

**SUBJECT:** Guidelines for certain TDHCA housing bonds

**COMMITTEE:** Urban Affairs — committee substitute recommended

**VOTE:** 7 ayes — Hill, Bailey, Burnam, Clark, Ehrhardt, Garcia, Hodge  
0 nays  
2 present, not voting — Shields, Wohlgemuth

**SENATE VOTE:** On final passage, Local and Uncontested, April 17 — 31-0

**WITNESSES:** For — None  
Against — None  
On — Stewart Brent, Texas Department of Housing and Community Affairs

**BACKGROUND :** The Texas Department of Housing and Community Affairs (TDHCA) uses the Housing Trust Fund to provide loans, grants or other comparable forms of assistance to local units of government, public housing authorities, nonprofit organizations, and income-eligible individuals, families and households to finance, acquire, rehabilitate and develop decent, safe and sanitary housing.

**DIGEST:** CSSB 1502 would amend Government Code provisions relating to the TDHCA's 501(c)(3) bond program and the Housing Trust Fund.

The bill would define "501(c)(3) bond program" to refer to bond proceeds that TDHCA is obligated to lend only to a non-profit organization meeting tax-exempt qualifications of section 501(c)(3) of the Internal Revenue Code

TDHCA would have to transfer into the Housing Trust Fund the amount of any issuance fees, asset oversight fees, and servicing fees received in relation to the administration of its 501(c)(3) bond program that exceeded the amount needed to pay operating and overhead costs and fund reserves.

CSSB 1502 would expand the statutory provisions addressing issuance of 501(c)(3) bonds. The Bond Review Board would have to enter into a memorandum of understanding with the TDHCA specifying the amount of 501(c)(3) bonds that could be issued in each fiscal year. At least 50 percent of the total issuance amount would have to be reserved for the purposes of new construction of housing or acquisition of housing with substantial rehabilitation. Not more than 25 percent of the amount issued could be used for projects in any one metropolitan area. At least 15 percent would be reserved for projects in rural areas.

In addition to meeting certain Tax Code requirements, 501(c)(3) organizations seeking to undertake a project would have to demonstrate that the project was underwritten to ensure efficient administration and financial viability and to minimize the risk of the organization's default and ensure that at least 60 percent of the housing would be affordable housing for low and very low income individuals and families.

The organization also would have to agree to:

- reserve at least 60 percent of the housing for low and very low income individuals and families and ensure that the reserved housing would remain affordable to those individuals and families;
- not to discriminate against tenant applicants solely because they received public rental assistance; and
- restrict the rents charged on the reserved units.

The agreement could provide for the lease or sale of the project to a nonprofit corporation approved by the TDHCA.

A 501(c)(3) organization could require an applicant receiving public assistance to meet its standard criteria for occupancy, including satisfactory creditworthiness and lack of criminal history.

Neither TDHCA nor the Texas State Affordable Housing Corporation could use state or federal money to provide for the credit enhancement of a bond issued under these provisions unless the credit enhancement would facilitate

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the issuance of bonds for the purpose of financing the creation or preservation of affordable housing by 501(c)(3) nonprofit entities.

CSSB 1502 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

**SUPPORTERS  
SAY:**

CSSB 1502 would help address the pressing need for affordable housing in Texas at a time when federal funding is starting to shrink. The 501(c)(3) bond program provided by CSSB 1502 would generate some funds for the TDHCA while it provided nonprofit organizations with money for projects designed to create affordable housing. Any money made in administering the bond program would go to the Housing Trust Fund to be used for more affordable housing.

**OPPONENTS  
SAY:**

HB 2577 by Hill et al., which passed the Senate on May 24, would authorize the TDHCA to use the Housing Trust Fund to acquire property with which to endow the fund. It would not be wise for the TDHCA to speculate in real estate to try to generate revenue, and no additional money should be earmarked for the Housing Trust Fund if it could be used for such risky investments.

**NOTES:**

The committee substitute added the provisions addressing the 501(c)(3) bond program.