

BILL ANALYSIS

Senate Research Center
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S.B. 679
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

This bill is a clean-up bill that was developed in conjunction with the Texas Department of Housing and Community Affairs (TDHCA) relating to the Housing Trust Fund (HTF) and the Owner-Builder Program (Texas Bootstrap Program) to modernize the programs and improve their efficiency as well as effectiveness. The bill clarifies TDHCA's authority to accept gifts, grants, or donations for the HTF and the requirement to produce a report on the planned use of the HTF. The bill also conforms the statute with adopted agency rules and practices so as to allow those who are helped by established state certified self-help organizations (e.g., Habitat for Humanity) to be able to participate in the program. The bill also updates the loan and funding amounts under the program since the costs of construction and materials have increased since the program was first established in 1999. Additionally, the bill clarifies the type of administrative support that can be provided to help build capacity and strengthen the program's reach.

As proposed, S.B. 679 authorizes the Texas Department of Housing and Community Affairs (TDHCA) to accept gifts, grants, or donations for the Housing Trust Fund (HTF). The bill authorizes certain funds to be made available to for-profit organizations under certain conditions. The bill requires TDHCA to adopt rules to administer the HTF; increases the amount of certain authorized loans; and adjusts loan eligibility requirements for owner-builders.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the governing board of the Texas Department of Housing and Community Affairs in SECTION 3 (Section 2306.203, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2306.201, Government Code, by amending Subsection (b) and adding Subsection (c), as follows:

(b) Provides that the housing trust fund consists of public or private gifts, grants, or donations, rather than public or private gifts or grants.

(c) Authorizes the Texas Department of Housing and Community Affairs (TDHCA) to accept gifts, grants, or donations for the housing trust fund. Requires that all funds received for the housing trust fund under Subsection (b) be deposited or transferred into the Texas Treasury Safekeeping Trust Company.

SECTION 2. Amends Section 2306.202(a), Government Code, as follows:

(a) Authorizes any additional funds to also be made available to for-profit organizations provided that, rather than so long as, at least 45 percent of available funds, as determined on September 1 of each state fiscal year, in excess of the first \$2.6 million shall be made available to nonprofit organizations for a certain purpose. Requires that the remaining portion be distributed to, rather than competed for by, certain entities.

SECTION 3. Amends Section 2306.203, Government Code, as follows:

Sec. 2306.203. RULES REGARDING ADMINISTRATION OF HOUSING TRUST FUND. Requires that the governing board of TDHCA (board) adopt rules to administer the housing trust fund, including rules providing:

- (1) Makes no change to this subdivision;
- (2) for a process to set priorities for use of the fund, including the distribution of fund resources in accordance with a plan that is, rather than under a request for a proposal process, developed and approved by the board and included in TDHCA's annual report regarding the housing trust fund as described in the General Appropriations Act;
- (3) that the criteria used to evaluate a proposed activity, rather than rank proposals, will include the leveraging of resources, rather than federal resources; cost-effectiveness of the proposed activity, rather than a proposed development; and extent to which individuals and families of very low income are served by the proposed activity, rather than development;
- (4) Makes a conforming change;
- (5) and (6) Makes no changes to these subdivisions.

SECTION 4. Amends Sections 2306.753(b) and (d), Government Code, as follows:

(b) Requires an owner-builder, to be eligible for a loan under this subchapter, among other requirements, to agree to provide through personal labor at least 65, rather than 60, percent of the labor necessary to build the proposed housing by working through a state-certified owner-builder housing program, or if approved by TDHCA, provide through noncontract labor of friends, family, or volunteers at least 65 percent of the labor necessary to build the proposed housing by working through a state-certified owner-builder housing program. Makes a nonconforming change.

(d) Requires that at least two-thirds of the dollar amount of loans made under this subchapter in each fiscal year be made to borrowers whose property is located in a county that is in a census tract that has a median household income that is not greater than 75 percent of the median state household income for the most recent year for which statistics are available, rather than whose property is located in a county eligible to receive financial assistance under Subchapter K (Assistance To Economically Distressed Areas For Water Supply And Sewer Service Projects), Chapter 17 (Public Funding), Water Code.

SECTION 5. Amends Sections 2306.754(a), (b), and (c), Government Code, as follows:

(a) Prohibits a loan made by TDHCA under this subchapter from exceeding \$45,000, rather than \$30,000.

(b) Requires the owner-builder to, if it is not possible for an owner-builder to purchase necessary real property and build adequate housing for \$45,000, to obtain the amount necessary that exceeds \$45,000 from one or more local government entities, nonprofit organizations, or private lenders or from grants awarded by TDHCA for the purposes of this subchapter. Prohibits the total amount of amortized, repayable loans authorized to be made by TDHCA and other entities to an owner-builder under this subchapter from exceeding \$90,000, rather than \$60,000. Makes conforming changes.

(c) Provides that a loan made by TDHCA under this subchapter is required to be secured by a lien by TDHCA on the real property, including a lien that is subordinate to a lien that secures a loan made under Subsection (b), regardless of whether the other lien is greater than, equal to, or less than TDHCA's lien. Deletes existing text providing that a loan made by TDHCA under this chapter is authorized to be secured by a lien on the real property, including a lien that is subordinate to a lien that secures a loan made under Subsection (b) and that is greater than TDHCA's lien.

SECTION 6. Amends Section 2306.758(c), Government Code, as follows:

(c) Prohibits TDHCA, in a state fiscal year, from using more than 10 percent of the revenue available for purposes of this subchapter to enhance the ability of tax-exempt organizations described by Section 2306.755(a) (relating to organizations listed under Section 501(c)(3), Internal Revenue Code of 1986) to implement the purposes of this chapter and to enhance the number of such organizations that are able to implement those purposes. Requires TDHCA to use that available revenue to provide financial assistance, technical training, and management support for the purposes of this subsection.

SECTION 7. Amends Section 2306.7581(a-1), Government Code, to require TDHCA, each state fiscal year, to transfer an amount equal to the greater of \$6 million or an amount of funds that is based on the annual volume of demand for the owner-builder loan program, as determined using the total amount of loan originations made under the program in the preceding state fiscal year, rather than transfer at least \$3 million to the owner-builder revolving fund from money received from certain appropriations. Provides that this subsection expires August 31, 2020, rather than 2010.

SECTION 8. (a) Makes application of Sections 2306.202, 2306.203, 2306.758, and 2306.7581, Government Code, as added by this Act, prospective to September 1, 2009.

(b) Makes application of Sections 2306.753 and 2306.754, Government Code, as added by this Act, prospective.

SECTION 9. Effective date: upon passage or September 1, 2009.