

By: West

S.B. No. 1358

A BILL TO BE ENTITLED

AN ACT

relating to the creation of a public redevelopment agency by certain municipalities; granting the power to allocate ad valorem tax revenue, the authority to issue bonds, and the power of eminent domain.

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

SECTION 1. Subtitle A, Title 2, Local Government Code, is amended by adding Chapter 374A to read as follows:

CHAPTER 374A. REDEVELOPMENT IN MUNICIPALITIES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 374.001. SHORT TITLE. This chapter may be cited as the Texas Redevelopment Act.

Sec. 374.002. LEGISLATIVE FINDINGS; INTENT. (a) The legislature finds that blighted areas exist in the largest municipalities in this state and that those areas:

(1) are a serious and growing menace that is injurious and inimical to the public health, safety, morals, and welfare of the residents of this state;

(2) contribute substantially and increasingly to the spread of disease and crime, requiring excessive and disproportionate expenditures of public funds for the preservation of the public health and safety and for crime prevention, correctional facilities, prosecution and punishment, treatment of juvenile delinquency, and the maintenance of adequate police, fire,

1 and accident protection and other public services and facilities;
2 and

3 (3) constitute an economic and social liability,
4 substantially impair the sound growth of affected municipalities,
5 and retard the provision of housing accommodations.

6 (b) For these reasons, prevention and elimination of
7 blighted areas are matters of state policy and concern that may be
8 best addressed by the combined action of private enterprise,
9 municipal regulation, and other public action through approved
10 redevelopment plans. The legislature further finds that the repair
11 and rehabilitation of buildings and other improvements in affected
12 areas, the public acquisition of real property, the demolition of
13 buildings and other improvements as necessary to eliminate blighted
14 conditions or to prevent the spread of those conditions, the
15 disposition of property acquired in affected areas and incidental
16 to the purposes stated by this subsection, and other public
17 assistance to eliminate those conditions are public purposes for
18 which public money may be spent and the power of eminent domain
19 exercised.

20 (c) It is the intent of the legislature that private
21 enterprise be encouraged to participate in accomplishing the
22 objectives of urban redevelopment to the extent of its capacity and
23 with governmental assistance as provided by this chapter.

24 Sec. 374A.003. APPLICATION. This chapter applies only to a
25 municipality with a population of more than 500,000.

26 Sec. 374A.004. DEFINITIONS. In this chapter:

27 (1) "Agency" means a public redevelopment agency

1 created under this chapter.

2 (2) "Area of operation" means the area within the
3 corporate boundaries of a municipality.

4 (3) "Blighted area" means an area that, because of
5 deteriorating, obsolete, or vacant buildings, structures, land, or
6 other improvements; defective or inadequate streets, street
7 layout, or accessibility; unsanitary conditions; land or building
8 use which is incompatible with or harmful to adjoining properties
9 and the redevelopment of which is necessary for sound community
10 growth; or other hazardous conditions, adversely affects the public
11 health, safety, morals, or welfare of the municipality and its
12 residents, substantially retards the provision of a sound and
13 healthful housing environment, or results in an economic or social
14 liability to the municipality.

15 (4) "Board" means a board, commission, department,
16 division, office, body, or other municipal unit through which a
17 municipality elects to perform redevelopment powers, duties, or
18 other functions.

19 (5) "Bond" means a bond, refunding bond, note, interim
20 certificate, certificate of indebtedness, debenture, or other
21 obligation.

22 (6) "Captured market value" means the amount by which
23 the current market value of property within the boundaries of a
24 redevelopment project area exceeds its market value at the time the
25 redevelopment project is designated under this chapter.

26 (7) "Conservation" means preserving and protecting an
27 area from blight and includes preventing an area susceptible to

1 blight from becoming blighted.

2 (8) "Clerk" means the municipal clerk or other
3 municipal officer who is the custodian of the official municipal
4 records.

5 (9) "Deterioration" means impairment of quality,
6 character, value, or safety due to use, wear and tear, or other
7 physical causes.

8 (10) "Federal government" means the United States, an
9 agency of the United States, or a corporate or other
10 instrumentality of the United States.

11 (11) "Obligee" includes a bondholder, an agent or
12 trustee for a bondholder, a lessor who demises property used in
13 connection with a redevelopment project to the municipality, an
14 assignee of any part of the lessor's interest, and the federal
15 government as a party to a contract with the municipality.

16 (12) "Planning commission" means a municipal planning
17 commission established under law or charter.

18 (13) "Public body" means the state, any political
19 subdivision of the state, or a department, agency, or
20 instrumentality of the state or of a political subdivision of the
21 state.

22 (14) "Real property" includes land, improvements and
23 fixtures on land, property of any nature that is appurtenant to or
24 used in connection with land, and every legal or equitable estate,
25 interest, right, or use in land, including terms for years and
26 liens.

27 (15) "Redevelopment activities" include clearance,

1 redevelopment, rehabilitation, and conservation activities to
2 prevent further deterioration of an area that is tending to become a
3 blighted area. The term includes:

4 (A) the acquisition of all or part of a blighted
5 area or the acquisition of land that is predominantly open and that,
6 because of obsolete platting, diversity of ownership,
7 deterioration or vacancy of structures or site improvements, or for
8 other reasons, substantially impairs or arrests the sound growth of
9 the community;

10 (B) the demolition, removal, or renovation of
11 buildings and improvements;

12 (C) the installation, construction, or
13 reconstruction of streets, utilities, parks, playgrounds, and
14 other improvements necessary to fulfill redevelopment objectives
15 in accordance with a redevelopment plan;

16 (D) the disposition by the municipality of
17 property acquired in a redevelopment area for use in accordance
18 with a redevelopment plan, including the sale or initial lease of
19 the property at its fair value or the retention of the property;

20 (E) the implementation of plans for a program of
21 voluntary repair and rehabilitation of buildings or improvements in
22 accordance with a redevelopment plan; and

23 (F) the acquisition of real property in a
24 redevelopment area as necessary to remove or prevent the spread of
25 blight or deterioration or to provide land for needed public
26 facilities.

