

## **BILL ANALYSIS**

Senate Research Center

H.B. 2281  
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### **DIGEST**

Currently, the state has loans available to help working families purchase homes, but builders generally do not build the types of homes that workers earning \$12 to \$14 an hour, who need the loans, can afford. H.B. 2281 creates a builder incentive partnership program which calls for the Texas Department of Housing and Community Affairs (TDHCA) to guarantee each participating builder a share of the purchase price for a certain number of homes built that do not exceed \$70,000.

The incentive program will feature a cost plus profit structure that will offer builders a flat fee for each completed home, rather than a percentage-based profit based on the home's sale price. This will provide incentives for builders to work in the lowest end of the market, while the guaranteed purchase arrangement would minimize the risk for the builder. The program allows builders to market their product directly to buyers as they do now. Qualified buyers would meet first-time home buyer criteria. Additionally, homes built under this program would be required to meet housing and design standards developed by TDHCA. H.B. 2281 would require TDHCA to implement a program promoting the construction of affordable homes for low-wage workers.

### **PURPOSE**

As proposed, H.B. 2281 requires TDHCA to implement a program promoting the construction of affordable homes for low-wage workers.

### **RULEMAKING AUTHORITY**

Rulemaking authority is granted to the Texas Department of Housing and Community Affairs in SECTION 1 (Section 2306.710, Government Code) in this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 2306, Government Code, by adding Subchapter EE, as follows:

#### **SUBCHAPTER EE. BUILDER INCENTIVE PARTNERSHIP PROGRAM**

Sec. 2306.701. DEFINITIONS. Defines "builder," "cooperative purchase agreement," "corporation," "cost plus profit structure," and "program."

Sec. 2306.702. BUILDER INCENTIVE PARTNERSHIP PROGRAM. Requires the Texas Department of Housing and Community Affairs (department) to develop and maintain a builder incentive partnership program (program) that provides for the development of affordable housing subdivisions and does not encourage the further growth of colonias. Requires the department to determine geographic areas that are in need of affordable housing. Requires the department to provide for affordable housing development projects in those areas, by entering into a partnership agreement (agreement) with an eligible builder or developer and housing assistance agencies or other nonprofit entities that provide housing assistance to low and very low income homebuyers (low income agencies or entities). Requires the department to work with the Texas State Affordable Housing Corporation (corporation), the builder or developer, or low income agencies or entities to obtain housing assistance for homebuyers who purchase homes built under the program.

Sec. 2306.703. COOPERATIVE PURCHASE AGREEMENT. Requires the department to negotiate and conclude a cooperative purchase agreement with a housing assistance agency (agency) or other nonprofit entity for each project under the program. Provides that, under the cooperative purchase agreement for a specific project under the program, an agency or other nonprofit entity must agree to use funds that the department may provide or funds maintained by the agency or entity from other sources to guarantee a negotiated portion of the purchase price of a negotiated number of houses to be built under the project, and, at the option of the builder, to purchase homes built under the project at cost if the homes do not have a qualified purchaser within 30 days of construction being completed. Authorizes the department to provide alternative or additional conditions under the cooperative purchase agreement as needed.

Sec. 2306.704. BUILDER PARTNERSHIP AGREEMENT. (a) Enumerates the provisions to which the department and a builder must agree under an agreement for a specific project. Those mandatory provisions include: the terms of a cooperative purchase agreement between the department and a low income agency or entity; the type, style, and number of houses to be built under the partnership; the types of housing assistance to be applied for eligible low and very low income homebuyers who purchase homes built under the program; and any other term that the department determines appropriate. Requires the builder to market the homes built under the program to individuals and families who qualify for housing assistance under department programs in the same manner in which private housing developments are marketed to the general public. Prohibits the department from entering into an agreement for a specific project with a builder unless the builder agrees to issue the builder's standard warranties for materials and labor to the first owner-occupant of a home purchased under the program.

Sec. 2306.705. COST PLUS PROFIT STRUCTURE. Authorizes the builder in an agreement to require homebuyers to purchase a home under a cost plus profit structure (profit structure). Provides that the department and a builder who requires a profit structure must agree to a reasonable profit for the builder for each type of home built under the program. Provides that the profit set under the profit structure for a home built under the program is part of the purchase price of the home, for the purposes of the agreement and housing finance assistance by the department or the corporation.

Sec. 2306.706. FUNDING. Prohibits the department and the corporation from spending state money to fund the guaranteed purchase agreement. Requires the department and the corporation to cooperate to identify appropriate funding sources.

Sec. 2306.707. HOUSING STANDARDS. Requires the department to establish and maintain standards for the homes built under the program. Enumerates the required minimum standards, which include the minimum quality of construction and amenities required, a cost not to exceed \$70,000, a style and type of home that can accommodate additional construction, but that is flexible enough to serve one family, and other criteria that the department may provide. Authorizes the department to require the construction of a specific number of homes to be determined by the department that must meet access standards, including doors that are 32 inches wide, hallways that are 36 inches wide, light switches that are 15 inches above the floor, and one entrance to the home that is without steps.

Sec. 2306.708. HOMEBUYER PROGRAMS. Requires the department and the corporation to cooperate to identify private lenders to provide private market-rate mortgages for low and very low income homebuyers who purchase homes under the program and housing assistance programs for low and very low income homebuyers who do not qualify for private market-rate mortgages. Requires the department and the corporation to provide other necessary housing assistance for low and very low income homebuyers.

Sec. 2306.709. SUSTAINABLE BUILDING. Requires the department, in cooperation with other parties involved in the development and promotion of sustainable construction, to assist in identifying information on sustainable building resources and techniques to encourage the use of sustainable products and techniques in the construction of affordable housing.

Sec. 2306.710. RULEMAKING AUTHORITY. Authorizes the department to adopt rules necessary to accomplish the purposes of this subchapter.

SECTION 2. Effective date: September 1, 1999.

SECTION 3. Emergency clause.