A BILL TO BE ENTITLED 1 AN ACT 2 relating to the acquisition of and compensation for real property, including blighted property, for public purposes through 3 condemnation or certain other means. 4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS: 5 SECTION 1. Section 373.002(b), Local Government Code, is 6 amended to read as follows: 7 (b) Activities conducted under this chapter are directed 8 toward the following purposes: 9 (1) elimination of [slums and] areas affected by 10 11 blight; 12 (2) prevention of blighting influences and of the 13 deterioration of property and neighborhood and community 14 facilities important to the welfare of the community; (3) elimination of conditions detrimental to the 15 public health, safety, and welfare; 16 (4) expansion and improvement of the quantity and 17 quality of community services essential for the development of 18 viable urban communities; 19 (5) more rational use of land and other natural 20 21 resources; (6) improved arrangement of residential, commercial, 22 23 industrial, recreational, and other necessary activity centers; 24 (7) restoration and preservation of properties of

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special value for historic, architectural, or aesthetic reasons; 1 (8) reduction of the isolation of income groups in 2 and geographical areas, promotion of 3 communities increased diversity and vitality of neighborhoods through 4 spatial 5 deconcentration of housing opportunities for persons of low and 6 moderate income, and revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and 7 8 (9) alleviation of physical and economic distress 9 through the stimulation of private investment and community revitalization in [slum or] blighted areas. 10 SECTION 2. Section 373.004, Local Government Code, 11 is amended to read as follows: 12 Sec. 373.004. GOALS OF PROGRAM. Through a community 13 14 development program, a municipality may conduct work or activities 15 designed to: (1)improve the living and economic conditions of 16 17 persons of low and moderate income; (2) benefit low or moderate income neighborhoods; 18

19 (3) aid in the prevention or elimination of [slums
20 and] blighted areas;

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(4) aid a federally assisted new community; or

(5) meet other urgent community development needs, including an activity or function specified for a community development program that incorporates a federally assisted new community.

26 SECTION 3. Section 373.006, Local Government Code, is 27 amended to read as follows:

Sec. 373.006. REQUIRED PROCEDURES BEFORE ADOPTION OF
 COMMUNITY DEVELOPMENT PROGRAM. Before exercising powers under
 Section 373.005, the governing body of the municipality must:

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(1) identify areas of the municipality in which
predominantly low and moderate income persons reside <u>and each unit</u>
<u>of real property in the municipality</u>[₇] that <u>has the</u>
<u>characteristics of blight</u> [are blighted or slum areas] or that <u>is a</u>
[are] federally assisted new <u>community in the municipality</u>
[communities];

10 (2) establish community development program areas in 11 which community development activities, building rehabilitation, 12 or the acquisition of privately owned buildings or land is 13 proposed;

14 (3) adopt, by resolution or ordinance, a plan under 15 which citizens may publicly comment on the proposed community 16 development program;

17 (4) conduct public hearings on the proposed program
18 before the 15th day before the date of its final adoption by the
19 governing body; and

20 (5) adopt the community development program by21 resolution or ordinance.

22 SECTION 4. Sections 374.002(a) and (b), Local Government 23 Code, are amended to read as follows:

(a) The legislature finds that [slum and] blighted areas
exist in municipalities in this state and that those areas:

(1) are a serious and growing menace that is injurious
and inimical to the public health, safety, morals, and welfare of

1 the residents of this state;

2 (2) contribute substantially and increasingly to the 3 spread of disease and crime, requiring excessive and disproportionate expenditures of public funds for the preservation 4 5 of the public health and safety, and for crime prevention, correctional facilities, prosecution and punishment, treatment of 6 juvenile delinguency, and the maintenance of adequate police, fire, 7 8 and accident protection and other public services and facilities; 9 and

(3) constitute an economic and social liability,
substantially impair the sound growth of affected municipalities,
and retard the provision of housing accommodations.