27 (16) "Redevelopment area" means a blighted area that

1 the governing body of a municipality designates as appropriate for
2 a redevelopment project.

3 (17) "Redevelopment plan" means a plan for a
4 redevelopment project that:

5 (A) conforms to the general municipal plan; and

6 (B) includes:

7 (i) any zoning and planning changes;

8 (ii) building requirements;

9 (iii) land uses;

10 (iv) maximum densities;

11 (v) land acquisition;

12 (vi) redevelopment;

13 (vii) rehabilitation;

14 (viii) demolition and removal of
15 structures; and

16 (ix) a description of the plan's
17 relationship to local objectives relating to public
18 transportation, traffic conditions, public utilities, recreational
19 and community facilities, and other improvements.

20 (18) "Redevelopment project" includes any of the
21 following activities undertaken in accordance with a redevelopment
22 plan:

23 (A) municipal activities in a redevelopment area
24 that are designed to eliminate or to prevent the development or
25 spread of blighted areas;

26 (B) blight clearance and redevelopment in a
27 redevelopment area;

1 (C) rehabilitation or conservation in a
2 redevelopment area;

3 (D) development of open land that, because of
4 location or situation, is necessary for sound community growth; or

5 (E) any combination or part of the activities
6 described by Paragraphs (A)-(D).

7 (19) "Rehabilitate" means to restore to a former state
8 of solvency or efficiency or to a similar better state.

9 (20) "Rehabilitation" means the restoration of
10 buildings or other structures to prevent deterioration of an area
11 that is tending to become a blighted area.

12 (21) "Tax assessor-collector" means the tax
13 assessor-collector of a municipality.

14 (22) "Tax increment" means the amount of property
15 taxes levied and collected each year on real property in a
16 redevelopment project area in excess of the amount levied and
17 collected on that property during the year preceding the date of the
18 adoption of the redevelopment plan.

19 (23) "Tax increment base" means the aggregate market
20 value of all taxable real property in a redevelopment project area
21 on the date of approval of the redevelopment plan.

22 (24) "Taxable real property" does not include personal
23 property or intangible property.

24 (25) "Taxing entity" means a governmental unit that is
25 authorized by law to levy taxes on property located in a
26 redevelopment project area. The term includes the state and a
27 political subdivision of the state, but does not include a

1 municipality.

2 [Sections 374A.005 - 374A.050 reserved for expansion]

3 SUBCHAPTER B. MUNICIPAL POWERS AND DUTIES RELATING TO

4 REDEVELOPMENT

5 Sec. 374A.051. RESOLUTION. A municipality may not exercise
6 a power granted under this chapter unless the governing body of the
7 municipality adopts a resolution that finds that a blighted area
8 exists in the municipality and that the rehabilitation, the
9 conservation, or the clearance and redevelopment of the area is
10 necessary for the public health, safety, morals, or welfare of the
11 residents of the municipality.

12 Sec. 374A.052. USE OF PUBLIC OR PRIVATE RESOURCES. (a) To
13 further the redevelopment objectives of this chapter, a
14 municipality may formulate a workable program to use appropriate
15 private and public resources, including the resources specified by
16 Subsection (b), to encourage urban rehabilitation, to provide for
17 the redevelopment of blighted areas, or to undertake those
18 activities or other feasible municipal activities as may be
19 suitably employed to achieve the objective of the program. The
20 program must specifically include provisions relating to:

21 (1) prevention, through diligent enforcement of
22 housing and occupancy controls and standards, of the expansion of
23 blight into areas of the municipality that are free from blight; and

24 (2) rehabilitation or conservation of blighted areas
25 as far as practicable to create areas that are free from blight
26 through replanning, removing congestion, providing parks,
27 playgrounds, and other public improvements, encouraging voluntary

1 rehabilitation, and requiring the repair and rehabilitation of
2 deteriorated or deteriorating structures and the clearance and
3 redevelopment of blighted areas.

4 (b) Each municipality, to the greatest extent determined to
5 be feasible, shall afford the maximum opportunity, consistent with
6 the needs of the municipality as a whole, for the rehabilitation or
7 redevelopment of the redevelopment area by private enterprise. A
8 municipality shall consider this objective in exercising powers
9 under this chapter, including:

10 (1) formulation of a workable program for
11 redevelopment under Subsection (a);

12 (2) approval of redevelopment plans consistent with
13 the general plan of the municipality;

14 (3) exercise of zoning power;

15 (4) enforcement of other laws, codes, and regulations
16 relating to land use, the use and occupancy of buildings and
17 improvements, and the disposition of any property acquired; and

18 (5) provision of necessary public improvements.

19 Sec. 374A.053. MUNICIPAL REDEVELOPMENT PLAN. (a) A
20 municipality may not prepare a redevelopment plan for an area
21 unless the governing body of the municipality has, by resolution,
22 declared the area to be a blighted area and has designated the area
23 as appropriate for a redevelopment project. The governing body may
24 not approve a redevelopment plan until a general plan has been
25 prepared for the municipality. A municipality may not acquire real
26 property for a redevelopment project until the governing body has
27 approved the redevelopment plan as provided by Subsection (c).

1 (b) The governing body must hold a public hearing on the
2 proposed redevelopment plan before it may approve the redevelopment
3 plan.

4 (c) After the hearing, the governing body may approve a
5 redemption plan if the governing body finds that:

6 (1) a feasible method exists for the relocation, in
7 decent, safe, affordable, and sanitary accommodations, of families
8 or individuals who will be displaced from the redevelopment area,
9 without undue hardship to those persons;

10 (2) the redevelopment plan conforms to the general
11 plan for municipal development; and

12 (3) the redevelopment plan offers the maximum
13 opportunity, consistent with the needs of the municipality as a
14 whole, for the rehabilitation or redevelopment of the redevelopment
15 area by private enterprise.

