

**House Bill 2853**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SECTION 1. Section 311.002(1), Tax Code, is amended to read as follows:

(1) "Project costs" means the expenditures made or estimated to be made and monetary obligations incurred or estimated to be incurred by the municipality or county designating ~~establishing~~ a reinvestment zone that are listed in the project plan as costs of public works, ~~or~~ public improvements, programs, or other projects benefiting ~~in~~ the zone, plus other costs incidental to those expenditures and obligations. "Project costs" include:

(A) capital costs, including the actual costs of the acquisition and construction of public works, public improvements, new buildings, structures, and fixtures; the actual costs of the acquisition, demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and fixtures; the actual costs of the remediation of conditions that contaminate public or private land or buildings; the actual costs of the preservation of the facade of a public or private building; the actual costs of the demolition of public or private buildings; and the actual costs of the acquisition of land and equipment and the clearing and grading of land;

(B) financing costs, including all interest paid to holders of evidences of indebtedness or other obligations issued to pay for project costs and any premium paid over the principal amount of the obligations because of the redemption of the obligations before maturity;

(C) real property assembly costs;

(D) professional service costs, including those incurred for architectural, planning, engineering, and legal advice and services;

(E) imputed administrative costs, including reasonable charges for the time spent by employees of the municipality or

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SECTION 1. Section 311.002(1), Tax Code, is amended to read as follows:

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(A) capital costs, including the actual costs of the acquisition and construction of public works, public improvements, new buildings, structures, and fixtures; the actual costs of the acquisition, demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and fixtures; the actual costs of the remediation of conditions that contaminate public or private land or buildings; the actual costs of the preservation of the facade of a public or private building; the actual costs of the demolition of public or private buildings; and the actual costs of the acquisition of land and equipment and the clearing and grading of land;

(B) financing costs, including all interest paid to holders of evidences of indebtedness or other obligations issued to pay for project costs and any premium paid over the principal amount of the obligations because of the redemption of the obligations before maturity;

(C) real property assembly costs;

(D) professional service costs, including those incurred for architectural, planning, engineering, and legal advice and services;

(E) imputed administrative costs, including reasonable charges for the time spent by employees of the municipality or

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county in connection with the implementation of a project plan;

(F) relocation costs;

(G) organizational costs, including the costs of conducting environmental impact studies or other studies, the cost of publicizing the creation of the zone, and the cost of implementing the project plan for the zone;

(H) interest before and during construction and for one year after completion of construction, whether or not capitalized;

(I) the cost of operating the reinvestment zone and project facilities;

(J) the amount of any contributions made by the municipality or county from general revenue for the implementation of the project plan; ~~and~~

**(K) the costs of a program described by Section 311.010(h);**

(L) the costs of school buildings, other educational buildings, other educational facilities, or other buildings owned by or on behalf of a school district, community college district, or other political subdivision of this state; and

(M) payments made at the discretion of the governing body of the municipality or county that the governing body finds necessary or convenient to the creation of the zone or to the implementation of the project plans for the zone.

SECTION 2. Section 311.003(b), Tax Code, is amended to read as follows:

(b) Before adopting an ordinance or order designating ~~providing for~~ a reinvestment zone, the governing body of the municipality or county must prepare a preliminary reinvestment zone financing plan. ~~[As soon as the plan is completed, a copy of the plan must be sent to the governing~~

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county in connection with the implementation of a project plan;

(F) relocation costs;

(G) organizational costs, including the costs of conducting environmental impact studies or other studies, the cost of publicizing the creation of the zone, and the cost of implementing the project plan for the zone;

(H) interest before and during construction and for one year after completion of construction, whether or not capitalized;

(I) the cost of operating the reinvestment zone and project facilities;

(J) the amount of any contributions made by the municipality or county from general revenue for the implementation of the project plan; ~~and~~

(K) the costs of school buildings, other educational buildings, other educational facilities, or other buildings owned by or on behalf of a school district, community college district, or other political subdivision of this state; and

(L) payments made at the discretion of the governing body of the municipality or county that the governing body finds necessary or convenient to the creation of the zone or to the implementation of the project plans for the zone. [FA1(1)-(3)]

SECTION 2. Same as House version.

