

Chapter 208

H.B. No. 21

1 AN ACT

2 relating to housing finance corporations; authorizing a fee.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

4 SECTION 1. Section 394.004, Local Government Code, is  
5 amended to read as follows:

6 Sec. 394.004. APPLICATION OF CHAPTER TO CERTAIN RESIDENTIAL  
7 DEVELOPMENTS. This chapter applies only to a residential  
8 development at least 90 percent of which is for use by or is  
9 intended to be occupied by households [~~persons~~] of low and moderate  
10 income whose adjusted gross income [~~, together with the adjusted~~  
11 ~~gross income of all persons who intend to reside with those persons~~  
12 ~~in one dwelling unit,~~] did not for the preceding tax year exceed the  
13 maximum amount constituting moderate income as defined under the  
14 housing finance corporation's rules, resolutions relating to the  
15 issuance of bonds, or financing documents relating to the issuance  
16 of bonds.

17 SECTION 2. Subchapter A, Chapter 394, Local Government  
18 Code, is amended by adding Section 394.0045 to read as follows:

19 Sec. 394.0045. APPLICABILITY OF OPEN MEETINGS AND OPEN  
20 RECORDS LAWS. (a) Chapter 551, Government Code, applies to actions  
21 and proceedings under this chapter.

22 (b) Chapter 552, Government Code, applies to all records of  
23 a housing finance corporation.

24 SECTION 3. The heading to Section 394.031, Local Government

1 Code, is amended to read as follows:

2 Sec. 394.031. EXERCISE OF POWERS; AREA OF OPERATION.

3 SECTION 4. Section 394.031, Local Government Code, is  
4 amended by adding Subsections (c), (d), and (e) to read as follows:

5 (c) Subject to Subsection (d), the area in which a housing  
6 finance corporation may own real property for residential  
7 development or engage in residential development is limited to:

8 (1) for a housing finance corporation sponsored by a  
9 municipality under Section 394.011, the boundaries of the  
10 municipality that sponsored the corporation;

11 (2) for a housing finance corporation sponsored by a  
12 county under Section 394.011, the boundaries of the county that  
13 sponsored the corporation; or

14 (3) for a housing finance corporation sponsored by  
15 more than one local government under Section 394.012:

16 (A) the boundaries of each municipal sponsor of  
17 the corporation; and

18 (B) the boundaries of each county sponsor of the  
19 corporation.

20 (d) A housing finance corporation may own real property for  
21 residential development or engage in residential development  
22 outside an area described by Subsection (c) only if a resolution or  
23 order, as applicable, approving that ownership or development in  
24 the outside area is adopted by the governing bodies of:

25 (1) each municipality that contains any part of the  
26 outside area in which the corporation proposes to own real property  
27 for residential development or engage in residential development;

1           (2) for a residential development or home located in  
2 the unincorporated area of a county, each county that contains any  
3 part of the outside area in which the corporation proposes to own  
4 real property for residential development or engage in residential  
5 development; and

6           (3) any housing finance corporation sponsored by a  
7 municipality or county described by Subdivision (1) or (2), as  
8 applicable.

9           (e) This section does not prohibit or limit a housing  
10 finance corporation from owning real property outside an area  
11 described by Subsection (c) or (d) if the property is not owned for  
12 purposes of residential development.

13           SECTION 5. Section 394.032(e), Local Government Code, is  
14 amended to read as follows:

15           (e) A housing finance corporation may delegate to the Texas  
16 Department of Housing and Community Affairs the authority to act on  
17 its behalf in the financing, refinancing, acquisition, leasing,  
18 ownership, improvement, and disposal of home mortgages or  
19 residential developments, [~~within and outside the jurisdiction of~~  
20 ~~the housing finance corporation,~~] including its authority to issue  
21 bonds for those purposes.

22           SECTION 6. Section 394.037, Local Government Code, is  
23 amended by adding Subsection (a-1) to read as follows:

24           (a-1) A housing finance corporation may issue bonds under  
25 this chapter for a purpose described by Subsection (a) only to  
26 finance or support a residential development or home that is  
27 located or will be constructed:

1           (1) within the boundaries of a local government in  
2 which a housing finance corporation is permitted to own real  
3 property for residential development or engage in residential  
4 development under Section 394.031(c); or

5           (2) outside the boundaries of a local government  
6 described by Subdivision (1) if a resolution or order, as  
7 applicable, approving the issuance of bonds is adopted by the  
8 governing body of:

9           (A) each municipality that contains any part of  
10 the residential development or home; and

11           (B) for a residential development or home located  
12 in the unincorporated area of a county, each county that contains  
13 any part of the residential development or home.