16 (d) A redemption plan may be modified at any time. If
17 modified after the lease or sale by the municipality of real
18 property within the redevelopment project area, the modification is
19 subject to the rights at law or in equity of the lessee or purchaser
20 or that person's successor in interest.

21 (e) After the municipality approves a redemption plan,
22 the provisions of the plan that relate to the future use of the
23 affected property and the building requirements applicable to the
24 property control with respect to that property.

25 Sec. 374A.054. GENERAL MUNICIPAL POWERS RELATING TO
26 REDEVELOPMENT. (a) A municipality may exercise all powers
27 necessary or convenient to carry out the purposes of this chapter,

1 including the power to:

2 (1) conduct preliminary surveys to determine whether
3 undertaking a redevelopment is feasible;

4 (2) conduct redevelopment projects within its area of
5 operation;

6 (3) execute contracts and other instruments necessary
7 or convenient to the exercise of its powers under this chapter;

8 (4) provide, arrange, or contract for the furnishing
9 or repair by any person of services, privileges, works, streets,
10 roads, public utilities, or other facilities in connection with a
11 redemption project, including installation, construction, and
12 reconstruction of streets, utilities, parks, playgrounds, and
13 other public improvements necessary to carry out a redemption
14 project;

15 (5) acquire any real property, including
16 improvements, and any personal property necessary for
17 administrative purposes, that is necessary or incidental to a
18 redemption project; hold, improve, clear, or prepare the
19 property for redemption; mortgage or otherwise encumber or
20 dispose of the real property; insure or provide for the insurance of
21 real or personal property or municipal operations against any risk
22 or hazard and to pay premiums on that insurance; and enter any
23 necessary contracts;

24 (6) invest redemption project funds held in
25 reserves or sinking funds, or not required for immediate
26 disbursement, in property or securities in which banks may legally
27 invest funds subject to their control, redeem bonds issued under

1 Section 374A.151 at the redemption price established in the bond,
2 or purchase those bonds at less than the redemption price, and
3 cancel the bonds redeemed or purchased;

4 (7) borrow money and apply for and accept advances,
5 loans, grants, contributions, and other forms of financial
6 assistance from the federal, state, or county government, other
7 public body, or other public or private sources for the purposes of
8 this chapter, give any required security, and make and carry out any
9 contracts in connection with the financial assistance;

10 (8) make plans necessary to carry out this chapter in
11 its area of operation, contract with any person in making and
12 carrying out the plans, and adopt, approve, modify, or amend the
13 plans;

14 (9) develop, test, and report methods and techniques
15 for the prevention of slums and urban blight, conduct
16 demonstrations and other activities in connection with those
17 methods and techniques, and apply for, accept, and use federal
18 grants made for those purposes;

19 (10) prepare plans and provide reasonable assistance
20 for the relocation of persons displaced from a redevelopment
21 project area, including families, business concerns, and others, as
22 necessary to acquire possession of and to clear the area in order to
23 conduct the redevelopment project;

24 (11) appropriate funds and make expenditures as
25 necessary to implement this chapter and levy taxes and assessments
26 for that purpose;

27 (12) close, vacate, plan, or replan streets, roads,

1 sidewalks, ways, or other places; plan, replan, zone, or rezone any
2 part of the municipality and make exceptions from building
3 regulations; and enter agreements with a redevelopment agency
4 vested with redevelopment powers under Subchapter C, which may
5 extend over any period, restricting action to be taken by the
6 municipality under any of the powers granted under this chapter;

7 (13) organize, coordinate, and direct the
8 administration of this chapter within the area of operation as
9 those provisions apply to the municipality to most effectively
10 promote and achieve the purposes of this chapter and establish new
11 municipal offices or reorganize existing offices as necessary to
12 most effectively implement those purposes; and

13 (14) issue tax increment bonds.

14 (b) A municipality may include in a contract made with the
15 federal government for financial assistance for a redevelopment
16 project the provisions and conditions imposed by federal law that
17 the municipality considers reasonable, appropriate, and consistent
18 with the purposes of this chapter.

19 (c) Except as provided by Section 374A.055, a municipality
20 may acquire by condemnation any interest in real property,
21 including a fee simple interest, that the municipality considers
22 necessary for or in connection with a redevelopment project.
23 Property dedicated to a public use may be acquired in that manner,
24 except that property belonging to the state or to a political
25 subdivision of the state may not be acquired without the consent of
26 the state or political subdivision.

27 Sec. 374A.055. BLIGHT CLEARANCE. (a) In this section,

1 "redevelopment section" means any substantial contiguous part of a
2 redevelopment area that a municipality proposes to acquire and
3 redevelop or clear of all buildings, structures, and other
4 improvements for redevelopment and reuse in accordance with the
5 redevelopment plan.

6 (b) If a redevelopment project includes a redevelopment
7 section that the municipality proposes to use for other than public
8 use, the municipality may not use condemnation to acquire that
9 property unless the municipality determines by resolution that the
10 rehabilitation or clearance of that property without condemnation
11 would be impractical and ineffective. If structures and
12 improvements are to be cleared, that determination must be based on
13 a finding that the structures in the redevelopment section are
14 beyond the point of feasible rehabilitation or are otherwise unfit
15 for rehabilitation and that there exist other blighting
16 characteristics, such as overcrowding of structures on the land,
17 mixed uses of structures, deficient streets, or deficiencies in
18 public utilities or recreational and community facilities. If a
19 structure and improvements are to be redeveloped or rehabilitated,
20 that determination must be based on a finding that the structure has
21 been vacant or substantially vacant for more than five years and
22 that the continued vacancy of that structure is not in the best
23 interest of the public good. A municipality may exercise eminent
24 domain authority as provided by Chapter 21, Property Code.