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~~body of each taxing unit that levies taxes on real property in the proposed zone.]~~

SECTION 3. Section 311.005(a), Tax Code, is amended to read as follows:

- (a) To be designated as a reinvestment zone, an area must:
- (1) substantially arrest or impair the sound growth of the municipality or county designating ~~[creating]~~ the zone, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use because of the presence of:
    - (A) a substantial number of substandard, slum, deteriorated, or deteriorating structures;
    - (B) the predominance of defective or inadequate sidewalk or street layout;
    - (C) faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
    - (D) unsanitary or unsafe conditions;
    - (E) the deterioration of site or other improvements;
    - (F) tax or special assessment delinquency exceeding the fair value of the land;
    - (G) defective or unusual conditions of title;
    - (H) conditions that endanger life or property by fire or other cause; or
    - (I) structures, other than single-family residential structures, less than 10 percent of the square footage of which has been used for commercial, industrial, or residential purposes during the preceding 12 years, if the municipality has a population of 100,000 or more;
  - (2) be predominantly open, undeveloped, or **underdeveloped**

SECTION 3. Section 311.005(a), Tax Code, is amended to read as follows:

- (a) To be designated as a reinvestment zone, an area must:
- (1) substantially arrest or impair the sound growth of the municipality or county designating ~~[creating]~~ the zone, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use because of the presence of:
    - (A) a substantial number of substandard, slum, deteriorated, or deteriorating structures;
    - (B) the predominance of defective or inadequate sidewalk or street layout;
    - (C) faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
    - (D) unsanitary or unsafe conditions;
    - (E) the deterioration of site or other improvements;
    - (F) tax or special assessment delinquency exceeding the fair value of the land;
    - (G) defective or unusual conditions of title;
    - (H) conditions that endanger life or property by fire or other cause; or
    - (I) structures, other than single-family residential structures, less than 10 percent of the square footage of which has been used for commercial, industrial, or residential purposes during the preceding 12 years, if the municipality has a population of 100,000 or more;
  - (2) be predominantly open or undeveloped and, because of

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and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality or county;

(3) be in a federally assisted new community located in the municipality or county or in an area immediately adjacent to a federally assisted new community; or

(4) be an area described in a petition requesting that the area be designated as a reinvestment zone, if the petition is submitted to the governing body of the municipality or county by the owners of property constituting at least 50 percent of the appraised value of the property in the area according to the most recent certified appraisal roll for the county in which the area is located.

SECTION 4. Sections 311.006(a) and (b), Tax Code, are amended to read as follows:

- (a) A municipality may not designate ~~create~~ a reinvestment zone if:
- (1) more than 30 ~~40~~ percent of the property in the proposed zone, excluding property that is publicly owned, is used for residential purposes; or
- (2) the total appraised value of taxable real property in the proposed zone and in existing reinvestment zones exceeds:
- (A) 25 ~~20~~ percent of the total appraised value of taxable real property in the municipality and in the industrial districts created by the municipality, if the municipality has a population of 100,000 or more ~~is the county seat of a county;~~
- ~~[(i) that is adjacent to a county with a population of 3.3 million or more; and~~
- ~~[(ii) in which a planned community is located that has 20,000 or more acres of land, that was originally established under~~

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obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality or county;

(3) be in a federally assisted new community located in the municipality or county or in an area immediately adjacent to a federally assisted new community; or

(4) be an area described in a petition requesting that the area be designated as a reinvestment zone, if the petition is submitted to the governing body of the municipality or county by the owners of property constituting at least 50 percent of the appraised value of the property in the area according to the most recent certified appraisal roll for the county in which the area is located. [FA1(4)]

SECTION 4. Same as House version.

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~~the Urban Growth and New Community Development Act of 1970 (42 U.S.C. Section 4501 et seq.), and that is subject to restrictive covenants containing ad valorem or annual variable budget based assessments on real property]; or~~  
(B) 50 ~~[15]~~ percent of the total appraised value of taxable real property in the municipality and in the industrial districts created by the municipality, if ~~[Paragraph (A) does not apply to]~~ the municipality has a population of less than 100,000.  
(b) A municipality may not change the boundaries of an existing reinvestment zone to include property in excess of the restrictions on composition of a zone described by Subsection (a) ~~[more than 10 percent of which, excluding property dedicated to public use, is used for residential purposes or to include more than 15 percent of the total appraised value of taxable real property in the municipality and in the industrial districts created by the municipality].~~

SECTION 5. The heading to Section 311.007, Tax Code, is amended to read as follows:

Sec. 311.007. CHANGING BOUNDARIES OR TERM OF EXISTING ZONE.