14           SECTION 7. Section 394.039, Local Government Code, is  
15 amended to read as follows:

16           Sec. 394.039. SPECIFIC POWERS RELATING TO FINANCIAL AND  
17 PROPERTY TRANSACTIONS. Subject to Sections 394.031(c), (d), and  
18 (e), a [A] housing finance corporation may:

19           (1) lend money for its corporate purposes, invest and  
20 reinvest its funds, and take and hold real or personal property as  
21 security for the payment of the loaned or invested funds;

22           (2) mortgage, pledge, or grant security interests in  
23 any residential development, home mortgage, note, or other property  
24 in favor of the holders of bonds issued for those items;

25           (3) purchase, receive, lease, or otherwise acquire,  
26 own, hold, improve, use, or deal in and with real or personal  
27 property or interests in that property, ~~wherever the property is~~

1 ~~located,~~ as required by the purposes of the corporation or as  
2 donated to the corporation; and

3 (4) sell, convey, mortgage, pledge, lease, exchange,  
4 transfer, and otherwise dispose of all or part of its property and  
5 assets.

6 SECTION 8. Section 394.9025, Local Government Code, is  
7 amended to read as follows:

8 Sec. 394.9025. MULTIFAMILY RESIDENTIAL DEVELOPMENT. (a)

9 Following a public hearing by the governing body of the applicable  
10 local government, a housing finance corporation may, subject to the  
11 geographic limitations of Section 394.037(a-1), issue bonds to  
12 finance a multifamily residential development to be owned by the  
13 housing finance corporation if:

14 (1) at least 50 percent of the units in the multifamily  
15 residential development are reserved for occupancy by individuals  
16 and families earning less than 80 percent of the area median family  
17 income; or

18 (2) the units in the multifamily residential  
19 development are reserved in the manner provided by Section  
20 394.9026(c)(1).

21 (b) Following a public hearing by the governing body of the  
22 applicable local government, a housing finance corporation may,  
23 subject to the geographic limitations of Section 394.037(a-1),  
24 issue bonds to finance a multifamily residential development to be  
25 owned by the housing finance corporation in accordance with Section  
26 394.004 if the housing finance corporation receives approval of the  
27 governing body of the local government.

1 SECTION 9. Subchapter Z, Chapter 394, Local Government  
2 Code, is amended by adding Sections 394.9026 and 394.9027 to read as  
3 follows:

4 Sec. 394.9026. ADDITIONAL CONDITIONS FOR BENEFICIAL AD  
5 VALOREM TAX TREATMENT RELATING TO CERTAIN MULTIFAMILY RESIDENTIAL  
6 DEVELOPMENTS. (a) In this section:

7 (1) "Housing choice voucher program" means the housing  
8 choice voucher program under Section 8, United States Housing Act  
9 of 1937 (42 U.S.C. Section 1437f).

10 (2) "Housing finance corporation user" means:

11 (A) a housing finance corporation; or

12 (B) for a multifamily residential development  
13 that is not owned directly by a housing finance corporation, a  
14 public-private partnership entity or a developer or other person or  
15 entity that has an ownership interest or a leasehold or other  
16 possessory interest in multifamily residential development  
17 financed or supported by a housing finance corporation.

18 (3) "Lower income housing unit" means a residential  
19 unit reserved for occupancy by an individual or family earning not  
20 more than 60 percent of the area median income, adjusted for family  
21 size, as defined by the United States Department of Housing and  
22 Urban Development.

23 (4) "Maximum market rent" means, with respect to a  
24 particular income-restricted unit, the average annual rent charged  
25 for all non-income-restricted units in the development having the  
26 same or substantially similar floor plan as the income-restricted  
27 unit.

1           (5) "Middle income housing unit" means a residential  
2 unit reserved for occupancy by an individual or family earning not  
3 more than 100 percent of the area median income, adjusted for family  
4 size, as defined by the United States Department of Housing and  
5 Urban Development.

