

81st Legislative Session

The 81st Legislative session began with the Senate voting to suspend the two-thirds rule required to take up a piece of legislation in order to more easily pass what was known as the “Voter ID” bill, a measure which opponents allege would place additional barriers in the way of some low-income and elderly voters. The session ended with members of the House engaging in “extended debate” (what is known as chubbing) on somewhat mundane bills throughout the Memorial Day weekend to prevent the Voter ID bill from being brought before the House for a vote, in effect killing both it and numerous other bills that were scheduled after Voter ID. In between, the House rejected the sitting speaker and instead elected Joe Strauss as Speaker and debated such controversial bills as guns on college campuses, 'Choose Life' license plates, expanding penalties for Cockfighting, expansion of unemployment insurance, changing the top 10 percent law for university enrollment, and a ban on smoking in indoor workplaces throughout the state.

In the end, nearly 7,500 bills were filed, 1,600 of which landed on the Governor’s desk. Governor Perry vetoed 37 of those bills, his second-smallest in a regular session since he became governor in 2000.

Housing Trust Fund

The number one priority for TACDC members going into this session was to increase the size of the State Housing Trust Fund by establishing a dedicated source of revenue for the Housing Trust Fund. While dedicated funding was not established, there was a significant success: \$10 million more state funds per year for the biennium were allocated for the Fund. The HTF can be used for a wide variety of affordable housing initiatives, ranging from down payment assistance to weatherization to leveraging additional federal funds. The state housing trust fund is now \$21.9 million over the two-year biennium (compared to the approximately \$7 million over the biennium that it was before we started building this campaign in 2007). This new funding not only provides additional resources for affordable housing, but it sets a new, higher funding precedent.

A broad, coordinated effort to secure dedicated state funding for affordable housing, led by the Housing Texas coalition, was instrumental in getting this increase in funding for the HTF. While we were unsuccessful in our efforts to get a permanent dedicated fund, this campaign went a long way in highlighting the need for affordable housing in Texas. TACDC contributed both human resources and money to the successful coalition effort, organizing a Capitol lobby day in which dozens of TACDC

members were joined by a number of other coalition members in visiting every single one of the 181 Senators and Representatives in one day, an accomplishment unprecedented in TACDC's history.

Receivership

SB 1449 will help protect the well-being of low-income residents living in unsuitable conditions. Low-income residents sometimes fear retaliation from landlords or are unable to afford to pursue legal action to improve unsafe living conditions. The bill allows non-profits to act on behalf of people living in substandard and dangerous living conditions. The Senate Intergovernmental Relations Committee interim report found that municipalities often lack resources necessary to pursue actions against property owners that have abandoned their responsibilities to rehabilitate dilapidated properties. The report recommended expanding municipal authority to appoint a receiver to include violations of municipal health and safety ordinances. The report also recommended allowing qualified non-governmental entities to serve as receivers. SB 1449 implements these committee recommendations.

Sunset bills

TACDC has been providing continuing education training to builders for the last year to help them fulfill requirements mandated through legislation during the 80th legislative session. The Texas Residential Construction Commission was up for sunset review and the sunset commission had recommended continuation of the commission with some changes. HB 2295 by McClendon, which would have continued TRCC while also adding additional mandatory continuing education hours as well as requiring licensure for builders, had passed the House and was referred to the Senate Business and Conference Committee in mid-May. Apparently due to the discomfort of some large home builders with new consumer protections in the bill, it was never considered in the Senate. Though TRCC will cease to operate as of September 1, 2010, creating questions about the application of the remaining underlying statutes that consumers had complained about in the first place.

On the final day of the regular session, the 81st Legislature failed to pass what is known as the Sunset safety net bill, which is designed to keep several government agencies from operating without interruption. The Texas State Affordable Housing Corporation was among the agencies that eventually would be shuttered without specific legal authority to continue operations. Technically, the agencies are abolished on Sept. 1, but the law allows for another year before they have to cease operating. That means lawmakers have until Sept. 1, 2010 to intervene. A special session has been called for July 1st to address these issues. TACDC has written a letter to all Representatives and Senators in support of the continuation of TSHAC.

Taxes/Mortgage

HB 831 would have exempted dozens of nonprofit community business organizations providing economic development services to local communities from paying property taxes — at a cost of more than \$1 million statewide over two years, by one official estimate. When separate Senate and House bills on the matter died in the final two weeks of the legislative session, the words were tacked onto another bill. And after that bill died, yet another. In the end, the measure passed as an amendment to **House Bill 770**. HB 770 takes effect on January 1, 2010.

HB 2555 amends the Tax Code to extend the exemptions for property acquired to provide low-income housing or used for charitable purposes to five years from three. The bill also allows a corporation that is not a qualified charitable organization to an exemption from taxation of property under this section if: the corporation is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, the corporation holds title to the property for, collects income from the property for, and turns over the entire amount of that income, less expenses, to a qualified charitable organization; and the qualified charitable organization would qualify for an exemption from taxation of the property under this section if the qualified charitable organization owned the property.

