

By: Darby

H.B. No. 1853

A BILL TO BE ENTITLED

AN ACT

relating to the authorization of school district ad valorem tax incentives for historic redevelopment and economic development.

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

SECTION 1. Subtitle B, Title 3, Tax Code, is amended by adding Chapter 314 to read as follows:

CHAPTER 314. HISTORIC REDEVELOPMENT AND ECONOMIC DEVELOPMENT ACT

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 314.001. SHORT TITLE. This chapter may be cited as the Historic Redevelopment and Economic Development Act.

Sec. 314.002. FINDINGS. The legislature finds that:

(1) the various economic development programs allowed by the State of Texas stimulate community growth and revitalization;

(2) the State of Texas supports sustainable development practices that encourage reinvestment in historic or blighted downtowns, commercial corridors, and neighborhoods that are identified in a municipality's comprehensive plan;

(3) historic rehabilitation and other revitalization projects often require overinvestment as compared to the development of raw land, and it is in the interest of all taxing units to facilitate redevelopment rather than sprawl;

(4) municipalities and counties are willing to forgo marginal gains to their ad valorem tax collections, but it is

1 imperative that school districts have the opportunity to  
2 participate in the revitalization of their communities because  
3 school district ad valorem taxes sometimes constitute the majority  
4 of the ad valorem taxes imposed on property;

5 (5) a school district's participation in the  
6 revitalization of the district's community must not adversely  
7 affect the district's annual funding from the State of Texas; and

8 (6) the short-term exemption of property from ad  
9 valorem taxation under this chapter is more than offset by the  
10 long-term increase in ad valorem taxes generated from the  
11 redevelopment and economic development activities encouraged by  
12 this chapter.

13 Sec. 314.003. PURPOSES. The purposes of this chapter are  
14 to:

15 (1) encourage capital investment in historic and  
16 blighted areas of a community that are traditionally neglected due  
17 to the overinvestment that is required to use existing structures;

18 (2) assist local governments in diversifying the  
19 economic opportunities in their communities;

20 (3) prevent the continued deterioration of blighted  
21 areas of a community that will ultimately reduce the valuation of  
22 property in the community for ad valorem tax purposes;

23 (4) enable local government officials and economic  
24 development professionals to reduce the increased costs associated  
25 with urban sprawl by authorizing redevelopment and economic  
26 development incentives that will encourage reinvestment in the  
27 traditional core of a municipality so as to allow all government

1 entities to use existing infrastructure;

2 (5) strengthen and improve the overall performance of  
3 municipalities, counties, and school districts by allowing them to  
4 promote capital investments in all sectors of their community;

5 (6) expand and enlarge the ad valorem property tax  
6 base of this state; and

7 (7) enhance the redevelopment and economic  
8 development efforts of this state and local governments by  
9 providing school districts with an effective local redevelopment  
10 and economic development option.

11 Sec. 314.004. LEGISLATIVE INTENT. It is the intent of the  
12 legislature in enacting this chapter that:

13 (1) redevelopment and economic development decisions  
14 should occur at the local level and be consistent with identifiable  
15 community and statewide redevelopment and economic development  
16 goals;

17 (2) this chapter should not be construed or  
18 interpreted to allow:

19 (A) property owners to pool investments to create  
20 sufficiently large investments to qualify for an ad valorem tax  
21 benefit or financial benefit provided by this chapter; or

22 (B) an applicant for an ad valorem tax benefit or  
23 financial benefit provided by this chapter to assert that jobs will  
24 be eliminated or historic properties will be destroyed if certain  
25 investments are not made if the assertion is not true; and

26 (3) in implementing this chapter, school districts  
27 should:

1           (A) strictly interpret the criteria and  
2 selection guidelines provided by this chapter; and

3           (B) approve only those applications for an ad  
4 valorem tax benefit or financial benefit provided by this chapter  
5 that:

6                   (i) enhance the local community;

7                   (ii) improve the local public education  
8 system;

9                   (iii) create reinvestment in areas that  
10 have traditionally been neglected;

11                   (iv) encourage the use of existing  
12 infrastructure and reduce the need for the creation of new  
13 infrastructure;

14                   (v) assist in creating opportunities in  
15 areas of a community that are identified as historic or blighted and  
16 that traditionally are populated by the less advantaged population  
17 of the community; and

18                   (vi) advance the redevelopment and economic  
19 development goals of the State of Texas or a municipality's  
20 comprehensive plan.

21           Sec. 314.005. DEFINITIONS. Unless this chapter defines a  
22 word or phrase used in this chapter, Section 1.04 or any other  
23 section of Title 1 or this title that defines the word or phrase or  
24 ascribes a meaning to the word or phrase applies to the word or  
25 phrase used in this chapter.