For these reasons, prevention and elimination of [slum 13 (b) 14 and] blighted areas are matters of state policy and concern that may 15 be best addressed by the combined action of private enterprise, municipal regulation, and other public action through approved 16 17 urban renewal plans. The legislature further finds that the repair and rehabilitation of buildings and other improvements in affected 18 19 areas, public acquisition of real property, demolition of buildings and other improvements as necessary to eliminate [slum or] blight 20 21 conditions or to prevent the spread of those conditions, the disposition of property acquired in affected areas and incidental 22 to the purposes stated by this subsection, and other public 23 24 assistance to eliminate those conditions are public purposes for which public money may be spent and the power of eminent domain 25 26 exercised.

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SECTION 5. Sections 374.003(3), (18), (25), (26), and (28),

1 Local Government Code, are amended to read as follows: 2 (3) "Blighted area" means a tract or unit of property [an area] that presents four or more of the following conditions for 3 at least one year after the date on which notice of the conditions 4 5 is provided to the property owner as required by Section 6 374.018(a)(1) or (b): 7 (A) the property contains uninhabitable, unsafe, 8 or abandoned structures; 9 (B) the property has inadequate provisions for 10 sanitation; (C) there exists on the property an imminent harm 11 12 to life or other property caused by fire, flood, hurricane, tornado, earthquake, storm, or other natural catastrophe declared 13 to be a disaster under Section 418.014, Government Code, or 14 15 certified as a disaster for federal assistance under Section 418.021, Government Code; 16 17 (D) the property has been identified by the United States Environmental Protection Agency as a superfund site 18 under the federal Comprehensive Environmental Response, 19 Compensation, and Liability Act of 1980 (42 U.S.C. Section 9601 et 20 21 seq.) or as environmentally contaminated to an extent that the property requires remedial investigation or a feasibility study; 22 (E) the property has been the location of 23 24 substantiated and repeated illegal activity of which the property owner knew or should have known; 25 26 (F) the maintenance of the property is below 27 county or municipal standards;

(G) the property is abandoned and contains a 1 2 structure that is not fit for its intended use because the utilities, sewerage, plumbing, or heating or a similar service or 3 facility of the structure has been disconnected, destroyed, 4 5 removed, or rendered ineffective; or 6 (H) the property presents an economic liability 7 to the immediate area because of deteriorating structures or 8 hazardous conditions [is not a slum area, but that, because of deteriorating buildings, structures, or other improvements; 9 10 defective or inadequate streets, street layout, or accessibility; unsanitary conditions; or other hazardous conditions, adversely 11 affects the public health, safety, morals, or welfare of the 12 municipality and its residents, substantially retards the 13 provision of a sound and healthful housing environment, or results 14 15 in an economic or social liability to the municipality. The term includes an area certified as a disaster area as provided by Section 16 374.903]. 17

18 (18) "Rehabilitation" means the restoration of 19 buildings or other structures to prevent deterioration of an area 20 that is tending to become a blighted area [or a slum area].

(25) "Urban renewal activities" includes [slum
 clearance,] redevelopment, rehabilitation, and conservation
 activities to prevent further deterioration of an area that is
 tending to become a blighted [or slum] area. The term includes:

(A) the acquisition of all or part of a [slum area
 or] blighted area or the acquisition of land that is predominantly
 open and that, because of obsolete platting, diversity of

ownership, deterioration of structures or site improvements, or for other reasons, substantially impairs or arrests the sound growth of the community;

4 (B) the demolition and removal of buildings and5 improvements;

6 (C) the installation, construction, or 7 reconstruction of streets, utilities, parks, playgrounds, and 8 other improvements necessary to fulfill urban renewal objectives in 9 accordance with an urban renewal plan;

10 (D) the disposition by the municipality of 11 property acquired in an urban renewal area for use in accordance 12 with an urban renewal plan, including the sale or initial lease of 13 the property at its fair value or the retention of the property;

(E) the implementation of plans for a program of
 voluntary repair and rehabilitation of buildings or improvements in
 accordance with an urban renewal plan; and

(F) the acquisition of real property in an urban
renewal area as necessary to remove or prevent the spread of blight
or deterioration or to provide land for needed public facilities.

(26) "Urban renewal area" means a [slum area,]
blighted area[, or a combination of those areas] that the governing
body of a municipality designates as appropriate for an urban
renewal project.