6           (6) "Moderate income housing unit" means a residential  
7 unit reserved for occupancy by an individual or family earning not  
8 more than 80 percent of the area median income, adjusted for family  
9 size, as defined by the United States Department of Housing and  
10 Urban Development.

11           (7) "Multifamily residential development" means any  
12 residential development consisting of four or more residential  
13 units intended for occupancy as rentals, regardless of whether the  
14 units are attached or detached.

15           (8) "Rent" means any recurring fee or charge a tenant  
16 is required to pay as a condition of occupancy, including a fee or  
17 charge for the use of a common area or facility reasonably  
18 associated with residential rental property. The term does not  
19 include fees and charges for services or amenities that are  
20 optional for a tenant, such as pet fees and fees for storage or  
21 covered parking.

22           (9) "Rent reduction" means the projected difference  
23 between the rent charged for an income-restricted unit and the  
24 maximum market rent that could be charged for that same unit without  
25 the income restrictions.

26           (10) "Very low income housing unit" means a  
27 residential unit reserved for occupancy by an individual or family

1 earning not more than 50 percent of the area median income, adjusted  
2 for family size, as defined by the United States Department of  
3 Housing and Urban Development.

4 (b) This section does not apply to a multifamily residential  
5 development that is the recipient of a low income housing tax credit  
6 allocated under Subchapter DD, Chapter 2306, Government Code.

7 (c) Subject to Subsection (g), an ad valorem tax exemption  
8 under Section 394.905 for a multifamily residential development  
9 owned by a housing finance corporation is available only if the  
10 other requirements of this chapter are satisfied and if:

11 (1) at least:

12 (A) 10 percent of the units in the development  
13 are reserved for occupancy as lower income housing units and at  
14 least 40 percent of the units in the development are reserved for  
15 occupancy as moderate income housing units; or

16 (B) 10 percent of the units in the development  
17 are reserved for occupancy as very low income housing units and at  
18 least 40 percent of the units in the development are reserved for  
19 occupancy as middle income housing units;

20 (2) the rent reduction at the development in the  
21 preceding tax year was:

22 (A) not less than 50 percent of the amount of the  
23 estimated ad valorem taxes that would have been imposed on the  
24 applicable property in the same preceding tax year if the property  
25 did not receive an exemption from those taxes under Section  
26 394.905, beginning with:

27 (i) for a multifamily residential

1 development that is acquired by the corporation, the first tax year  
2 after the tax year that the corporation acquires the development;  
3 and

4 (ii) for a newly constructed multifamily  
5 residential development not described by Subparagraph (i), the  
6 first tax year after the tax year in which construction first begins  
7 on the development; or

8 (B) less than 50 percent of the amount of the  
9 estimated ad valorem taxes described by Paragraph (A) beginning  
10 with the tax year specified by that paragraph, but the housing  
11 finance corporation user paid to each taxing unit authorized to  
12 impose ad valorem taxes on the applicable property for the  
13 applicable tax year an amount equal to that taxing unit's pro rata  
14 share of the rent reduction shortfall that exists based on the  
15 difference between the minimum rent reduction amount described by  
16 Paragraph (A) and the amount of actual rent reduction at the  
17 development in the preceding tax year;

18 (3) the income-restricted residential units in the  
19 development have the same unit finishes and equipment and access to  
20 community amenities and programs as residential units that are not  
21 income-restricted;

22 (4) the percentage of very low, lower, moderate, and  
23 middle income housing units reserved in each category of  
24 income-restricted residential units in the development, based on  
25 the number of bedrooms per unit, is the same as the percentage of  
26 each category of income-restricted residential units reserved in  
27 the development as a whole;

1           (5) the monthly rent charged per unit does not exceed:

2                   (A) for a very low income housing unit, 30  
3 percent of 50 percent of the area median income, adjusted for family  
4 size, as defined by the United States Department of Housing and  
5 Urban Development;

6                   (B) for a lower income housing unit, 30 percent  
7 of 60 percent of the area median income, adjusted for family size,  
8 as defined by the United States Department of Housing and Urban  
9 Development;

