

By: Rodriguez

H.B. No. 470

A BILL TO BE ENTITLED

1 AN ACT

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

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

5 SECTION 1. Section 373A.002, Local Government Code, is  
6 amended by amending Subdivision (1) and adding Subdivisions (1-a),  
7 (2-a), and (4-a) to read as follows:

8 (1) "Affordable housing" means both subsidized and  
9 nonsubsidized housing designed for persons whose incomes generally  
10 deny them the opportunity to purchase or rent housing on the open  
11 market and includes project costs for projects located inside or  
12 outside a zone related to providing subsidized and nonsubsidized  
13 housing.

14 (1-a) "Central business district" means a compact and  
15 contiguous geographical area of a municipality in which at least 90  
16 percent of the land is used or zoned for commercial purposes and  
17 that has historically been the primary location in the municipality  
18 where business has been transacted.

19 (2-a) "County" means the county containing all or the  
20 greatest portion of a homestead preservation reinvestment zone.  
21 For purposes of applying other law to a district or program created  
22 under this chapter, including Chapter 311, Tax Code, a reference in  
23 the other law to a "county" has the meaning assigned by this  
24 section.

1           (4-a) "Project costs" has the meaning assigned by  
2 Section 311.002(1), Tax Code.

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

5           Sec. 373A.003. APPLICABILITY OF CHAPTER. This chapter  
6 applies only to:

7           (1) a municipality with a population of more than  
8 650,000 that is located in a uniform state service region with fewer  
9 than 550,000 occupied housing units as determined by the most  
10 recent United States decennial census; and

11           (2) a political subdivision with jurisdiction over  
12 territory that is also part of a municipality described by  
13 Subdivision (1).

14           SECTION 3. Subchapter B, Chapter 373A, Local Government  
15 Code, is amended by adding Section 373A.0521 to read as follows:

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

19           (b) On the adoption of the ordinance, the district is  
20 dissolved and the municipality succeeds to the property and assets  
21 of the district and assumes all bonds, debts, obligations, and  
22 liabilities of the district.

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

1 SECTION 4. Section 373A.101, Local Government Code, is  
2 amended to read as follows:

3 Sec. 373A.101. CREATION. The governing body of a political  
4 subdivision [~~municipality~~] by ordinance or order may create or  
5 designate under this subchapter one or more homestead land trusts,  
6 including a housing finance corporation established under Chapter  
7 394 or a land trust operated by a community housing development  
8 organization certified by the municipality, to operate in an area  
9 that includes a district designated under Subchapter B [~~by the~~  
10 ~~municipality~~].

11 SECTION 5. Section 373A.102, Local Government Code, is  
12 amended to read as follows:

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

16 (1) created to acquire and hold land for the benefit of  
17 developing and preserving long-term affordable housing in the  
18 district; and

19 (2) exempt from federal income taxation under Section  
20 501(a), Internal Revenue Code of 1986, by being certified as an  
21 exempt organization under Section 501(c)(3), Internal Revenue Code  
22 of 1986.

23 SECTION 6. Section 373A.104, Local Government Code, is  
24 amended to read as follows:

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

27 (b) [~~The governing body of the municipality shall appoint~~

1 ~~the directors of a trust created by the municipality.~~

2 ~~[(c) The initial board of a trust created by the~~  
3 ~~municipality must be composed of four members of the governing body~~  
4 ~~of the municipality and three residents of the district.~~

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

8 SECTION 7. Subchapter C, Chapter 373A, Local Government  
9 Code, is amended by adding Section 373A.110 to read as follows:

10 Sec. 373A.110. APPLICABILITY OF SUBCHAPTER TO TRUST  
11 OPERATED BY HOUSING FINANCE CORPORATION. Sections 373A.102,  
12 373A.104, 373A.105(b), and 373A.106 do not apply to a trust  
13 operated in the district by a housing finance corporation  
14 established under Chapter 394.

15 SECTION 8. Section 373A.151, Local Government Code, is  
16 amended to read as follows:

17 Sec. 373A.151. APPLICABILITY ~~[NONAPPLICABILITY]~~ OF OTHER  
18 LAW. (a) Except as provided by this subchapter, Chapter 311, Tax  
19 Code, applies ~~[does not apply]~~ to a homestead preservation  
20 reinvestment zone created under this subchapter. To the extent of  
21 any conflict between this subchapter and Chapter 311, Tax Code,  
22 this subchapter prevails.

23 (b) In addition to other provisions of this subchapter that  
24 modify or supersede the application of Chapter 311, Tax Code, to a  
25 zone established under this subchapter, Sections 311.005 and  
26 311.006, Tax Code, do not apply to a zone established under this  
27 subchapter.