SECTION 6. Section 311.007, Tax Code, is amended by adding Subsection (c) to read as follows:

(c) The governing body of the municipality or county that designated a reinvestment zone by ordinance or resolution or by order or resolution, respectively, may extend the term of all or a portion of the zone after notice and hearing in the manner provided for the designation of the zone. A taxing unit other than the municipality or county that designated the zone is not

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SECTION 5. Same as House version.

SECTION 6. Same as House version.

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required to participate in the zone or portion of the zone for the extended term unless the taxing unit enters into a written agreement to do so.

SECTION 7. Section 311.008(b), Tax Code, is 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 real [~~that~~] property, on the terms and conditions and in the manner it considers advisable, to implement project plans;

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

(4) consistent with the project plan for the zone:

(A) acquire blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed real property or other property in a blighted area or in a federally assisted new community in the zone for the preservation or restoration of historic sites, beautification or conservation, the provision of public works or public facilities, or other public purposes;

(B) acquire, construct, reconstruct, or install public works,

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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.

SECTION 8. Sections 311.009(a), (b), and (e), Tax Code, are amended to read as follows:

(a) Except as provided by Subsection (b), the board of directors of a reinvestment zone consists of at least five and not more than 15 members, unless more than 15 members are required to satisfy the requirements of this subsection. Each taxing unit other than the municipality or county that designated ~~created~~ the zone that levies taxes on real property in the zone may appoint one member of the board if the taxing unit has approved the payment of all or part of the tax increment produced by the unit into the tax increment fund for the zone. A unit may waive its right to appoint a director. The governing body of the municipality or county that designated ~~created~~ the zone may appoint not more than 10 directors to the board; except that if there are fewer than five directors appointed by taxing units other than the municipality or county, the governing body of the municipality or county may appoint more than 10 members as long as the total membership of the board does not exceed 15.

(b) If the zone was designated under Section 311.005(a)(4), the governing body of the municipality or county that designated the zone may provide that the board of directors of

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the zone consists of nine members appointed as provided by this subsection, unless more than nine members are required to comply with this subsection. Each taxing unit [~~school district, county, or municipality~~], other than the municipality or county that designated [~~created~~] the zone, that levies taxes on real property in the zone may appoint one member of the board if the taxing unit [~~school district, county, or municipality~~] has approved the payment of all or part of the tax increment produced by the unit into the tax increment fund for the zone. The member of the state senate in whose district the zone is located is a member of the board, and the member of the state house of representatives in whose district the zone is located is a member of the board, except that either may designate another individual to serve in the member's place at the pleasure of the member. If the zone is located in more than one senate or house district, this subsection applies only to the senator or representative in whose district a larger portion of the zone is located than any other senate or house district, as applicable. If fewer than seven taxing units, other than the municipality or county that designated the zone, are eligible to appoint members of the board of directors of the zone, the municipality or county may appoint a number of members of the board such that the board comprises nine members. If at least seven taxing units, other than the municipality or county that designated the zone, are eligible to appoint members of the board of directors of the zone, the municipality or county may appoint one member. [~~The remaining members of the board are appointed by the governing body of the municipality or county that created the zone.~~]

(e) To be eligible for appointment to the board by the governing body of the municipality or county that designated [~~created~~] the zone, an individual must be at least 18 years of



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age and:

(1) if the board is covered by Subsection (a):

(A) be a resident of the county in which the zone is located or a county adjacent to that county [~~qualified voter of the municipality or county, as applicable~~]; or

(B) [~~be at least 18 years of age and~~] own real property in the zone, whether or not the individual resides in the [~~municipality or~~] county in which the zone is located or a county adjacent to that county; or

(2) if the board is covered by Subsection (b),<sup>2</sup> [:

[~~(A) be at least 18 years of age; and~~

[~~(B)~~] own real property in the zone or be an employee or agent of a person that owns real property in the zone.

SECTION 9. Section 311.0091, Tax Code, is amended by amending Subsection (f) and adding Subsection (i) to read as follows:

(f) Except as provided by Subsection (i), to [~~To~~] be eligible for appointment to the board, an individual must:

(1) be a qualified voter of the municipality; or

(2) be at least 18 years of age and own real property in the zone or be an employee or agent of a person that owns real property in the zone.

(i) The eligibility criteria for appointment to the board specified by Subsection (f) do not apply to an individual appointed by a conservation and reclamation district:

(1) created under Section 59, Article XVI, Texas Constitution; and

(2) the jurisdiction of which covers four counties.

SECTION 9. Same as House version.