10                   (C) for a moderate income housing unit, 30  
11 percent of 80 percent of the area median income, adjusted for family  
12 size, as defined by the United States Department of Housing and  
13 Urban Development; or

14                   (D) for a middle income housing unit, 30 percent  
15 of 100 percent of the area median income, adjusted for family size,  
16 as defined by the United States Department of Housing and Urban  
17 Development;

18           (6) the housing finance corporation user and the  
19 development do not:

20                   (A) refuse to rent a residential unit in the  
21 development to an individual or family because the individual or  
22 family participates in the housing choice voucher program; or

23                   (B) use a financial or minimum income standard  
24 that requires an individual or family participating in the housing  
25 choice voucher program to have a monthly income of more than 250  
26 percent of the individual's or family's share of the total monthly  
27 rent payable for a unit;

1           (7) the housing finance corporation user causes to be  
2 published on the Internet website of the development information  
3 about the development's policies regarding tenant participation in  
4 the housing choice voucher program;

5           (8) the housing finance corporation user for the  
6 development:

7                   (A) affirmatively markets available residential  
8 units directly to individuals and families participating in the  
9 housing choice voucher program; and

10                   (B) notifies local housing authorities of the  
11 development's acceptance of tenants in the housing choice voucher  
12 program; and

13           (9) each lease agreement for an income-restricted  
14 residential unit in the development provides that:

15                   (A) the landlord may not retaliate against the  
16 tenant or the tenant's guests by taking an action because the tenant  
17 established, attempted to establish, or participated in a tenant  
18 organization;

19                   (B) the landlord may only choose to not renew the  
20 lease if the tenant:

21                           (i) committed one or more substantial  
22 violations of the lease;

23                           (ii) failed to provide required information  
24 on the income, composition, or eligibility of the tenant's  
25 household; or

26                           (iii) committed repeated minor violations  
27 of the lease that disrupt the livability of the property, adversely

1 affect the health and safety of any person or the right to quiet  
2 enjoyment of the leased premises and related development  
3 facilities, interfere with the management of the development, or  
4 have an adverse financial effect on the development, including the  
5 failure of the tenant to pay rent in a timely manner; and

6 (C) to not renew the lease, the landlord must  
7 serve a written notice of proposed nonrenewal on the tenant not  
8 later than the 30th day before the effective date of nonrenewal.

9 (d) In calculating the income of an individual or family for  
10 a very low, lower, moderate, or middle income housing unit, the  
11 housing finance corporation user must use the definition of annual  
12 income described in 24 C.F.R. Section 5.609, as implemented by the  
13 United States Department of Housing and Urban Development. If the  
14 income of a tenant exceeds an applicable limit at the time of the  
15 renewal of a lease agreement for a residential unit, the provisions  
16 of Section 42(g)(2)(D), Internal Revenue Code of 1986, apply in  
17 determining whether the unit may still qualify as a very low, lower,  
18 moderate, or middle income housing unit.

19 (e) A housing finance corporation user may require an  
20 individual or family participating in the housing choice voucher  
21 program to pay the difference between the monthly rent for the  
22 applicable unit and the amount of the monthly voucher if the amount  
23 of the voucher is less than the rent.

24 (f) A tenant may not waive the protections provided by  
25 Subsection (c)(9). A housing finance corporation user may adopt  
26 tenant protections that are more protective of tenants than the  
27 tenant protections provided by Subsection (c)(9).

1       (g) A multifamily residential development that is acquired  
2 by a housing finance corporation and is occupied on the date of the  
3 acquisition is eligible for an ad valorem exemption under Section  
4 394.905 for the two tax years following the date of the acquisition,  
5 regardless of whether the development complies with the conditions  
6 prescribed by Subsections (c)(1), (3), (4), and (5), if the  
7 development comes into compliance with Subsections (c)(1), (3),  
8 (4), and (5) not later than the end of the second tax year after the  
9 date of the acquisition.

10       Sec. 394.9027. AUDIT REQUIREMENTS FOR CERTAIN MULTIFAMILY  
11 RESIDENTIAL DEVELOPMENTS. (a) In this section:

12               (1) "Department" means the Texas Department of Housing  
13 and Community Affairs.

14               (2) "Housing finance corporation user" has the meaning  
15 assigned by Section 394.9026.

