

BILL ANALYSIS

Senate Research Center

S.B. 840
By: Hughes
Local Government
6/24/2025
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

This legislation addresses housing supply shortages by permitting mixed-use and residential development on commercial properties by right. Many Texas cities have substantial vacant or underutilized commercial land that could be transformed into much-needed housing. Allowing residential development in these areas helps address the state's growing housing shortage while promoting economic growth and community revitalization.

The bill also includes measures to facilitate the conversion of existing commercial structures into housing. Repurposing existing buildings enables faster project completion compared to ground-up construction while preserving infrastructure. By reducing regulatory hurdles and streamlining the conversion process, this legislation creates more housing opportunities, helping more Texans achieve homeownership. With Texas facing a shortage of 320,000 homes in 2022, making commercial-zoned land available for residential use will help alleviate rising housing costs.

The committee substitute refines the bill by excluding zones designated for heavy industrial use, updating the bracket from 60k to 90k (municipality) and 420k to 300k (county), improving language to facilitate conversions, clarifying enforcement provisions, ensuring cities can still implement affordable housing incentives and programs, maintaining historic district design standards, and allowing a fee for building safety inspections and permitting in conversion projects.

(Original Author's/Sponsor's Statement of Intent)

S.B. 840 amends current law relating to certain municipal regulation of certain mixed-use and multifamily residential development projects and conversion of certain commercial buildings to mixed-use and multifamily residential occupancy.

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 Subchapter A, Chapter 211, Local Government Code, by adding Section 211.0011, as follows:

Sec. 211.0011. ZONING REGULATION OF MIXED-USE RESIDENTIAL AND MULTIFAMILY RESIDENTIAL USE AND DEVELOPMENT. (a) Defines "mixed-use residential" and "multifamily residential."

(b) Provides that the authority under Chapter 211 (Municipal Zoning Authority) related to zoning regulations and the determination of zoning district boundaries in connection with mixed-use residential use and development and multifamily residential use and development is subject to Chapter 218.

SECTION 2. Amends Subtitle A, Title 7, Local Government Code, by adding Chapter 218, as follows:

CHAPTER 218. REGULATION OF MIXED-USE AND MULTIFAMILY RESIDENTIAL USE AND DEVELOPMENT IN CERTAIN MUNICIPALITIES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 218.001. DEFINITIONS. Defines "heavy residential use," "mixed-use residential," and "multifamily residential."

Sec. 218.002. APPLICABILITY. Provides that this chapter applies only to a municipality with a population greater than 150,000 that is wholly or partly located in a county with a population greater than 300,000.

Sec. 218.003. NO EFFECT ON OTHER RESTRICTIONS AND RULES. Provides that this chapter does not affect the authority of a municipality to apply the municipality's regulations on short-term rental units to a mixed-use residential or multifamily residential development; adopt or enforce water quality protection regulations to implement or comply with water quality requirements under state or federal law, including Chapter 366 (On-Site Sewage Disposal Systems), Health and Safety Code; adopt or enforce a density bonus program or other voluntary program that allows for site development standards that are less restrictive than the standards described by this chapter; or apply certain regulations that are generally applicable to other developments in the municipality.

SUBCHAPTER B. ZONING AND DEVELOPMENT REGULATIONS

Sec. 218.101. MIXED-USE RESIDENTIAL AND MULTIFAMILY RESIDENTIAL USES ALLOWED. (a) Requires a municipality, notwithstanding any other law and subject to Subsection (c), to allow mixed-use residential use and development or multifamily residential use and development in a zoning classification that allows office, commercial, retail, warehouse, or mixed-use use or development as an allowed use under the classification.

(b) Prohibits a municipality, notwithstanding any other law and subject to Subsection (c), from requiring the change of a zoning district or land use classification or regulation or an approval of an amendment, exception, or variance to a zoning district or land use classification or regulation prior to allowing a mixed-use residential use or development or multifamily residential use or development in an area covered by a zoning classification described by Subsection (a). Provides that an amendment, exception, or variance to zoning district or a land use classification or regulation includes a special exception, zoning variance, site development variance, subdivision variance, conditional use approval, special use permit, comprehensive plan amendment, or other discretionary approval to allow a mixed-use residential use or development or multifamily residential use or development.

