

BILL ANALYSIS

C.S.S.B. 771
By: West, Royce
Economic Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Several cities across the state face difficulties in stimulating economic development in their downtown areas because of a large number of structurally obsolete and vacant buildings. The economic environment in many of these areas is fragile and requires the full and immediate support of state and local governments to revitalize these areas and to encourage the cooperation of all property owners to sustain such efforts. A large number of vacant buildings in a downtown area creates a substantial burden on the municipality in providing incentives for further redevelopment, significantly impairs further redevelopment of the area, and threatens the investment made by property owners needing a certain density of redevelopment in the area to turn the area into a success.

The City of Dallas, for example, is developing plans for a tax increment financing (TIF) district in its downtown area. If successful, the redevelopment plan is expected to generate more than \$1 billion in private investment. However, current law does not clearly provide the means for local governments to adequately address the problems of blight and urban decay caused by the presence of long-term vacant buildings.

These revisions to Section 311 of the Tax Code make it clear that carrying out a TIF project and the financing plan per se are public purposes.

This legislation also removes the uncertainty in the Tax Code as to whether the acquisition by condemnation of a long-term vacant building and the subsequent disposition of such property is allowable under the current TIF statute.

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

SECTION 1. Adds a new Subparagraph (I) to Section 311.005(a), Tax Code, that allows the designation as a reinvestment zone if it contains structures, other than single-family residential structure that have been substantially vacant for at least five years..

SECTION 2. Adds Subsection (e) to Section 311.008(e), Tax Code, to clarify that projects to alleviate conditions described by Section 311.005(a)(1), (2), or (3) to promote development or redevelopment of a reinvestment zone serves a "public purpose."

SECTION 3. Adds Subsection (g) to Section 311.010, Tax Code, to exclude dedication, pledge or other use of revenue in the tax increment zone.

SECTION 4. Provides the effective date of this Act.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

Changes the original bill by adding a new SECTION 3 which adds Subsection (g) to Section 311.010, Tax Code, to provide that Chapter 252, Local Government Code, does not apply to a dedication, pledge, or other use of revenue in the tax increment fund for a reinvestment zone by the board of directors of the zone in carrying out its powers under Subsection (b); and renumbers the effective date as SECTION 4.