

AN ACT

relating to the creation, operation, management, and programs of homestead preservation districts.

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

SECTION 1. Section 373A.002, Local Government Code, is amended by amending Subdivision (1) and adding Subdivisions (1-a), (2-a), and (3-a) to read as follows:

(1) "Affordable housing" means housing that is located in a district and is affordable to households earning 70 percent or less of the area median family income, adjusted for household size, as determined annually by the United States Department of Housing and Urban Development.

(1-a) "Central business district" means a compact and contiguous geographical area of a municipality in which at least 90 percent of the land is used or zoned for commercial purposes and that has historically been the primary location in the municipality where business has been transacted.

(2-a) "County" means the county containing all or the greatest portion of a homestead preservation reinvestment zone. For purposes of applying other law to a district or program created under this chapter, including Chapter 311, Tax Code, a reference in the other law to a "county" has the meaning assigned by this subdivision.

(3-a) "Project costs" has the meaning assigned by

1 Section 311.002(1), Tax Code.

2 SECTION 2. Section 373A.003, Local Government Code, is
3 amended to read as follows:

4 Sec. 373A.003. APPLICABILITY OF CHAPTER. (a) This chapter
5 applies [~~only~~] to a municipality with a population of more than
6 650,000 that is located in a uniform state service region with fewer
7 than 550,000 occupied housing units as determined by the most
8 recent United States decennial census.

9 (b) Subchapters A, B, C, and D apply to any municipality
10 with a population of 1.18 million or more that is located
11 predominantly in a county that has a total area of less than 1,000
12 square miles.

13 SECTION 3. Section 373A.052, Local Government Code, is
14 amended to read as follows:

15 Sec. 373A.052. ELIGIBILITY FOR DESIGNATION. (a) To be
16 designated as a district within a municipality described by Section
17 373A.003(a) under this subchapter, an area must be composed of
18 census tracts forming a spatially compact area contiguous to a
19 central business district and with:

20 (1) fewer than 25,000 residents;

21 (2) fewer than 8,000 households;

22 (3) a number of owner-occupied households that does
23 not exceed 50 percent of the total households in the area;

24 (4) housing stock at least 55 percent of which was
25 built at least 45 years ago;

26 (5) an unemployment rate that is greater than 10
27 percent;

1 (6) an overall poverty rate that is at least two times
2 the poverty rate for the entire municipality; and

3 (7) in each census tract within the area, a median
4 family income that is less than 60 percent of the median family
5 income for the entire municipality.

6 (b) To be designated as a district within a municipality
7 described by Section 373A.003(b) under this subchapter, an area
8 must be composed of census tracts forming a spatially compact area
9 contiguous to a central business district and with:

10 (1) fewer than 75,000 residents;

11 (2) a median family income that is less than \$30,000
12 according to the last decennial census; and

13 (3) an overall poverty rate that is at least two times
14 the poverty rate for the entire municipality.

15 (c) An area that is designated as a district under this
16 subchapter may retain its designation as a district regardless of
17 whether the area continues to meet the eligibility criteria
18 provided by this section, except that an area that does not elect to
19 retain its designation as permitted by this subsection must meet
20 all eligibility criteria to be considered for subsequent
21 redesignation as a district.

22 SECTION 4. Subchapter B, Chapter 373A, Local Government
23 Code, is amended by adding Section 373A.0521 to read as follows:

24 Sec. 373A.0521. DISSOLUTION. (a) The governing body of a
25 municipality in which a district is located may adopt an ordinance
26 dissolving the district.

27 (b) On the adoption of the ordinance, the district is

1 dissolved and the municipality succeeds to the property and assets
2 of the district and assumes all bonds, debts, obligations, and
3 liabilities of the district.

4 (c) This section does not prohibit the municipality from
5 continuing to operate programs established by the municipality,
6 including programs established under Subchapter C, D, or E, in the
7 area previously included in the district that are owned and
8 operated by the municipality on the date the district is dissolved.

9 SECTION 5. Section 373A.101, Local Government Code, is
10 amended to read as follows:

11 Sec. 373A.101. CREATION. The governing body of a political
12 subdivision [~~municipality~~] by ordinance or order may create or
13 designate under this subchapter one or more homestead land trusts,
14 including a housing finance corporation established under Chapter
15 394 or a land trust operated by a community housing development
16 organization certified by the municipality, to operate in an area
17 that includes a district designated under Subchapter B [~~by the~~
18 ~~municipality~~].

19 SECTION 6. Section 373A.102, Local Government Code, is
20 amended to read as follows:

21 Sec. 373A.102. NATURE OF NONPUBLIC TRUST. A trust that is
22 not created by the governing body of a political subdivision must be
23 a nonprofit organization that is:

24 (1) created to acquire and hold land for the benefit of
25 developing and preserving long-term affordable housing in the
26 district; and

27 (2) exempt from federal income taxation under Section

1 501(a), Internal Revenue Code of 1986, by being certified as an
2 exempt organization under Section 501(c)(3), Internal Revenue Code
3 of 1986.

