

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

March 23, 2025

TO: Honorable Cecil Bell, Chair, House Committee on Intergovernmental Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1585 by Bell, Cecil (Relating to the areas of operation of housing finance corporations.), **As Introduced**

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 define the area in which a housing finance corporation (HFC) can operate to be limited to the jurisdictional boundaries of the municipality sponsoring the HCF. For an HFC sponsored by a county, the area to exercise its power is limited to the unincorporated areas of the county that sponsored the corporation. In the case of an HFC sponsored by more than one local government entity, the area would be the jurisdictional boundaries of each municipal sponsor and the unincorporated areas of each county sponsor of the corporation.

The bill would make conforming changes in the Local Government Code and clarify that an HFC's exemption from taxes and fees is subject to the adherence to the jurisdictional area limitations.

The bill would restrict the area of operations of an HFC to the local area as defined in statute. 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.

The implications for revenue of property taxing jurisdictions could likely be positive, since more housing development property value is likely to be taxable than if current law is continued without amendment; however, the amount of the increase in taxable value relative to current law 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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