16       (b) A housing finance corporation or housing finance  
17 corporation user that claims an ad valorem tax exemption for a  
18 multifamily residential development under Section 394.905 must  
19 annually submit to the department an audit report for a compliance  
20 audit, prepared at the expense of the housing finance corporation  
21 user and conducted by an independent auditor or compliance expert  
22 with an established history of providing similar audits on housing  
23 compliance matters, that:

24               (1) states whether the corporation is in compliance  
25 with the requirements imposed for the exemption by Section  
26 394.9026; and

27               (2) identifies the difference in the rent charged for

1 income-restricted residential units and the estimated maximum  
2 market rents that could be charged for those units without the  
3 income restrictions.

4 (c) Not later than the 60th day after the date of receipt of  
5 the audit conducted under Subsection (b), the department shall  
6 examine the audit report and publish a report summarizing the  
7 findings of the audit. The report must:

8 (1) be made available on the department's Internet  
9 website;

10 (2) be issued to the housing finance corporation that  
11 owns or is associated with the development that is the subject of an  
12 audit, the housing finance corporation user of the development, the  
13 comptroller, and the governing body of the sponsoring local  
14 government or governments of the housing finance corporation; and

15 (3) describe in detail the nature of any failure to  
16 comply with the requirements of Section 394.9026.

17 (d) If an audit report submitted under Subsection (b)  
18 indicates noncompliance with Section 394.9026, a housing finance  
19 corporation user, the associated housing finance corporation, and  
20 the chief appraiser of the appraisal district in which the  
21 development is located must be given written notice from the  
22 department that is provided not later than the 120th day after the  
23 date a report has been submitted under Subsection (b) and specifies  
24 the reasons for noncompliance. For a finding of noncompliance with  
25 any provision of Section 394.9026(c), a housing finance corporation  
26 user and the associated housing finance corporation must be given:

27 (1) additional written notice that:

1           (A) otherwise complies with the notice  
2 requirements of this section;

3           (B) contains at least one option for a corrective  
4 action to resolve the noncompliance; and

5           (C) informs the housing finance corporation user  
6 and associated housing finance corporation that failure to resolve  
7 the noncompliance within the period provided by Subdivision (2)  
8 will result in the loss of the ad valorem tax exemption under  
9 Section 394.905;

10           (2) a period of 180 days after the date notice is  
11 received under Subdivision (1) to resolve the matter that is the  
12 subject of the notice; and

13           (3) if a matter that is the subject of a notice  
14 provided under this subdivision is not resolved to the satisfaction  
15 of the department during the period provided by Subdivision (2), a  
16 second notice that informs the housing finance corporation of the  
17 loss of the ad valorem tax exemption for the development due to  
18 noncompliance with Section 394.9026.

19           (e) The initial audit report required by Subsection (b) is  
20 due not later than June 1 of the tax year following:

21           (1) the date of acquisition for an existing  
22 multifamily residential development that is acquired by a housing  
23 finance corporation; or

24           (2) the date a newly constructed multifamily  
25 residential development first becomes occupied by one or more  
26 tenants.

27           (f) Subsequent audit reports following the issuance of the

1 initial audit report under Subsection (e) are due not later than  
2 June 1 of each year.

3 (g) The department may extend the deadline for submitting  
4 any audit required under this section for good cause shown, as  
5 determined by the department.

6 (h) An independent auditor or compliance expert may not  
7 prepare an audit under Subsection (b) for more than three  
8 consecutive tax years for the same housing finance corporation.  
9 After the third consecutive audit, the independent auditor or  
10 compliance expert may prepare an audit only after the second  
11 anniversary of the preparation of the third consecutive audit.

12 (i) The department:

13 (1) shall adopt forms and reporting standards for the  
14 auditing process;

15 (2) may charge a fee for the submission of an audit  
16 report under this section in a reasonable amount necessary to cover  
17 the expenses of administering this section; and

18 (3) shall adopt rules necessary to implement this  
19 section and Section 394.9026.

20 (j) Rules adopted under Subsection (i)(3) must include  
21 administrative processes and a process by which a housing finance  
22 corporation user may appeal a finding of noncompliance made under  
23 this section or a loss of a tax exemption due to a finding of  
24 noncompliance with Section 394.9026 or any other provision of this  
25 chapter.