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SECTION 10. Sections 311.010(g) and (h), Tax Code, are amended to read as follows:

(g) Chapter 252, Local Government Code, does not apply to a dedication, pledge, or other use of revenue in the tax increment fund for a reinvestment zone ~~[by the board of directors of the zone in carrying out its powers]~~ under Subsection (b).

(h) Subject to the approval of the governing body of the municipality or county that designated ~~[created]~~ the zone, the board of directors of a reinvestment zone, as necessary or convenient to implement the project plan and reinvestment zone financing plan and achieve their purposes, may establish and provide for the administration of one or more programs for the public purposes of developing and diversifying the economy of the zone, eliminating unemployment and underemployment in the zone, and developing or expanding transportation, business, and commercial activity in the zone, including programs to make grants and loans ~~[from the tax increment fund of the zone in an aggregate amount not to exceed the amount of the tax increment produced by the municipality and paid into the tax increment fund for the zone]~~ for activities that benefit the zone and stimulate business and commercial activity in the zone. For purposes of this subsection, on approval of the municipality or county, the board of directors of the zone has all the powers of a municipality under Chapter 380, Local Government Code. The approval required by this subsection may be granted in an ordinance, in the case of a zone designated by a municipality, or in an order, in the case of a zone designated by a county, approving a project plan or reinvestment zone financing plan or approving an amendment to a project plan or reinvestment zone financing plan.

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SECTION 10. Sections 311.010(g) and (h), Tax Code, are amended to read as follows:

(g) Chapter 252, Local Government Code, does not apply to a dedication, pledge, or other use of revenue in the tax increment fund for a reinvestment zone ~~[by the board of directors of the zone in carrying out its powers]~~ under Subsection (b).

(h) Subject to the approval of the governing body of the municipality or county that designated ~~[created]~~ the zone, the board of directors of a reinvestment zone, as necessary or convenient to implement the project plan and reinvestment zone financing plan and achieve their purposes, may establish and provide for the administration of one or more programs for the public purposes of developing and diversifying the economy of the zone, eliminating unemployment and underemployment in the zone, and developing or expanding transportation, business, and commercial activity in the zone, including programs to make grants and loans from the tax increment fund of the zone in an aggregate amount not to exceed the amount of the tax increment produced by the municipality and paid into the tax increment fund for the zone for activities that benefit the zone and stimulate business and commercial activity in the zone. For purposes of this subsection, on approval of the municipality or county, the board of directors of the zone has all the powers of a municipality under Chapter 380, Local Government Code. The approval required by this subsection may be granted in an ordinance, in the case of a zone designated by a municipality, or in an order, in the case of a zone designated by a county, approving a project plan or reinvestment zone financing plan or approving an amendment to a project plan or reinvestment zone financing plan. [FA1(5)]

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SECTION 11. Section 311.011, Tax Code, is amended by amending Subsections (a), (b), (c), (d), and (g) and adding Subsection (h) to read as follows:

(a) The board of directors of a reinvestment zone shall prepare and adopt a project plan and a reinvestment zone financing plan for the zone and submit the plans to the governing body of the municipality or county that designated ~~[created]~~ the zone. ~~[The plans must be as consistent as possible with the preliminary plans developed for the zone before the creation of the board.]~~

(b) The project plan must include:

(1) a description of [map showing] existing uses and conditions of real property in the zone and ~~[a map showing]~~ proposed ~~[improvements to and proposed]~~ uses of that property;

(2) proposed changes of zoning ordinances, [the master plan of the municipality], building codes, other municipal ordinances, and subdivision rules and regulations, if any, of the county, if applicable; and

(3) [a list of estimated nonproject costs; and

~~[(4)]~~ a statement of a method of relocating persons to be displaced, if any, as a result of implementing the plan.

(c) The reinvestment zone financing plan must include:

(1) a detailed list describing the estimated project costs of the zone, including administrative expenses;

(2) a statement listing the proposed kind, number, and location of all ~~[proposed]~~ public works or public improvements to be financed by [it] the zone;

(3) a finding that the plan is economically feasible [an economic feasibility study];

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SECTION 11. Section 311.011, Tax Code, is amended by amending Subsections (a), (b), (c), (d), and (g) and adding Subsection (h) to read as follows:

(a) The board of directors of a reinvestment zone shall prepare and adopt a project plan and a reinvestment zone financing plan for the zone and submit the plans to the governing body of the municipality or county that designated ~~[created]~~ the zone. ~~[The plans must be as consistent as possible with the preliminary plans developed for the zone before the creation of the board.]~~

(b) The project plan must include:

(1) a description and map showing existing uses and conditions of real property in the zone and ~~[a map showing]~~ proposed ~~[improvements to and proposed]~~ uses of that property;

(2) proposed changes of zoning ordinances, the master plan of the municipality, building codes, other municipal ordinances, and subdivision rules and regulations, if any, of the county, if applicable;

(3) a list of estimated nonproject costs; and

(4) a statement of a method of relocating persons to be displaced, if any, as a result of implementing the plan.

