

By: Bettencourt

S.B. No. 650

A BILL TO BE ENTITLED

AN ACT

relating to tax increment financing.

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

SECTION 1. Section 311.005, Tax Code, is amended by amending Subsection (a) and adding Subsection (c) 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 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 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 that is:

(A) 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; and

(B) unproductive, underdeveloped, or blighted.

(c) The attorney general shall determine, by application of accepted legal principles, the meaning of "unproductive," "underdeveloped," and "blighted" for purposes of Subsection (a)(4)

1 and by rule define those terms.

2 SECTION 2. Section 311.0085(c), Tax Code, is amended to  
3 read as follows:

4 (c) In addition to exercising the powers described by  
5 Section 311.008, a municipality may enter into a new agreement, or  
6 amend an existing agreement, with a school district that is located  
7 in whole or in part in a reinvestment zone created by the  
8 municipality to dedicate revenue from the tax increment fund to the  
9 school district for acquiring, constructing, or reconstructing an  
10 educational facility located in ~~[or outside of]~~ the zone.

11 SECTION 3. Section 311.010(b), Tax Code, is amended to read  
12 as follows:

13 (b) The board of directors of a reinvestment zone and the  
14 governing body of the municipality or county that creates a  
15 reinvestment zone may each enter into agreements as the board or the  
16 governing body considers necessary or convenient to implement the  
17 project plan and reinvestment zone financing plan and achieve their  
18 purposes. An agreement may provide for the regulation or  
19 restriction of the use of land by imposing conditions,  
20 restrictions, or covenants that run with the land. An agreement may  
21 during the term of the agreement dedicate, pledge, or otherwise  
22 provide for the use of revenue in the tax increment fund to pay any  
23 project costs that benefit the reinvestment zone, including project  
24 costs relating to the cost of buildings, schools, or other  
25 educational facilities owned by or on behalf of a school district,  
26 community college district, or other political subdivision of this  
27 state, railroad or transit facilities, affordable housing, the

remediation of conditions that contaminate public or private land or buildings, the preservation of the facade of a private or public building, the demolition of public or private buildings, or the construction of a road, sidewalk, or other public infrastructure in ~~[or out of]~~ the zone, including the cost of acquiring the real property necessary for the construction of the road, sidewalk, or other public infrastructure. An agreement may dedicate revenue from the tax increment fund to pay the costs of providing affordable housing or areas of public assembly in ~~[or out of]~~ the zone.

SECTION 4. Section 311.015, Tax Code, is amended by adding Subsections (m) and (n) to read as follows:

(m) Not later than the seventh day before the date of the meeting at which the governing body of the municipality will vote on an ordinance to issue tax increment bonds or notes, the municipality must provide notice of the date, time, and place of the meeting by delivering the notice by mail to:

- (1) each property owner in the municipality;
- (2) the commissioners court of each county in which a portion of the reinvestment zone is located; and
- (3) each state senator and representative whose district includes territory in a county in which a portion of the reinvestment zone is located.

(n) At the time a municipality submits tax increment bonds and the record of proceedings relating to the authorization of the bonds to the attorney general under Section 1202.003, Government Code, the municipality must deliver notice of the submission by mail to:

1           (1) the commissioners court of each county in which a  
2 portion of the reinvestment zone is located; and

3           (2) each state senator and representative whose  
4 district includes territory in a county in which a portion of the  
5 reinvestment zone is located.

6           SECTION 5. Chapter 311, Tax Code, is amended by adding  
7 Section 311.0155 to read as follows:

8           Sec. 311.0155. ATTORNEY GENERAL DETERMINATION REGARDING  
9 REINVESTMENT ZONE. (a) A municipality designating a reinvestment  
10 zone may not undertake the initial issuance of tax increment bonds  
11 for the zone unless:

12           (1) the municipality provides evidence to the attorney  
13 general demonstrating that the zone:

14           (A) meets the requirements of Section 311.005;  
15 and

16           (B) is not ineligible for designation as a  
17 reinvestment zone under Section 311.006; and

18           (2) the attorney general determines that the evidence  
19 is legally sufficient.

