HOUSE
RESEARCH
ORGANIZATION bill digest 5/11/2023

(2nd reading)
HB 2966
Noble et al.

SUBJECT: Revising tax exemption requirements for public facility corporations

COMMITTEE: Urban Affairs — favorable, without amendment

VOTE: 5 ayes — Lozano, Cortez, Cunningham, Hayes, Romero

4 nays — Gates, Bernal, J. González, Tepper

WITNESSES: For — Andrew Fortune, City of Plano; Shelby Williams, Plano City Council; Courtney Gober, Plano ISD; Cara Mendelsohn

Against — Aaron Eaquinto, City of Dallas (*Registered, but did not testify*: Michael Dunn, NRP Group; Todd Kercheval, Rural Rental Housing Association of Texas; Cynthia Bast, Texans for Workforce Housing)

On — Nathan Kelley, Texas Affiliation of Affordable Housing Providers (*Registered, but did not testify*: Whitney Parra, Roger Arriaga, Texas Affiliation of Affordable Housing Providers)

BACKGROUND: A property tax exemption under Local Government Code 302.042 applies to a multifamily residential development owned by a public facility corporation created by a housing authority that does not reserve at least 20 percent of its units for public housing only if the housing authority holds a public hearing to approve the development at a regular meeting of the authority's governing body, and at least 50 percent of units in the development are reserved for households earning less than 80 percent of area median family income.

Some have suggested that revising requirements for public facility corporation tax exemptions could provide more oversight and transparency.

DIGEST: HB 2966 would extend the tax exemption requirements that apply to a multifamily residential development owned by a public facility corporation (PFC) created by a housing authority under Local Government Code sec. 302.042 to developments owned by PFCs created by any sponsor.

The bill would revise the percentage of units in a development that would have to be reserved for households making less than 80 percent of area median family income from 50 percent to 75 percent, and would specify that the median income would have to be adjusted for family size.

The bill would add as a condition for receiving property tax exemption the requirement that the PFC submit to the chief appraiser of the appraisal district in which the development was located an annual report for a compliance audit conducted by an independent auditor or compliance expert that established that the development was in compliance with applicable requirements. If the PFC did not submit the report, or the report did not show that the development was compliant, the development would be ineligible for a tax exemption under Local Government Code sec. 302.042 for that tax year.

HB 2966 would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2023. The bill would apply only to a development approved on after the effective date.