

## BILL ANALYSIS

Senate Research Center

C.S.S.B. 1944  
By: Eckhardt; West  
Local Government  
5/9/2025  
Committee Report (Substituted)

### AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2003, the 79th Legislature restricted the Texas Department of Housing and Community Affairs (TDHCA) from awarding a nine percent low-income housing tax credit (LIHTC) to a development within one linear mile of another development awarded by TDHCA in the same calendar year. In 2011, the 82nd Legislature expanded the restriction to two years and made it apply to any county over one million in population.

This provision, often called the "Two-Mile, One-Year Rule," was intended to prevent the concentration of affordable housing in low-income neighborhoods. However, many affordable housing developers and advocates have stated that the rule prevents them from developing affordable housing in high-opportunity areas, such as those near job centers, transit hubs, and economic zones. These locations are crucial for increasing access to employment, education, and essential services, particularly for low-income families. However, by limiting affordable housing development in these high-demand neighborhoods, the rule forces projects to be in less desirable or harder-to-access locations.

S.B. 1944 seeks to promote the spirit of the original legislation by preventing the concentration of affordable housing in low-income neighborhoods and promoting the development of affordable housing in high-opportunity areas. The bill allows a city to waive the Two-Mile, One-Year Rule for a high-opportunity development. A high-opportunity development is any development in an area that allows it to receive the full points under TDHCA's Opportunity Index (10 Tex. Admin. Code §11.9(c)(5)).

To qualify for this waiver, a development must be in an area that meets certain income and community asset requirements, including being located in:

- A census tract with a poverty rate of less than 20 percent or the median poverty rate among tracts for the region, whichever is greater;
- A census tract where the median household income is in the top 50 percent of the region or is in the top 75 percent, but is adjacent to a census tract in the top 50 percent; and
- An area with access to at least five community assets correlated with positive outcomes, including access to public transit, parks, full-service grocery stores, pharmacies, hospitals, public libraries, physicians, public schools, etc.

The committee substitute makes multiple changes to ensure the waiver is narrowly tailored to commercial, multi-family, and mixed-use areas and adds the following restrictions:

- The development must be in a zoning district or land use classification that allows multifamily residential, mixed-use, office, commercial, retail, or warehouse development;
- The development may not be subject to a deed restriction prohibiting multifamily residential, mixed-use, office, commercial, retail, or warehouse development; and
- The development must be located on a major arterial roadway.

Additionally, the substitute requires a municipal governing body to approve the waiver with a two-thirds majority. Finally, the substitute defines "high-opportunity development" with identical language to the income requirements found in Administrative Code while still deferring to TDHCA rulemaking for the community asset-related criteria.

C.S.S.B. 1944 amends current law relating to the allocation of housing tax credits to developments within proximate geographical areas.

## **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, Government Code, by amending Subsection (f-1) and adding Subsection (f-2), as follows:

(f-1) Authorizes the governing board of the Texas Department of Housing and Community Affairs (TDHCA) to allocate housing tax credits to more than one development in a single community:

(1) if, rather than only if, the community meets certain requirements, including being located in a federally declared disaster area; or

(2) if the development is a high opportunity development; the governing body of the municipality containing the development has by a two-thirds vote specifically authorized the allocation of housing tax credits for the development; the development is in a zoning district or land use classification whereby the municipality allows certain developments and is not subject to a deed restriction or regulation that prohibits certain developments; and the development is located on a major arterial roadway.

Makes nonsubstantive changes to this subsection.

(f-2) Defines "high opportunity development."

SECTION 2. Provides that the change in law made 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.