(c) The reinvestment zone financing plan must include:

(1) a detailed list describing the estimated project costs of the zone, including administrative expenses;

(2) a statement listing the proposed kind, number, and location of all ~~[proposed]~~ public works or public improvements to be financed by [it] the zone;

(3) a finding that the plan is economically feasible and an economic feasibility study;

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- (4) the estimated amount of bonded indebtedness to be incurred;
- (5) the estimated time when related costs or monetary obligations are to be incurred;
- (6) a description of the methods of financing all estimated project costs and the expected sources of revenue to finance or pay project costs, including the percentage of tax increment to be derived from the property taxes of each taxing unit anticipated to contribute tax increment to the zone that levies taxes on real property in the zone;
- (7) the current total appraised value of taxable real property in the zone;
- (8) the estimated captured appraised value of the zone during each year of its existence; and
- (9) the duration of the zone.
- (d) The governing body of the municipality or county that designated [ereated] the zone must approve a project plan or reinvestment zone financing plan after its adoption by the board. The approval must be by ordinance, in the case of a municipality, or by order, in the case of a county, that finds that the plan is feasible [~~and conforms to the master plan, if any, of the municipality or to subdivision rules and regulations, if any, of the county~~].
- (g) Δ [An amendment to the project plan or the reinvestment zone financing plan for a zone does not apply to a] school district that participates in a [the] zone is not required to increase the percentage or amount of the tax increment to be contributed by the school district because of an amendment to the project plan or reinvestment zone financing plan for the zone unless the governing body of the school district by official action approves the amendment[~~, if the amendment:~~  
~~[(1) has the effect of directly or indirectly increasing the~~

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- (4) the estimated amount of bonded indebtedness to be incurred;
- (5) the estimated time when related costs or monetary obligations are to be incurred;
- (6) a description of the methods of financing all estimated project costs and the expected sources of revenue to finance or pay project costs, including the percentage of tax increment to be derived from the property taxes of each taxing unit anticipated to contribute tax increment to the zone that levies taxes on real property in the zone;
- (7) the current total appraised value of taxable real property in the zone;
- (8) the estimated captured appraised value of the zone during each year of its existence; and
- (9) the duration of the zone.
- (d) The governing body of the municipality or county that designated [ereated] the zone must approve a project plan or reinvestment zone financing plan after its adoption by the board. The approval must be by ordinance, in the case of a municipality, or by order, in the case of a county, that finds that the plan is feasible [~~and conforms to the master plan, if any, of the municipality or to subdivision rules and regulations, if any, of the county~~].
- (g) Δ [An amendment to the project plan or the reinvestment zone financing plan for a zone does not apply to a] school district that participates in a [the] zone is not required to increase the percentage or amount of the tax increment to be contributed by the school district because of an amendment to the project plan or reinvestment zone financing plan for the zone unless the governing body of the school district by official action approves the amendment[~~, if the amendment:~~  
~~[(1) has the effect of directly or indirectly increasing the~~

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~~percentage or amount of the tax increment to be contributed by the school district; or~~

~~[(2) requires or authorizes the municipality or county creating the zone to issue additional tax increment bonds or notes].~~

(h) Unless specifically provided otherwise in the plan, all amounts contained in the project plan or reinvestment zone financing plan, including amounts of expenditures relating to project costs and amounts relating to participation by taxing units, are considered estimates and do not act as a limitation on the described items.

This subsection may not be construed to increase the amount of any reduction under Section 403.302(d)(4), Government Code, in the total taxable value of the property in a school district that participates in the zone as computed under Section 403.302(d) of that code.

SECTION 12. Sections 311.012(b) and (c), Tax Code, are amended to read as follows:

(b) The captured appraised value of real property taxable by a taxing unit for a year is the total taxable ~~[appraised]~~ value of all real property taxable by the unit and located in a reinvestment zone for that year less the tax increment base of the unit.