25 Sec. 374A.056. DISPOSITION OF PROPERTY. (a) Subject to
26 the covenants, conditions, and restrictions, including covenants
27 running with the land, that the municipality considers to be in the

1 public interest or necessary to implement this chapter and that are
2 written into the instrument transferring or conveying title, and
3 after the governing body of the municipality approves the
4 redevelopment plan, the municipality may:

5 (1) sell, lease, or otherwise transfer real property
6 or an interest in real property in a redevelopment area for
7 residential, recreational, commercial, industrial, or other uses,
8 including a public use, and enter into contracts relating to the
9 transfer; or

10 (2) retain the property or interest for public use in
11 accordance with the redevelopment plan.

12 (b) The purchaser or lessee of property transferred under
13 this section, and a successor in interest to such a person,
14 including an assignee, must devote the property to the uses
15 specified in the redevelopment plan and may be obligated to comply
16 with conditions specified in the deed of conveyance, including the
17 requirement to begin any improvements required by the redevelopment
18 plan within a reasonable time.

19 (c) Real property or an interest in real property subject to
20 this section may only be sold, leased, or otherwise transferred or
21 retained at not less than the fair value of the property for uses in
22 accordance with the redevelopment plan. In determining the fair
23 value, the municipality shall consider:

24 (1) the uses provided in the redevelopment plan;

25 (2) any restrictions on and any covenants, conditions,
26 and obligations assumed by the purchaser, lessee, or municipality
27 in retaining the property;

1 (3) the objectives of the plan for the prevention of
2 the recurrence of blighted areas; and

3 (4) any other matters that the municipality specifies
4 as appropriate.

5 (d) The municipality or redevelopment agency may provide in
6 an instrument of conveyance to a private purchaser or lessee that
7 the purchaser or lessee may sell any or all of the unimproved
8 property without profit to the seller. After improving a parcel of
9 real property in accordance with the redevelopment plan adopted for
10 the area, the purchaser may sell the parcel before completion of the
11 development of the area or tract purchased, but the sale does not
12 relieve that purchaser from the obligation of completing the
13 development of that area or tract. The purchaser may sell a parcel
14 of land purchased for redevelopment to another person who is
15 obligated to improve the parcel as provided by the development plan
16 for that project if the resale is without profit to the seller and
17 if any subsequent purchaser is required to improve the property as
18 provided by the redevelopment plan and by the conditions contained
19 in the deed of conveyance.

20 (e) A municipality shall sell real property acquired by the
21 municipality that is to be sold to private developers in accordance
22 with the redevelopment plan as rapidly as is feasible in the public
23 interest and consistent with the goals of the redevelopment plan.
24 An instrument executed by a municipality or by a redevelopment
25 agency that purports to convey any right, title, or interest in any
26 property under this chapter is presumed to be executed in
27 compliance with this chapter with respect to the title or interest

of any bona fide lessee, transferee, or purchaser of the property.

(f) The municipality may temporarily lease any real property acquired in a redevelopment area, except property that is not fit for human habitation or that is declared substandard by any governmental agency. The lease must provide for a right of cancellation that permits the municipality to sell or dispose of the property for the purposes of this chapter.

(g) Any purchaser or lessee who is a private developer of any part of the real property acquired under this chapter may use that property as security to finance the development of the property. The purchaser or lessee may execute and deliver to a lender notes, deeds of trust with powers of sale, mortgages, and other instruments required in connection with obtaining and securing the repayment of the loan. The purchaser or lessee has all the rights, titles, and incidents of ownership available to a purchaser or lessee of land generally, and the person is entitled to mortgage and encumber the property for either the purchase price or for improvements in accordance with the objectives of this chapter. Any subsequent owner or lessee who acquires title through foreclosure of a lien given to secure the indebtedness or through a conveyance or assignment in satisfaction of debt takes title subject only to the restrictive covenants related to the use and improvement of the land that are contained in the original conveyance from the municipality. The owner's or lessee's interest is not subject to any condition precedent or condition subsequent that would result in reverter or forfeiture of title or to any restraint as to the amount for which the property may be resold or

1 leased.

2 (h) Notwithstanding any other provision of this chapter or
3 of any other law relating to competitive bid requirements, a
4 municipality or redevelopment agency may sell redevelopment land
5 for uses in accordance with a redevelopment plan to a public or
6 private nonprofit corporation or foundation for less than the fair
7 market value of the land.

8 [Sections 374A.057 - 374A.100 reserved for expansion]

9 SUBCHAPTER C. REDEVELOPMENT AGENCY

10 Sec. 374A.101. EXERCISE OF REDEVELOPMENT PROJECT POWERS.

11 (a) A municipality may exercise redevelopment project powers
12 through a board or through municipal officers selected by the
13 governing body of the municipality by resolution. The municipality
14 may exercise those powers through a redevelopment agency created
15 under this subchapter if the governing body by resolution
16 determines that the creation of a redevelopment agency is in the
17 public interest. Except as provided in Subsection (b), a
18 redevelopment agency created under this subchapter may exercise all
19 the redevelopment project powers of the municipality.

20 (b) In this section, "redevelopment project powers"
21 includes the rights, powers, functions, and duties of a
22 municipality under this chapter. The term does not include the
23 power to:

24 (1) determine an area as a blighted area and to
25 designate that area as appropriate for a redevelopment project;

26 (2) approve and amend redevelopment plans and hold
27 public hearings relating to those plans;

1 (3) establish a general plan for the locality as a
2 whole;

3 (4) establish a workable program under Section
4 374A.052;

5 (5) make determinations and findings under Section
6 374A.051, 374A.052(b), or 374A.053(c);

7 (6) issue general obligation bonds;

8 (7) appropriate funds, levy taxes and assessments, and
9 exercise other functions under Section 374A.054(a)(11) and (12);

10 and

11 (8) exercise eminent domain authority.

