

By: Gates

H.B. No. 1595

A BILL TO BE ENTITLED

AN ACT

relating to public housing authorities; authorizing a fee.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter A, Chapter 392, Local Government Code, is amended by amending Section 392.005 and adding Sections 392.0051 and 392.0052 to read as follows:

Sec. 392.005. TAX EXEMPTION. (a) The property of an authority is public property used for essential public and governmental purposes. Subject to Section 392.0051, the ~~[The]~~ authority and the authority's property are exempt from all taxes and special assessments of a municipality, a county, another political subdivision, or the state.

(b) If a municipality, county, or political subdivision furnishes improvements, services, or facilities for a housing project, an authority may, in lieu of paying taxes or special assessments, agree to reimburse in payments to the municipality, county, or political subdivision an amount not greater than the estimated cost to the municipality, county, or political subdivision for the improvements, services, or facilities.

Sec. 392.0051. CONDITIONS FOR BENEFICIAL PROPERTY-BASED TAX AND SPECIAL ASSESSMENT TREATMENT RELATING TO CERTAIN MULTIFAMILY RESIDENTIAL DEVELOPMENTS. (a) In this section:

(1) "Housing choice voucher program" means the housing choice voucher program under Section 8, United States Housing Act

1 of 1937 (42 U.S.C. Section 1437f).

2 (2) "Lower income housing unit" means a residential
3 unit reserved for occupancy by an individual or family earning not
4 more than 60 percent of the area median income, adjusted for family
5 size, as defined by the United States Department of Housing and
6 Urban Development.

7 (3) "Moderate income housing unit" means a residential
8 unit reserved for occupancy by an individual or family earning not
9 more than 80 percent of the area median income, adjusted for family
10 size, as defined by the United States Department of Housing and
11 Urban Development.

12 (4) "Property-based exemption" means an exemption
13 from the taxes and special assessments imposed with respect to
14 property owned by an authority.

15 (5) "Public housing unit" means a residential unit for
16 which the landlord receives a public housing operating subsidy.
17 The term does not include a unit for which payments are made to the
18 landlord under the housing choice voucher program.

19 (6) "Rent" means any recurring fee or charge a tenant
20 is required to pay as a condition of occupancy, including a fee or
21 charge for the use of a common area or facility reasonably
22 associated with residential rental property.

23 (b) This section applies to ~~[(c) An exemption under this~~
24 ~~section for]~~ a multifamily residential development which is owned
25 by an authority, a housing development corporation or a similar
26 entity created by a housing authority, and ~~[other than]~~ a public
27 facility corporation created by a housing authority under Chapter

1 303, except that this section does not apply to a multifamily
2 residential development that ~~[and which does not have at least 20~~
3 ~~percent of its residential units reserved for public housing units,~~
4 ~~applies only if]:~~

5 (1) ~~[the authority holds a public hearing, at a~~
6 ~~regular meeting of the authority's governing body, to approve the~~
7 ~~development; and~~

8 ~~[(2) at least 50 percent of the units in the~~
9 ~~multifamily residential development are reserved for occupancy by~~
10 ~~individuals and families earning less than 80 percent of the area~~
11 ~~median income, adjusted for family size.~~

12 ~~[(c-1) An exemption under this section for a multifamily~~
13 ~~residential development which is owned by a public facility~~
14 ~~corporation created by a housing authority under Chapter 303~~
15 ~~applies only if:~~

16 ~~[(1) at least 50 percent of units in the multifamily~~
17 ~~residential development are reserved for occupancy by individuals~~
18 ~~and families earning not more than 80 percent of the area median~~
19 ~~income, adjusted for family size; and~~

20 ~~[(2) the development:~~

21 ~~[(A)]~~ has at least 20 percent of its residential
22 units reserved for public housing units;

23 (2) ~~[(B)]~~ participates in the Rental Assistance
24 Demonstration program administered by the United States Department
25 of Housing and Urban Development; or

26 (3) ~~[(C) receives financial assistance administered~~
27 ~~under Chapter 1372, Government Code, or receives financial~~

~~assistance from another type of tax-exempt bond, or~~

~~[(D)]~~ receives financial assistance administered under Subchapter ~~DD~~, Chapter 2306, Government Code.