26 (k) An audit conducted under Subsection (b) is subject to  
27 disclosure under Chapter 552, Government Code, except that

1 information containing tenant names, unit numbers, or other tenant  
2 identifying information may be redacted.

3 (1) This section does not apply to a multifamily residential  
4 development during any period that the development is the recipient  
5 of a low income housing tax credit allocated under Subchapter DD,  
6 Chapter 2306, Government Code.

7 SECTION 10. Section 394.903, Local Government Code, is  
8 amended to read as follows:

9 Sec. 394.903. TRANSFER [LOCATION] OF [RESIDENTIAL  
10 ~~DEVELOPMENT,~~] RESIDENTIAL DEVELOPMENT SITES. Subject to Sections  
11 394.031(c) and (d), a [(a) A residential development covered by  
12 this chapter must be located within the local government.

13 [(b) The] local government may transfer any residential  
14 development site to a housing finance corporation by sale or lease.  
15 The governing body of the local government may authorize the  
16 transfer by resolution without submitting the issue to the voters  
17 and without regard to the requirements, restrictions, limitations,  
18 or other provisions contained in any other general, special, or  
19 local law. [The site may be located wholly or partly inside or  
20 outside the local government.]

21 SECTION 11. Section 394.905, Local Government Code, is  
22 amended to read as follows:

23 Sec. 394.905. EXEMPTION FROM TAXES AND FEES [TAXATION].

24 (a) Subject to compliance with the requirements of this chapter, a  
25 [The] housing finance corporation and[ ] all property owned by the  
26 corporation [it], the income from that [the] property, all bonds  
27 issued by the corporation [it], the income from those [the] bonds,

1 and the transfer of those [~~the~~] bonds are exempt, as public property  
2 used for public purposes, from license fees, recording fees, and  
3 all other taxes imposed by this state or any political subdivision  
4 of this state.

5 (b) A multifamily residential development owned by a  
6 housing finance corporation is eligible for an exemption from ad  
7 valorem taxes, and the materials used to improve the applicable  
8 property are eligible for an exemption from sales and use taxes,  
9 only if:

10 (1) the property is located in an area in which the  
11 housing finance corporation is authorized to own real property or  
12 engage in residential development under Section 394.031(c) or (d);

13 (2) the board of directors of the corporation has  
14 adopted a resolution approving the multifamily residential  
15 development;

16 (3) before approval of the board of directors under  
17 Subdivision (2), the housing finance corporation or a sponsoring  
18 local government of the corporation:

19 (A) conducts, or obtains from a professional  
20 entity that has experience underwriting affordable residential  
21 developments and does not have a financial interest in the  
22 corporation or the applicable development, developer, or  
23 investors, an underwriting assessment of the proposed development  
24 that is dated not earlier than 180 days before the date of the board  
25 resolution;

26 (B) based on the underwriting assessment, makes a  
27 good faith determination that the total amount of annual rent

1 reduction applicable to the development, as defined by Section  
2 394.9026(a), will be not less than 50 percent of the amount of  
3 estimated ad valorem taxes that would be imposed on the property in  
4 the same tax year if the applicable property did not receive an  
5 exemption from those taxes under this section:

6 (i) for a development that is acquired by  
7 the corporation, each of the third, fourth, and fifth tax years  
8 after the tax year that the corporation acquires the development;  
9 and

10 (ii) for a newly constructed development  
11 not described by Subparagraph (i), each of the first, second, and  
12 third tax years after the tax year in which the development first  
13 achieves an occupancy rate of 90 percent; and

14 (C) publishes on its Internet website a copy of  
15 the underwriting assessment required by this subsection; and

16 (4) the housing finance corporation submits to the  
17 Texas Department of Housing and Community Affairs and to the chief  
18 appraiser for each appraisal district in which the exemption is  
19 sought a one-time exemption application on a form promulgated by  
20 the comptroller.

21 (c) Notwithstanding Subsections (a) and (b), and subject to  
22 Section 394.9027, a multifamily residential development owned by a  
23 housing finance corporation or a housing finance corporation user  
24 is not entitled to an ad valorem tax exemption for any given tax  
25 year in which:

26 (1) the corporation or the housing finance corporation  
27 user is not in compliance with any provisions of Section

1 394.9026(c) and:

2 (A) the notice requirements in Section  
3 394.9027(d) have been fulfilled; and

4 (B) the noncompliance is not resolved to the  
5 satisfaction of the department within the period provided by  
6 Section 394.9027(d)(2); or

7 (2) the corporation or the housing finance corporation  
8 user has not timely submitted the audit report required by Section  
9 394.9027.

