

**SUBJECT:** Affordable housing financing by economic development corporations

**COMMITTEE:** Economic Development — favorable, with amendment

**VOTE:** 7 ayes — Oliveira, Yarbrough, Greenberg, Keffer, Luna, Seaman, Siebert

0 nays

2 absent — Raymond, Van de Putte

**WITNESSES:** For — Janee Briesemeister, Consumers Union; John Henneberger, Texas Low Income Housing Information Service; David Mintz, Texas Apartment Association

Against — Danny Booth, Terrell Chamber of Commerce and Texas Economic Development Corporation; Joe Newman, Texas Economic Development Corporation

**BACKGROUND :** Section 4A of the Development Corporation Act of 1979 allows economic development corporations to levy up to a half-cent sales and use tax for certain projects. Cities with section 4A development corporations can use this money to build business airports, recycling facilities and manufacturing and industrial facilities. In 1991, section 4B was added to the Act to allow certain cities to use sales and use taxes for such civic projects as athletic stadiums, convention centers, parks and museums as well as many of the commercial projects allowed under section 4A.

**DIGEST:** HB 1410, as amended, would expand the use of sales taxes by 4A and 4B economic development corporations to include affordable housing. The bill would define “affordable housing” by reference to federal statute.

HB 1410 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

**SUPPORTERS SAY:** HB 1410 is a permissive bill that would give cities with 4A and 4B economic development corporations one more tool to meet housing needs in their communities. Texas communities already are facing a severe shortage of affordable housing; with federal dollars for affordable housing likely to

be cut this year, the onus of providing affordable housing will fall increasingly on state and local governments. The voters have already entrusted their economic development corporations to use sales taxes for economic development purposes; this bill would simply add one more worthy project.

Housing and economic development go hand in hand. A company interested in relocating to a community may be discouraged by the lack of affordable housing for its employees. HB 1410 would boost cities' ability to attract new business and spur economic development by providing affordable housing.

In addition, by referencing federal statutes, the bill would ensure that individuals who truly needed affordable housing would be the ones to benefit from any housing construction undertaken by an economic development corporation.

OPPONENTS  
SAY:

HB 1410 would undercut the purpose of the Development Corporation Act by allowing sales taxes collected for economic development to be used for affordable housing. While housing may be a need in some Texas communities, it does not create jobs or stimulate business activity. The Legislature intended the act to give all cities the ability to compete for economic development on the same level playing field, and HB 1410 would unnecessarily dilute this purpose.

OTHER  
OPPONENTS  
SAY:

HB 1410 would allow cities with 4A and 4B economic development corporations to use sales taxes for a project not approved by the voters. The bill should be amended to require economic development corporations to seek voter approval before using sales tax money for an affordable housing project.

NOTES:

The committee amendment included reference to federal statute to define the term "affordable housing."

HB 1525 by Oliveira would allow cities with 4A economic development corporation to use sales and use taxes for projects traditionally reserved for 4B corporations. HB 2162, also by Oliveira, would require economic development corporations to report on their activities and authorize 4B

projects for 4A corporations. HB 1525 passed the House on April 8 and has been referred to the Senate Economic Development Committee. HB 2162 was reported favorably as substituted by the House Economic Development Committee on April 8.