(c) Subject to Subsection (g) of this section, a property-based exemption under Section 392.005(a) for a multifamily residential development to which Subsection (b) applies is available only if the development satisfies the other requirements of this chapter and if:

(1) any applicable audit report requirements provided by Section 392.0052 are satisfied, other than those imposed on a multifamily residential development under the circumstances described by Subsection (g);

(2) the authority submits to the Texas Department of Housing and Community Affairs and to the county tax assessor-collector for the applicable appraisal district in which the exemption is sought a one-time exemption application on a form promulgated by the comptroller;

(3) a portion of the units in the multifamily residential development are reserved as follows:

(A) at least:

(i) 10 percent of the units are reserved for occupancy as lower income housing units, as defined under Section 303.0425; and

(ii) 40 percent of the units are reserved for occupancy as moderate income housing units, as defined under Section 303.0425; or

(B) at least 20 percent of the units are reserved

for occupancy by:

(i) recipients of assistance administered through a project-based rental assistance program; or

(ii) individuals or families earning not more than 30 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development;

(4) the authority delivers to the presiding officer of the governing body of each taxing unit in which the development is to be located written notice of the development, at least 30 days before the date:

(A) the authority takes action to approve a new multifamily residential development or the acquisition of an occupied multifamily residential development; and

(B) of any public hearing required to be held under Section [303.0421\(c\)](#);

(5) a majority of the members of the board are not elected representatives of the governing body of the political subdivision or subdivisions that established the authority, the development is approved by the governing body of the municipality in which the development is located or, if the development is not located in a municipality, the county in which the development is located, except that the approval described by this subdivision is not required for a multifamily residential development that reserves a portion of units as described by Subdivision (3)(B);

(6) for a multifamily residential development that is acquired by an authority, the development is occupied or was

occupied within the two-year period preceding the date of the acquisition and is not otherwise subject to a land use restriction agreement under Section 2306.185, Government Code, and:

(A) not less than 15 percent of the total gross cost of the existing development, as shown in the settlement statement, is expended on rehabilitating, renovating, reconstructing, or repairing the development, with initial expenditures and construction activities:

(i) beginning not later than the first anniversary of the date of the acquisition; and

(ii) finishing not later than the third anniversary of the date of the acquisition; or

(B) at least 25 percent of the units are reserved for occupancy as lower income housing units;

(7) not less than 30 days before the date of final approval of the development:

(A) the authority conducts, or obtains from a professional entity that has experience underwriting affordable multifamily residential developments and does not have a financial interest in the applicable development, developer, or authority, an underwriting assessment of the proposed development that allows the authority to make a good faith determination that, for an occupied multifamily residential development acquired by an authority or for a newly constructed multifamily residential development owned by an authority, the total annual amount of rent reduction on the income-restricted residential units provided at the development will be not less than 60 percent of the estimated amount of the

annual ad valorem taxes that would be imposed on the property without an exemption from those taxes under Section 392.005(a) for the second, third, and fourth years after the date of acquisition by the authority or the date the certificate of occupancy is issued for the development, as applicable; and

(B) the authority publishes on its Internet website a copy of the underwriting assessment described by Paragraph (A);

(8) the percentage of lower and moderate income housing units reserved in each category of income-restricted residential units in the development, based on the number of bedrooms per unit, is the same as the percentage of each category of income-restricted residential units reserved in the development as a whole;

(9) the monthly rent charged per unit does not exceed:

(A) for a lower income housing unit, 30 percent of 60 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development; or

(B) for a moderate income housing unit, 30 percent of 80 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development;

(10) the authority that owns the development does not:

(A) refuse to rent a residential unit to an individual or family because the individual or family participates in the housing choice voucher program; or

1 (B) use a financial or minimum income standard
2 that requires an individual or family participating in the housing
3 choice voucher program to have a monthly income of more than 250
4 percent of the individual's or family's share of the total monthly
5 rent payable for a unit;

6 (11) the authority publishes on its Internet website
7 information about the development's:

8 (A) compliance with the conditions prescribed by
9 this section; and

10 (B) policies regarding tenant participation in
11 the housing choice voucher program;

12 (12) the authority that owns the development:

13 (A) affirmatively markets available residential
14 units directly to individuals and families participating in the
15 housing choice voucher program; and

16 (B) notifies local housing authorities of the
17 development's acceptance of tenants in the housing choice voucher
18 program; and

19 (13) each lease agreement for a residential unit in
20 the development provides that:

21 (A) the landlord may not retaliate against the
22 tenant or the tenant's guests by taking an action because the tenant
23 established, attempted to establish, or participated in a tenant
24 organization;

25 (B) the landlord may only choose to not renew the
26 lease if the tenant:

27 (i) committed one or more substantial

1 violations of the lease;

2 (ii) failed to provide required information
3 on the income, composition, or eligibility of the tenant's
4 household; or

5 (iii) committed repeated minor violations
6 of the lease that disrupt the livability of the property, adversely
7 affect the health and safety of any person or the right to quiet
8 enjoyment of the leased premises and related development
9 facilities, interfere with the management of the development, or
10 have an adverse financial effect on the development, including the
11 failure of the tenant to pay rent in a timely manner; and

12 (C) to not renew the lease, the landlord must
13 serve a written notice of proposed nonrenewal on the tenant not
14 later than the 30th day before the effective date of nonrenewal.