12 Sec. 374A.102. CREATION OF REDEVELOPMENT AGENCY. (a) A
13 redevelopment agency created in a municipality is a public body
14 corporate and politic.

15 (b) A redevelopment agency may not transact business or
16 exercise any powers under this chapter until the governing body of
17 the municipality:

18 (1) adopts a resolution as provided by Section
19 374A.051; and

20 (2) elects to exercise redevelopment project power
21 through a redevelopment agency as provided by Section 374A.101(a).

22 Sec. 374A.103. BOARD OF COMMISSIONERS. (a) If a
23 redevelopment agency is created by a municipality, the mayor of the
24 municipality, with the advice and consent of the governing body of
25 the municipality, shall appoint a board of commissioners for the
26 redevelopment agency.

27 (b) The board of commissioners must be composed of at least

1 five but not more than 15 members. A member serves a two-year term.
 2 The commissioners shall designate one member to serve as chairman
 3 and one to serve as vice-chairman for one-year terms. A member of
 4 the board must be a resident of the municipality and a real property
 5 owner. The number of commissioners shall be determined by the
 6 governing body at the time of the appointment of the commissioners
 7 and may not be changed more than once every two years. At the time
 8 of the initial appointments, a simple majority of the commissioners
 9 shall be designated to serve for a one-year term and the remaining
 10 members for two-year terms. If a vacancy occurs, the governing body
 11 shall fill the vacancy for the unexpired term in the same manner as
 12 the initial appointment.

13 (c) A commissioner serves without compensation but is
 14 entitled to necessary expenses incurred in the performance of
 15 official duties, including travel expenses.

16 (d) A certificate of appointment, which is conclusive
 17 evidence of the proper appointment of each commissioner, must be
 18 filed with the clerk of the municipality.

19 (e) To be valid, any action by the board of commissioners
 20 must be adopted or rejected by a majority of the total number of the
 21 commissioners.

22 (f) The governing body of the municipality may remove a
 23 commissioner for inefficiency, neglect of duty, or misconduct in
 24 office after notice of the charges and a hearing. The commissioner
 25 must receive a copy of the charges before the 10th day before the
 26 date of the hearing and must have the opportunity to be heard either
 27 in person or by counsel.

1 Sec. 374A.104. AGENCY PERSONNEL; REPORT. (a) A
2 redevelopment agency may employ an executive director, technical
3 experts, and other agents and employees as it determines necessary
4 and may determine the qualifications, duties, and compensation of
5 those personnel. An agency may employ or retain its own counsel and
6 legal staff to perform required legal services.

7 (b) On or before March 31 of each year, a redevelopment
8 agency shall file with the municipality a report of its activities
9 for the preceding calendar year. If requested by the governing body
10 of the municipality, the agency shall file a quarterly report. The
11 report must include a complete financial statement by the agency
12 that shows its assets, liabilities, income, and operating expenses
13 as of the end of the reporting period.

14 Sec. 374A.105. APPROVAL REQUIREMENT. A redevelopment
15 agency created under this subchapter may not undertake a
16 redevelopment or rehabilitation project until the area proposed as
17 a redevelopment or rehabilitation area and the plan of improvement
18 for the project area are approved by the governing body of the
19 municipality.

20 [Sections 374A.106-374A.150 reserved for expansion]

21 SUBCHAPTER D. REDEVELOPMENT BONDS

22 Sec. 374A.151. REDEVELOPMENT BONDS. (a) A municipality
23 may issue bonds from time to time to finance a redevelopment
24 project, including the payment of principal and interest on any
25 advances for surveys and plans. The municipality may also issue
26 refunding bonds for the payment or retirement of bonds previously
27 issued.

1 (b) Bonds issued under this section must be made payable,
 2 both as to principal and interest, only from the income, proceeds,
 3 revenues, and funds of the redevelopment project that are derived
 4 from or held in connection with the conduct of redevelopment
 5 projects. Payment of the principal of and interest on the bonds may
 6 be further secured by a pledge of any loan, grant, or contribution
 7 from the federal government, or from any other source, in aid of a
 8 project, or by a mortgage of such a project if title is held by the
 9 municipality or the redevelopment agency.

10 (c) A bond issued under this section is not an indebtedness
 11 of the state or of a political subdivision of the state other than
 12 the issuing municipality and is not subject to any other law
 13 relating to the authorization, issuance, or sale of bonds.

14 (d) A bond issued under this section is issued for an
 15 essential public and governmental purpose and is, along with the
 16 interest on the bond and the income from it, exempt from taxes.

17 (e) A bond issued under this section must be authorized by a
 18 resolution or ordinance of the municipality and may be issued in one
 19 or more series. The bond must bear the date, be payable on demand or
 20 mature at a time or times, bear interest at a rate, be in a
 21 denomination or denominations, be in either coupon or registered
 22 form, carry conversion or registration privileges, have a rank or
 23 priority, have a manner of execution, be payable in a medium of
 24 payment and at a place or places of payment, be subject to terms of
 25 redemption, with or without premium, be secured in a manner, and
 26 have any other characteristics as provided by the resolution, trust
 27 indenture, or mortgage issued in relation to the bond.

1 (f) A bond issued under this section may be sold at not less
2 than par at a public sale held after notice is published in a
3 newspaper of general circulation in the area of operation and in any
4 other medium of publication determined by the municipality and may
5 also be exchanged for other bonds on a par basis. A bond issued
6 under this section is fully negotiable.