(28) "Urban renewal project" includes any of the
 following activities undertaken in accordance with an urban renewal
 plan:

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(A) municipal activities in an urban renewal area

1 that are designed to eliminate or to prevent the development or 2 spread of [slums and] blighted areas;

3 (B) [slum clearance and redevelopment in an urban
4 renewal area;

5 [(C)] rehabilitation or conservation in an urban
6 renewal area;

7 <u>(C)</u> [(D)] development of open land that, because 8 of location or situation, is necessary for sound community growth 9 and that is to be developed, by replatting and planning, for 10 predominantly residential uses; or

11 (D) [(E)] any combination or part of the 12 activities described by Paragraphs (A)-(C) [(A)-(D)].

13 SECTION 6. Section 374.011, Local Government Code, is 14 amended by amending Subsection (a) and adding Subsection (d) to 15 read as follows:

(a) Except as provided by Section 374.012, a municipality
 may not exercise a power granted under this chapter unless:

(1) the governing body of the municipality adopts a resolution that finds that a [slum area or] blighted area exists in the municipality and that the rehabilitation, the conservation, or the [slum clearance and] redevelopment of the area is necessary for the public health, safety, morals, or welfare of the residents of the municipality; and

(2) a majority of the municipality's voters voting in
an election held as provided by Subsection (b) favor adoption of the
resolution.

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(d) The governing body of the municipality must determine

1	that each unit of real property included in a resolution under
2	Subsection (a) has the characteristics of blight.
3	SECTION 7. Section 374.012(c), Local Government Code, is
4	amended to read as follows:
5	(c) The resolution ordering the election and the notice of
6	the election must contain:
7	(1) a complete legal description of <u>each unit of</u>
8	property [the area] included in the proposed project;
9	(2) a statement of the nature of the proposed project;
10	[and]
11	(3) a statement of the total amount of local funds to
12	be spent on the proposed project; and
13	(4) a statement that each unit of property has the
14	characteristics of blight.
15	SECTION 8. Section 374.013(a), Local Government Code, is
16	amended to read as follows:
17	(a) To further the urban renewal objectives of this chapter,
18	a municipality may formulate a workable program to use appropriate
19	private and public resources, including the resources specified by
20	Subsection (b), to encourage urban rehabilitation, to provide for
21	the redevelopment of [slum and] blighted areas, or to undertake
22	those activities or other feasible municipal activities as may be
23	suitably employed to achieve the objective of the program. The
24	program must specifically include provisions relating to:
25	(1) prevention, through diligent enforcement of
26	housing and occupancy controls and standards, of the expansion of
27	blight into areas of the municipality that are free from blight; and

1 (2) rehabilitation or conservation of [slum_and] 2 blighted areas as far as practicable to areas that are free from 3 blight through replanning, removing congestion, providing parks, 4 playgrounds, and other public improvements, encouraging voluntary 5 rehabilitation and requiring the repair and rehabilitation of 6 deteriorated or deteriorating structures[, and the clearance and 7 redevelopment of slum areas].

8 SECTION 9. Section 374.014(a), Local Government Code, is 9 amended to read as follows:

10 (a) A municipality may not prepare an urban renewal plan for an area unless the governing body of the municipality has, by 11 resolution, declared the area to be a [slum area, a] blighted area[,12 or both,] and has designated the area as appropriate for an urban 13 14 renewal project. The governing body may not approve an urban 15 renewal plan until a general plan has been prepared for the municipality. A municipality may not acquire real property for an 16 17 urban renewal project until the governing body has approved the urban renewal plan as provided by Subsection (d). 18

SECTION 10. Sections 374.015(a) and (d), Local Government Code, are amended to read as follows:

(a) A municipality may exercise all powers necessary or convenient to carry out the purposes of this chapter, including the power to:

(1) conduct preliminary surveys to determine ifundertaking an urban renewal project is feasible;

26 (2) conduct urban renewal projects within its area of27 operation;

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execute contracts and other instruments necessary (3) 2 or convenient to the exercise of its powers under this chapter;

