SUBJECT: Prohibiting income discrimination by certain public facility users

COMMITTEE: Urban Affairs — committee substitute recommended

VOTE: 8 ayes — Cortez, Holland, Bernal, Campos, Jarvis Johnson, Minjarez, Morales Shaw, Slaton

1 nay — Gates

WITNESSES: For — Christina Rosales, Texas Housers; (*Registered, but did not testify*: Thamara Narvaez, Harris County Commissioners Court)

Against — Elena Sanders, Kittle Property Group; Debra Guerrero, The NRP Group; (*Registered, but did not testify*: Jesse Soliz)

On — (*Registered, but did not testify*: Marni Holloway, TDHCA)

BACKGROUND: Local Government Code sec. 303.042(f) exempts private entities that are granted a leasehold or other possessory interest in a public facility from ad valorem taxation of that facility.

DIGEST: CSHB 1931 would prohibit public facility users, defined as private entities that have a leasehold or other possessory interest in a public facility corporation, from refusing to rent a residential unit in a multifamily housing development to an individual or family on the basis of participation in the federal housing choice voucher program. Public facility users also would be prohibited from requiring such voucher participants to have a monthly income of more than 250 percent of the share of total monthly rent to be paid by the participant.

The tax exemptions provided by Local Government Code sec. 303.042(f) would apply only to a leasehold or other possessory interest if the relevant public facility user met the requirements of this bill. These requirements would apply only to public facilities under Local Government Code sec. 303.042(f) and would not restrict the authority of a corporation to lease a public facility to a private entity under other terms.

The bill would take effect September 1, 2021, and would apply only to a leasehold or other possessory interest granted on or after that date.

SUPPORTERS SAY:

CSHB 1931 would help ensure that private entities exempted from state taxes provided a public benefit by prohibiting developers of public facility corporations (PFCs) from discriminating against potential residents who participate in a housing voucher program. Current law does not require that public facility housing developments under Local Government Code sec. 303.042(f) accept residents with housing vouchers, and many PFC developments set minimum monthly income thresholds that are impossible for voucher holders to meet. Such discrimination makes it difficult for voucher participants to find housing in high opportunity neighborhoods with access to strong schools, transit, and jobs.

Many PFC developments are sponsored by housing authorities, and it is unacceptable that private entities that do not serve the mission of providing affordable housing should receive substantial benefits that cost the state millions annually in lost property taxes. CSHB 1931 would not create any new government housing program, category, or tax benefit, but would actually restrict and reduce corporate welfare. By explicitly prohibiting these public facility users from refusing to rent on the basis of housing vouchers and limiting minimum income standards, the bill would be a significant step toward ensuring that the public's existing investment in PFCs accomplishes a public purpose.

CRITICS SAY:

CSHB 1931 would create unnecessary qualifications for beneficial tax treatment that apply to some developments to the exclusion of others, and would incentivize more such government intervention in the future. It would be better to do away with these types of tax preferences and allow development to operate in a free market that is not manipulated through the tax code.

NOTES:

According to the Legislative Budget Board, the bill would have no significant fiscal impact on the state, but could create an indeterminate revenue gain for the state through the school funding formula by limiting the amount of property that would qualify for future property tax exemptions.