BILL ANALYSIS

Senate Research Center

S.B. 2137
By: Menéndez
Local Government
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Building more affordable housing in the locations of high demand is one of the keys to driving down the skyrocketing cost of living in Texas cities. Every year, the Texas Department of Housing and Community Affairs (TDHCA) releases its Qualified Allocation Plan (QAP) as required under the Low-Income Housing Tax Credit (LIHTC) program, a nationwide affordable housing program administered by the states. This QAP determines the eligibility priorities and criteria for developments seeking to receive LIHTC funds, thereby determining where new affordable units are and are not placed. Currently, TDHCA uses school quality ratings for nearby general enrollment public schools as a metric for determining development selection.

The school rating system in Texas is flawed, as new school ratings have not been released since 2022 and are strongly correlated with a school's surrounding property tax base; units in predominantly low-income areas remain market rate while new government-supported developments continue to go up far from the areas that need them most.

S.B. 2137 prohibits TDHCA from considering school ratings in its 2027 QAP and requires the agency to conduct a study of how this prohibition impacts affordable housing development and the allocation of LIHTC credits in the state. This will allow new affordable housing development in all areas of our cities and help residents find affordable housing options in their communities.

S.B. 2137 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 2306.67022, Government Code, by adding Subsections (d) and (e), as follows:

> (d) Prohibits the Texas Department of Housing and Community Affairs (TDHCA) from requiring as part of the threshold criteria under a qualified allocation plan that a public school campus with an attendance zone that contains the proposed development site satisfy certain criteria relating to educational quality, as specified by TDHCA in that plan, or adopting a qualified allocation plan that uses a scoring system that awards points to an application based on criteria relating to the educational quality of a public school campus with an attendance zone that contains the proposed development site.
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> (e) Provides that this subsection and Subsection (d) expire September 1, 2027.

SECTION 2. (a) Requires TDHCA to conduct a study of the effects that the implementation of Section 2306.67022(d), Government Code, as added by this Act, has on the allocation of low income housing tax credits in this state.

(b) Requires TDHCA, not later than November 1, 2027, to submit to each standing committee of the legislature with jurisdiction over affordable housing a report regarding the study required by Subsection (a) of this section.

SECTION 3. 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 or 2027 qualified allocation plan adopted by the governing board of TDHCA.

SECTION 4. Effective date: September 1, 2025.