7 (g) A bond issued under this section may be sold to the
8 federal government at not less than par at a private sale. If less
9 than all of the authorized principal amount of the bonds is sold to
10 the federal government, the balance may be sold at a private sale at
11 not less than par at an interest cost to the municipality that does
12 not exceed the interest cost to the municipality of the part of the
13 bonds sold to the federal government.

14 (h) If the officials whose signatures appear on bonds or
15 coupons issued under this section cease to be officials of the
16 municipality before the delivery of the bonds, their signatures are
17 valid for all purposes as if they had remained in office until
18 delivery.

19 (i) In an action involving the validity or enforceability of
20 a bond issued under this section or the security for such a bond, a
21 bond that recites in substance that it was issued by a municipality
22 in connection with a redevelopment project is conclusively
23 considered to have been issued for those purposes and the project is
24 conclusively considered to have been conducted in accordance with
25 this chapter.

26 (j) A bank, trust company, banker, savings bank and
27 institution, savings and loan association, investment company, and

1 other person conducting a banking or investment business; an
2 insurance company, insurance association, and other person
3 conducting an insurance business; and an executor, administrator,
4 curator, trustee, and other fiduciary may invest a sinking fund,
5 money, or other fund belonging to it, or in its control, in any
6 bonds or obligations issued by a municipality under this section.
7 Those bonds or other obligations must be secured by an agreement
8 between the issuer and the federal government in which the issuer
9 agrees to borrow from the federal government and the federal
10 government agrees to lend to the issuer, before the maturity of the
11 bonds or other obligations, money in an amount that, together with
12 any other money irrevocably committed to the payment of interest on
13 the bonds or other obligations, is sufficient to pay the principal
14 of the bonds or other obligations with interest to maturity. Under
15 the terms of the agreement the money must be used to pay the
16 principal of and interest on the bonds or other obligations at
17 maturity. Those bonds and other obligations are authorized
18 security for a public deposit. Any person may use funds owned or
19 controlled by the person to purchase those bonds or obligations.
20 This subsection does not relieve a person of a duty to exercise
21 reasonable care in selecting securities.

22 [Sections 374A.152-374A.200 reserved for expansion]

23 SUBCHAPTER E. TAX INCREMENT FINANCING FOR REDEVELOPMENT PROJECTS

24 Sec. 374A.201. TAX INCREMENT FUND. On approval of a
25 redevelopment plan by the governing body of a municipality, the
26 governing body by resolution may establish a fund known as the tax
27 increment fund.

1 Sec. 374A.202. COMPUTATION OF TAX INCREMENTS. (a) A tax
2 increment is computed by multiplying the total in property taxes
3 levied and collected by the municipality and all other
4 participating taxing entities on the taxable real property in a
5 redevelopment project area in a year by a fraction, the numerator of
6 which is equal to that year's market value of all taxable real
7 property in the area minus the tax increment base and the
8 denominator of which is equal to that year's market value of all
9 taxable real property in the area.

10 (b) For the purposes of this chapter, only the tax
11 assessor-collector determines the market value of property located
12 in a redevelopment project area during the time that the project
13 exists. A property owner who is aggrieved by a determination of the
14 tax assessor-collector has the same right of appeal as that
15 provided by law to owners of property not affected by this chapter.

16 (c) At the time a redevelopment project is designated by the
17 governing body of a municipality, the tax assessor-collector shall
18 certify to the governing body the market value of property within
19 the boundaries of the redevelopment project area. The tax
20 assessor-collector shall include at its most recently determined
21 market value any property that is taxable at the time that the
22 redevelopment project is designated and shall include at zero any
23 property that is exempt from taxation at the time the project is
24 designated.

25 (d) The tax assessor-collector shall annually certify to
26 the governing body the amount of the captured market value of
27 property within the boundaries of the redevelopment project area

1 and the amount of tax increments produced from that captured market
 2 value. The tax assessor-collector shall make the initial
 3 certification not later than one year from the date on which a
 4 redevelopment project is designated.

5 Sec. 374A.203. ALLOCATION OF TAX COLLECTIONS AND TAX
 6 INCREMENTS; TAX INCREMENT FUND. (a) For the purposes of this
 7 chapter, the tax assessor-collector has the sole authority and the
 8 duty to collect the taxes levied by the municipality and all other
 9 taxing entities on property located within a redevelopment project
 10 area and to allocate taxes and tax increments in the manner required
 11 by this chapter.

12 (b) Beginning with the first payment of taxes levied by the
 13 municipality or other taxing entity after the time a redevelopment
 14 project is designated, the receipts from those taxes shall be
 15 allocated and paid as provided by this subsection. The receipts
 16 from the property taxes collected that are produced from the tax
 17 increment base shall first be allocated and paid to the
 18 municipality or appropriate taxing entity. All tax increments
 19 produced from the captured market value of the property located
 20 within the redevelopment project area shall then be deposited into
 21 the tax increment fund established for the project.

22 Sec. 374A.204. TAX INCREMENT BONDS. (a) A municipality
 23 may issue tax increment bonds, the proceeds of which may be used to
 24 pay redevelopment costs relating to the redevelopment project for
 25 which the bonds were issued or to satisfy claims of holders of those
 26 bonds. The municipality may also issue refunding bonds for the
 27 payment or retirement of tax increment bonds previously issued by

1 the municipality. The tax increment bonds may be made payable, both
2 as to principal and interest, only from:

3 (1) tax increments allocated to and paid into the tax
4 increment fund established by the municipality under Section
5 374A.201;

6 (2) private sources;

7 (3) contributions or other financial assistance from
8 this state or the United States; or

9 (4) a combination of those methods.

10 (b) A tax increment bond issued under this section, along
11 with the interest and income from the bond, is exempt from taxation.
12 The period of maturity of a tax increment bond is limited to a
13 maximum of 20 years from the date of issuance. Bonds issued under
14 this section must be authorized by a resolution or ordinance of the
15 governing body of the municipality and may be issued in one or more
16 series. The bond must have the characteristics prescribed by
17 Section 374A.151(e) as provided by the resolution, trust indenture,
18 or mortgage issued in relation to the bond.

