

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 26, 2025

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1585 by Bell, Cecil (Relating to housing finance corporations and to the location of residential developments owned by those corporations.), **As Engrossed**

Passage of the bill would restrict future property tax exempt housing finance corporation activity to the jurisdiction of the local government entity sponsoring the housing finance corporation. As a result, taxable property values could be increased and the related costs to the Foundation School Fund could be decreased through the operation of the school finance formulas.

The bill would require a housing finance corporation (HFC) residential development be located within the boundaries of the local government that formed the HFC that owns the development. The bill would provide that the exemption from taxes and fees is subject to the adherence to the jurisdictional area limitations.

The bill would make conforming changes in the Local Government Code, limiting an HFC's range of operations to the boundaries of the local government that formed the corporation.

The bill does not require any changes to the HFCs currently operating outside their original jurisdictions.

The Texas Association of Local Housing Finance Agencies (TALHFA), a non-profit organization assisting local housing finance corporations, has conducted limited research into HFCs that operate outside their immediate local area as defined in the bill. TALHFA has confirmed 88 projects/deals in 27 different jurisdictions that have been closed on since August 2024 (not a comprehensive list). Excluding 5 projects where final value data is not available, these projects had an assessed value of \$3.6 billion. The potential taxable value of projects that will be unable to qualify for tax-exempt status under provisions of the bill is unknown.

The bill would reduce the number of projects that would receive a property tax exemption and increase school district property value relative to current law. Under provisions of the Education Code, the school district tax revenue gain results in a savings to the state. The amount of the increase in taxable value and savings to the state through the operation of the school finance formulas cannot be estimated.

Local Government Impact

The bill would reduce the number of projects that would receive a property tax exemption and increase taxable property value relative to current law, however, the amount of the increase in taxable property value cannot be determined. The no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code would be lower as a consequence of the increased taxable property value proposed by the bill.

Source Agencies: 304 Comptroller of Public Accounts

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