15 (d) In calculating the income of an individual or family for
16 a lower or moderate income housing unit, the authority must use the
17 definition of annual income described in 24 C.F.R. Section 5.609,
18 as implemented by the United States Department of Housing and Urban
19 Development. If the income of a tenant exceeds an applicable limit
20 at the time of the renewal of a lease agreement for a residential
21 unit, the provisions of Section 42(g)(2)(D), Internal Revenue Code
22 of 1986, apply in determining whether the unit may still qualify as
23 a lower or moderate income housing unit.

24 (e) An authority may require an individual or family
25 participating in the housing choice voucher program to pay the
26 difference between the monthly rent for the applicable unit and the
27 amount of the monthly voucher if the amount of the voucher is less

1 than the rent.

2 (f) A tenant may not waive the protections provided by
3 Subsection (c)(13). An authority may adopt tenant protections that
4 are more protective of tenants than the tenant protections provided
5 by Subsection (c)(13).

6 (g) Notwithstanding Subsection (c), a multifamily
7 residential development that is acquired by an authority, that is
8 occupied or was occupied within the two-year period preceding the
9 date of the acquisition, and that is not otherwise subject to a land
10 use restriction agreement under Section 2306.185, Government Code,
11 is eligible for a property-based exemption under Section 392.005(a)
12 for:

13 (1) the one-year period following the date of the
14 acquisition, regardless of whether the development complies with
15 the conditions prescribed by Subsection (c); and

16 (2) a year following the year described by Subdivision
17 (1) only if the development comes into compliance with the
18 conditions prescribed by Subsection (c) not later than the first
19 anniversary of the date of the acquisition.

20 Sec. 392.0052. AUDIT REQUIREMENTS FOR CERTAIN MULTIFAMILY
21 RESIDENTIAL DEVELOPMENTS. (a) In this section:

22 (1) "Department" means the Texas Department of Housing
23 and Community Affairs.

24 (2) "Property-based exemption" has the meaning
25 assigned by Section 392.0051.

26 (b) An authority that claims a property-based exemption for
27 a multifamily residential development under Section 392.005(a)

1 must annually submit to the department and the chief appraiser of
2 the appraisal district in which the development is located an audit
3 report for a compliance audit, prepared at the expense of the
4 authority and conducted by an independent auditor or compliance
5 expert with an established history of providing similar audits on
6 housing compliance matters, to:

7 (1) determine whether the authority is in compliance
8 with the conditions imposed for the exemption by Section 392.0051;
9 and

10 (2) identify the difference in the rent charged for
11 income-restricted residential units and the estimated maximum
12 market rents that could be charged for those units without the rent
13 or income restrictions.

14 (c) Not later than the 60th day after the date of receipt of
15 the audit conducted under Subsection (b), the department shall
16 examine the audit report and publish a report summarizing the
17 findings of the audit. The report must:

18 (1) be made available on the department's Internet
19 website;

20 (2) be issued to an authority that has an interest in a
21 development that is the subject of an audit, the comptroller, and
22 the governing body of the political subdivision or subdivisions
23 that established the authority; and

24 (3) describe in detail the nature of any failure to
25 comply with the conditions imposed for the property-based exemption
26 by Section 392.0051.

27 (d) If an audit report submitted under Subsection (b)

indicates noncompliance with Section 392.0051, an authority:

(1) must be given:

(A) written notice from the department or appropriate appraisal district that:

(i) is provided not later than the 90th day after the date a report has been submitted under Subsection (b);

(ii) specifies the reasons for noncompliance;

(iii) contains at least one option for a corrective action to resolve the noncompliance; and

(iv) informs the authority that failure to resolve the noncompliance will result in the loss of the property-based exemption under Section 392.005(a);

(B) a period of 60 days after the date notice is received under this subdivision to resolve the matter that is the subject of the notice; and

(C) if a matter that is the subject of a notice provided under this subdivision is not resolved to the satisfaction of the department and appropriate taxing authority during the period provided by Paragraph (B), a second notice that informs the authority of the loss of the property-based exemption due to noncompliance with Section 392.0051; and

(2) is considered to be in compliance with Section 392.0051 if notice under Subdivision (1)(A) is not provided as specified by Subparagraph (i) of that paragraph.

