LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 10, 2017

TO: Honorable Carol Alvarado, Chair, House Committee on Urban Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2480** by Johnson, Eric (Relating to provisions applicable to affordable housing located in a reinvestment zone in certain areas of the state.), **As Introduced**

No significant fiscal implication to the State is anticipated.

Local Government Impact

This bill would amend Tax Code Chapter 311 relating to affordable housing located in a reinvestment zone in certain areas of the state.

The bill would add Subsection (e) to Section 311.003. A municipality must prepare or have prepared an affordable housing impact statement that is made available to the public and posted on the city's website at least 60 days before the city holds a public hearing to designate a reinvestment zone. The statement must include estimates of the impact on the availability of affordable housing in the area of the proposed zone for a 30 year period following the designation of the proposed zone.

The bill would amend Section 311.006(e) to remove the restriction of designating a reinvestment zone for residential purposes.

New Section 311.0112 would apply only to a reinvestment zone that is designated by a municipality with a population of 1.18 million or more and located predominantly in a county with a total area of less than 1,000 square miles; and any part that 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 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.

Section 311.0112 defines an area adjacent to the reinvestment zone as any area within two miles of the zone's boundaries in any direction not located within the boundaries of another reinvestment zone.

Subsection 311.0112(c) would require at least 20 percent of the reinvestment zone's tax increment fund revenue be spent annually for the development, construction and preservation of affordable housing in the zone and in the area adjacent to the zone. At least 75 percent of this amount must be spent to benefit families who have an annual income at or below 60 percent of the area median family income, adjusted for family size and not more than 10 percent may be used to pay administrative costs. This subsection would not apply if the use of the revenue in the tax increment fund would materially impair the security for bonds or notes issued under Section 311.015 before September 1, 2017.

For a project or financing plan for a reinvestment zone that is approved or amended on or after September 1, 2017, a developer of a residential housing development located in the zone and funded wholly or partly with money from the tax increment fund of the zone subject to Subsection (f) 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 enter into a contract with the municipality that designated the zone to pay the costs of relocating residents of the zone and the area adjacent to the zone who are displaced as a direct result of the residential housing development.

As an alternative to the set aside requirement under Subsection (e)(1), the municipality that designated the reinvestment zone may allow a developer to pay a fee to the municipality. The amount of the fee is determined by the municipality. The municipality would deposit the fee in an affordable housing fund administered by the governing body. Money in the fund may be used only to subsidize the cost to the municipality of the tax abatement agreements entered into under Section 311.0125 with certain owners of real property located in the zone.

A project or financing plan for a reinvestment zone approved or amended on or after September 1, 2017 would 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 area adjacent to the zone.

In determining the market value of a residence homestead that is more than 30 years old and located in a reinvestment zone or in the area adjacent to the zone, the chief appraiser for the appraisal district in which the property is located may 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.

If a municipality that designated a reinvestment zone that has adopted minimum habitability standards for residential housing units in the municipality it would develop and adopt a plan to provide for the relocation of tenants displaced as a result of the enforcement of those standards.

The bill would amend Section 311.016 to add new Subsection (c) to require the annual report for a reinvestment zone to include the following information specific to each neighborhood located in the zone: a detailed explanation of each expenditure from the tax increment fund established by the zone for affordable housing in the neighborhood and an analysis of the effect of each expenditure from the fund on the availability of affordable housing in the neighborhood and whether any expenditure from the fund had a disparate impact on minority or low income neighborhood residents.

The provisions of the bill in newly created Sec. 311.0112 are bracketed to only effect the city of Dallas. The effects of the provisions on the city of Dallas cannot be estimated.

The Texas Department of Housing and Community Affairs anticipates any additional work resulting from the passage of the bill could be reasonably absorbed within current resources.

The bill would take effect September 1, 2017.

Source Agencies: 304 Comptroller of Public Accounts, 332 Department of Housing and Community Affairs

LBB Staff: UP, JGA, SD, KK, EK