

AN ACT

relating to tax increment financing.

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

SECTION 1. Subsection (a), Section 311.005, Tax Code, is amended to read as follows:

(a) To be designated as a reinvestment zone, an area must:

(1) substantially arrest or impair the sound growth of the municipality creating the zone, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use because of the presence of:

(A) a substantial number of substandard, slum, deteriorated, or deteriorating structures;

(B) the predominance of defective or inadequate sidewalk or street layout;

(C) faulty lot layout in relation to size, adequacy, accessibility, or usefulness;

(D) unsanitary or unsafe conditions;

(E) the deterioration of site or other improvements;

(F) tax or special assessment delinquency exceeding the fair value of the land;

(G) defective or unusual conditions of title;

~~or~~

1 (H) conditions that endanger life or property by
2 fire or other cause; or

3 (I) structures, other than single-family
4 residential structures, less than 10 percent of the square footage
5 of which has been used for commercial, industrial, or residential
6 purposes during the preceding 12 years, if the municipality has a
7 population of 100,000 or more;

8 (2) be predominantly open and, because of obsolete
9 platting, deterioration of structures or site improvements, or
10 other factors, substantially impair or arrest the sound growth of
11 the municipality; ~~or~~

12 (3) be in a federally assisted new community located
13 in the municipality or in an area immediately adjacent to a
14 federally assisted new community; or

15 (5) be an area described in a petition requesting that
16 the area be designated as a reinvestment zone, if the petition is
17 submitted to the governing body of the municipality by the owners of
18 property constituting at least 50 percent of the appraised value of
19 the property in the area according to the most recent certified
20 appraisal roll for the county in which the area is located.

21 SECTION 2. Section 311.008, Tax Code, is amended by adding
22 Subsection (e) to read as follows:

23 (e) The implementation of a project plan to alleviate a
24 condition described by Section 311.005(a)(1), (2), or (3) and to
25 promote development or redevelopment of a reinvestment zone in
26 accordance with this chapter serves a public purpose.

27 SECTION 3. Chapter 311, Tax Code, is amended by adding

1 Section 311.0087 to read as follows:

2 Sec. 311.0087. RESTRICTION ON POWERS OF CERTAIN
3 MUNICIPALITIES. (a) This section applies only to a proposed
4 reinvestment zone:

5 (1) the designation of which is requested in a
6 petition submitted under Section 311.005(a)(5) before July 31,
7 2004, to the governing body of a home-rule municipality that:

8 (A) has a population of more than 1.1 million;

9 (B) is located primarily in a county with a
10 population of 1.5 million or less; and

11 (C) has created at least 20 reinvestment zones
12 under this chapter; and

13 (2) that is the subject of a resolution of intent that
14 was adopted before October 31, 2004, by the governing body of the
15 municipality.

16 (b) If the municipality imposes a fee of more than \$25,000
17 for processing the petition, the municipality may not require a
18 property owner who submitted the petition, as a condition of
19 designating the reinvestment zone or approving a development
20 agreement, interlocal agreement, or project plan for the proposed
21 reinvestment zone:

22 (1) to waive any rights of the owner under Chapter 245,
23 Local Government Code, or under any agreed order or settlement
24 agreement to which the municipality is a party;

25 (2) to dedicate more than 20 percent of the owner's
26 land in the area described in the petition as open-space land; or

27 (3) to use a nonconventional use pattern for a

1 development to be located within the proposed reinvestment zone.

2 SECTION 4. Section 311.010, Tax Code, is amended by adding
3 Subsections (g), (h), and (i) to read as follows:

4 (g) Chapter 252, Local Government Code, does not apply to a
5 dedication, pledge, or other use of revenue in the tax increment
6 fund for a reinvestment zone by the board of directors of the zone
7 in carrying out its powers under Subsection (b).

8 (h) Subject to the approval of the governing body of the
9 municipality that created the zone, the board of directors of a
10 reinvestment zone, as necessary or convenient to implement the
11 project plan and reinvestment zone financing plan and achieve their
12 purposes, may establish and provide for the administration of one
13 or more programs for the public purposes of developing and
14 diversifying the economy of the zone, eliminating unemployment and
15 underemployment in the zone, and developing or expanding
16 transportation, business, and commercial activity in the zone,
17 including programs to make grants and loans from the tax increment
18 fund of the zone in an aggregate amount not to exceed the amount of
19 the tax increment produced by the municipality and paid into the tax
20 increment fund for the zone for activities that benefit the zone and
21 stimulate business and commercial activity in the zone. For
22 purposes of this subsection, on approval of the municipality, the
23 board of directors of the zone has all the powers of a municipality
24 under Chapter 380, Local Government Code.

