

BILL ANALYSIS

C.S.H.B. 3535
By: Collier
Urban Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties explain that the Texas Department of Housing and Community Affairs administers a housing tax credit program as a means of directing private capital toward the development and preservation of affordable rental housing for low-income households. The parties further explain that under this program tax credits are awarded to eligible participants to offset a portion of their federal tax liability in exchange for the development or preservation of affordable rental housing. Given the need for such credits in regions with a high poverty rate, the parties are concerned that there is an insufficient level of tax credits used for developments in those areas. C.S.H.B. 3535 addresses this concern.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3535 amends the Government Code to require the governing board of the Texas Department of Housing and Community Affairs (TDHCA), in an urban subregion of a uniform state service region that contains a county with a population of more than 1,700,000, to allocate low income housing tax credits, except as necessary to comply with the nonprofit set-aside required by certain federal law, to the highest scoring development, if any, that is part of a concerted plan of revitalization and is located in that urban subregion in a municipality with a population of 500,000 or more and to the highest scoring development, if any, that is located in a high opportunity area in that urban subregion, as determined by TDHCA. The bill applies only to the allocation of low income housing tax credits for an application cycle that begins on or after January 1, 2017.

EFFECTIVE DATE

September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3535 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 2306.111(d-1), Government, is amended to read as follows:

No equivalent provision.

(d-1) In allocating low income housing tax credit commitments under Subchapter DD, the department shall before applying the regional allocation formula prescribed by Section 2306.1115, set aside for at-risk developments, as defined by section 2306.6702, not less than the minimum amount of housing tax credits required under Section 2306.6714 and revitalization developments, as defined by section 2306.6702, not less than the minimum amount of housing tax credits required under Section 2306.6714. Funds or credits are not required to be allocated according to the regional allocation formula under Subsection (d) if:

- (1) the funds or credits are reserved for contract-for-deed conversions or for set-asides mandated by state or federal law and each contract-for-deed allocation or set-aside allocation equals not more than 10 percent of the total allocation of funds or credits for the applicable program;
- (2) the funds or credits are allocated by the department primarily to serve persons with disabilities; or
- (3) the funds are housing trust funds administered by the department under Sections 2306.201-2306.206 that are not otherwise required to be set aside under state or federal law and do not exceed \$3 million for each programmed activity during each application cycle.

SECTION 2. Subchapter DD, Section 2306.6702(a), Government Code is amended by adding Subdivision (14-a) to read as follows:

No equivalent provision.

(14-a) "Revitalization Development" means a development that has received a resolution designating it as a Revitalization Development from the municipality in which the development is located and a commitment from the municipality in which the development is located to expend municipal funds on the development and is located in:

- (1) an area for which the municipality has adopted a plan to revitalize the area including a strategy to address blight and vacant lots,
- (2) an area in which the municipality has made investment to construct new

infrastructure or public buildings, and
(3) a census tract that has a:
(A) poverty rate above 15 percent; and
(B) medium household income equal to or
less than 60 percent of the median household
income for the municipality in which the tract
is located

SECTION 3. Subchapter DD, Chapter 2306, Government Code is amended by adding Section 2306.67141 to read as follows:

Sec. 2306.67141. REVITALIZATION DEVELOPMENT SET ASIDE.

(a) To the maximum extent allowable under federal law, the department shall set aside for eligible revitalization developments not less than 10 percent of the housing tax credits available for allocation in the calendar year.

(b) Any amount of housing tax credits set aside under this section that remains after the initial allocation of housing tax credit is available for allocation to any eligible applicant as provided by the qualified allocation plan.

SECTION 4. Subchapter DD, Section 2306.6725, Government Code, is amended by adding subsection (e) to read as follows:

(e) On awarding tax credit allocations for at-risk developments and revitalization developments as defined in 2306.6702 the department shall not consider:

(1) the poverty rate or area median income for the census tract in which the development is located, or

(2) the amount of blight within 3 miles of the development.

No equivalent provision.

No equivalent provision.

No equivalent provision.

SECTION 1. Section 2306.6711, Government Code, is amended by adding Subsection (g) to read as follows:

(g) Except as necessary to comply with the nonprofit set-aside required by Section 42(h)(5), Internal Revenue Code of 1986 (26 U.S.C. Section 42(h)(5)), in an urban subregion of a uniform state service region that contains a county with a population of more than 1,700,000, the board shall allocate housing tax credits to:
(1) the highest scoring development, if any, that is part of a concerted plan of revitalization and is located in that urban

subregion in a municipality with a population of 500,000 or more; and (2) the highest scoring development, if any, that is located in a high opportunity area in that urban subregion, as determined by the department.

SECTION 5. The change in law made by this Act applies only to the allocation of low income housing tax credits for an application cycle that begins on or after January 1, 2017. The allocation of low income housing tax credits for an application cycle that begins before January 1, 2017, is governed by the law in effect on the date the application cycle began, and the former law is continued in effect for that purpose.

SECTION 6. This Act takes effect September 1, 2015.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.