

BILL ANALYSIS

C.S.H.B. 3439
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Local low-income housing developers have recognized current appraisal methods often result in inconsistent property valuations. During the initial construction and occupancy stabilization phases of a project, inequitable appraisals for a low-income housing development are often successfully challenged. However, these transactions can be costly for all parties involved and divert a developer's resources ultimately jeopardizing housing quality and slowing the supply of affordable housing in Texas. C.S.H.B. 3439 seeks to revise the appraisal procedures for these properties to require that the appraised value be adjusted to account for the total amount of project construction complete and the percentage of actual occupancy, as applicable.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3439 amends the Tax Code to set out provisions relating to the appraisal for property tax purposes of real property that is owned for the purpose of renting the property to a qualifying low-income or moderate-income individual or family by an organization that has not entered into an agreement with any taxing unit to make payments to the taxing unit instead of taxes on the property and that:

- is or will be financed under the low income housing tax credit program administered by the Texas Department of Housing and Community Affairs (TDHCA);
- is subject to a land use restriction agreement under that program; and
- does not receive certain other related property tax exemptions.

C.S.H.B. 3439 requires a chief appraiser, in appraising an applicable property that is under construction or that has not reached stabilized occupancy on January 1 of the tax year in which the property is appraised, to determine the property's appraised value using the income method of appraisal used for qualifying organizations that are constructing or rehabilitating low-income housing. In doing so, the appraiser must use the property's gross income potential and operating expenses based on the property's projected income and expenses for the first full year of operation as established and utilized in the underwriting report pertaining to the property prepared by the TDHCA, adjusted appropriately. The bill establishes the methods by which the sale of a property is to be adjusted based on percentage of completion or actual occupancy, as applicable. For purposes of the appraisal, a property is not considered to be under construction if the purpose of the work being performed on the property is standard maintenance or basic rehabilitation of the property.

C.S.H.B. 3439 provides for the manner in which an applicable property is appraised for the first tax year following the year in which construction on the property is complete and occupancy of the property has stabilized and for any subsequent tax year.

EFFECTIVE DATE

January 1, 2022.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3439 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The bill revises the original's applicability provisions to change a reference to a property having been financed under the low income housing tax credit program to reflect the fact that a property does not receive financing under the program prior to construction and to remove the specification that the land use restriction agreement not be expired or have been terminated.

The substitute omits provisions from the original establishing a particular calculation for adjusting the appraised value of a property under construction and provides instead that the value should be adjusted to reflect the percentage of completion.

The substitute includes a provision that was not in the original establishing that a property is not considered to be under construction if the purpose of the work being performed on the property is standard maintenance or basic rehabilitation of the property.