10 (d) Subsection (a) does not apply to ad valorem taxes  
11 imposed on a multifamily residential development by:

12 (1) a conservation or reclamation district created  
13 under Section 52, Article III, or Section 59, Article XVI, Texas  
14 Constitution, that provides water, sewer, or drainage service to  
15 the development, unless the applicable corporation has entered into  
16 a written agreement with the district to make a payment to the  
17 district in lieu of taxation, in the amount specified in the  
18 agreement; or

19 (2) an emergency services district created under  
20 Chapter 775, Health and Safety Code, unless the applicable  
21 corporation has entered into a written agreement with the district  
22 to make a payment to the district in lieu of taxation, in the amount  
23 specified in the agreement.

24 (e) Subsections (b)(3), (b)(4), and (c) do not apply to a  
25 multifamily residential development that is:

26 (1) owned by a housing finance corporation; and

27 (2) the recipient of a low income housing tax credit

1 allocated under Subchapter DD, Chapter 2306, Government Code.

2       (f) The corporation is exempt from the franchise tax imposed  
3 by Chapter 171, Tax Code, only if the corporation is exempted by  
4 that chapter.

5       SECTION 12. Section 394.005, Local Government Code, is  
6 repealed.

7       SECTION 13. (a) Subject to Subsection (i) of this section,  
8 Sections 394.031(c) and (d), Local Government Code, as added by  
9 this Act, and Section 394.903, Local Government Code, as amended by  
10 this Act, apply only to the ownership of real property that is  
11 acquired by a housing finance corporation on or after the effective  
12 date of this Act. The ownership of real property acquired by a  
13 housing finance corporation before the effective date of this Act,  
14 and the authority of a housing finance corporation to own that  
15 property or to engage in residential development with respect to  
16 that real property in an area outside the areas authorized by  
17 Sections 394.031(c) and (d), Local Government Code, as added by  
18 this Act, are governed by the law in effect on the date the property  
19 was acquired by the housing finance corporation, and the former law  
20 is continued in effect for that purpose.

21       (b) Section 394.037(a-1), Local Government Code, as added  
22 by this Act, and Section 394.9025, Local Government Code, as  
23 amended by this Act, apply only to bonds issued on or after the  
24 effective date of this Act. Bonds issued before the effective date  
25 of this Act are governed by the law in effect on the date the bonds  
26 were issued, and the former law is continued in effect for that  
27 purpose.

1           (c) Section 394.9026, Local Government Code, as added by  
2 this Act, and Section 394.905, Local Government Code, as amended by  
3 this Act, apply only to a tax for a tax year that begins on or after  
4 the effective date of this Act.

5           (d) Subject to Subsections (e) and (f) of this section,  
6 Sections 394.9026 and 394.9027, Local Government Code, as added by  
7 this Act, apply to all multifamily residential developments  
8 claiming an exemption under Section 394.905, Local Government Code,  
9 regardless of when the developments were approved or acquired.

10           (e) A multifamily residential development that was acquired  
11 by a housing finance corporation before the effective date of this  
12 Act is not eligible for an exemption under Section 394.905, Local  
13 Government Code, as amended by this Act, unless the housing finance  
14 corporation that owns the development and any housing finance  
15 corporation user, as defined by Section 394.9026, Local Government  
16 Code, as added by this Act, associated with the development come  
17 into compliance:

18                   (1) not later than January 1, 2026, with Sections  
19 394.9026(c)(6), (7), (8), and (9), Local Government Code, as added  
20 by this Act; and

21                   (2) with Sections 394.9026(c)(1), (2), (3), (4), and  
22 (5), Local Government Code, as added by this Act, not later than the  
23 earlier of:

24                           (A) the end of the 10th tax year following the  
25 effective date of this Act; or

26                           (B) the end of the first tax year following a tax  
27 year in which:

1 (i) existing mortgage indebtedness of the  
2 development is refinanced;

3 (ii) title to the development is conveyed;  
4 or

5 (iii) a sale, conveyance, transfer or  
6 assignment, or series of sales, conveyances, transfers or  
7 assignments, results in a change in a majority of the beneficial  
8 ownership interests of any housing finance corporation user  
9 associated with the development.