(c) The tax increment base of a taxing unit is the total taxable ~~[appraised]~~ value of all real property taxable by the unit and located in a reinvestment zone for the year in which the zone was designated under this chapter. If the boundaries of a zone are enlarged, the tax increment base is increased by the taxable value of the real property added to the zone for the

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~~percentage or amount of the tax increment to be contributed by the school district; or~~

~~[(2) requires or authorizes the municipality or county creating the zone to issue additional tax increment bonds or notes].~~

(h) Unless specifically provided otherwise in the plan, all amounts contained in the project plan or reinvestment zone financing plan, including amounts of expenditures relating to project costs and amounts relating to participation by taxing units, are considered estimates and do not act as a limitation on the described items, but the amounts contained in the project plan or reinvestment zone financing plan may not vary materially from the estimates.

This subsection may not be construed to increase the amount of any reduction under Section 403.302(d)(4), Government Code, in the total taxable value of the property in a school district that participates in the zone as computed under Section 403.302(d) of that code. [FA1(6)-(8)]

SECTION 12. Same as House version.

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year in which the property was added. If the boundaries of a zone are reduced, the tax increment base is reduced by the taxable value of the real property removed from the zone for the year in which the property was originally included in the zone's boundaries. If the municipality that designates a zone does not levy an ad valorem tax in the year in which the zone is designated, the tax increment base is determined by the appraisal district in which the zone is located using assumptions regarding exemptions and other relevant information provided to the appraisal district by the municipality.

SECTION 13. Sections 311.013(f) and (l), Tax Code, are amended to read as follows:

(f) A taxing unit is not required to pay into the tax increment fund any of its tax increment produced from property located in a reinvestment zone designated under Section 311.005(a) or in an area added to a reinvestment zone under Section 311.007 unless the taxing unit enters into an agreement to do so with the governing body of the municipality or county that designated ~~created~~ the zone. A taxing unit may enter into an agreement under this subsection at any time before or after the zone is designated ~~created~~ or enlarged. 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. In addition to any other terms to which the parties may agree, the agreement may specify the projects to which a participating taxing unit's tax increment will be dedicated and that the taxing unit's participation may be computed with respect to a base year later than the original

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SECTION 13. Same as House version.

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base year of the zone. The agreement and the conditions in the agreement are binding on the taxing unit, the municipality or county, and the board of directors of the zone.

(1) The governing body of a municipality or county that designates an area as a reinvestment zone may determine, in the designating ordinance or order adopted under Section 311.003 or in the ordinance or order adopted under Section 311.011 approving the reinvestment zone financing plan for the zone, the portion of the tax increment produced by the municipality or county that the municipality or county is required to pay into the tax increment fund for the zone. If a municipality or county does not determine the portion of the tax increment produced by the municipality or county that the municipality or county is required to pay into the tax increment fund for a reinvestment zone, the municipality or county is required to pay into the fund for the zone the entire tax increment produced by the municipality or county, except as provided by Subsection (b)(1).

SECTION 14. Section 311.014(b), Tax Code, is amended to read as follows:

(b) Money may be disbursed from the fund only to satisfy claims of holders of tax increment bonds or notes issued for the zone, to pay project costs for the zone, to make payments pursuant to an agreement made under Section 311.010(b) or a program under Section 311.010(h) dedicating revenue from the tax increment fund, or to repay other obligations incurred for the zone.

SECTION 15. Sections 311.015(a) and (l), Tax Code, are

[SECTION 14 was deleted by FA1(9)]

SECTION 15. Sections 311.015(a) and (l), Tax Code, are

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amended to read as follows:

(a) A municipality designating [~~creating~~] a reinvestment zone may issue tax increment bonds or notes, the proceeds of which may be used to make payments pursuant to agreements made under Section 311.010(b), to make payments pursuant to programs under Section 311.010(h), to pay project costs for the reinvestment zone on behalf of which the bonds or notes were issued, or to satisfy claims of holders of the bonds or notes. The municipality may issue refunding bonds or notes for the payment or retirement of tax increment bonds or notes previously issued by it.

(1) A tax increment bond or note must mature on or before the date by which the final payments of tax increment into the tax increment fund are due [~~within 20 years of the date of issue~~].

