

By: Cook

H.B. No. 2675

A BILL TO BE ENTITLED

AN ACT

relating to housing finance corporations.

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

SECTION 1. Subchapter E, Chapter 341, Finance Code, is amended by adding Section 341.407 to read as follows:

Sec. 341.407. LOANS TO HOUSING FINANCE CORPORATION. An authorized lender, credit union, or other person involved in a transaction subject to this title may not make a loan to a housing finance corporation unless the corporation presents proof of compliance with Section 394.031(c) or (d), Local Government Code, as applicable.

SECTION 2. The heading to Section 394.031, Local Government Code, is amended to read as follows:

Sec. 394.031. EXERCISE OF POWERS; AREA OF OPERATION.

SECTION 3. Section 394.031, Local Government Code, is amended by adding Subsections (c) and (d) to read as follows:

(c) Subject to Subsection (d), the area in which a housing finance corporation may exercise its powers is limited to:

(1) for a housing finance corporation sponsored by a municipality under Section 394.011, the jurisdictional boundaries of the municipality that sponsored the corporation;

(2) for a housing finance corporation sponsored by a county under Section 394.011, the unincorporated areas of the county that sponsored the corporation; or

1 (3) for a housing finance corporation sponsored by
2 more than one local government under Section 394.012:

3 (A) the jurisdictional boundaries of each
4 municipal sponsor of the corporation; and

5 (B) the unincorporated areas of each county
6 sponsor of the corporation.

7 (d) A housing finance corporation may exercise its powers
8 outside an area described by Subsection (c) only if a resolution or
9 order, as applicable, approving that exercise of power in the
10 outside area is adopted by the governing body of each sponsoring
11 local government and by the governing bodies of:

12 (1) each municipality that contains any part of the
13 outside area in which the corporation proposes to operate; and

14 (2) if proposing to operate in the unincorporated area
15 of a county, each county that contains any part of the outside area
16 in which the corporation proposes to operate.

17 SECTION 4. Sections 394.032(a) and (e), Local Government
18 Code, are amended to read as follows:

19 (a) Subject to the limitations of Sections 394.031(c) and
20 (d), a [A] housing finance corporation may:

21 (1) make contracts and other instruments as necessary
22 or convenient to the exercise of powers under this chapter;

23 (2) incur liabilities;

24 (3) borrow money at rates determined by the
25 corporation;

26 (4) issue notes, bonds, and other obligations; and

27 (5) secure any of its obligations by the mortgage or

1 pledge of all or part of the corporation's property, franchises,
2 and income.

3 (e) A housing finance corporation may delegate to the Texas
4 Department of Housing and Community Affairs the authority to act on
5 its behalf in the financing, refinancing, acquisition, leasing,
6 ownership, improvement, and disposal of home mortgages or
7 residential developments, within ~~[and outside]~~ the jurisdiction of
8 the housing finance corporation, including its authority to issue
9 bonds for those purposes.

10 SECTION 5. Section 394.039, Local Government Code, is
11 amended to read as follows:

12 Sec. 394.039. SPECIFIC POWERS RELATING TO FINANCIAL AND
13 PROPERTY TRANSACTIONS. A housing finance corporation may:

14 (1) lend money for its corporate purposes, invest and
15 reinvest its funds, and take and hold real or personal property as
16 security for the payment of the loaned or invested funds;

17 (2) mortgage, pledge, or grant security interests in
18 any residential development, home mortgage, note, or other property
19 in favor of the holders of bonds issued for those items;

20 (3) purchase, receive, lease, or otherwise acquire,
21 own, hold, improve, use, or deal in and with real or personal
22 property or interests in that property, ~~[wherever the property is~~
23 ~~located,~~] as required by the purposes of the corporation or as
24 donated to the corporation; and

25 (4) sell, convey, mortgage, pledge, lease, exchange,
26 transfer, and otherwise dispose of all or part of its property and
27 assets.

1 SECTION 6. Section 394.9025(b), Local Government Code, is
2 amended to read as follows:

3 (b) Following a public hearing by the governing body of the
4 applicable local government, a housing finance corporation may
5 issue bonds to finance a multifamily residential development to be
6 owned by the housing finance corporation in accordance with the
7 requirements of this chapter [~~Section 394.004~~] if the housing
8 finance corporation receives approval of the governing body of that
9 [~~the~~] local government.

10 SECTION 7. Subchapter Z, Chapter 394, Local Government
11 Code, is amended by adding Section 394.9026 to read as follows:

12 Sec. 394.9026. AUDIT REQUIREMENTS FOR MULTIFAMILY
13 RESIDENTIAL DEVELOPMENTS OWNED BY HOUSING FINANCE CORPORATIONS.

14 (a) In this section, "department" means the Texas Department of
15 Housing and Community Affairs.

16 (b) A housing finance corporation that owns a multifamily
17 residential development and claims an exemption for the development
18 under Section 394.905(a) must annually submit to the department and
19 the chief appraiser of the appraisal district in which the
20 development is located an audit report for a compliance audit,
21 prepared at the expense of the housing finance corporation and
22 conducted by an independent auditor or compliance expert with an
23 established history of providing similar audits on housing
24 compliance matters, to determine whether the housing finance
25 corporation is in compliance with the conditions imposed for the
26 exemption by this chapter.

27 (c) Not later than the 60th day after the date of receipt of

1 the audit conducted under Subsection (b), the department shall
2 examine the audit report and publish a report summarizing the
3 findings of the audit. The report must:

4 (1) be made available on the department's Internet
5 website;

6 (2) be issued to the housing finance corporation that
7 owns the development that is the subject of an audit, the
8 comptroller, and the governing body of the housing finance
9 corporation's sponsoring local government or governments; and

10 (3) describe in detail the nature of any failure to
11 comply with the conditions imposed for the exemption by this
12 chapter.