26           Sec. 314.006. IMPOSITION OF IMPACT FEE. (a) In this  
27 section, "impact fee" means a charge or assessment imposed against

1 a qualified property, as defined by Section 314.051, in order to  
2 generate revenue for funding or recouping the costs of capital  
3 improvements or facility expansions for water, wastewater, or storm  
4 water services or for roads necessitated by or attributable to  
5 property that receives an exemption from taxation under this  
6 chapter.

7 (b) Notwithstanding any other law, including Chapter 395,  
8 Local Government Code, a municipality or county may impose and  
9 collect from the owner of a qualified property a reasonable impact  
10 fee under this section to pay for the cost of providing improvements  
11 associated with or attributable to property that receives an  
12 exemption from taxation under this chapter.

13 [Sections 314.007-314.050 reserved for expansion]

14 SUBCHAPTER B. EXEMPTION FROM TAXATION OF CERTAIN PROPERTY USED FOR  
15 HISTORIC REVITALIZATION OR ECONOMIC DEVELOPMENT

16 Sec. 314.051. DEFINITIONS. In this subchapter:

17 (1) "Qualified investment" means tangible personal  
18 property that is located in an area in a municipality that is  
19 defined as a historic or blighted downtown, commercial corridor, or  
20 neighborhood by a municipality's comprehensive plan.

21 (2) "Qualified property" means:

22 (A) land that is located in an area designated by  
23 the governing body of the municipality as a reinvestment zone under  
24 Chapter 311 or 312 or as an enterprise zone under Chapter 2303,  
25 Government Code, and:

26 (i) that is identified by a municipality's  
27 comprehensive plan as a historic or blighted downtown, commercial

1 area, or corridor; or  
2 (ii) on which a person proposes to  
3 construct a new building or erect or affix a new improvement that  
4 does not exist and is consistent with the historic character of the  
5 area; and

6 (B) a building or other improvement located on  
7 land described by Paragraph (A).

8 Sec. 314.052. APPLICABILITY. This subchapter applies to  
9 each school district in this state.

10 Sec. 314.053. MINIMUM AMOUNTS OF QUALIFIED INVESTMENT FOR  
11 CERTAIN EXEMPTION PERCENTAGES. (a) An agreement under this  
12 subchapter to exempt a portion of the value of qualified property  
13 from taxation may exempt the following percentages of the  
14 difference between the appraised value of the property for a tax  
15 year and the appraised value of the property for the tax year in  
16 which the agreement is entered into if the owner of the property  
17 makes a qualified investment in at least the following amount:

<u>EXEMPTION PERCENTAGE</u>	<u>MINIMUM QUALIFIED INVESTMENT</u>
<u>100 percent</u>	<u>\$1 million</u>
<u>85 percent</u>	<u>\$500,000</u>
<u>75 percent</u>	<u>\$250,000</u>
<u>50 percent</u>	<u>\$100,000</u>
<u>25 percent</u>	<u>\$25,000</u>

24 (b) An owner of qualified property may not receive an  
25 exemption under this subchapter for the property for a period of  
26 more than 10 years.

27 Sec. 314.054. APPLICATION; ACTION ON APPLICATION. (a) The

1 owner of qualified property may apply to the governing body of the  
2 school district in which the property is located for an exemption  
3 from taxation of a portion of the value of the person's qualified  
4 property for school district maintenance and operations ad valorem  
5 tax purposes. An application must be made on the form prescribed by  
6 the comptroller and include the information required by the  
7 comptroller, and it must be accompanied by:

8 (1) the application fee established by the governing  
9 body of the school district;

10 (2) information sufficient to show that the property  
11 identified in the application as qualified property meets the  
12 applicable criteria listed in Sections 314.004(3), 314.051, and  
13 314.053 and this section; and

14 (3) information relating to each applicable criterion  
15 listed in Sections 314.004(3), 314.051, and 314.053 and this  
16 section.

17 (b) The governing body of a school district is not required  
18 to consider an application that is filed with the governing body  
19 under Subsection (a). If the governing body of the school district  
20 does elect to consider an application, the governing body shall  
21 work with the municipality in which the qualified property is  
22 located to evaluate the application and approve or disapprove the  
23 application before the 121st day after the date the application is  
24 filed, unless an extension is agreed to by the governing body and  
25 the applicant.

26 (c) In determining whether to grant an application, the  
27 governing body of a school district is entitled to request and

1 receive assistance from:

- 2 (1) the comptroller;
- 3 (2) the Texas Economic Development and Tourism Office;
- 4 (3) the Texas Workforce Investment Council;
- 5 (4) the Texas Workforce Commission;
- 6 (5) the Texas Historical Commission; and
- 7 (6) any local board or commission that regulates or  
8 advises the regulating governing body of a specific area.