SECTION 16. Section 311.016(a), Tax Code, is amended to read as follows:

(a) On or before the 150th [~~90th~~] day following the end of the fiscal year of the municipality or county, the governing body of a municipality or county shall submit to the chief executive officer of each taxing unit that levies property taxes on real property in a reinvestment zone created by the municipality or county a report on the status of the zone. 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;
- (3) the amount of principal and interest due on outstanding bonded indebtedness;
- (4) the tax increment base and current captured appraised

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amended to read as follows:

(a) A municipality designating [~~creating~~] a reinvestment zone may issue tax increment bonds or notes, the proceeds of which may be used to make payments pursuant to agreements made under 311.010(b), to pay project costs for the reinvestment zone on behalf of which the bonds or notes were issued, or to satisfy claims of holders of the bonds or notes. The municipality may issue refunding bonds or notes for the payment or retirement of tax increment bonds or notes previously issued by it.

(1) A tax increment bond or note must mature on or before the date by which the final payments of tax increment into the tax increment fund are due [~~within 20 years of the date of issue~~].  
[FA1(10)]

SECTION 16. Same as House version.

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value retained by the zone; and

(5) the captured appraised value shared by the municipality or county and other taxing units, the total amount of tax increments received, and any additional information necessary to demonstrate compliance with the tax increment financing plan adopted by the governing body of the municipality or county.

SECTION 17. Section 311.016(b), Tax Code, as amended by Chapters 977 (H.B. 1820) and 1094 (H.B. 2120), Acts of the 79th Legislature, Regular Session, 2005, is reenacted to read as follows:

(b) The municipality or county shall send a copy of a report made under this section to:

- (1) the attorney general; and
- (2) the comptroller.

SECTION 18. Section 311.017(a), Tax Code, is amended to read as follows:

(a) A reinvestment zone terminates on the earlier of:

- (1) the termination date designated in the ordinance or order, as applicable, designating ~~creating~~ the zone or an earlier or later termination date designated by an ordinance or order adopted under Section 311.007(c) ~~[subsequent to the ordinance or order creating the zone]~~; or
- (2) the date on which all project costs, tax increment bonds and interest on those bonds, and other obligations have been paid in full.

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SECTION 17. Section 311.016(b), Tax Code, as amended by Chapters 977 (H.B. 1820) and 1094 (H.B. 2120), Acts of the 79th Legislature, Regular Session, 2005, is reenacted **and amended** to read as follows:

(b) The municipality or county shall send a copy of a report made under this section to[:

- ~~(1) the attorney general; and~~
- ~~(2)] the comptroller. [FA2]~~

SECTION 18. Same as House version.

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SECTION 19. Chapter 311, Tax Code, is amended by adding Section 311.021 to read as follows:

Sec. 311.021. ACT OR PROCEEDING PRESUMED VALID. (a) A governmental act or proceeding of a municipality or county, the board of directors of a reinvestment zone, or an entity acting under Section 311.010(f) relating to the designation, operation, or administration of a reinvestment zone or the implementation of a project plan or reinvestment zone financing plan under this chapter is conclusively presumed, as of the date it occurred, valid and to have occurred in accordance with all applicable statutes and rules if:

- (1) the **second** anniversary of the effective date of the act or proceeding has expired; and
- (2) a lawsuit to annul or invalidate the act or proceeding has not been filed on or before the later of that second anniversary or August 1, 2011.

(b) This section does not apply to:

- (1) an act or proceeding that was void at the time it occurred;
- (2) an act or proceeding that, under a statute of this state or the United States, was a misdemeanor or felony at the time the act or proceeding occurred;
- (3) a rule that, at the time it was passed, was preempted by a statute of this state or the United States, including Section 1.06 or 109.57, Alcoholic Beverage Code; or
- (4) a matter that on the effective date of the Act enacting this section:
  - (A) is involved in litigation if the litigation ultimately results in the matter being held invalid by a final judgment of a court;
  - or
  - (B) has been held invalid by a final judgment of a court.

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SECTION 19. Chapter 311, Tax Code, is amended by adding Section 311.021 to read as follows:

Sec. 311.021. ACT OR PROCEEDING PRESUMED VALID. (a) A governmental act or proceeding of a municipality or county, the board of directors of a reinvestment zone, or an entity acting under Section 311.010(f) relating to the designation, operation, or administration of a reinvestment zone or the implementation of a project plan or reinvestment zone financing plan under this chapter is conclusively presumed, as of the date it occurred, valid and to have occurred in accordance with all applicable statutes and rules if:

- (1) the **third** anniversary of the effective date of the act or proceeding has expired; and
- (2) a lawsuit to annul or invalidate the act or proceeding has not been filed on or before the later of that second anniversary or August 1, 2011.

