



Public Facility Corporations (PFC)

What is a PFC?

A PFC is an entity established by a local government entity, such as a city, county or public housing authority. **They are intended as affordable housing tools.**

How does it work?

Private apartment developers can transfer land, and any new or existing apartment buildings on the land, to a PFC and receive a 100% property tax break in exchange for reducing the rent in some units. **When the property is transferred to the PFC, it comes off the tax rolls of all overlapping government entities.**

Things to Note

01 An apartment project does not have to be located within the local government entity that established the PFC. This means that the City of Austin could create a PFC that acquires projects in the City of Houston, **thereby removing the property from the tax rolls of the City of Houston and other overlapping entities.**

02 Under current law, only the government entity that established the PFC has a say in whether a multi-family property becomes tax exempt through a PFC transfer. **Notice of a planned transfer to a PFC is not required to be provided to an affected taxing jurisdictions, nor is consent needed from the affected taxing entity.**

HOW CAN A PFC IMPACT MY WATER DISTRICT?

When property value is removed from a tax roll, the responsibility for the lost tax revenue is shifted to the remaining tax and/or rate payers.

The monetary impact could be substantial depending on the value of the apartment project as a percentage of the overall tax base.

The smaller the entity's tax base, the bigger the impact. Therefore, the impact to a water district could be quite significant.

This could become an issue for an entity's ability to pay debt service on district bonds, maintain reserves & repair facilities.

What are some examples of this impact?

There are many water districts that have existing apartment projects within their boundaries. Some districts contain multiple projects, exacerbating the potential impact.

Some new projects are initially constructed as PFCs. Other older projects may later be converted to PFCs.

The creation of PFCs is becoming more prevalent & districts receive NO advance notice & are often unaware of its existence until they receive the preliminary tax roll for the new tax year.

The taxable value of apartment projects can range from \$20 Million to more than \$50 Million.

AWBD has received reports of certified value reductions in water districts ranging from a low of 3% to highs in excess of 40% on the 2023 preliminary tax rolls.

HB 2071: WHAT IS THE STATUS OF THE PFC LEGISLATION?

HB 2071 by Representative Jacey Jetton and Senator Paul Bettencourt is the bill under consideration to reform Public Facility Corporations. The bill is subject to ongoing negotiation. Both Representative Jetton and Senator Bettencourt are very interested in improving the current situation for all government entities, particularly water districts. They actively solicit AWBD's input.