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

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

12 SECTION 10. Subchapter D, Chapter 373A, Local Government  
13 Code, is amended by adding Sections 373A.1521 and 373A.1522 to read  
14 as follows:

15 Sec. 373A.1521. CONTENTS OF REINVESTMENT ZONE ORDINANCE.  
16 The ordinance designating the homestead preservation zone must:

17 (1) contain the information required under Sections  
18 311.004(1), (4), and (6), Tax Code;

19 (2) assign a name to the zone for identification, with  
20 the first zone designated as "(Name of municipality) Homestead  
21 Preservation Reinvestment Zone Number One," and subsequently  
22 created zones assigned names in the same form numbered  
23 consecutively in the order of their designation;

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

26 (4) contain findings that the area is unproductive,  
27 underdeveloped, or blighted as provided by Section 1-g(b), Article

1 VIII, Texas Constitution.

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

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

8 (2) specifying an amount of tax increment to be  
9 deposited by the county into the tax increment fund that is equal to  
10 the amount of the tax increment specified by the municipality under  
11 Section 373A.1521(3).

12 SECTION 11. Subchapter D, Chapter 373A, Local Government  
13 Code, is amended by adding Section 373A.1541 to read as follows:

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

18 SECTION 12. Section 373A.155, Local Government Code, is  
19 amended to read as follows:

20 Sec. 373A.155. COLLECTION AND DEPOSIT OF TAX  
21 INCREMENTS. (a) The municipality designating the zone and the  
22 county [~~Each taxing unit that taxes real property located in a zone~~]  
23 shall provide for the collection of its taxes on real property  
24 located in the zone as for any other property taxed by the  
25 municipality and the county [~~unit~~].

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

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

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

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

23           SECTION 13. Sections 373A.157(a) and (e), Local Government  
24 Code, are amended to read as follows:

25           (a) The tax increment fund is administered by the governing  
26 body of the municipality in accordance with the project and  
27 reinvestment zone financing plans [~~annual plan developed by the~~

1 ~~municipality under Section 373A.156~~]. Revenue from the tax  
2 increment fund must be dedicated as provided by this section to the  
3 development, construction, and preservation of affordable housing  
4 in the zone by a political subdivision, a community housing  
5 development organization certified by the municipality, a trust  
6 created or designated by a political subdivision [~~the~~  
7 ~~municipality~~], or another entity as provided by this section.

8 (e) The municipality must spend at least 80 percent of the  
9 revenue expended annually from the tax increment fund for the  
10 purchase of real property and the construction or rehabilitation of  
11 affordable housing in the zone, including project costs. The  
12 municipality may spend not more than 10 percent of the revenue  
13 expended annually from the tax increment fund for administration of  
14 the zone.

15 SECTION 14. Sections 373A.158(a) and (b), Local Government  
16 Code, are amended to read as follows:

17 (a) The county is the only taxing unit entitled to receive  
18 the annual report prepared under Section 311.016(a), Tax Code [~~On~~  
19 ~~or before the 90th day following the end of the fiscal year of the~~  
20 ~~municipality, the governing body of the municipality shall submit~~  
21 ~~to the chief executive officer of each taxing unit that imposes~~  
22 ~~property taxes on real property in a zone created by the~~  
23 ~~municipality under this subchapter a detailed report on the status~~  
24 ~~of the zone~~].

25 (b) The report must include:

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



1           (2) the amount and purpose of expenditures from the  
2 fund and the income levels of the persons who benefited from the  
3 expenditures;

4           (3) the number of parcels of property purchased,  
5 housing units rehabilitated, and housing units constructed and the  
6 income levels of the persons residing in the housing units;

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

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

10          (6) any additional information necessary to  
11 demonstrate good faith [~~strict~~] compliance with the provisions of  
12 this subchapter.

13          SECTION 15. Section 311.0031, Tax Code, is amended to read  
14 as follows:

15          Sec. 311.0031. ENTERPRISE ZONE. Designation of an area [~~as~~  
16 ~~an enterprise zone~~] under the following other law [~~Chapter 2303,~~  
17 ~~Government Code~~] constitutes designation of the area as a  
18 reinvestment zone under this chapter without further hearing or  
19 other procedural requirements other than those provided by the  
20 other law:

21           (1) Chapter 2303, Government Code; and

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

23          SECTION 16. The following laws are repealed:

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

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

27           (3) Sections 373A.108, 373A.153, 373A.154, and

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1 373A.156, Local Government Code.

2 SECTION 17. This Act takes effect September 1, 2007.