

## **BILL ANALYSIS**

H.B. 2480  
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Urban Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Interested parties assert that as new commercial and retail developments are being built in tax increment reinvestment zones in certain areas of Texas, rising property values are leading to the displacement of local residents. H.B. 2480 seeks to address this issue by providing certain tools to protect residents.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

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

### **ANALYSIS**

H.B. 2480 amends the Tax Code to add provisions to the Tax Increment Financing Act applicable to a reinvestment zone designated by a municipality with a population of 1.18 million or more and that is located predominantly in a county that has a total area of less than 1,000 square miles and any part of which is located in an area composed of census tracts forming a spatially compact area contiguous to a central business district with fewer than 75,000 residents, a median family income that is less than \$30,000 according to the last decennial census, and an overall poverty rate that is at least two times the poverty rate for the entire municipality that designated the zone. The bill requires at least 20 percent of the revenue from the tax increment fund of an applicable reinvestment zone spent annually to be for the development, construction, and preservation of affordable housing in the zone and in the adjacent area, which is described by the bill as an area that is within two miles of the zone's boundaries in any direction that is not located within the boundaries of another reinvestment zone. The bill requires at least 75 percent of that amount to be spent to benefit families that have a yearly income at or below 60 percent of the area median family income, adjusted for family size, and caps at 10 percent of that amount the revenue that may be used to pay administrative costs. The bill exempts a reinvestment zone from the required 20 percent minimum distribution if the use of the revenue in the tax increment fund in the manner required by the bill would materially impair the security for tax increment bonds or notes issued before September 1, 2017.

H.B. 2480 requires a project or reinvestment zone financing plan for a reinvestment zone that is approved or amended on or after September 1, 2017, to require the developer of a residential housing development located in the zone and funded wholly or partly with money from the tax increment fund for the zone to set aside at least 20 percent of the planned dwelling units in each residential housing development as affordable housing with an affordability period of at least 40 years and to enter into a contract with the municipality that designated the zone to pay the costs

of relocating residents of the zone and the adjacent area who are displaced as a direct result of the residential housing development. The bill authorizes the municipality that designated the reinvestment zone, as an alternative to that set aside requirement, to allow a developer to pay a fee to the municipality in an amount determined by the municipality. The bill requires the municipality to deposit such a fee in an affordable housing fund administered by the municipality's governing body, sets out certain restrictions on the use of money in the fund, and excepts certain tax abatement agreements subsidized by that fund, as described by the bill, from certain approval requirements.

H.B. 2480 requires a project or reinvestment zone financing plan for a reinvestment zone that is approved or amended on or after September 1, 2017, to provide that when money is spent from the tax increment fund for the zone for the purpose of making infrastructure improvements in the zone, a proportionate amount of money in the fund equal to not more than 20 percent of that amount must be spent from the fund to provide necessary infrastructure improvements in the adjacent area. The bill requires the plan to provide that the governing body of the municipality that designated the zone determines the proportionate amount to be spent in the adjacent area and the infrastructure improvements that are necessary in that area. The bill authorizes the chief appraiser for the appraisal district in which a residence homestead that is more than 30 years old and located in a reinvestment zone or in the adjacent area, in determining the market value of that property, to exclude from consideration the value of new or substantially remodeled residential properties that are located in the same neighborhood as the residence homestead being appraised and that would otherwise be considered in appraising the residence homestead. The bill requires a municipality that designated a reinvestment zone that has adopted minimum habitability standards for residential housing units in the municipality to develop and adopt a plan to provide for the relocation of tenants displaced as a result of the enforcement of those standards and requires such a plan to provide that the municipality may use any penalties received from the owner of the housing unit from which tenants were displaced to pay the tenant's relocation costs.

H.B. 2480 requires the annual report made by a municipality for a reinvestment zone subject to the bill's provisions on the status of the zone to include certain additional information specific to each neighborhood located in the zone. The bill exempts such a reinvestment zone from statutory provisions prohibiting a municipality from designating a reinvestment zone if more than 30 percent of the property in the proposed zone, excluding property that is publicly owned, is used for residential purposes. The bill requires a municipality, before adopting an ordinance designating a reinvestment zone to which the bill applies, to prepare or have prepared an affordable housing impact statement that is made available to the public and posted on the municipality's website at least 60 days before the municipality holds a public hearing on the creation of the zone. The bill requires that statement to include estimates of the impact on the availability of affordable housing in the area of the proposed zone for the 30-year period following designation of the proposed zone.

#### **EFFECTIVE DATE**

September 1, 2017.