9 (d) Before approving or disapproving an application that  
10 the governing body of a school district elects to consider, the  
11 governing body must make a written finding as to each criterion  
12 listed in Sections 314.004(3), 314.051, and 314.053 and this  
13 section. The governing body shall deliver a copy of those findings  
14 to the applicant.

15 (e) The governing body of a school district may approve an  
16 application only if the governing body:

- 17 (1) finds that the information in the application is  
18 true and correct;
- 19 (2) finds that the applicant is eligible for an  
20 exemption from taxation under this subchapter; and
- 21 (3) determines that granting the application is in the  
22 best interest of the school district and this state.

23 Sec. 314.055. EXEMPTION FROM AD VALOREM TAXATION;  
24 AGREEMENT. If the governing body of a school district approves a  
25 person's application for an exemption from taxation under this  
26 subchapter, the governing body and the property owner shall enter  
27 into a written agreement for the implementation of the exemption.



1       Sec. 314.056. CERTAIN BUSINESS INFORMATION CONFIDENTIAL.

2 Information provided to a school district in connection with an  
3 application for an exemption from taxation under this subchapter  
4 that describes the specific processes or business activities to be  
5 conducted or the specific tangible personal property to be located  
6 on real property covered by the application is confidential and not  
7 subject to public disclosure unless the governing body of the  
8 school district approves the application. Information in the  
9 custody of a school district if the governing body approves the  
10 application is not confidential under this section.

11       Sec. 314.057. RULES AND FORMS; FEES. (a) The comptroller  
12 shall:

13               (1) adopt rules and forms necessary for the  
14 implementation and administration of this chapter, including rules  
15 for determining whether a property owner's property qualifies as a  
16 qualified investment under Section 314.051(1); and

17               (2) provide without charge one copy of the rules and  
18 forms to any school district and to any person who states that the  
19 person intends to apply for an exemption from taxation under this  
20 subchapter.

21               (b) The governing body of a school district by official  
22 action shall establish reasonable nonrefundable application fees  
23 to be paid by property owners who apply to the district for an  
24 exemption from taxation under this subchapter. The amount of an  
25 application fee must be reasonable and may not exceed the estimated  
26 cost to the district of processing and acting on an application.

27       SECTION 2. Section 312.0025(a), Tax Code, is amended to

1 read as follows:

2 (a) Notwithstanding any other provision of this chapter to  
3 the contrary:

4 (1) ~~[7]~~ the governing body of a school district, in the  
5 manner required for official action and for purposes of Subchapter  
6 B or C, Chapter 313, may designate an area entirely within the  
7 territory of the school district as a reinvestment zone if the  
8 governing body finds that, as a result of the designation and the  
9 granting of a limitation on appraised value under Subchapter B or C,  
10 Chapter 313, for property located in the reinvestment zone, the  
11 designation is reasonably likely to:

12 (A) ~~[(1)]~~ contribute to the expansion of primary  
13 employment in the reinvestment zone; or

14 (B) ~~[(2)]~~ attract major investment in the  
15 reinvestment zone that would:

16 (i) ~~[(A)]~~ be a benefit to property in the  
17 reinvestment zone and to the school district; and

18 (ii) ~~[(B)]~~ contribute to the economic  
19 development of the region of this state in which the school district  
20 is located; and

21 (2) the governing body of a school district, in the  
22 manner required by law for official action and for purposes of  
23 Chapter 314, may designate an area entirely within the territory of  
24 the school district as a reinvestment zone if the governing body  
25 finds that, as a result of the designation and the granting of an  
26 exemption from taxation under Chapter 314 for property located in  
27 the reinvestment zone, the designation is reasonably like to serve

1 the purposes provided by Section 314.003 in connection with the  
2 reinvestment zone.

3 SECTION 3. Section 403.302(d), Government Code, is amended  
4 to read as follows:

5 (d) For the purposes of this section, "taxable value" means  
6 the market value of all taxable property less:

7 (1) the total dollar amount of any residence homestead  
8 exemptions lawfully granted under Section 11.13(b) or (c), Tax  
9 Code, in the year that is the subject of the study for each school  
10 district;

11 (2) one-half of the total dollar amount of any  
12 residence homestead exemptions granted under Section 11.13(n), Tax  
13 Code, in the year that is the subject of the study for each school  
14 district;

15 (3) the total dollar amount of any exemptions granted  
16 before May 31, 1993, within a reinvestment zone under agreements  
17 authorized by Chapter 312, Tax Code;

