

BILL ANALYSIS

S.B. 2477
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Land & Resource Management
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill sponsor has informed the committee that since the COVID-19 pandemic, office buildings in major urban centers have become underutilized, with vacancy rates nearing 25 percent in cities like Dallas, Houston, and Austin. The bill sponsor has also informed the committee that while Texans face rising housing costs and limited options near job centers, converting vacant offices to housing requires property owners and developers to navigate a maze of zoning changes, legal reviews, and delays—each adding thousands of dollars—that increase uncertainty and financial risk. The bill sponsor has further informed the committee that, as a result, many viable projects are abandoned—not due to lack of demand, but because the red tape makes them financially unworkable. S.B. 2477 seeks to address this issue by removing unnecessary regulatory barriers to office-to-residential conversions in certain municipalities.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 2477 amends the Local Government Code to provide for the regulation by certain municipalities of the conversion of certain office buildings to mixed-use and multifamily residential occupancy, applicable 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.

Fees and Regulations

S.B. 2477 prohibits a municipality from requiring the following in connection with the use, development, construction, or occupancy of a building proposed to be converted to mixed-use residential or multifamily residential use:

- 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;
- the construction of improvements or payment of a fee in connection with mitigating traffic effects related to the proposed converted building;
- the provision of additional parking spaces, other than the parking spaces that already exist on the site of the proposed converted building;
- 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;

- a limit on density applicable to the site of the proposed converted building that is more restrictive than the greater of:
 - the highest residential density allowed in the municipality; or
 - 36 units per acre;
- a building proposed to be converted to multifamily residential occupancy not located in an area zoned for mixed-use residential use to include nonresidential uses;
- 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;
- 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 conversion of a building to mixed-use residential use or multifamily residential use;
- a floor-to-area ratio that is less than the greater of the following:
 - 120 percent of the existing floor-to-area ratio of the building, if the proposed conversion does not increase the existing height or site coverage of the building;
 - or
 - the highest floor-to-area ratio allowed for a building on the site;
- a limit on impervious cover or site coverage that is less than the existing impervious cover or site coverage of the building or site; or
- an additional drainage, detention, or water quality requirement, if the proposed conversion does not increase the amount of impervious cover on the building site.

The bill specifies for these purposes that an amendment, exception, or variance to a zoning district or 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 conversion of a building to mixed-use residential use or multifamily residential use.

S.B. 2477 prohibits a municipality from imposing an impact fee, defined by reference to statutory provisions relating to financing capital improvements required by new development in municipalities, counties, and certain other local governments, on land where a building has been converted to mixed-use residential or multifamily residential use unless the land was already subject to such a fee before a building permit related to the conversion was filed with the municipality. The bill requires a municipal authority responsible for approving a building permit or other authorization required for such a building conversion that determines that a proposed conversion meets municipal regulations in accordance with these provisions to administratively approve the permit or other authorization. The bill prohibits such an authority from requiring further action by the governing body of the municipality for the approval to take effect.

S.B. 2477 makes these provisions applicable only to a building or the structural components of a building that is being used primarily for office use, is proposed to be converted from primarily office use 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. The bill expressly does not apply to a building proposed to be converted to mixed-use residential or multifamily residential use that is located as follows:

- in an area subject to a zoning classification that allows heavy industrial use; or
- within the following:
 - 1,000 feet of an existing heavy industrial use or development site;
 - 3,000 feet of an airport or military base; or
 - 15,000 feet of the boundary of a military base if the area is designated by a municipality or joint airport zoning board, as applicable, as a clear zone or accident potential zone supporting military aviation operations.

Enforcement

S.B. 2477 authorizes a housing organization or other person adversely affected or aggrieved by a violation of the bill's provisions to bring an action for declaratory or injunctive relief against a municipality. The bill defines "housing organization" as a trade or industry group organized under state law consisting of local members primarily engaged in the construction or management of housing units, a nonprofit organization organized under state law that provides or advocates for increased access or reduced barriers to housing and has filed written or oral comments with the legislature, or a nonprofit organization that is engaged in public policy research, education, and outreach that includes housing policy-related issues and advocacy.

S.B. 2477 requires a court to award reasonable attorney's fees and court costs to a prevailing claimant in an action brought under these provisions. The bill requires such an action to be brought in a county in which all or part of the real property that is the subject of the action is located. The bill establishes that the Fifteenth Court of Appeals has exclusive intermediate appellate jurisdiction over those actions.

Effects on Other Restrictions and Rules

S.B. 2477 expressly does not limit the following:

- a municipality from adopting or enforcing an ordinance, regulation, or other measure:
 - to protect historic landmarks or include properties within the boundaries of local historic districts; or
 - related to the use and occupancy of a residential property that is rented for a period not longer than 30 consecutive days; or
- a property owner from enforcing rules or deed restrictions imposed by a property owners' association or by other private agreement.

Definitions

S.B. 2477 defines the following terms for purposes of its provisions:

- "heavy industrial use" as a storage, processing, or manufacturing use with processes using flammable or explosive materials, with hazardous conditions, or that is noxious or offensive from odors, smoke, noise, fumes, or vibrations;
- "mixed-use residential," when used to describe land use or development, as the use or development, as applicable, of a site consisting of residential and nonresidential uses in which the residential uses are at least 65 percent of the total square footage of the development, including the use or development of a condominium;
- "multifamily residential," when used to describe land use or development, as the use or development, as applicable, of a site for three or more dwelling units within one or more buildings, including the use or development of a residential condominium; and
- "permit" by reference to statutory provisions governing the issuance of local permits.

Procedural Provision

S.B. 2477 applies only to a building proposed to be converted to mixed-use residential or multifamily residential use in which a building permit was submitted to a municipality on or after the bill's effective date.

EFFECTIVE DATE

September 1, 2025.