20           (b) The attorney general shall provide a legal sufficiency  
21 determination not later than the 60th business day after the date  
22 the evidence required by Subsection (a) is received. If the  
23 attorney general cannot provide a legal sufficiency determination  
24 within the 60-business-day period, the attorney general shall  
25 notify the municipality in writing of the reason for the delay and  
26 may extend the review period for not more than 30 business days.

27           (c) After the attorney general issues a legal sufficiency

1 determination, the municipality may supplement the evidence  
2 submitted or amend the ordinance designating the reinvestment zone  
3 to facilitate a redetermination by the attorney general of the  
4 prior legal sufficiency determination issued under this section.

5 (d) The attorney general may adopt rules as necessary to  
6 implement this section.

7 SECTION 6. Sections 311.01005 and 311.014(f), Tax Code, are  
8 repealed.

9 SECTION 7. The attorney general shall adopt rules under  
10 Section 311.005(c), Tax Code, as added by this Act, not later than  
11 January 1, 2018.

12 SECTION 8. Section 311.005(a), Tax Code, as amended by this  
13 Act, applies only to a reinvestment zone designated on or after the  
14 date the rules adopted under Section 311.005(c), Tax Code, as added  
15 by this Act, take effect. A reinvestment zone designated before the  
16 date the rules adopted under Section 311.005(c), Tax Code, as added  
17 by this Act, take effect is governed by the law as it existed  
18 immediately before the effective date of this Act, and that law is  
19 continued in effect for that purpose.

20 SECTION 9. Sections 311.0085(c) and 311.010(b), Tax Code,  
21 as amended by this Act, apply only to a new agreement entered into  
22 on or after the effective date of this Act or an amendment on or  
23 after the effective date of this Act to an existing agreement. A  
24 new agreement entered into before the effective date of this Act or  
25 an amendment before the effective date of this Act to an existing  
26 agreement is governed by the law as it existed immediately before  
27 the effective date of this Act, and that law is continued in effect

1 for that purpose.

2       SECTION 10. The repeal of Section 311.01005, Tax Code, by  
3 this Act does not affect an agreement described by former Section  
4 311.01005(c), Tax Code, that is entered into before the effective  
5 date of this Act. An agreement described by former Section  
6 311.01005(c), Tax Code, that is entered into before the effective  
7 date of this Act is governed by the law as it existed immediately  
8 before the effective date of this Act, and that law is continued in  
9 effect for that purpose.

10       SECTION 11. The repeal of Section 311.014(f), Tax Code, by  
11 this Act does not affect a transfer of money described by that  
12 subsection that occurs before the effective date of this Act. A  
13 transfer of money described by former Section 311.014(f), Tax Code,  
14 that occurs before the effective date of this Act is governed by the  
15 law as it existed immediately before the effective date of this Act,  
16 and that law is continued in effect for that purpose.

17       SECTION 12. Section 311.015(m), Tax Code, as added by this  
18 Act, applies only to a meeting to vote on an ordinance to issue tax  
19 increment bonds or notes that is held on or after the effective date  
20 of this Act. A meeting to vote on an ordinance to issue tax  
21 increment bonds or notes that is held before the effective date of  
22 this Act is governed by the law as it existed immediately before the  
23 effective date of this Act, and that law is continued in effect for  
24 that purpose.

25       SECTION 13. Section 311.015(n), Tax Code, as added by this  
26 Act, applies only to tax increment bonds that are submitted to the  
27 attorney general for approval on or after the effective date of this

1 Act. Tax increment bonds that are submitted to the attorney general  
2 for approval before the effective date of this Act are governed by  
3 the law as it existed immediately before the effective date of this  
4 Act, and that law is continued in effect for that purpose.

5 SECTION 14. Section 311.0155, Tax Code, as added by this  
6 Act, applies only to an initial issuance of tax increment bonds for  
7 a reinvestment zone that is undertaken on or after the effective  
8 date of this Act. An initial issuance of tax increment bonds for a  
9 reinvestment zone that is undertaken before the effective date of  
10 this Act is governed by the law as it existed immediately before the  
11 effective date of this Act, and that law is continued in effect for  
12 that purpose.

13 SECTION 15. This Act takes effect September 1, 2017.