

BILL ANALYSIS

H.B. 1004
By: Jones
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In 1986, at the urging of the Urban Renewal Board, the Lubbock City Council created a tax increment finance district that covered downtown and a portion of North Overton. By the time the district was ready to terminate in 2001, there had been an economic downturn and the property values were far below the 1986 tax increment base, leaving a negative tax increment.

The Lubbock City Council terminated the old district and created a smaller 20-year central business district tax increment finance reinvestment zone in 2001. Lubbock County, Lubbock County Hospital District, and the High Plains Underground Water Conservation District participated with the City of Lubbock and pledged all of their increment to that zone.

Shortly thereafter, Delbert McDougal presented a petition to the Lubbock City Council requesting that a 30-year tax increment finance reinvestment zone be created in the North Overton area. Once again, Lubbock County, Lubbock County Hospital District, and the High Plains Underground Water Conservation District participated with the City of Lubbock and pledged all of their increment to the North Overton zone, which has been very successful.

Success in the North Overton area has spurred redevelopment interest in the downtown area. With the assistance of private funding raised by the Downtown Redevelopment Commission and additional funding provided by the central business district tax increment finance reinvestment zone, consultants were hired to draft a downtown master plan. In February 2008, the Lubbock City Council adopted the Downtown Revitalization Action Plan prepared by the consultants with input from the citizens of Lubbock.

The central business district tax increment finance reinvestment zone is scheduled to terminate in 2021. Property values have increased over the base year, and some new development has already begun. The zone increment for 2008 is estimated at \$570,000. The increment has increased each year since the base year. The time period of 12 to 13 years remaining in the zone is not long enough to build the substantial amount of money that will be necessary to implement the downtown revitalization plan. The time period is also insufficient to issue the long-term debt necessary to implement the zone project and finance plans.

In 2004, the attorney general issued an opinion, which interpreted state law to prohibit an extension of the termination of an existing tax increment finance district.

H.B. 1004 authorizes a municipality that has a population of 195,000 or more and is the county seat of a county that has a population of 245,000 persons or less to extend the termination date of a previously established reinvestment zone.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 1004 amends the Tax Code to authorize a municipality by ordinance adopted subsequent to the ordinance creating a reinvestment zone to designate a termination date for the zone that is later than the termination date designated in the ordinance creating the zone but not later than the 20th anniversary of the original termination date. The bill provides that if a municipality adopts an ordinance extending the termination date, a reinvestment zone terminates on the earlier of either the termination date designated in a subsequent ordinance extending the date or the date on which all project costs, tax increment bonds and interest on those bonds, and other obligations have been paid in full. The bill makes its provisions applicable to a reinvestment zone created by a municipality that has a population of 195,000 or more and is the county seat of a county that has a population of 245,000 or less.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.