

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Rodriguez, Dukes

H.B. No. 470

A BILL TO BE ENTITLED

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. This chapter  
5 applies only to:

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

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

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

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

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

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

27 SECTION 4. Section 373A.101, Local Government Code, is

1 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27           SECTION 9. Section 373A.152(a), Local Government Code, is

1 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27           (b) The county [~~Except as provided by Subsection (d), each~~

1 ~~taxing unit]~~ shall pay into the tax increment fund for the zone an  
2 amount equal to the tax increment paid by the municipality as  
3 specified in the order adopted under Section 373A.1522 [~~produced by~~  
4 ~~the unit.~~

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

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

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

24 (a) The tax increment fund is administered by the governing  
25 body of the municipality in accordance with the project and  
26 reinvestment zone financing plans [~~annual plan developed by the~~  
27 ~~municipality under Section 373A.156)]. Revenue from the tax~~

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

7 (e) The municipality must spend at least 80 percent of the  
8 revenue expended annually from the tax increment fund for project  
9 costs, including the purchase of real property, ~~[and]~~ the  
10 construction or rehabilitation of affordable housing in the zone,  
11 and infrastructure improvements directly related to supporting the  
12 construction or rehabilitation of affordable housing in the zone.

13 The municipality may spend not more than 10 percent of the revenue  
14 expended annually from the tax increment fund for administration of  
15 the zone.

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

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

26 (b) The report must include:

27 (1) the amount and source of revenue in the tax



1 increment fund established for the zone;

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

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

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

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

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

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

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

22 (1) Chapter 2303, Government Code; and

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

24 SECTION 16. The following laws are repealed:

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

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

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1                   (3) Sections 373A.108, 373A.153, 373A.154, and  
2 373A.156, Local Government Code.

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

# ADOPTED

MAY 22 2007

*Lotay Spaw*  
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: W

(West)

1 Amend H.B. No. 470 (Senate Committee Printing) as follows:

2 (1) In SECTION 2 of the bill, strike amended Section  
3 373A.003, Local Government Code (page 1, lines 35 through 43), and  
4 substitute:

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

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

14 (2) Add the following appropriately numbered SECTION and  
15 renumber subsequent SECTIONS accordingly:

16 SECTION \_\_\_\_ . Section 373A.052, Local Government Code, is  
17 amended to read as follows:

18 Sec. 373A.052. ELIGIBILITY FOR DESIGNATION. (a) To be  
19 designated as a district within a municipality described by Section  
20 373A.003(a) under this subchapter, an area must be composed of  
21 census tracts forming a spatially compact area contiguous to a  
22 central business district and with:

23 (1) fewer than 25,000 residents;

24 (2) fewer than 8,000 households;

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

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

29 (5) an unemployment rate that is greater than 10

1 percent;

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

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

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

11 (1) fewer than 75,000 residents;

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

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

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

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**May 16, 2007**

**TO:** Honorable Royce West, Chair, Senate Committee on Intergovernmental Relations

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB470** by Rodriguez (Relating to the creation, operation, management, and programs of homestead preservation districts.), **As Engrossed**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would amend Chapter 373A, Local Government Code, to extend applicability of the chapter to a political subdivision with jurisdiction over territory that is also part of a municipality as described in current statute: having a population of more than 650,000 that is located in a uniform state service region with fewer than 550,000 occupied housing units as determined by the most recent U.S. decennial census. The bill would also add authorization for a municipality to dissolve a homestead preservation district, would make changes to the statute for creating a district, and would establish specific criteria for a municipality to establish a reinvestment zone within the boundaries of a homestead preservation district.

The bill would add Sections 373A.1521 and 373A.1522 regarding the contents and effective date of a reinvestment zone ordinance. Section 373A.1541 would be added to designate as a reinvestment zone for tax increment financing under Chapter 311, Tax Code an area designated as a homestead preservation reinvestment zone. The municipality and county containing the greatest portion of the reinvestment zone would be required to pay equal amounts into the tax increment fund for the zone. The bill would repeal statutes that require other taking units to pay into the tax increment fund and would repeal statutes that would result in changing reporting requirements by the municipality.

**Local Government Impact**

The applicability criteria fits the City of Austin and Travis County only. Because the bill would not have statewide impact on units of local government of the same type or class, no comment from this office is required by the rules of the House/Senate as to its probable fiscal implication on units of local government.

**Source Agencies:** 332 Department of Housing and Community Affairs

**LBB Staff:** JOB, DB

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**March 30, 2007**

**TO:** Honorable Kevin Bailey, Chair, House Committee on Urban Affairs

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB470** by Rodriguez (Relating to the creation, operation, management, and programs of homestead preservation districts.), **Committee Report 1st House, Substituted**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would amend Chapter 373A, Local Government Code, to extend applicability of the chapter to a political subdivision with jurisdiction over territory that is also part of a municipality as described in current statute: having a population of more than 650,000 that is located in a uniform state service region with fewer than 550,000 occupied housing units as determined by the most recent U.S. decennial census. The bill would also add authorization for a municipality to dissolve a homestead preservation district, would make changes to the statute for creating a district, and would establish specific criteria for a municipality to establish a reinvestment zone within the boundaries of a homestead preservation district.

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**Local Government Impact**

The applicability criteria fits the City of Austin and Travis County only. Because the bill would not have statewide impact on units of local government of the same type or class, no comment from this office is required by the rules of the House/Senate as to its probable fiscal implication on units of local government.

**Source Agencies:** 332 Department of Housing and Community Affairs

**LBB Staff:** JOB, DB

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 19, 2007

TO: Honorable Kevin Bailey, Chair, House Committee on Urban Affairs

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: **HB470** by Rodriguez (Relating to the creation, operation, management, and programs of homestead preservation districts.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would amend Chapter 373A, Local Government Code, to extend applicability of the chapter to a political subdivision with jurisdiction over territory that is also part of a municipality as described in current statute: having a population of more than 650,000 that is located in a uniform state service region with fewer than 550,000 occupied housing units as determined by the most recent U.S. decennial census. The bill would also add authorization for a municipality to dissolve a homestead preservation district, would make changes to the statute for creating a district, and would establish specific criteria for a municipality to establish a reinvestment zone within the boundaries of a homestead preservation district.

The bill would add Sections 373A.1521 and 373A.1522 regarding the contents and effective date of a reinvestment zone ordinance. Section 373A.1541 would be added to designate as a reinvestment zone for tax increment financing under Chapter 311, Tax Code an area designated as a homestead preservation reinvestment zone. The municipality and county containing the greatest portion of the reinvestment zone would be required to pay equal amounts into the tax increment fund for the zone. The bill would repeal statutes that require other taking units to pay into the tax increment fund and would repeal statutes which would result in changing reporting requirements by the municipality.

**Local Government Impact**

The applicability criteria fits the City of Austin and Travis County only. Because the bill would not have statewide impact on units of local government of the same type or class, no comment from this office is required by the rules of the House/Senate as to its probable fiscal implication on units of local government.

**Source Agencies:** 332 Department of Housing and Community Affairs

**LBB Staff:** JOB, DB

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