

**House Bill 470**  
Senate Amendments  
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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 Section 311.002(1), Tax Code.

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

Sec. 373A.003. APPLICABILITY OF CHAPTER. This

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

Sec. 373A.003. APPLICABILITY OF CHAPTER. (a)

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chapter applies **only** to:

(1) a municipality with 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 United States decennial census; **and**

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

No equivalent provision.

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This chapter applies **[only]** to a municipality with 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 United States decennial census.

**(b) Subchapters A, B, C, and D apply to any municipality with a population of 1.8 million or more that is located predominantly in a county that has a total area of less than 1,000 square miles.**

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

Sec. 373A.052. ELIGIBILITY FOR DESIGNATION.

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

- (1) fewer than 25,000 residents;
- (2) fewer than 8,000 households;
- (3) a number of owner-occupied households that does not exceed 50 percent of the total households in the area;
- (4) housing stock at least 55 percent of which was built at least 45 years ago;
- (5) an unemployment rate that is greater than 10 percent;

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- (6) an overall poverty rate that is at least two times the poverty rate for the entire municipality; and
- (7) in each census tract within the area, a median family income that is less than 60 percent of the median family income for the entire municipality.
- (b) To be designated as a district within a municipality described by Section 373A.003(b) under this subchapter, an area must be composed of census tracts forming a spatially compact area contiguous to a central business district and with:
- (1) fewer than 75,000 residents;
- (2) a median family income that is less than \$30,000 according to the last decennial census; and
- (3) an overall poverty rate that is at least two times the poverty rate for the entire municipality.
- (c) An area that is designated as a district under this subchapter may retain its designation as a district regardless of whether the area continues to meet the eligibility criteria provided by this section, except that an area that does not elect to retain its designation as permitted by this subsection must meet all eligibility criteria to be considered for subsequent redesignation as a district.

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

Sec. 373A.0521. DISSOLUTION. (a) The governing body of a municipality in which a district is located may

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adopt an ordinance dissolving the district.

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

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

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

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

Same as House version.

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

Sec. 373A.102. NATURE OF NONPUBLIC TRUST. A trust that is not created by the governing body of a

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political subdivision must be a nonprofit organization that is:

- (1) created to acquire and hold land for the benefit of developing and preserving long-term affordable housing in the district; and
- (2) exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, by being certified as an exempt organization under Section 501(c)(3), Internal Revenue Code of 1986.

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

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

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

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

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

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SECTION 7. Subchapter C, Chapter 373A, Local Government Code, is amended by adding Section

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373A.110 to read as follows:

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

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

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

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

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

(a) A municipality by ordinance may designate a contiguous geographical area contained entirely within

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~~the boundaries of the district as [ereate] a homestead preservation reinvestment zone to develop or redevelop affordable housing [as provided by this section] if the municipality determines the zone is necessary to accomplish the purposes of this chapter [finds that the area to be included in the zone is unproductive, underdeveloped, or blighted as provided by Section 1-g(b), Article VIII, Texas Constitution. The governing body of the municipality shall administer the zone].~~

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

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

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

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

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

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

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

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

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

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

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

Same as House version.

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

Sec. 373A.155. COLLECTION AND DEPOSIT OF TAX INCREMENTS. (a) The municipality designating the zone and the county ~~[Each taxing unit that taxes real property located in a zone]~~ shall provide for the collection of its taxes on real property located in the zone

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as for any other property taxed by the municipality and the county ~~[unit]~~.

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

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

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

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

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

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

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

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

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

(b) The report must include:

- (1) the amount and source of revenue in the tax increment fund established for the zone;
- (2) the amount and purpose of expenditures from the fund and the income levels of the persons who benefited from the expenditures;
- (3) the number of parcels of property purchased, housing units rehabilitated, and housing units constructed and the income levels of the persons residing in the housing units;
- (4) the tax increment base and current captured appraised value retained by the zone;
- (5) the total amount of tax increments received; and
- (6) any additional information necessary to demonstrate good faith ~~[strict]~~ compliance with the provisions of this subchapter.

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

Sec. 311.0031. ENTERPRISE ZONE. Designation of an

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area <del>[as an enterprise zone]</del> under <u>the following other law</u> <del>[Chapter 2303, Government Code]</del> constitutes designation of the area as a reinvestment zone under this chapter without further hearing or other procedural requirements other than those provided by <u>the other law</u> : <u>(1) Chapter 2303, Government Code; and</u> <u>(2) Chapter 373A, Local Government Code.</u>		
SECTION 16. The following laws are repealed: (1) Sections 373A.152(b), (c), (d), (e), and (f), Local Government Code; (2) Section 373A.158(c), Local Government Code; and (3) Sections 373A.108, 373A.153, 373A.154, and 373A.156, Local Government Code.	Same as House version.	
SECTION 17. This Act takes effect September 1, 2007.	Same as House version.	