(c) Provides that this section does not apply to a zoning classification that allows heavy industrial use, land located within 1,000 feet of an existing heavy industrial use or development site or 3,000 feet of an airport or military base, or an area designated by a municipality as a clear zone or accident potential zone.

Sec. 218.102. REGULATION OF MIXED-USE RESIDENTIAL AND MULTIFAMILY RESIDENTIAL USE OR DEVELOPMENT. (a) Prohibits a municipality, notwithstanding any other law, from adopting or enforcing an ordinance, zoning restriction, or other regulation that imposes certain limits and requirements.

(b) Provides that, notwithstanding any other law, if a municipal authority responsible for approving a building permit or other authorization required for the construction of a mixed-use residential or multifamily residential development determines that a proposed development meets municipal land development regulations in accordance with this subchapter, the municipal authority is:

(1) required to administratively approve the permit or other authorization; and

(2) prohibited from requiring further action by the governing body of the municipality or county for the approval to take effect.

SUBCHAPTER C. FEES AND REGULATIONS APPLICABLE TO CONVERSION OF CERTAIN USES

Sec. 218.201. DEFINITION. Defines "permit."

Sec. 218.202. APPLICABILITY. Provides that this subchapter applies only to a building or the structural components of the building that is being used for office, retail, or warehouse use; is proposed to be converted from nonresidential occupancy to mixed-use residential or multifamily residential occupancy for at least 65 percent of the building and at least 65 percent of each floor of the building that is fit for occupancy; and was constructed at least five years before the proposed date to start the conversion.

Sec. 218.203. CERTAIN REGULATIONS PROHIBITED. Prohibits a municipality, notwithstanding any other law, in connection with the use, development, construction, or occupancy of a building proposed to be converted to mixed-use residential or multifamily residential use, from requiring:

(1) the preparation of a traffic impact analysis or other study relating to the effect the proposed converted building would have on traffic or traffic operations;

(2) the construction of improvements or payment of a fee in connection with mitigating traffic effects related to the proposed converted building;

(3) the provision of additional parking spaces, other than the parking spaces that already exist in the site of the proposed converted building;

(4) the extension, upgrade, replacement, or oversizing of a utility facility except as necessary to provide the minimum capacity needed to serve the proposed converted building; or

(5) a design requirement, including a requirement related to the exterior, windows, internal environment of a building, or interior space dimensions of an apartment, that is more restrictive than the applicable minimum standard under the International Building Code as adopted as a municipal commercial building code under Section 214.216 (International Building Code).

Sec. 218.204. IMPACT FEE PROHIBITED. Prohibits a municipality, notwithstanding any other law, from imposing an impact fee, as defined by Section 395.001 (Definitions), on land where a building has been converted to mixed-use residential or multifamily residential use unless the land on which the building is located was already subject to an impact fee before a building permit related to the conversion was filed with the municipality.

SUBCHAPTER D. ENFORCEMENT

Sec. 218.301. CIVIL ACTION. (a) Defines "housing organization."

(b) Authorizes a housing organization or other person adversely affected or aggrieved by a violation of this chapter to bring an action for declaratory or injunctive relief against a municipality.

(c) Requires the court to award court costs and reasonable attorney's fees to a claimant who prevails in an action brought under this section.

(d) Requires that an action brought under this section, notwithstanding any other law, including Chapter 15 (Venue), Civil Practice and Remedies Code, be brought in a county in which all or part of the real property that is the subject of the action is located.

(e) Provides that, notwithstanding any other law, the Fifteenth Court of Appeals has exclusive intermediate appellate jurisdiction over an action brought under this section.

SECTION 3. Amends Section 395.011, Local Government Code, by amending Subsection (b) and adding Subsection (b-1), as follows:

(b) Creates exceptions under Section 218.204 and Subsection (b-1).

(b-1) Creates this subsection from existing text. Prohibits a political subdivision from enacting or imposing an impact fee on land within its extraterritorial jurisdiction for roadway facilities. Makes nonsubstantive changes.

SECTION 4. (a) Makes application of Subchapter B, Chapter 218, Local Government Code, as added by this Act, prospective.

(b) Makes application of Subchapter C, Chapter 218, Local Government Code, as added by this Act, prospective.

SECTION 5. Effective date: September 1, 2025.