4 SECTION 7. Section 373A.104, Local Government Code, is
5 amended to read as follows:

6 Sec. 373A.104. BOARD OF DIRECTORS. (a) A trust shall be
7 governed by a board of directors.

8 (b) ~~[The governing body of the municipality shall appoint~~
9 ~~the directors of a trust created by the municipality.]~~

10 ~~[(c) The initial board of a trust created by the~~
11 ~~municipality must be composed of four members of the governing body~~
12 ~~of the municipality and three residents of the district.]~~

13 ~~[(d)]~~ If a trust holds land that provides at least 100
14 housing units, at least one-third of the board members must reside
15 in housing units located on land held by the trust.

16 SECTION 8. Subchapter C, Chapter 373A, Local Government
17 Code, is amended by adding Section 373A.110 to read as follows:

18 Sec. 373A.110. APPLICABILITY OF SUBCHAPTER TO TRUST
19 OPERATED BY HOUSING FINANCE CORPORATION. Sections 373A.102,
20 373A.104, 373A.105(b), and 373A.106 do not apply to a trust
21 operated in the district by a housing finance corporation
22 established under Chapter 394.

23 SECTION 9. Section 373A.151, Local Government Code, is
24 amended to read as follows:

25 Sec. 373A.151. APPLICABILITY ~~[NONAPPLICABILITY]~~ OF OTHER
26 LAW. (a) Except as provided by this subchapter, Chapter 311, Tax
27 Code, applies ~~[does not apply]~~ to a homestead preservation

1 reinvestment zone created under this subchapter. To the extent of
2 any conflict between this subchapter and Chapter 311, Tax Code,
3 this subchapter prevails.

4 (b) In addition to other provisions of this subchapter that
5 modify or supersede the application of Chapter 311, Tax Code, to a
6 zone established under this subchapter, Sections 311.005 and
7 311.006, Tax Code, do not apply to a zone established under this
8 subchapter.

9 SECTION 10. Section 373A.152(a), Local Government Code, is
10 amended to read as follows:

11 (a) A municipality by ordinance may designate a contiguous
12 geographical area contained entirely within the boundaries of the
13 district as [create] a homestead preservation reinvestment zone to
14 develop or redevelop affordable housing [as provided by this
15 section] if the municipality determines the zone is necessary to
16 accomplish the purposes of this chapter [finds that the area to be
17 included in the zone is unproductive, underdeveloped, or blighted
18 as provided by Section 1-g(b), Article VIII, Texas Constitution.
19 The governing body of the municipality shall administer the zone].

20 SECTION 11. Subchapter D, Chapter 373A, Local Government
21 Code, is amended by adding Sections 373A.1521 and 373A.1522 to read
22 as follows:

23 Sec. 373A.1521. CONTENTS OF REINVESTMENT ZONE ORDINANCE.

24 The ordinance designating the homestead preservation zone must:

25 (1) contain the information required under Sections
26 311.004(a)(1), (4), and (6), Tax Code;

27 (2) assign a name to the zone for identification, with

1 the first zone designated as "(Name of municipality) Homestead
2 Preservation Reinvestment Zone Number One," and subsequently
3 created zones assigned names in the same form numbered
4 consecutively in the order of their designation;

5 (3) specify the amount of tax increment to be
6 deposited by the municipality into the tax increment fund; and

7 (4) contain findings that the area is unproductive,
8 underdeveloped, or blighted as provided by Section 1-g(b), Article
9 VIII, Texas Constitution.

10 Sec. 373A.1522. EFFECTIVE DATE OF ZONE. The zone
11 designated by the ordinance adopted under Section 373A.1521 takes
12 effect on the date on which the county adopts a final order:

13 (1) agreeing to the creation of the zone, the zone
14 boundaries, and the zone termination date specified by the
15 municipality under Section 373A.1521(1); and

16 (2) specifying an amount of tax increment to be
17 deposited by the county into the tax increment fund that is equal to
18 the amount of the tax increment specified by the municipality under
19 Section 373A.1521(3).

20 SECTION 12. Subchapter D, Chapter 373A, Local Government
21 Code, is amended by adding Section 373A.1541 to read as follows:

22 Sec. 373A.1541. TAX INCREMENT FINANCING AND ABATEMENT.
23 Designation of an area as a homestead preservation reinvestment
24 zone is also designation of the area as a reinvestment zone for tax
25 increment financing under Chapter 311, Tax Code.

26 SECTION 13. Section 373A.155, Local Government Code, is
27 amended to read as follows:

1 Sec. 373A.155. COLLECTION AND DEPOSIT OF TAX
2 INCREMENTS. (a) The municipality designating the zone and the
3 county [~~Each taxing unit that taxes real property located in a zone~~]
4 shall provide for the collection of its taxes on real property
5 located in the zone as for any other property taxed by the
6 municipality and the county [~~unit~~].

7 (a-1) The municipality shall pay into the tax increment fund
8 an amount specified in the ordinance designating the zone.