(e) Except as provided by Section 392.0051(g), a property-based exemption under Section 392.005(a) does not apply

1 for a tax year in which the department determines that an authority
2 established under this chapter:

3 (1) has not submitted the audit report required by
4 this section; or

5 (2) based on an audit conducted under Subsection (b),
6 is not in compliance with the conditions imposed for the exemption
7 by Section 392.0051.

8 (f) The initial audit report required by Subsection (b) is
9 due not later than June 1 of the year following the first
10 anniversary of:

11 (1) the date of acquisition for an occupied
12 multifamily residential development that is acquired by an
13 authority; or

14 (2) the date a new multifamily residential development
15 owned by an authority first becomes occupied by one or more tenants.

16 (g) Subsequent audit reports following the issuance of the
17 initial audit report under Subsection (f) are due not later than
18 June 1 of each year.

19 (h) An independent auditor or compliance expert may not
20 prepare an audit under Subsection (b) for more than three
21 consecutive years for the same authority. After the third
22 consecutive audit, the independent auditor or compliance expert may
23 prepare an audit only after the second anniversary of the
24 preparation of the third consecutive audit.

25 (i) The department:

26 (1) shall adopt forms and reporting standards for the
27 auditing process;

1 (2) may charge a fee for the submission of an audit
2 report under this section in a reasonable amount necessary to cover
3 the expenses of administering this section; and

4 (3) may adopt rules necessary to implement this
5 section.

6 (j) An audit conducted under Subsection (b) is subject to
7 disclosure under Chapter 552, Government Code, except that
8 information containing tenant names, unit numbers, or other tenant
9 identifying information may be redacted.

10 ~~[(d) For the purposes of Subsections (c) and (c-1), a~~
11 ~~"public housing unit" is a residential unit for which the owner~~
12 ~~receives a public housing operating subsidy. It does not include a~~
13 ~~unit for which payments are made to the landlord under the federal~~
14 ~~Section 8 Housing Choice Voucher Program.]~~

15 SECTION 2. (a) Subject to Subsections (b), (c), and (d) of
16 this section, Section 392.005, Local Government Code, as amended by
17 this Act, and Section 392.0051, Local Government Code, as added by
18 this Act, apply only to a tax or special assessment imposed for a
19 tax year or calendar year, respectively, that begins on or after the
20 effective date of this Act.

21 (b) Subject to Subsections (c) and (d) of this section,
22 Section 392.005, Local Government Code, as amended by this Act, and
23 Section 392.0051, Local Government Code, as added by this Act,
24 apply only to a tax or special assessment to be imposed on a housing
25 authority with respect to an occupied multifamily residential
26 development that is acquired by the authority on or after the
27 effective date of this Act or with respect to a newly built

1 multifamily residential development for which a certificate of
2 occupancy is issued on or after the effective date of this Act.

3 (c) Section 392.0051(g), Local Government Code, as added by
4 this Act, applies only to an occupied multifamily residential
5 development that is acquired by a housing authority on or after the
6 effective date of this Act. An occupied multifamily residential
7 development that is acquired by a housing authority before the
8 effective date of this Act is governed by the law in effect on the
9 date the development was acquired by the housing authority, and the
10 former law is continued in effect for that purpose.

11 (d) Sections 392.0051(c)(10), (11), (12), and (13) and (f),
12 Local Government Code, as added by this Act, apply to a multifamily
13 residential development owned by a housing authority on or after
14 the effective date of this Act, regardless of the date the
15 development was acquired by the housing authority.

16 (e) Notwithstanding Section 392.0052(f), Local Government
17 Code, as added by this Act, the initial audit report required to be
18 submitted under Section 392.0052(b), Local Government Code, as
19 added by this Act, for an occupied multifamily residential
20 development that was acquired or for a newly built multifamily
21 residential development that first became occupied, as applicable,
22 before the effective date of this Act must be submitted by the later
23 of:

24 (1) the date established by Section 392.0052(f), Local
25 Government Code, as added by this Act; or

26 (2) June 1, 2026.

27 (f) Not later than January 1, 2026, the Texas Department of

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1 Housing and Community Affairs shall adopt rules necessary to
2 implement Section 392.0052(i), Local Government Code, as added by
3 this Act.

4 SECTION 3. This Act takes effect immediately if it receives
5 a vote of two-thirds of all the members elected to each house, as
6 provided by Section 39, Article III, Texas Constitution. If this
7 Act does not receive the vote necessary for immediate effect, this
8 Act takes effect September 1, 2025.