3 (4) provide, arrange, or contract for the furnishing or repair by any person of services, privileges, works, streets, 4 5 roads, public utilities, or other facilities in connection with an urban renewal project, including installation, construction, and 6 reconstruction of streets, utilities, parks, playgrounds, and 7 8 other public improvements necessary to carry out an urban renewal 9 project;

10 (5) acquire any real property, including 11 improvements, and any personal property necessary for administrative purposes, that is necessary or incidental to an 12 urban renewal project, hold, improve, clear, or prepare the 13 14 property for redevelopment, mortgage or otherwise encumber or dispose of the real property, insure or provide for the insurance of 15 real or personal property or municipal operations against any risk 16 17 or hazard and to pay premiums on that insurance, and enter any necessary contracts; 18

invest urban renewal project funds 19 (6) held in sinking funds, required for 20 reserves or or not immediate 21 disbursement, in property or securities in which banks may legally invest funds subject to their control, redeem bonds issued under 22 Section 374.026 at the redemption price established in the bond, or 23 24 purchase those bonds at less than the redemption price, and cancel 25 the bonds redeemed or purchased;

(7) borrow money and apply for and accept advances, 26 27 grants, contributions, and other forms of financial loans,

1 assistance from the federal, state, or county government, other 2 public body, or other public or private sources for the purposes of 3 this chapter, give any required security, and make and carry out any 4 contracts in connection with the financial assistance;

5 (8) make plans necessary to carry out this chapter in 6 its area of operation, contract with any person in making and 7 carrying out the plans, and adopt, approve, modify or amend the 8 plans;

9 (9) develop, test, and report methods and techniques 10 for the prevention of [slums and] urban blight, conduct 11 demonstrations and other activities in connection with those 12 methods and techniques, and apply for, accept, and use federal 13 grants made for those purposes;

(10) prepare plans and provide reasonable assistance for the relocation of persons displaced from an urban renewal project area, including families, business concerns, and others, as necessary to acquire possession and to clear the area in order to conduct the urban renewal project;

(11) appropriate funds and make expenditures as
necessary to implement this chapter and, subject to Subsection (c),
levy taxes and assessments for that purpose;

(12) close, vacate, plan, or replan streets, roads, sidewalks, ways, or other places, plan, replan, zone, or rezone any part of the municipality and make exceptions from building regulations, and enter agreements with an urban renewal agency vested with urban renewal powers under Subchapter C, which may extend over any period, restricting action to be taken by the

1 municipality under any of the powers granted under this chapter; 2 (13) organize, coordinate, direct the and 3 administration of this chapter within the area of operation as those provisions apply to the municipality to most effectively 4 5 promote and achieve the purposes of this chapter and establish new 6 municipal offices or reorganize existing offices as necessary to 7 most effectively implement those purposes; and

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(14) issue tax increment bonds.

9 (d) [Except as provided by Section 374.016, a] А municipality may acquire by condemnation any interest in real 10 property, including a fee simple interest, that the municipality 11 considers necessary for or in connection with an urban renewal 12 project. Property dedicated to a public use may be acquired in that 13 14 manner, except that property belonging to the state or to a 15 political subdivision of the state may not be acquired without the consent of the state or political subdivision. 16

SECTION 11. Section 374.017(d), Local Government Code, is amended to read as follows:

(d) Real property or an interest in real property subject to this section may only be sold, leased, or otherwise transferred or retained at not less than the fair value of the property for uses in accordance with the urban renewal plan. In determining the fair value, the municipality shall consider:

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(1) the uses provided in the urban renewal plan;

(2) any restrictions on and any covenants, conditions,
 and obligations assumed by the purchaser, lessee, or municipality
 in retaining the property;

