides that the fund consists of certain monies.

Sec. 2306.703. PROGRAM ADMINISTRATION. (a) 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 workforce housing capital investment fund program (program) in accordance with this subchapter.

(b) Requires the nonprofit housing organization with which TDHCA contracts under this section to be a nonprofit organization designated as a Section 501(c)(3) organization by the Internal Revenue Service that meets certain criteria.

Sec. 2306.704. USE OF FUND. (a) Requires TDHCA to provide money from the fund to the program administrator to make and disperse zero-interest loans to program recipients in accordance with this subchapter.

(b) Provides that money provided from the fund to program recipients is authorized to be used only to pay the costs associated with the development and construction of workforce, single-family housing projects primarily for households that earn between 30 and 80 percent of the area median income, including certain costs.

(c) Authorizes interest earned on money deposited to the fund to be used by the program administrator for program staffing and other related costs associated with administering the program and training programs associated with the purposes of this subchapter.

Sec. 2306.705. APPLICATION REQUIREMENTS; PROGRAM RECIPIENT SELECTION. (a) Requires TDHCA to prescribe the form and manner for an applicant to apply for a loan under the program.

(b) Requires that an application satisfy the requirements prescribed by TDHCA and demonstrate that the applicant meets certain criteria.

(c) Requires the program administrator to review applications and select applicants to provide loans to under the program. Provides that, in selecting applicants, the program administrator is required to consider the quality of the application and the applicant's ability to carry out the purposes of this subchapter and is authorized to give priority to applicants that partner with organizations that provide training opportunities to construction trade workforce members.

(d) Authorizes the program administrator to require an applicant to pay an origination fee on a loan application.

Sec. 2306.706. ANNUAL REPORT; INTERNET POSTING. (a) Requires the program administrator to prepare and submit to TDHCA an annual report on the program. Requires that the report include certain information.

(b) Requires TDHCA to post on TDHCA's Internet website the information submitted to TDHCA under this section.

Sec. 2306.707. INDEPENDENT FINANCIAL AUDIT. (a) 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. Requires the program administrator to provide the results of the audit to TDHCA for TDHCA's review and evaluation.

(b) Authorizes TDHCA, in the event TDHCA determines from the results of the audit that money from the fund has not been used in accordance with the purposes of this subchapter, to require repayment of the money over a period and in the manner TDHCA requires.

Sec. 2306.708. RULES. Requires TDHCA to adopt rules to implement the program and carry out this subchapter, including rules on application procedures and requirements for an applicant to receive a loan under the program, the investment of money in the fund, and the administration of the fund.

SECTION 3. Requires TDHCA, as soon as practicable after the effective date of this Act, to adopt rules to implement Subchapter EE, Chapter 306, Government Code, as added by this Act.

SECTION 4. Effective date: September 1, 2025.