

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1454
By: Bettencourt
Local Government
4/25/2025
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Property owned by a municipal housing authority is exempt from all taxes and special assessments levied by a political subdivision of the state. When a housing authority acquires title ownership of a taxable multi-family property located outside of its city limits, the property becomes tax-exempt, and service-providing districts (e.g., emergency service districts, municipal utility districts, water control and improvement districts, etc.) immediately lose tax revenue from the previously taxable property. These districts must continue to pay existing infrastructure obligations and provide services to these properties at the expense of the districts' remaining taxpayers. Many of these service-providing districts are located in municipal extraterritorial jurisdictions (ETJs).

Interested parties have raised concerns about the volume of real estate transactions that some housing authorities are closing outside of a municipality's city limits, and the effect these transactions have on service-providing districts' ability to service their debt obligations and continue to provide service. S.B. 1454 seeks to alleviate these concerns by reducing a municipal housing authority's area of operation to the area inside the municipal city limits.

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

C.S.S.B. 1454 amends current law relating to the area of operations of and certain tax exemptions available to housing authorities.

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 392.005, Local Government Code, by adding Subsection (e), as follows:

(e) Provides that an exemption under Section 392.005 (Tax Exemption) does not apply to taxes imposed on a multifamily residential development by a district that provides water, sewer, or drainage service to the development, unless the applicable authority has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. Provides that, in this subsection, district means a conservation or reclamation district created under Section 52 (Restrictions on Lending Credit or Making Grants by Political Corporations or Political Subdivisions; Authorized Bonds; Investment of Funds), Article III (Legislative Department), or Section 59 (Conservation and Development of Natural Resources; Development of Parks and Recreational Facilities; Conservation and Reclamation Districts; Indebtedness and Taxation Authorized), Article XVI (General Provisions), Texas Constitution, or an emergency services district created under Chapter 775 (Emergency Services Districts), Health and Safety Code.

SECTION 2. Amends Section 392.014, Local Government Code, as follows:

Sec. 392.014. AREA OF OPERATION OF A MUNICIPAL HOUSING AUTHORITY. Provides that the area of operation of a municipal housing authority is limited to the territorial boundaries of the municipality for which the authority is created. Deletes existing text providing that the area of operation of a municipal housing authority is the municipality for which the authority is created and the area that is within five miles of the territorial boundaries of the municipality and is not within the territorial boundaries of another municipality.

SECTION 3. Amends Section 392.017(b), Local Government Code, to prohibit a municipal housing authority from undertaking a housing project outside the territorial boundaries of the municipality in which it is authorized to exercise its powers unless a resolution meeting certain criteria is adopted by each governing body, rather than the governing body, of the political subdivision in which the housing project is to be located and by the housing authority authorized to exercise its powers exclusively in the political subdivision, if any.

SECTION 4. Makes application of Section 392.014, Local Government Code, as amended by this Act, prospective.

SECTION 5. Effective date: upon passage or September 1, 2025.