

MEMORANDUM

TO: Mayor Jane Hughson,  
San Marcos, Texas

FROM: Chapman and Cutler LLP  
Bond Counsel to Capital Area Housing Finance Corporation

DATE: April 20, 2026

RE: Public Hearing Requirement under Chapter 394, Texas Local Government Code

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THIS MEMORANDUM is provided at the request of the Capital Area Housing Finance Corporation (the “CAHFC”) to summarize a new public hearing requirement with respect to bonds issued by a housing finance corporation pursuant to Chapter 394, Texas Local Government Code, as amended (the “HFC Act”). The HFC Act was amended by H.B. 21, which was passed and became effective on May 28, 2025.

CAHFC is a housing finance corporation formed under and operating pursuant to the requirements of the HFC Act. Under the HFC Act, the CAHFC may, among other things, issue bonds to finance the acquisition, development, operation and ownership of multifamily housing developments. The CAHFC may also acquire an ownership interest in such developments.

Section 394.9025(a) of the HFC Act provides that a housing finance corporation may issue bonds to finance a multifamily housing development in which at least 50% of the units are reserved for individuals and families earning less than 80%<sup>1</sup> of the area median income, “*following a public hearing by the governing body of the applicable local government.*” H.B. 21 modified 394.9025(a) by requiring that the hearing be held by the applicable local government as opposed to simply being held by a housing finance corporation. Prior to passage of H.B. 21, this requirement was typically met through the TEFRA hearing held by CAHFC in connection with its tax-exempt bond financings.

Under Section 394.9025(b), if a housing finance corporation opts to restrict 90% of the units to a level it deems moderate income under Section 394.004 in lieu of the restrictions

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<sup>1</sup> Alternatively, (i) 10% of the units must be reserved for tenants earning less than 60% of the area median income and 40% of the units must be reserved for tenants earning less than 80% of the area median income *or* (ii) 10% of the units must be reserved for tenants earning less than 50% of the area median income and 40% of the units must be reserved for tenants earning less than 100% of the area median income.

described in the preceding paragraph, then a hearing *and* approval of the applicable local government is required.

The CAHFC generally will still be required to hold a TEFRA hearing for any tax-exempt bonds used to finance a multifamily development in the City of San Marcos and will seek approval of the San Marcos Mayor for those issuances. H.B. 21 simply added a new requirement which will generally require a public hearing to be held by the City of San Marcos in connection with CAHFC bond issuances where the CAHFC intends to take an ownership interest in the development being financed.