

BILL ANALYSIS

Senate Research Center
89R4119 JAM-F

S.B. 898
By: Blanco
Local Government
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, the maximum tax credit an affordable housing developer may be issued by the Texas Department of Housing and Community Affairs per each development is \$2 million. The cap has not been raised by the Texas Legislature since 2011 when it was first established in statute. According to the United States Census Bureau, cumulative inflation has increased by approximately 43 percent since 2011, with multifamily residential inflation being 68.9 percent since 2011. The similar "per developer cap" was raised from \$3 million to \$6 million by the Texas Legislature in 2023 , while the "per development cap" was not adjusted.

Tax credit developments in Texas have significant fixed costs such as legal, engineering, and inspection fees that vary little with the number of units, therefore, larger projects help keep per-unit costs more affordable. Inflation since 2011 has exacerbated these financial pressures as the state's population grows, housing costs surge, and inventory remains scarce. While local governments and nonprofits have tried to expand affordable options, rising construction expenses continue to limit reasonably priced homes for many residents.

S.B. 898 will raise the cap for the affordable housing tax credit from \$2 million to \$3 million per development. This will allow developers to scale their projects and build more units to account for increases in inflation and fixed cost. This will increase the number of affordable housing units per development and provide more affordable housing options to Texas families.

As proposed, S.B. 898 amends current law relating to the allocation of low income housing tax credits.

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 2306.6711(b), Government Code, as follows:

(b) Prohibits the governing board of the Texas Department of Housing and Community Affairs (TDHCA) from allocating to an applicant housing tax credits in any unnecessary amount, as determined by TDHCA's underwriting policy and by federal law, and in any event allocating to the applicant housing tax credits in an amount greater than \$6 million in a single application round or to an individual development more than \$3, rather than \$2, million in a single application round.

SECTION 2. Provides that Section 2306.6711(b), Government Code, as amended by this Act, applies only to an application for low income housing tax credits that is submitted to TDHCA during an application cycle that is based on the 2026 qualified allocation plan or a subsequent plan adopted by the governing board of TDHCA. Provides that an application that is submitted during an application cycle that is based on an earlier qualified allocation plan is governed by the law in effect on the date the application cycle began, and the former law is continued in effect for that purpose.

SECTION 3. Effective date: September 1, 2025.