

BILL ANALYSIS

Senate Research Center
88R559 JAM-F

S.B. 1480
By: Menéndez
Local Government
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 9% housing tax credit program incentivizes housing developments in census tracts where there are no other existing tax credit developments. This program was intended to allow a developer up to two successful applications per year, but inflation has made this more difficult. This requirement emphasizes development sites in less attractive locations where market demand is more limited and disincentivizes developments in densely populated urban areas where there is the most need. Furthermore, TDHCA is currently required to prioritize "cost-per-square-foot" in housing tax credit applications, which forces developers to use lower-quality building materials and/or scale down amenities.

The census tract limitation causes developers to pursue sites in the same census tracts within a region. This increases land prices when only a few census tracts are favored in the tax credit scoring matrix and multiple developers are competing for those same sites.

Solution:

This bill would eliminate the census tract requirement from Section 2306. Removing this requirement will not cause all developments to go to certain areas because other de-concentration factors that distribute housing tax credits more equitably are still in place. Furthermore, this removal will allow local elected officials to site housing in areas where it is most needed as opposed to areas that do not have a community that needs support from housing tax credits.

As proposed, S.B. 1480 amends current law relating to the allocation of low income housing tax credits.

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 Sections 2306.6710(b), (f), and (g), Government Code, as follows:

(b) Requires the Texas Department of Housing and Community Affairs (TDHCA), if an application satisfies the threshold criteria, to score and rank the application using a point system that:

(1) prioritizes in descending order criteria regarding:

(A)-(E) makes no changes to these paragraphs;

(F)-(I) redesignates existing Paragraphs (G)-(J) as Paragraphs (F)-(I);

Deletes existing text including the cost of development by square foot as a criterion.

(2)-(4) makes no changes to these subdivisions.

(f) Makes a conforming change to this subsection.

(g) Makes conforming changes to this subsection.

SECTION 2. Amends Section 2306.6711(b), Government Code, as follows:

(b) Prohibits the governing board of TDHCA (board) from allocating to an applicant housing tax credits in any unnecessary amount, as determined by TDHCA's underwriting policy and by federal law, and in any event is prohibited from allocating to the applicant housing tax credits in an amount greater than \$4 million, rather than \$3 million, in a single application round or to an individual development more than \$2 million in a single application round.

SECTION 3. Amends Section 2306.6725(b), Government Code, as follows:

(b) Deletes existing text requiring TDHCA to provide appropriate incentives as determined through the qualified allocation plan to reward applicants who agree to locate the development in a census tract in which there are no other existing developments supported by housing tax credits. Makes nonsubstantive changes.

SECTION 4. Makes application of the change in law made by this Act prospective only to an application for low income housing tax credits that is submitted to TDHCA during an application cycle that is based on the 2024 qualified allocation plan or a subsequent plan adopted by the board.

SECTION 5. Effective date: September 1, 2023.