

## **Numerous Housing Bills Would Hurt/Help Non-Profit Housing**

House Bill 2798 could be a boon for affordable housing if it is passed in its current form, according to Guy Yandel, chairman of the Texas Association of Local Housing Finance Authorities (TALHFA) Legislative Oversight Committee. HB 2798, by Rep. Ken Marchant (R-Carrollton) was introduced to raise the percentage of Private Activity Bond volume cap from 28 percent to 32 percent for single family programs and from 5 percent to 8 percent for multi-family programs. This is good news for local issuers with more financing needs than available volume cap can supply.

In addition, the bill creates a special set aside for student loans bonds equal to 11 percent of the state total. Student loan bonds have never had their own reserved category in the past. While the dust hasn't completely settled on the terms of the bill, there have been several proposed amendments which would have negatively affected local issuers ability to finance housing projects.

One proposed amendment, which was defeated, was to require multi-family applications to meet certain qualification standards (to be determined by the Bond Review Board). Without meeting these standards, multi-family projects would not have been available for the lottery which assigns allocations priority to private activity bond financings.

Another defeated amendment, which was proposed by the lobbying effort of the pollution control facilities, would have eliminated the ability for single family issuers to receive an allocation after September 1<sup>st</sup>. Had this amendment been successful, housing finance corporations would have had a net loss of about \$47,500,000 in volume cap annually.

Another interesting bill, introduced by Rep. Hill, HB 1410, adds affordable housing to the powers of an economic development corporation. Perhaps legislation should be crafted to add economic development powers to housing finance corporations as well.

On another note, one of our housing clients is advocating legislation which, if adopted, will make clearer to cities and counties the legality of selling or donating tax-foreclosure property to non-profits or housing finance corporation. As the law stands now, property that has been foreclosed on usually must be offered for fair-market value, which includes the total of liens, back taxes and civil penalties against the property. Not only does this amount normally exceed real property value, but the law also stipulates a three-year period following the sale in which the foreclosure can be contested. This provision not only exposes the buyer of the foreclosed property to litigation, it also deters title insurance companies from providing title insurance.

Changes to the Texas Property Tax Code can help to encourage development in neighborhoods all over the state.

The proposed changes would help non-profits and HFC's in their efforts to develop affordable housing. A taxing entity would be able to sell the property to a non-profit or any other party for less than both fair market value and the amount of the tax deficiency judgments against the property, if that taxing entity has the consent of all the other taxing units.

These changes, if implemented, are advantageous to communities in two ways. First, they would spur the development of abandoned and blighted properties and second, they would return the property to the tax rolls, thereby increasing the tax base of the community.

Although several bills obtain this result for non-profits, such as HB 110, 111 and 112 filed by Rep. Helen Giddings (D-Dallas), they do not extend the same advantages to HFC's. In fact, some non-profits are attempting to exclude HFC's in order to narrow the competitive field. This undermining is dangerous to the cause of reform what would benefit the public good and return property to the tax rolls.

ALL TOO OFTEN, INFILL DEVELOPERS PURCHASE A PROPERTY AND LEAVE  
IT ABANDONED AND UNDEVELOPED UNTIL THE VALUE INCREASES... THIS  
REFORM OFFERS A BETTER ALTERNATIVE