

## **BILL ANALYSIS**

C.S.H.B. 470  
By: Rodriguez  
Urban Affairs  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Chapter 373A, Local Government Code, authorizes homestead preservation districts to provide certain municipalities with statutory tools to help increase home ownership, provide affordable housing, and prevent the involuntary loss of homesteads by existing low-income and moderate-income homeowners living in neighborhoods experiencing economic pressures.

Through an Attorney General opinion, the sponsoring municipality recently identified several concerns with the application of Chapter 373A to itself and participating non-profits. This bill addresses those concerns.

### **RULEMAKING AUTHORITY**

It is the opinion of the Committee that this bill does not expressly grant any additional rulemaking authority to a State officer, department, agency, or institution.

### **SECTION-BY-SECTION ANALYSIS**

SECTION 1. Would amend Section 373A.002, Local Government Code, to add definitions for “affordable housing,” “county,” and “project costs.”

SECTION 2. Would amend Section 373A.003, Local Government Code, to extend application of Chapter 373A, Local Government Code, to any political subdivision with jurisdiction over territory included in a qualifying municipality.

SECTION 3. Would add new Section 373A.052A, Local Government Code, to permit the municipality to dissolve a district. Upon dissolution, the municipality succeeds to assets and liabilities of district. The municipality may continue to operate any municipality-owned or operated district program after dissolution if it wants to.

SECTION 4. Would amend Section 373A.101, Local Government Code, to permits any political subdivision to which Chapter 373A applies to create homestead land trusts in the homestead preservation district. The trust may be a housing finance corporation (HFC) established under Chapter 394, Local Government Code.

SECTION 5. Would amend Section 373A.102, Local Government Code, to remove requirement that a HFC be a 501(c)(3) nonprofit by applying that requirement only to land trusts not created by a political subdivision.

SECTION 6. Would amend Section 373A.104, Local Government Code, to remove requirement that the governing body of a municipality appoint the board of all land trusts and that the initial board consist of at four members of the municipality’s governing body and three district residents.

SECTION 7. Would add a new Section 373A.110, Local Government Code, to provide that certain provisions of Subchapter C, Chapter 373A, Local Government Code, that are inconsistent with a HFC’s operation do not apply to a HFC-operated land trust.

SECTION 8. Would amend Section 373A.151, Local Government Code, to provide that the general tax increment financing law (Chapter 311, Tax Code) applies to a homestead preservation reinvestment zone except as provided by Subchapter Dm Chapter 373A, Local Government Code. To the extent of any conflicts between Chapter 373A, Local Government Code, and Chapter 311, Tax Code, Chapter 373A applies. Also, Sections 311.005 and 311.006, Tax Code, specifically do not apply to a Chapter 373A homestead preservation reinvestment zone.

SECTION 9. Would be a conforming amendment to Section 373A.152, Local Government Code, to harmonize other amendments made by the bill to Subchapter D.

SECTION 10. Would adds a new Section 373A.1521 and 373A.1522, Local Government Code, to specify information required to be contained in Chapter 373A reinvestment zone ordinance, including amount of tax increment to deposited into tax increment fund (TIF) and to provide that reinvestment zone ordinance does not take effect until county commissioners' court adopts a final order agreeing to the zone's creation, the zone boundaries, and the zone termination date, and specifying an amount of tax increment to be deposited by the county into the TIF that is equal to the municipality's tax increment deposit.

SECTION 11. Would add a new Section 373A.1541, Local Government Code, to provide that designation of area as reinvestment zone under Chapter 373A, Local Government Code, also operates as a zone designation under Chapter 311, Tax Code.

SECTION 12. Would amend Section 373A.155, Local Government Code, to make clear that municipality and county make equal contributions to TIF; remove requirement that tax increments be paid even if taxes were not collected; and remove other language duplicated in Chapter 311, Tax Code.

SECTION 13. Would amend Section 373A.157, Local Government Code, to require TIF money to spent for purposes related to affordable housing, including Chapter 311, Tax Code, project costs, in accordance with project and reinvestment zone financing plans adopted by the TIF board; to permit the TIF board to include other political subdivision's affordable housing plans in the zone's project and financing plans; to permit project costs related to providing affordable housing to be included in the development and construction costs of affordable housing. All TIF money would still be required to be spent to benefit persons at or below 70 percent of the area's median family income under Subsections (b)-(d), Section 373A.157.

SECTION 14. Would amend Section 373A.158, Local Government Code, to provide that county is only taxing unit entitled to annual report prepared under Section 311.016(b), Tax Code and to provide that additional information is required to show good-faith compliance with Chapter 373A.

SECTION 15. Would be a conforming amendment to Section 311.0031, Tax Code, to harmonize other amendments made by the bill to Subchapter D, Chapter 373A, Local Government Code.

SECTION 16. Repealer. The bill would repeal provisions in Chapter 373A, Local Government Code, relating to zone boundaries, county participation language, unnecessary reporting requirements, altering tax exemptions for nonprofits, requiring 100 percent tax increment dedication by municipality, surplusage requiring establishment of TIF, and Chapter 373A annual plan requirement.

### **EFFECTIVE DATE**

September 1, 2007

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

Unlike the original bill, SECTION 1 of the substitute would amend the definition of "Affordable Housing."

Unlike the original bill SECTION 13, (e) would amend language to clarify how TIF revenue is expended for purposes related to affordable housing.