BILL ANALYSIS

Senate Research Center
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S.B. 929
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DIGEST AND PURPOSE

Housing finance corporations are non-profit entities created by local governments to encourage the development of affordable housing. Currently, housing finance corporations are exempt from taxes for developing and owning affordable housing. However, current law does not contain provisions that create a standard for the level of affordability, similar to other programs, where in order to qualify, the development must provide housing to a certain percentage of low- or very low-income residents. As a result, some housing finance corporations have developed "market rate" housing that is tax-exempt, which in effect creates tax-subsidized competition with private entities. As proposed, S.B. 929 creates a standard that states that at least half of the units in multifamily developments funded through a housing finance corporation must be reserved for persons earning less than 100 percent of the area median family income.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 394Z, Local Government Code, by adding Section 394.9025, as follows:

> Sec. 394.9025. MULTIFAMILY RESIDENTIAL DEVELOPMENT. Prohibits a housing finance corporation from financing a multifamily residential development unless at least 50 percent of the units in the residential development are reserved for the lifetime of the residential development for occupancy by individuals and families earning less than 100 percent of the area median family income.

SECTION 2. Provides that the change in law made by Section 394.9025, Local Government Code, as added by this Act, applies only to a multifamily residential development that is financed by bonds issued under Chapter 394 (Housing Finance Corporations in Municipalities and Counties), Local Government Code, as a result of an official decision to issue bonds that occurs on or after the effective date of this act.

SECTION 3. Effective date: August 31, 2002.