H.B. No. 417 (3) the objectives of the plan for the prevention of 1 2 the recurrence of [slums or] blighted areas; and 3 (4) any other matters that the municipality specifies 4 as appropriate. SECTION 12. Section 374.021(b), Local Government Code, is 5 6 amended to read as follows: this section, "urban renewal project powers" 7 (b) In 8 includes the rights, powers, functions, and duties of a municipality under this chapter. The term does not include the 9 10 power to: (1) determine an area as a [slum area,] blighted 11 12 area[, or both] and to designate that area as appropriate for an urban renewal project; 13 14 (2) approve and amend urban renewal plans and hold 15 public hearings relating to those plans; establish a general plan for the locality as a 16 (3) whole; 17 (4) establish workable 18 а program under Section 374.013; 19 (5) make determinations and findings under Section 20 21 374.011(a), 374.013(b), or 374.014(d); issue general obligation bonds; and 22 (6) appropriate funds, levy taxes and assessments, and (7)23 24 exercise other functions under Subdivisions (11) and (12) of 25 Section 374.015(a). SECTION 13. Subchapter B, Chapter 374, Local Government 26 Code, is amended by adding Sections 374.018 and 374.019 to read as 27

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1	follows:
2	Sec. 374.018. LIMITATIONS ON CHARACTERIZATIONS OF BLIGHT.
3	(a) Notwithstanding any other law, an area may not be considered a
4	blighted area on the basis of a condition described by Section
5	<u>374.003 unless:</u>
6	(1) the municipality has given notice in writing to
7	the property owner by first class mail regarding the condition to
8	the:
9	(A) last known address of the property owner; and
10	(B) physical address of the property; and
11	(2) the property owner fails to take reasonable
12	measures to remedy the condition.
13	(b) If a mailing address for the property owner cannot be
14	determined, the municipality shall post notice in writing regarding
15	the condition in a conspicuous place on the property.
16	(c) An area may not be considered a blighted area solely for
17	an aesthetic reason.
18	(d) A determination by a municipality that a unit of real
19	property has the characteristics of blight is valid for two years.
20	(e) After the two-year period prescribed by Subsection (d),
21	a municipality may make a new determination that the unit of real
22	property has the characteristics of blight and redesignate the unit
23	of real property as a blighted area for another two-year period.
24	(f) A municipality may remove a determination of blight
25	under this chapter if the municipality finds that the property
26	owner has remedied the condition that was the basis for the
27	determination.

Sec. 374.019. COMMON OWNER PROPERTY. For the purposes of 1 2 this chapter and Chapter 21, Property Code, if a municipality determines that two or more contiguous units of real property that 3 are owned by the same person have the characteristics of blight, the 4 5 municipality may treat those units of property as one unit of 6 property. SECTION 14. 7 Section 2206.001(b), Government Code, is 8 amended to read as follows: 9 A governmental or private entity may not take private (b) property through the use of eminent domain if the taking: 10 (1) confers a private benefit on a particular private 11 12 party through the use of the property; is for a public use that is merely a pretext to 13 (2) 14 confer a private benefit on a particular private party; or 15 (3) is for economic development purposes, unless the economic development results [is a secondary purpose resulting] 16 17 from municipal community development or municipal urban renewal activities to eliminate an existing affirmative harm on society 18 from [slum or] blighted areas under: 19 Chapter 373 or 374, Local Government Code, 20 (A) other than an activity described by Section 373.002(b)(5), Local 21 Government Code; or 22 Section 311.005(a)(1)(I), Tax Code. 23 (B) 24 SECTION 15. Section 21.041, Property Code, is amended to 25 read as follows: Sec. 21.041. EVIDENCE. As the basis for assessing actual 26 27 damages to a property owner from a condemnation, the special

1 commissioners shall admit evidence on:

2 (1)the value of the property being condemned; 3 (2) the injury to the property owner, including the financial damages associated with the cost of relocating from the 4 condemned property, if the property was habitable, to another 5 6 property that allows the property owner to have a standard of living 7 comparable to the property owner's standard of living before the 8 condemnation of the property; 9 (3) the benefit to the property owner's remaining 10 property; and (4) the use of the property for the purpose of the 11 12 condemnation. SECTION 16. Section 21.042(d), Property Code, is amended to 13

14 read as follows:

15 (d) In estimating injury or benefit under Subsection (c), the special commissioners shall consider an injury or benefit that 16 is peculiar to the property owner, including the property owner's 17 financial damages described by Section 21.041(2), and that relates 18 19 to the property owner's ownership, use, or enjoyment of the particular parcel of real property, but they may not consider an 20 21 injury or benefit that the property owner experiences in common with the general community. 22