13 (d) If an audit report submitted under Subsection (b)
14 indicates noncompliance with the conditions imposed by this
15 chapter, a housing finance corporation:

16 (1) must be given:

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

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

21 (ii) specifies the reasons for
22 noncompliance;

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

25 (iv) informs the housing finance
26 corporation that failure to resolve the noncompliance will result
27 in the loss of the exemption under Section 394.905(a);

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

4 (C) if a matter that is the subject of a notice
5 provided under this subdivision is not resolved to the satisfaction
6 of the department and appropriate taxing authority during the
7 period provided by Paragraph (B), a second notice that informs the
8 housing finance corporation of the loss of the exemption due to
9 noncompliance with the conditions imposed by this chapter; and

10 (2) is considered to be in compliance with those
11 conditions if notice under Subdivision (1)(A) is not provided as
12 specified by Subparagraph (i) of that paragraph.

13 (e) An exemption under Section 394.905(a) does not apply for
14 a tax year in which the department determines that, based on an
15 audit conducted under Subsection (b), a multifamily residential
16 development that is owned by a housing finance corporation created
17 under this chapter is not in compliance with the conditions imposed
18 for that exemption by this chapter.

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

22 (1) the date of acquisition for an occupied
23 multifamily residential development that is acquired by a housing
24 finance corporation; or

25 (2) the date a newly built multifamily residential
26 development first becomes occupied by one or more tenants.

27 (g) Subsequent audit reports following the issuance of the

1 initial audit report under Subsection (f) are due not later than
2 June 1 of each year.

3 (h) An independent auditor or compliance expert may not
4 prepare an audit under Subsection (b) for more than three
5 consecutive years for the same housing finance corporation. After
6 the third consecutive audit, the independent auditor or compliance
7 expert may prepare an audit only after the second anniversary of the
8 preparation of the third consecutive audit.

9 (i) The department shall adopt forms and reporting
10 standards for the auditing process.

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

15 SECTION 8. Section 394.903, Local Government Code, is
16 amended to read as follows:

17 Sec. 394.903. TRANSFER [~~LOCATION~~] OF [~~RESIDENTIAL~~
18 ~~DEVELOPMENT,~~] RESIDENTIAL DEVELOPMENT SITES. A [~~(a)~~] ~~A~~
19 ~~residential development covered by this chapter must be located~~
20 ~~within the local government.~~

21 [~~(b)~~ ~~The~~] local government may transfer any residential
22 development site to a housing finance corporation by sale or lease.
23 The governing body of the local government may authorize the
24 transfer by resolution without submitting the issue to the voters
25 and without regard to the requirements, restrictions, limitations,
26 or other provisions contained in any other general, special, or
27 local law. The site location is subject to the requirements of this

1 chapter [~~may be located wholly or partly inside or outside the local~~
2 ~~government~~].

3 SECTION 9. Section [394.905](#), Local Government Code, is
4 amended to read as follows:

5 Sec. 394.905. EXEMPTION FROM TAXES AND FEES [~~TAXATION~~].

6 (a) Notwithstanding any other law, the [~~The~~] housing finance
7 corporation, all property owned by it, the income from the
8 property, all bonds issued by it, the income from the bonds, and the
9 transfer of the bonds are exempt, as public property used for public
10 purposes, from license fees, recording fees, and all other taxes
11 imposed by this state or any political subdivision of this state
12 only if the property is located in an area in which the housing
13 finance corporation is authorized to exercise its powers as
14 described by Section [394.031\(c\)](#) or the exemption is approved by
15 each applicable governing body described by Section [394.031\(d\)](#).

16 (b) The corporation is exempt from the franchise tax imposed
17 by Chapter [171](#), Tax Code, only if the corporation is exempted by
18 that chapter.

19 SECTION 10. (a) Sections [394.031\(c\)](#) and (d), Local
20 Government Code, as added by this Act, apply only to the exercise of
21 power by a housing finance corporation made on or after the
22 effective date of this Act. An exercise of power made before the
23 effective date of this Act is governed by the law in effect on the
24 date the power was exercised, and the former law is continued in
25 effect for that purpose.

26 (b) Subject to Subsection (c) of this section, Section
27 [394.905\(a\)](#), Local Government Code, as added by this Act, applies

1 only to a tax or fee imposed for a tax year or calendar year,
2 respectively, that begins on or after the effective date of this
3 Act.

4 (c) Section 394.905(a), Local Government Code, as added by
5 this Act, applies only to a tax or fee to be imposed on a housing
6 finance corporation with respect to an occupied residential
7 development that is acquired by the corporation on or after the
8 effective date of this Act or with respect to a newly built
9 residential development for which a certificate of occupancy is
10 issued on or after the effective date of this Act.

11 (d) Notwithstanding Section 394.9026(f), Local Government
12 Code, as added by this Act, the initial audit report required to be
13 submitted under Section 394.9026(b), Local Government Code, as
14 added by this Act, for an occupied multifamily residential
15 development that was acquired or for a newly built multifamily
16 residential development that first became occupied, as applicable,
17 before the effective date of this Act must be submitted by the later
18 of:

19 (1) the date established by Section 394.9026(f), Local
20 Government Code, as added by this Act; or

21 (2) June 1, 2026.

22 SECTION 11. This Act takes effect immediately if it
23 receives a vote of two-thirds of all the members elected to each
24 house, as provided by Section 39, Article III, Texas Constitution.
25 If this Act does not receive the vote necessary for immediate
26 effect, this Act takes effect September 1, 2025.