10 (f) Notwithstanding Section 394.9027(b) or (f), Local  
11 Government Code, as added by this Act, the initial audit report  
12 required to be submitted under Section 394.9027(b), Local  
13 Government Code, as added by this Act, for a multifamily  
14 residential development that was acquired by a housing finance  
15 corporation before the effective date of this Act must be submitted  
16 by the later of:

17 (1) the date established by Section 394.9027(e), Local  
18 Government Code, as added by this Act; or

19 (2) June 1, 2026.

20 (g) Subject to Subsections (e), (h), and (i) of this  
21 section, Section 394.905, Local Government Code, as amended by this  
22 Act, applies to all multifamily residential developments owned by a  
23 housing finance corporation, regardless of when the developments  
24 were approved or acquired.

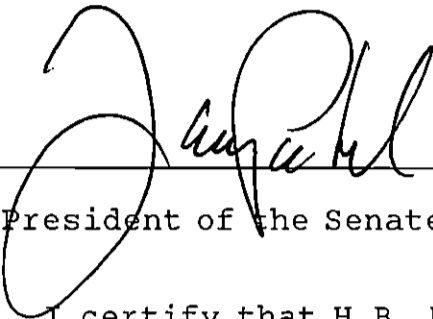
25 (h) Sections 394.905(b)(1), (2), and (3) and (d), Local  
26 Government Code, as added by this Act, apply only to multifamily  
27 residential developments that are acquired by a housing finance

1 corporation on or after the effective date of this Act.

2 (i) A residential development that is owned by a housing  
3 finance corporation on September 1, 2025, and is located outside an  
4 area in which the corporation is authorized to own real property or  
5 engage in residential development under Section 394.031(c), Local  
6 Government Code, as added by this Act, is not eligible for an ad  
7 valorem tax exemption under Section 394.905, Local Government Code,  
8 as amended by this Act, after January 1, 2027, unless the  
9 corporation obtains the appropriate resolutions or orders required  
10 under Section 394.031(d), Local Government Code, as added by this  
11 Act, before that date.

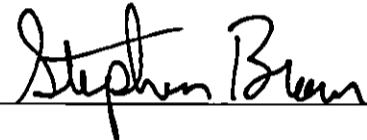
12 (j) Not later than January 1, 2026, the Texas Department of  
13 Housing and Community Affairs shall adopt rules necessary to  
14 implement Section 394.9027(i), Local Government Code, as added by  
15 this Act.

16 SECTION 14. This Act takes effect immediately if it  
17 receives a vote of two-thirds of all the members elected to each  
18 house, as provided by Section 39, Article III, Texas Constitution.  
19 If this Act does not receive the vote necessary for immediate  
20 effect, this Act takes effect September 1, 2025.

  
\_\_\_\_\_  
President of the Senate

H.B. No. 21  
  
\_\_\_\_\_  
Speaker of the House

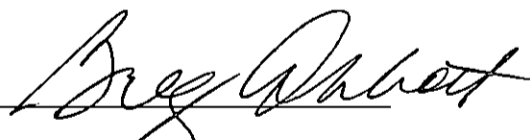
I certify that H.B. No. 21 was passed by the House on May 10, 2025, by the following vote: Yeas 115, Nays 13, 3 present, not voting.

  
\_\_\_\_\_  
Chief Clerk of the House

I certify that H.B. No. 21 was passed by the Senate on May 14, 2025, by the following vote: Yeas 30, Nays 1.

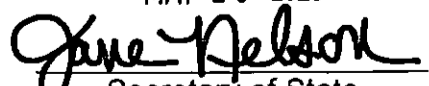
  
\_\_\_\_\_  
Secretary of the Senate

APPROVED: 5-28-25  
Date

  
\_\_\_\_\_  
Governor

FILED IN THE OFFICE OF THE  
TEXAS SECRETARY OF STATE  
6:00 pm O'CLOCK

MAY 28 2025

  
\_\_\_\_\_  
Secretary of State