23 SECTION 17. Sections 21.046(a) and (b), Property Code, are 24 amended to read as follows:

(a) A department, agency, instrumentality, or political
subdivision of this state <u>shall</u> [may] provide a relocation advisory
service for an individual, a family, a business concern, a farming

or ranching operation, or a nonprofit organization <u>that</u> [if the service] is compatible with the Federal Uniform Relocation Assistance Advisory Program, <u>42 U.S.C. Section 4601</u> [23 U.S.C.A. 501,] et seq.

5 (b) This state or a political subdivision of this state shall [may], as a cost of acquiring real property, pay moving 6 7 expenses and rental supplements, make relocation payments, provide 8 financial assistance to acquire replacement housing, and 9 compensate for expenses incidental to the transfer of the property 10 if an individual, a family, the personal property of a business, a farming or ranching operation, or a nonprofit organization is 11 12 displaced in connection with the acquisition.

SECTION 18. Section 311.002, Tax Code, is amended by adding Subdivision (5) to read as follows:

15 (5) "Blighted area" has the meaning assigned by
 16 Section 374.003(3), Local Government Code.

17 SECTION 19. Sections 311.008(b) and (e), Tax Code, are 18 amended to read as follows:

(b) A municipality or county may exercise any power necessary and convenient to carry out this chapter, including the power to:

(1) cause project plans to be prepared, approve and implement the plans, and otherwise achieve the purposes of the plan;

(2) acquire real property by purchase[, condemnation,
 or other means] to implement project plans and sell that property on
 the terms and conditions and in the manner it considers advisable;

enter into agreements, including agreements with 1 (3) 2 bondholders, determined by the governing body of the municipality 3 or county to be necessary or convenient to implement project plans achieve their purposes, which agreements may 4 and include 5 conditions, restrictions, or covenants that run with the land or 6 that by other means regulate or restrict the use of land; and 7 (4) consistent with the project plan for the zone:

8 (A) acquire [blighted, deteriorated, 9 deteriorating, undeveloped, or inappropriately developed] real 10 property or other property in a blighted area, an undeveloped area, or in a federally assisted new community in the zone for the 11 preservation or restoration of historic sites, beautification or 12 conservation, the provision of public works or public facilities, 13 14 or other public purposes;

(B) acquire, construct, reconstruct, or install public works, facilities, or sites or other public improvements, including utilities, streets, street lights, water and sewer facilities, pedestrian malls and walkways, parks, flood and drainage facilities, or parking facilities, but not including educational facilities; [or]

(C) in a reinvestment zone created on or before September 1, 1999, acquire, construct, or reconstruct educational facilities in the municipality<u>; or</u>

(D) acquire by condemnation any interest,
 including a fee simple interest, in real property that is a blighted
 area and necessary for the reinvestment zone.

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(e)

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A municipality or county may acquire by condemnation an

1	interest in real property only if the taking is in accordance with
2	Chapter 2206, Government Code. [The implementation of a project
3	plan to alleviate a condition described by Section 311.005(a)(1),
4	(2), or (3) and to promote development or redevelopment of a
5	reinvestment zone in accordance with this chapter serves a public
6	purpose.]
7	SECTION 20. (a) The following provisions of the Local
8	Government Code are repealed:
9	(1) Section 374.003(19); and
10	(2) Section 374.016.
11	(b) Section 311.008(c), Tax Code, is repealed.
12	SECTION 21. The change in law made by this Act applies only
13	to a condemnation proceeding in which the condemnation petition is
14	filed on or after the effective date of this Act. A condemnation
15	proceeding pending on the effective date of this Act is governed by
16	the law in effect immediately before the effective date of this Act,
17	and that law is continued in effect for that purpose.
18	SECTION 22. This Act takes effect immediately if it
19	receives a vote of two-thirds of all the members elected to each
20	house, as provided by Section 39, Article III, Texas Constitution.
21	If this Act does not receive the vote necessary for immediate
22	effect, this Act takes effect September 1, 2009.