25 (i) The board of directors of a reinvestment zone or a local
26 government corporation administering a reinvestment zone may
27 contract with the municipality that created the zone to allocate

1 from the tax increment fund for the zone an amount equal to the tax
2 increment produced by the municipality and paid into the tax
3 increment fund for the zone to pay the incremental costs of
4 providing municipal services incurred as a result of the creation
5 of the zone or the development or redevelopment of the land in the
6 zone, regardless of whether the costs of those services are
7 identified in the project plan or reinvestment zone financing plan
8 for the zone.

9 SECTION 5. Section 311.013, Tax Code, is amended by
10 amending Subsection (b) and adding Subsections (l) and (m) to read
11 as follows:

12 (b) Each taxing unit shall pay into the tax increment fund
13 for the zone an amount equal to the tax increment produced by the
14 unit, less the sum of:

15 (1) property taxes produced from the tax increments
16 that are, by contract executed before the designation of the area as
17 a reinvestment zone, required to be paid by the unit to another
18 political subdivision; and

19 (2) for a taxing unit other than the municipality that
20 created the zone, a portion, not to exceed 15 percent, of the tax
21 increment produced by the unit as provided by the reinvestment zone
22 financing plan or a larger portion as provided by Subsection (f).

23 (1) The governing body of a municipality that designates an
24 area as a reinvestment zone may determine, in the designating
25 ordinance adopted under Section 311.003 or in the ordinance adopted
26 under Section 311.011 approving the reinvestment zone financing
27 plan for the zone, the portion of the tax increment produced by the

1 municipality that the municipality is required to pay into the tax
2 increment fund for the zone. If a municipality does not determine
3 the portion of the tax increment produced by the municipality that
4 the municipality is required to pay into the tax increment fund for
5 a reinvestment zone, the municipality is required to pay into the
6 fund for the zone the entire tax increment produced by the
7 municipality, except as provided by Subsection (b)(1).

8 (m) The governing body of a municipality that is located in
9 a county with a population of more than 1.4 million but less than
10 2.1 million or in a county with a population of 3.3 million or more
11 by ordinance may reduce the portion of the tax increment produced by
12 the municipality that the municipality is required to pay into the
13 tax increment fund for the zone. The municipality may not reduce
14 under this subsection the portion of the tax increment produced by
15 the municipality that the municipality is required to pay into the
16 tax increment fund for the zone unless the municipality provides
17 each county that has entered into an agreement with the
18 municipality to pay all or a portion of the county's tax increment
19 into the fund an opportunity to enter into an agreement with the
20 municipality to reduce the portion of the tax increment produced by
21 the county that the county is required to pay into the tax increment
22 fund for the zone by the same proportion that the portion of the
23 municipality's tax increment that the municipality is required to
24 pay into the fund is reduced. The portion of the tax increment
25 produced by a municipality that the municipality is required to pay
26 into the tax increment fund for a reinvestment zone, as reduced by
27 the ordinance adopted under this subsection, together with all

1 other revenues required to be paid into the fund, must be sufficient
2 to complete and pay for the estimated costs of projects listed in
3 the reinvestment zone financing plan and pay any tax increment
4 bonds or notes issued for the zone, and any other obligations of the
5 zone.

6 SECTION 6. This Act takes effect immediately if it receives
7 a vote of two-thirds of all the members elected to each house, as
8 provided by Section 39, Article III, Texas Constitution. If this
9 Act does not receive the vote necessary for immediate effect, this
10 Act takes effect September 1, 2005.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 771 passed the Senate on May 2, 2005, by the following vote: Yeas 31, Nays 0; May 26, 2005, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 27, 2005, House granted request of the Senate; May 29, 2005, Senate adopted Conference Committee Report by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 771 passed the House, with amendments, on May 25, 2005, by the following vote: Yeas 147, Nays 0, two present not voting; May 27, 2005, House granted request of the Senate for appointment of Conference Committee; May 29, 2005, House adopted Conference Committee Report by the following vote: Yeas 142, Nays 0, one present not voting.

Chief Clerk of the House

Approved:

Date

Governor