(b) This section does not apply to:

- (1) an act or proceeding that was void at the time it occurred;
  - (2) an act or proceeding that, under a statute of this state or the United States, was a misdemeanor or felony at the time the act or proceeding occurred;
  - (3) a rule that, at the time it was passed, was preempted by a statute of this state or the United States, including Section 1.06 or 109.57, Alcoholic Beverage Code; or
  - (4) a matter that on the effective date of the Act enacting this section:
    - (A) is involved in litigation if the litigation ultimately results in the matter being held invalid by a final judgment of a court;
    - or
    - (B) has been held invalid by a final judgment of a court.
- [FA1(11)]

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SECTION 20. Section 403.302(d), Government Code, as amended by Chapters 1186 (H.B. 3676) and 1328 (H.B. 3646), Acts of the 81st Legislature, Regular Session, 2009, is reenacted and amended to read as follows:

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

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

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

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

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

(A) is within a reinvestment zone created on or before May 31, 1999, or is proposed to be included within the boundaries of a reinvestment zone as the boundaries of the zone and the proposed portion of tax increment paid into the tax increment fund by a school district are described in a written notification provided by the municipality or the board of directors of the zone to the governing bodies of the other taxing units in the manner provided by former Section 311.003(e), Tax Code, before May 31, 1999, and within the boundaries of the zone as those boundaries existed on September 1, 1999, including subsequent improvements to the property regardless of when

SECTION 20. Same as House version.

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made;

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

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

(5) the total dollar amount of any captured appraised value of property that:

(A) is within a reinvestment zone:

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

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

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

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

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

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

(8) the portion of the appraised value of residence homesteads of individuals who receive a tax limitation under Section 11.26, Tax Code, on which school district taxes are not

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imposed in the year that is the subject of the study, calculated as if the residence homesteads were appraised at the full value required by law;

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

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

(B) action taken by the district under Subchapter B or C, Chapter 313, Tax Code, before the expiration of the subchapter;

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

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

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

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

SECTION 21. Section 403.302(m), Government Code, as

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added by Chapter 1186 (H.B. 3676), Acts of the 81st Legislature, Regular Session, 2009, is amended to conform to Section 80, Chapter 1328 (H.B. 3646), Acts of the 81st Legislature, Regular Session, 2009, to read as follows:

(m) Subsection ~~(d)(9)~~ ~~[(4)(10)]~~ does not apply to property that was the subject of an application under Subchapter B or C, Chapter 313, Tax Code, made after May 1, 2009, that the comptroller recommended should be disapproved.

SECTION 22. Sections 311.003(e), (f), and (g), 311.006(c), and 311.013(d) and (e), Tax Code, are repealed.

SECTION 23. (a) The legislature validates and confirms all governmental acts and proceedings of a municipality or county, the board of directors of a reinvestment zone, or an entity acting under Section 311.010(f), Tax Code, that were taken before the effective date of this Act and relate to or are associated with the designation, operation, or administration of a reinvestment zone or the implementation of a project plan or reinvestment zone financing plan under Chapter 311, Tax Code, including the extension of the term of a reinvestment zone, as of the dates on which they occurred. The acts and proceedings may not be held invalid because they were not in accordance with Chapter 311, Tax Code, or other law.

(b) Subsection (a) of this section does not apply to any matter that on the 30th day after the effective date of this Act:

(1) is involved in litigation if the litigation ultimately results in the matter being held invalid by a final judgment of a court; or

(2) has been held invalid by a final judgment of a court.

SENATE VERSION (IE)

SECTION 22. Same as House version.

SECTION 23. Same as House version.

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SECTION 24. (a) Section 311.002(1), Tax Code, as amended by this Act, applies to all costs described by that subdivision regardless of when they were incurred.

(b) Section 311.012(c), Tax Code, as amended by this Act, applies only to the determination of the tax increment base of a taxing unit for a tax year beginning on or after the effective date of this Act, except that if the tax increment base of a taxing unit for a tax year beginning before the effective date was determined in the manner provided by Section 311.012(c), Tax Code, as amended by this Act, the determination is validated as if the amendment were in accordance with Section 311.012(c), Tax Code, as that section existed immediately before the effective date of this Act.

SECTION 25. To the extent of any conflict, this Act prevails over another Act of the 82nd Legislature, Regular Session, 2011, relating to nonsubstantive additions to and corrections in enacted codes.

SECTION 26. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2011.

SECTION 24. Same as House version.

SECTION 25. Same as House version.

SECTION 26. Same as House version.