HB 3983 would have clarified the roles of a city and county in establishing tax increment financing districts. It was vetoed due to a late amendment added proposing a study of property-tax circuit breakers.

SB 1717 requires sponsors of multi-family housing that receives tax credits to submit a quarterly report to TDHCA that identifies the number of vacant units in the development at the time of the report and the number of days that each unit has been vacant. The bill also prohibits a tax credit development owner from locking out or threatening to lock out any person residing in the development except by judicial process unless the exclusion results from a necessity to perform bona fide repairs or construction work or an emergency or seize or threaten to seize the personal property of any person residing in the development except by judicial process unless the resident has abandoned the premises. Takes effect September 1st.

Texas Rural Development Fund

SB 684 gives land banks four years to sell the property procured in foreclosure for affordable housing construction as opposed to the previous three year period. The bill also extended the amount of time from two to three years before the property converts back to the land bank if the qualified participating developer does not apply for the construction permit in that amount of time. It also allows the developer to exchange property purchased from the land bank with any other property owned by the developer if the

developer agrees to construct on the other property affordable housing for low income households and the other property will be located in a planned development incorporating the property originally purchased from the land bank or another location as approved by the land bank. The bill also allows states that if the land bank determines that a property owned by the land bank is not appropriate for residential development, the land bank first shall offer the property for sale to an eligible adjacent property owner according to terms and conditions developed by the land bank that are consistent with this chapter.

Asset Building

SB 1760 would have provided authorization for funding for the Texas Save and Match Program for children's savings accounts for post-secondary education. The bill was vetoed by Governor Perry.

SB 1941 provides for the administration and operation of, and the participation of state employees in the state's programs for prepaying or saving toward the costs of attending an institution of higher education. The bill was signed and is now in effect.

HB 2283 relates to increasing state employee participation in the TexaSaver program. The bill was signed and is effective on September 1st.

HB 2888 (formerly HB 955) would have established a VITA grant program within the Texas Department of Housing and Community Affairs (TDHCA). It was vetoed by the Governor for reasons that are unclear.

HB 2360 instructs employers to provide employees with EITC and VITA information during tax season. The bill takes effect on September 1st.

Other

S.B. 679 will positively affect users of the Texas Bootstrap Self-Help Loan Program as it amends the program to increase administration efficiencies and broadens distribution of program funds statewide to economically disadvantaged areas. The bill was signed and is in effect.

HB 4275 relates to the application process and scoring for the low income housing tax credit program. Was signed and is in effect.

SB 80 relates to employer contributions under small employer health benefit plans. Was signed and is in effect.

SB 252 relates to the authority of a municipality with a population of less than 10,000 to enter into an agreement with an owner of real property in or adjacent to an area in the municipality that has been

approved for funding under certain revitalization or redevelopment programs to prohibit ad valorem tax increases on the owner's property for a limited period. Was signed and is in effect.

SB 820 relates to the adoption and amendment of model building codes by municipalities. It has the effect of prohibiting the mandating of fire sprinklers in all but the largest residences. It was signed and is in effect.

SB 1371 allows reimbursement to a political subdivision as well as a nonprofit for eligible expenses incurred in a self-help project that results in the provision of adequate water or wastewater services to a colonia. Will be implemented on September 1st.

SB 1878 relates to the creation and operation of a council to increase state efforts to offer service-enriched housing through increased coordination of housing and health services. The bill takes effect September 1st.

Special Session Update

The Governor called a very limited special session on July 1st. The Governor's call included addressing only five agencies on which Sunset legislation was proposed but not adopted, highway bonding authority, and private toll road authority. The legislature acted on the first two items, but chose not to enable more private toll roads. The two bills that were enacted were finished by July 3rd, allowing the legislature to adjourn and returned home by July 4th.

The most critical issue for Community Development in the Special Session was the extension of the Texas State Affordable Housing Corporation (TSAHC). The TSAHC Sunset bill was approved during the regular session in the Senate without dissent, but there was some limited sentiment in the House to roll TSAHC back into TDHCA. The strength of that sentiment was never tested since the TSAHC Sunset bill was one of those "killed by the clock" due to the Voter ID debate. TACDC and virtually all of the other affordable housing advocates had urged the legislature to keep TSAHC independent in order to ensure a wider variety of housing finance options.

The Special Session adopted a bill to extend the lives of five state agencies, including TSAHC, until the next regular legislative session. This means that both TSAHC and TDHCA will be under Sunset Review, with the staff research beginning almost immediately. Sunset public hearings will be held during 2010, with reports and recommendations due to the legislature prior to the start of the 2001 Regular Session. TACDC and its members will be actively participating in the Sunset process for these two agencies since together they represent almost the entire state effort on affordable housing.