18 (4) subject to Subsection (e), the total dollar amount  
19 of any captured appraised value of property that:

20 (A) is within a reinvestment zone created on or  
21 before May 31, 1999, or is proposed to be included within the  
22 boundaries of a reinvestment zone as the boundaries of the zone and  
23 the proposed portion of tax increment paid into the tax increment  
24 fund by a school district are described in a written notification  
25 provided by the municipality or the board of directors of the zone  
26 to the governing bodies of the other taxing units in the manner  
27 provided by Section 311.003(e), Tax Code, before May 31, 1999, and

1 within the boundaries of the zone as those boundaries existed on  
2 September 1, 1999, including subsequent improvements to the  
3 property regardless of when made;

4 (B) generates taxes paid into a tax increment  
5 fund created under Chapter 311, Tax Code, under a reinvestment zone  
6 financing plan approved under Section 311.011(d), Tax Code, on or  
7 before September 1, 1999; and

8 (C) is eligible for tax increment financing under  
9 Chapter 311, Tax Code;

10 (5) for a school district for which a deduction from  
11 taxable value is made under Subdivision (4), an amount equal to the  
12 taxable value required to generate revenue when taxed at the school  
13 district's current tax rate in an amount that, when added to the  
14 taxes of the district paid into a tax increment fund as described by  
15 Subdivision (4)(B), is equal to the total amount of taxes the  
16 district would have paid into the tax increment fund if the district  
17 levied taxes at the rate the district levied in 2005;

18 (6) the total dollar amount of any captured appraised  
19 value of property that:

20 (A) is within a reinvestment zone:

21 (i) created on or before December 31, 2008,  
22 by a municipality with a population of less than 18,000; and

23 (ii) the project plan for which includes  
24 the alteration, remodeling, repair, or reconstruction of a  
25 structure that is included on the National Register of Historic  
26 Places and requires that a portion of the tax increment of the zone  
27 be used for the improvement or construction of related facilities

1 or for affordable housing;

2 (B) generates school district taxes that are paid  
3 into a tax increment fund created under Chapter 311, Tax Code; and

4 (C) is eligible for tax increment financing under  
5 Chapter 311, Tax Code;

6 (7) the total dollar amount of any exemptions granted  
7 under Section 11.251 or 11.253, Tax Code;

8 (8) the difference between the comptroller's estimate  
9 of the market value and the productivity value of land that  
10 qualifies for appraisal on the basis of its productive capacity,  
11 except that the productivity value estimated by the comptroller may  
12 not exceed the fair market value of the land;

13 (9) the portion of the appraised value of residence  
14 homesteads of individuals who receive a tax limitation under  
15 Section 11.26, Tax Code, on which school district taxes are not  
16 imposed in the year that is the subject of the study, calculated as  
17 if the residence homesteads were appraised at the full value  
18 required by law;

19 (10) a portion of the market value of property not  
20 otherwise fully taxable by the district at market value because of:

21 (A) action required by statute or the  
22 constitution of this state that, if the tax rate adopted by the  
23 district is applied to it, produces an amount equal to the  
24 difference between the tax that the district would have imposed on  
25 the property if the property were fully taxable at market value and  
26 the tax that the district is actually authorized to impose on the  
27 property, if this subsection does not otherwise require that

1 portion to be deducted; or

2 (B) action taken by the district under Subchapter  
3 B or C, Chapter 313, or Chapter 314, Tax Code;

4 (11) the market value of all tangible personal  
5 property, other than manufactured homes, owned by a family or  
6 individual and not held or used for the production of income;

7 (12) the appraised value of property the collection of  
8 delinquent taxes on which is deferred under Section 33.06, Tax  
9 Code;

10 (13) the portion of the appraised value of property  
11 the collection of delinquent taxes on which is deferred under  
12 Section 33.065, Tax Code; and

13 (14) the amount by which the market value of a  
14 residence homestead to which Section 23.23, Tax Code, applies  
15 exceeds the appraised value of that property as calculated under  
16 that section.

17 SECTION 4. Section 2303.507, Government Code, is amended to  
18 read as follows:

19 Sec. 2303.507. TAX INCREMENT FINANCING AND ABATEMENT;  
20 LIMITATIONS ON APPRAISED VALUE. Designation of an area as an  
21 enterprise zone is also designation of the area as a reinvestment  
22 zone for:

23 (1) tax increment financing under Chapter 311, Tax  
24 Code;

25 (2) tax abatement under Chapter 312, Tax Code; ~~and~~

26 (3) limitations on appraised value under Chapter 313,  
27 Tax Code; and

1           (4) exemptions under Chapter 314, Tax Code.

2           SECTION 5. This Act takes effect January 1, 2010.