

By: González of Dallas

H.B. No. 739

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to provisions applicable to affordable housing located in  
3 a reinvestment zone in certain areas of the state; authorizing a  
4 fee.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 311.003, Tax Code, is amended by adding  
7 Subsection (e) to read as follows:

8 (e) Before adopting an ordinance designating a reinvestment  
9 zone described by Section 311.0112, a municipality must prepare or  
10 have prepared an affordable housing impact statement. The  
11 statement must be made available to the public and posted on the  
12 municipality's Internet website on or before the 60th day before  
13 the date the municipality holds the hearing required under  
14 Subsection (c). The statement must include estimates of the impact  
15 on the availability of affordable housing in the area of the  
16 proposed zone for the 30-year period following designation of the  
17 proposed zone.

18 SECTION 2. Section 311.006(e), Tax Code, is amended to read  
19 as follows:

20 (e) Subsection (a)(1) does not apply to a reinvestment zone:  
21 (1) designated under Section 311.005(a)(4); or  
22 (2) described by Section 311.0112.

23 SECTION 3. Chapter 311, Tax Code, is amended by adding  
24 Section 311.0112 to read as follows:

1 Sec. 311.0112. PROVISIONS APPLICABLE IN CERTAIN ZONES. (a)

2 This section applies only to a reinvestment zone:

3 (1) designated by a municipality:

4 (A) with a population of 1.18 million or more;

5 and

6 (B) that is located predominantly in a county  
7 that has a total area of less than 1,000 square miles; and

8 (2) any part of which is located in an area that:

9 (A) has fewer than 75,000 residents;

10 (B) is contiguous to a central business district;

11 and

12 (C) is composed of census tracts:

13 (i) that form a spatially compact area; and

14 (ii) in each of which the median family  
15 income is at or below 80 percent of the area median family income,  
16 adjusted for household size, as determined annually by the United  
17 States Department of Housing and Urban Development.

18 (b) For purposes of this section, an area adjacent to a  
19 reinvestment zone means any area within two miles of the zone's  
20 boundaries in any direction that is not located within the  
21 boundaries of another reinvestment zone.

22 (c) Subject to Subsection (d), at least 20 percent of the  
23 revenue from the tax increment fund of the reinvestment zone spent  
24 annually must be for the development, construction, and  
25 preservation of affordable housing in the zone and in the area  
26 adjacent to the zone. Of that amount:

27 (1) at least 75 percent must be spent to benefit

1 families that have a yearly income at or below 80 percent of the  
2 area median family income, adjusted for household size, as  
3 determined annually by the United States Department of Housing and  
4 Urban Development; and

5 (2) not more than 10 percent may be used to pay  
6 administrative costs.

7 (d) Subsection (c) does not apply if the use of the revenue  
8 in the tax increment fund in the manner required by that subsection  
9 would materially impair the security for bonds or notes issued  
10 under Section 311.015 before September 1, 2023.

11 (e) A project or reinvestment zone financing plan for a  
12 reinvestment zone that is approved or amended on or after September  
13 1, 2023, must require the developer of a residential housing  
14 development located in the zone and funded wholly or partly with  
15 money from the tax increment fund for the zone to:

16 (1) subject to Subsection (f), set aside at least 20  
17 percent of the planned dwelling units in each residential housing  
18 development as affordable housing with an affordability period of  
19 at least 40 years; and

20 (2) enter into a contract with the municipality that  
21 designated the zone to pay the costs of relocating residents of the  
22 zone and the area adjacent to the zone who are displaced as a direct  
23 result of the residential housing development.

24 (f) As an alternative to the set-aside requirement under  
25 Subsection (e)(1), the municipality that designated the  
26 reinvestment zone may allow a developer to pay a fee to the  
27 municipality. The amount of the fee is determined by the

1 municipality. The municipality shall deposit the fee in an  
2 affordable housing fund administered by the governing body of the  
3 municipality. Money in the fund may be used only to:

4 (1) subsidize the cost to the municipality of tax  
5 abatement agreements entered into under Section 311.0125 with the  
6 owners of real property located in the zone if:

7 (A) the real property subject to the tax  
8 abatement agreement is the owner's residence homestead; and

9 (B) the owner, at the time the tax abatement  
10 agreement is entered into, has:

11 (i) resided in the zone for 10 or more  
12 years; and

13 (ii) a yearly income at or below 80 percent  
14 of the median family income in the zone, adjusted for household  
15 size, as determined annually by the United States Department of  
16 Housing and Urban Development; and

17 (2) pay to a qualified for-profit entity or a  
18 nonprofit entity for the purpose of developing, constructing, or  
19 preserving affordable housing in the zone and in the area adjacent  
20 to the zone for families that have a yearly income at or below 80  
21 percent of the area median family income, adjusted for household  
22 size, as determined annually by the United States Department of  
23 Housing and Urban Development.

24 (g) Section 311.0125(b) does not apply to a tax abatement  
25 agreement described by Subsection (f)(1).

26 (h) Notwithstanding any other law, a project or  
27 reinvestment zone financing plan for a reinvestment zone that is

1 approved or amended on or after September 1, 2023, shall provide  
2 that when money is spent from the tax increment fund for the zone  
3 for the purpose of making infrastructure improvements in the zone,  
4 a proportionate amount of money in the fund equal to not more than  
5 20 percent of that amount must be spent from the fund to provide  
6 necessary infrastructure improvements in the area adjacent to the  
7 zone. The plan shall provide that the governing body of the  
8 municipality that designated the zone determines:

9 (1) the proportionate amount to be spent in the area  
10 adjacent to the zone, subject to the limitation provided by this  
11 subsection; and

12 (2) the infrastructure improvements that are  
13 necessary in the area adjacent to the zone.

14 (i) Notwithstanding Section 1.04(7), in determining the  
15 market value of a residence homestead that is more than 30 years old  
16 and located in a reinvestment zone or in the area adjacent to the  
17 zone, the chief appraiser for the appraisal district in which the  
18 property is located may exclude from consideration the value of new  
19 or substantially remodeled residential properties that are located  
20 in the same neighborhood as the residence homestead being appraised  
21 and that would otherwise be considered in appraising the residence  
22 homestead.

23 (j) If the municipality that designated the reinvestment  
24 zone has adopted minimum habitability standards for residential  
25 housing units in the municipality, the municipality shall develop  
26 and adopt a plan to provide for the relocation of tenants displaced  
27 as a result of the enforcement of those standards. The plan must

1 provide that the municipality may use any penalties received from  
2 the owner of the housing unit from which tenants were displaced to  
3 pay the tenant's relocation costs.

4 SECTION 4. Section 311.016, Tax Code, is amended by adding  
5 Subsection (c) to read as follows:

6 (c) In addition to the information required under  
7 Subsection (a), the annual report for a reinvestment zone described  
8 by Section 311.0112 must include the following information,  
9 specific to each neighborhood located in the zone:

10 (1) a detailed explanation of each expenditure from  
11 the tax increment fund established by the zone for affordable  
12 housing in the neighborhood; and

13 (2) an analysis of:

14 (A) the effect of each expenditure from the fund  
15 on the availability of affordable housing in the neighborhood; and

16 (B) whether any expenditure from the fund had a  
17 disparate impact on minority or low-income neighborhood residents.

18 SECTION 5. This Act takes effect September 1, 2023.