19 (c) A bond issued under this section may be sold at not less
20 than par at a public sale after notice published in a newspaper of
21 general circulation in the municipality and in any other medium of
22 publication determined by the governing body of the municipality or
23 may be exchanged for other bonds on a par basis. A bond issued under
24 this section is fully negotiable.

25 (d) In an action or proceeding involving the validity or
26 enforceability of a bond issued under this section or the security
27 for such a bond, a bond that recites in substance that it is issued

1 by the municipality in connection with a redevelopment project is
2 conclusively considered to have been issued for those purposes and
3 the redevelopment project is conclusively considered to have been
4 planned, located, and carried out in accordance with this chapter.

5 (e) A bank, trust company, banker, savings bank and
6 institution, savings and loan association, investment company, and
7 other person conducting a banking or investment business; an
8 insurance company, insurance association, and other person
9 conducting an insurance business; and an executor, administrator,
10 curator, trustee, and other fiduciary may invest a sinking fund,
11 money, or other fund belonging to it, or in its control, in any tax
12 increment bonds issued by a municipality under this section. The
13 bond is an authorized security for a public deposit. Any person may
14 use funds owned or controlled by the person to purchase those bonds.
15 This subsection does not relieve a person of a duty to exercise
16 reasonable care in selecting securities.

17 (f) Tax increment bonds may be paid only out of the tax
18 increment fund established under Section 374A.201. The governing
19 body of the municipality may irrevocably pledge all or part of the
20 fund to the payment of those bonds. The fund or the designated part
21 of the fund may only be used for the payment of those bonds and
22 interest on those bonds until they have been fully paid. A holder
23 of those bonds or coupons relating to the bonds has a lien against
24 the fund for the payment of the bonds and the interest on them and
25 may protect and enforce that lien by an action at law or in equity.

26 (g) To increase the security and marketability of tax
27 increment bonds, the municipality, according to its best judgment,

1 may:

2 (1) create a lien for the benefit of the bondholders on
3 a public improvement or public work financed by the bonds or on the
4 revenue from the public improvement or public work; or

5 (2) make covenants and take other action as necessary,
6 convenient, or desirable to additionally secure the bonds or make
7 the bonds more marketable.

8 (h) A tax increment bond issued under this section is not a
9 general obligation of the municipality, is not a charge against its
10 general credit or taxing powers, and is not payable other than as
11 provided by this chapter. The tax increment bond must state those
12 limitations on its face.

13 (i) A tax increment bond issued under this section may not
14 be included in computing the debt of the issuing municipality.

15 (j) Tax increment bonds may not be issued in an amount
16 exceeding the aggregate costs of implementing the redevelopment
17 plan for the redevelopment project for which they were issued.

18 Sec. 374A.205. DISBURSEMENTS FROM TAX INCREMENT FUND.

19 (a) Money may be disbursed from a tax increment fund only to
20 satisfy the claims of holders of tax increment bonds issued in aid
21 of the redevelopment project with respect to which the fund was
22 established or to pay project costs. In this section, "project
23 costs" means any expenditure made or estimated to be made, or
24 monetary obligations incurred or estimated to be incurred, by the
25 municipality that are listed in a redevelopment project, plus any
26 incidental costs, less any income or revenues other than tax
27 increments, received or reasonably expected to be received by the

1 municipality in connection with the implementation of the
2 redevelopment plan. Those project costs include:

3 (1) capital costs, including:

4 (A) the actual costs of the construction of
5 public works or improvements, new buildings, structures, and
6 fixtures;

7 (B) the costs of demolition, alteration,
8 remodeling, repair, or reconstruction of existing buildings,
9 structures, and fixtures;

10 (C) the costs of acquisition of equipment; and

11 (D) the costs of clearing and grading land;

12 (2) financing costs, including interest paid to
13 holders of tax increment bonds issued to pay for project costs and
14 any premium paid over the principal amount because of the
15 redemption of the obligation before maturity;

16 (3) professional service costs, including costs
17 incurred for architectural, planning, engineering, or legal
18 services;

19 (4) imputed administrative costs, including
20 reasonable charges for the time spent by municipal employees in
21 connection with the implementation of a redevelopment plan; and

22 (5) organizational costs, including the cost of
23 conducting studies and the cost of informing the public with
24 respect to the creation of redevelopment projects and the
25 implementation of project plans.

26 (b) Subject to any agreement with holders of tax increment
27 bonds, money in a tax increment fund may be temporarily invested in

1 the same manner as other municipal funds.

2 (c) After project costs and tax increment bonds issued with
3 respect to a redevelopment project have been paid or payment has
4 been arranged, and subject to any agreement with bondholders, any
5 money remaining in a tax increment fund shall be paid over to the
6 municipality and to other taxing entities levying taxes on property
7 within the project in amounts belonging to each entity.

8 [Sections 374A.206-374A.900 reserved for expansion]

9 SUBCHAPTER Z. MISCELLANEOUS PROVISIONS

10 Sec. 374A.901. MUNICIPAL PROPERTY EXEMPT FROM LEVY AND
11 EXECUTION. (a) All municipal property, including funds, owned or
12 held for the municipality for the purposes of this chapter is exempt
13 from levy and sale by execution. An execution or other judicial
14 proceeding may not issue against the property, and a judgment
15 against the municipality may not be a charge or lien on that
16 property. This subsection does not apply to or limit the right of
17 an obligee to pursue any remedies for the enforcement of any pledge
18 or lien given under this chapter by a municipality on its rents,
19 fees, grants, or revenues from redevelopment projects.