9 (b) The county [~~Except as provided by Subsection (d), each~~
10 ~~taxing unit~~] shall pay into the tax increment fund for the zone an
11 amount equal to the tax increment paid by the municipality as
12 specified in the order adopted under Section 373A.1522 [~~produced by~~
13 ~~the unit.~~].

14 [~~(c) A taxing unit shall make a payment required by~~
15 ~~Subsection (b) not later than the 90th day after the delinquency~~
16 ~~date for the unit's property taxes. A delinquent payment incurs a~~
17 ~~penalty of five percent of the amount delinquent and accrues~~
18 ~~interest at an annual rate of 10 percent.~~]

19 [~~(d) A taxing unit other than the municipality is not~~
20 ~~required to pay into the tax increment fund any of its tax increment~~
21 ~~produced from property located in a zone unless the taxing unit~~
22 ~~enters into an agreement to do so with the governing body of the~~
23 ~~municipality that created the zone. A taxing unit may enter into an~~
24 ~~agreement under this subsection at any time before or after the zone~~
25 ~~is created. The agreement may include conditions for payment of~~
26 ~~that tax increment into the fund and must specify the portion of the~~
27 ~~tax increment to be paid into the fund and the years for which that~~

1 ~~tax increment is to be paid into the fund. The agreement and the~~
2 ~~conditions in the agreement are binding on the taxing unit and the~~
3 ~~municipality].~~

4 SECTION 14. Sections 373A.157(a) and (e), Local Government
5 Code, are amended to read as follows:

6 (a) The tax increment fund is administered by the governing
7 body of the municipality in accordance with the project and
8 reinvestment zone financing plans [~~annual plan developed by the~~
9 ~~municipality under Section 373A.156~~]. Revenue from the tax
10 increment fund must be dedicated as provided by this section to the
11 development, construction, and preservation of affordable housing
12 in the zone by a political subdivision, a community housing
13 development organization certified by the municipality, a trust
14 created or designated by a political subdivision [~~the~~
15 ~~municipality~~], or another entity as provided by this section.

16 (e) The municipality must spend at least 80 percent of the
17 revenue expended annually from the tax increment fund for project
18 costs, including the purchase of real property, ~~and~~
19 construction or rehabilitation of affordable housing in the zone,
20 and infrastructure improvements directly related to supporting the
21 construction or rehabilitation of affordable housing in the zone.
22 The municipality may spend not more than 10 percent of the revenue
23 expended annually from the tax increment fund for administration of
24 the zone.

25 SECTION 15. Sections 373A.158(a) and (b), Local Government
26 Code, are amended to read as follows:

27 (a) The county is the only taxing unit entitled to receive

1 the annual report prepared under Section 311.016(a), Tax Code. [~~On~~
2 ~~or before the 90th day following the end of the fiscal year of the~~
3 ~~municipality, the governing body of the municipality shall submit~~
4 ~~to the chief executive officer of each taxing unit that imposes~~
5 ~~property taxes on real property in a zone created by the~~
6 ~~municipality under this subchapter a detailed report on the status~~
7 ~~of the zone.~~]

8 (b) The report must include:

9 (1) the amount and source of revenue in the tax
10 increment fund established for the zone;

11 (2) the amount and purpose of expenditures from the
12 fund and the income levels of the persons who benefited from the
13 expenditures;

14 (3) the number of parcels of property purchased,
15 housing units rehabilitated, and housing units constructed and the
16 income levels of the persons residing in the housing units;

17 (4) the tax increment base and current captured
18 appraised value retained by the zone;

19 (5) the total amount of tax increments received; and

20 (6) any additional information necessary to
21 demonstrate good faith [~~strict~~] compliance with the provisions of
22 this subchapter.

23 SECTION 16. Section 311.0031, Tax Code, is amended to read
24 as follows:

25 Sec. 311.0031. ENTERPRISE ZONE. Designation of an area [~~as~~
26 ~~an enterprise zone~~] under the following other law [~~Chapter 2303,~~
27 ~~Government Code~~] constitutes designation of the area as a

1 reinvestment zone under this chapter without further hearing or
2 other procedural requirements other than those provided by the
3 other law:

4 (1) Chapter 2303, Government Code; and

5 (2) Chapter 373A, Local Government Code.

6 SECTION 17. The following laws are repealed:

7 (1) Sections 373A.152(b), (c), (d), (e), and (f),
8 Local Government Code;

9 (2) Section 373A.158(c), Local Government Code; and

10 (3) Sections 373A.108, 373A.153, 373A.154, and
11 373A.156, Local Government Code.

12 SECTION 18. This Act takes effect September 1, 2007.

President of the Senate

Speaker of the House

I certify that H.B. No. 470 was passed by the House on May 11, 2007, by the following vote: Yeas 144, Nays 0, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 470 on May 25, 2007, by the following vote: Yeas 139, Nays 0, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 470 was passed by the Senate, with amendments, on May 22, 2007, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor