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AN ACT

1-2 relating to a restriction on the financing of multifamily  
1-3 residential developments by housing authorities and housing finance  
1-4 corporations.

1-5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF  
TEXAS:

1-6 SECTION 1. Section 303.042, Local Government Code, is  
1-7 amended to read as follows:

1-8 Sec. 303.042. TAXATION. (a) A public facility, including a  
1-9 leasehold estate in a public facility, that is owned by a  
1-10 corporation and that, except for the purposes and nonprofit nature  
1-11 of the corporation, would be taxable to the corporation under Title  
1-12 1, Tax Code, shall be assessed to the user of the public facility  
1-13 to the same extent and subject to the same exemptions from taxation  
1-14 as if the user owned the public facility. If there is more than  
1-15 one user of the public facility, the public facility shall be  
1-16 assessed to the users in proportion to the value of the rights of  
1-17 each user to occupy, operate, manage, or use the public facility.

1-18 (b) The user of a public facility is considered the owner of  
1-19 the facility for purposes of the application of:

1-20 (1) sales and use taxes in the construction, sale,  
1-21 lease, or rental of the public facility; and

1-22 (2) other taxes imposed by this state or a political  
1-23 subdivision of this state.

1-24 (c) A corporation is engaged exclusively in performance of  
1-25 charitable functions and is exempt from taxation by this state or a  
2-1 municipality or other political subdivision of this state. Bonds  
2-2 issued by a corporation under this chapter, a transfer of the  
2-3 bonds, interest on the bonds, and a profit from the sale or  
2-4 exchange of the bonds are exempt from taxation by this state or a  
2-5 municipality or other political subdivision of this state.

2-6 (d) An exemption under this section for a multifamily  
2-7 residential development which is owned by a public facility  
2-8 corporation created by a housing authority under this chapter and  
2-9 which does not have at least 20 percent of its units reserved for  
2-10 public housing units, applies only if:

2-11 (1) the housing authority holds a public hearing, at a  
2-12 regular meeting of the authority's governing body, to approve the  
2-13 development; and

2-14 (2) at least 50 percent of the units in the  
2-15 multifamily residential development are reserved for occupancy by  
2-16 individuals and families earning less than 80 percent of the area  
2-17 median family income.

2-18 (e) For the purposes of Subsection (d), a "public housing  
2-19 unit" is a dwelling unit for which the landlord receives a public  
2-20 housing operating subsidy. It does not include a unit for which

2-21 payments are made to the landlord under the federal Section 8  
2-22 Housing Choice Voucher Program.

2-23 SECTION 2. Section 392.005, Local Government Code, is  
2-24 amended to read as follows:

2-25 Sec. 392.005. TAX EXEMPTION. (a) The property of an  
2-26 authority is public property used for essential public and  
3-1 governmental purposes. The authority and the authority's property  
3-2 are exempt from all taxes and special assessments of a  
3-3 municipality, a county, another political subdivision, or the  
3-4 state.

3-5 (b) If a municipality, county, or political subdivision  
3-6 furnishes improvements, services, or facilities for a housing  
3-7 project, an authority may, in lieu of paying taxes or special  
3-8 assessments, agree to reimburse in payments to the municipality,  
3-9 county, or political subdivision an amount not greater than the  
3-10 estimated cost to the municipality, county, or political  
3-11 subdivision for the improvements, services, or facilities.

3-12 (c) An exemption under this section for a multifamily  
3-13 residential development which is owned by (i) a public facility  
3-14 corporation created by a housing authority under Chapter 303,  
3-15 (ii) a housing development corporation, or (iii) a similar entity  
3-16 created by a housing authority and which does not have at least 20  
3-17 percent of its units reserved for public housing units, applies  
3-18 only if:

3-19 (1) the authority holds a public hearing, at a regular  
3-20 meeting of the authority's governing body, to approve the  
3-21 development; and

3-22 (2) at least 50 percent of the units in the  
3-23 multifamily residential development are reserved for occupancy by  
3-24 individuals and families earning less than 80 percent of the area  
3-25 median family income.

3-26 (d) For the purposes of Subsection (c), a "public housing  
4-1 unit" is a dwelling unit for which the owner receives a public  
4-2 housing operating subsidy. It does not include a unit for which  
4-3 payments are made to the landlord under the federal Section 8  
4-4 Housing Choice Voucher Program.

4-5 SECTION 3. Subchapter Z, Chapter 394, Local Government Code,  
4-6 is amended by adding Section 394.9025 to read as follows:

4-7 Sec. 394.9025. MULTIFAMILY RESIDENTIAL DEVELOPMENT.

4-8 (a) Following a public hearing, a housing finance corporation may  
4-9 issue bonds to finance a multifamily residential development to be  
4-10 owned by the housing finance corporation if at least 50 percent of  
4-11 the units in the multifamily residential development are reserved  
4-12 for occupancy by individuals and families earning less than 80  
4-13 percent of the area median family income.

4-14 (b) Following a public hearing by the governing body of the

4-15 local government, a housing finance corporation may issue bonds to  
4-16 finance a multifamily residential development to be owned by the  
4-17 housing finance corporation in accordance with Section 394.004 if  
4-18 the housing finance corporation receives approval of the governing  
4-19 body of the local government.

4-20 SECTION 4. (a) The change in law made by Subsection (d),  
4-21 Section 303.042, Local Government Code, as added by this Act,  
4-22 applies only to a multifamily residential development that is  
4-23 developed as a result of an official decision by a housing  
4-24 authority or an entity created by the housing authority to develop  
4-25 the property that occurs on or after the effective date of this  
4-26 Act.

5-1 (b) The change in law made by Subsection (c), Section  
5-2 392.005, Local Government Code, as added by this Act, applies only  
5-3 to a multifamily residential development that is developed as a  
5-4 result of an official decision by a housing authority or an entity  
5-5 created by the housing authority to develop the property that  
5-6 occurs on or after the effective date of this Act.

5-7 (c) The change in law made by Section 394.9025, Local  
5-8 Government Code, as added by this Act, applies only to a  
5-9 multifamily residential development that is financed by bonds  
5-10 issued under Chapter 394, Local Governmental Code, as a result of  
5-11 an official decision to issue bonds that occurs on or after the  
5-12 effective date of this Act.

5-13 SECTION 5. This Act takes effect August 31, 2002.

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President of the Senate                      Speaker of the House

I hereby certify that S.B. No. 929 passed the Senate on  
May 2, 2001, by a viva-voce vote; and that the Senate concurred in  
House amendment on May 26, 2001, by a viva-voce vote.

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Secretary of the Senate

I hereby certify that S.B. No. 929 passed the House, with  
amendment, on May 23, 2001, by a non-record vote.

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Chief Clerk of the House

Approved:

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Date

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Governor