20 (b) If real property in the redevelopment project area is
21 acquired and is owned as part of the project by a municipality or a
22 redevelopment agency and the project is not subject to ad valorem
23 taxes because of Subsection (a), the gross project cost may include
24 reasonable payments in lieu of taxes.

25 Sec. 374A.902. POWERS OF PUBLIC BODY. (a) To aid in the
26 planning or implementation of a redevelopment project located
27 within the area in which it is authorized to act, any public body,

1 after determining that a project is beneficial to its residents and
2 after setting terms with or without consideration, may:

3 (1) dedicate, sell, convey, or lease any of its
4 interest in any redevelopment project or grant easements, licenses,
5 or other rights and privileges in the project to a municipality or
6 redemption agency;

7 (2) incur the entire expense of any public
8 improvements made by the public body in exercising the powers
9 granted under this section;

10 (3) do anything necessary to aid or cooperate in the
11 planning or implementation of a redevelopment plan;

12 (4) lend, grant, or contribute funds to a municipality
13 or a redemption agency;

14 (5) enter into agreements that may extend over any
15 period with a municipality, redemption agency, or other public
16 body relating to action to be taken by the public body under any of
17 the powers granted under this chapter, including furnishing funds
18 or other assistance in connection with a redemption project;

19 (6) furnish public buildings and public facilities,
20 including parks, playgrounds, recreational facilities, community
21 facilities, educational facilities, water, sewer, or drainage
22 facilities, or other public works;

23 (7) furnish, dedicate, pave, install, grade, regrade,
24 plan, or replan streets, roads, sidewalks, ways, or other places;

25 (8) plan, replan, zone, or rezone any part of the
26 public body or make exceptions from building regulations; or

27 (9) furnish administrative and other services to the

1 municipality or redevelopment agency.

2 (b) If title to or possession of any redevelopment project
3 is held by the federal government, the provisions of an agreement
4 under this section inure to and may be enforced by the federal
5 government.

6 (c) A sale, conveyance, lease, or agreement under this
7 section may be made by and between public bodies without appraisal,
8 public notice, advertisement, or public bidding.

9 (d) To aid in planning or conducting a redevelopment project
10 through a redevelopment agency under this chapter, a municipality
11 may perform all of the functions that a public body may perform
12 under Subsection (a), including furnishing financial and other
13 assistance.

14 (e) For the purposes of this section or to aid in the
15 planning or carrying out of a municipal redevelopment project, a
16 municipality may issue and sell general obligation bonds in
17 addition to bonds issued under Section 374A.151. Bonds issued
18 under this section must be issued in the manner and are subject to
19 the limitations generally provided by the laws of this state for the
20 issuance and authorization of municipal bonds for public purposes.

21 Sec. 374A.903. TITLE OF PURCHASER. An instrument executed
22 by a municipality or by a redevelopment agency that purports to
23 convey a right, title, or interest in property under this chapter is
24 conclusively presumed to have been executed in compliance with this
25 chapter as regards the title or other interest of a bona fide
26 purchaser, lessee, or transferee of the property.

27 Sec. 374A.904. CONFLICT OF INTEREST. (a) A public

official or employee of a municipality, including an official or employee of a redevelopment agency that exercises redevelopment project powers for a municipality under Subchapter C or of any other municipal board or commission, may not voluntarily acquire any direct or indirect interest in a redevelopment project, in any property included or planned to be included in a redevelopment project or plan, or in any contract, or contract proposed, in connection with a redevelopment project.

(b) If the acquisition is not voluntary, the official or employee shall immediately disclose the acquisition of the interest in writing to the governing body of the municipality. The governing body shall enter the disclosure on its minutes. Not later than three months after the date on which the involuntary acquisition occurs, the official or employee shall either resign the position with the municipality or divest the interest.

(c) If the official or employee owns or controls any direct or indirect interest in property that the person knows is included or planned to be included in a redevelopment project or if the official or employee owned or controlled any such interest at any time during the two-year period preceding the inclusion or planned inclusion of the property in a redevelopment project, the official or employee shall immediately disclose that fact in writing to the governing body of the municipality. The governing body shall enter the disclosure on its minutes. The official or employee may not participate in any action by the municipality or by the redevelopment agency that affects the property.

(d) Any required disclosure made under this section to the

governing body of the municipality must also be made at the same time to the redevelopment agency that exercises redevelopment project powers under Section 374A.101. A commissioner or other officer of a redevelopment agency or other board who exercises powers under this chapter may not hold any other public office with the municipality.

(e) A violation of this section is official misconduct.

Sec. 374A.905. JUDICIAL PROCEEDINGS. (a) An action brought to review, modify, suspend, or satisfy a rule, order, decision, or other act of the governing body of a municipality or other agency shall be trial de novo as that term is used in an appeal from a justice of the peace court to a county court. In the trial, no presumptions in favor of the order or rule apply and evidence relating to the validity or reasonableness of the order or rule may not be heard. The determination of the action shall be made on the facts as in other civil cases, and the procedure used and the determination of orders and judgments to be entered in the trial shall be under the rules of law, evidence, and procedure prescribed under the constitution, statutes, and rules of procedure of this state applicable to civil trials.

(b) The trial of an action brought under this section shall be strictly de novo and the decision in the action shall be made on the preponderance of the evidence presented at the trial, independent of any administrative action taken by the board and free from the application of the substantial evidence rule stated by the courts relating to orders of other administrative or quasi-judicial agencies.

1 Sec. 374A.906. EFFECT ON MUNICIPAL POWERS. (a) This
2 chapter does not repeal a charter provision adopted by a home-rule
3 municipality to accomplish the same purposes as this chapter. This
4 chapter is cumulative of municipal powers.

5 (b) The powers conferred by this chapter are supplemental to
6 the powers conferred on municipalities by the charters of home-rule
7 municipalities of this state.

8 SECTION 2. This Act takes effect September 1, 2005.