

By: West

S.B. No. 1278

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to provisions applicable to affordable housing located in  
3 a reinvestment zone in certain areas of the state; authorizing a  
4 fee.

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

6 SECTION 1. Section 311.003, Tax Code, is amended by adding  
7 Subsection (e) to read as follows:

8 (e) Before adopting an ordinance designating a reinvestment  
9 zone described by Section 311.0112, a municipality must prepare or  
10 have prepared an affordable housing impact statement. The  
11 statement must be made available to the public and posted on the  
12 municipality's Internet website at least 60 days before the  
13 municipality holds the hearing required under Subsection (c). The  
14 statement must include estimates of the impact on the availability  
15 of affordable housing in the area of the proposed zone for the  
16 30-year period following designation of the proposed zone.

17 SECTION 2. Section 311.006(e), Tax Code, is amended to read  
18 as follows:

19 (e) Subsection (a)(1) does not apply to a reinvestment zone:  
20 (1) designated under Section 311.005(a)(4); or  
21 (2) described by Section 311.0112.

22 SECTION 3. Chapter 311, Tax Code, is amended by adding  
23 Section 311.0112 to read as follows:

24 Sec. 311.0112. PROVISIONS APPLICABLE IN CERTAIN ZONES. (a)

1 This section applies only to a reinvestment zone:

2 (1) designated by a municipality:

3 (A) with a population of 1.18 million or more;

4 and

5 (B) that is located predominantly in a county  
6 that has a total area of less than 1,000 square miles; and

7 (2) any part of which is located in an area composed of  
8 census tracts forming a spatially compact area contiguous to a  
9 central business district with:

10 (A) fewer than 75,000 residents;

11 (B) a median family income that is less than  
12 \$30,000 according to the last decennial census; and

13 (C) an overall poverty rate that is at least two  
14 times the poverty rate for the entire municipality that designated  
15 the zone.

16 (b) For purposes of this section, an area adjacent to a  
17 reinvestment zone means any area within two miles of the zone's  
18 boundaries in any direction that is not located within the  
19 boundaries of another reinvestment zone.

20 (c) Subject to Subsection (d), at least 20 percent of the  
21 revenue from the tax increment fund of the reinvestment zone spent  
22 annually must be for the development, construction, and  
23 preservation of affordable housing in the zone and in the area  
24 adjacent to the zone. Of that amount:

25 (1) at least 75 percent must be spent to benefit  
26 families that have a yearly income at or below 60 percent of the  
27 area median family income, adjusted for family size; and

1           (2) not more than 10 percent may be used to pay  
2 administrative costs.

3           (d) Subsection (c) does not apply if the use of the revenue  
4 in the tax increment fund in the manner required by that subsection  
5 would materially impair the security for bonds or notes issued  
6 under Section 311.015 before September 1, 2019.

7           (e) A project or reinvestment zone financing plan for a  
8 reinvestment zone that is approved or amended on or after September  
9 1, 2019, must require the developer of a residential housing  
10 development located in the zone and funded wholly or partly with  
11 money from the tax increment fund for the zone to:

12           (1) subject to Subsection (f), set aside at least 20  
13 percent of the planned dwelling units in each residential housing  
14 development as affordable housing with an affordability period of  
15 at least 40 years; and

16           (2) enter into a contract with the municipality that  
17 designated the zone to pay the costs of relocating residents of the  
18 zone and the area adjacent to the zone who are displaced as a direct  
19 result of the residential housing development.

20           (f) As an alternative to the set-aside requirement under  
21 Subsection (e)(1), the municipality that designated the  
22 reinvestment zone may allow a developer to pay a fee to the  
23 municipality. The amount of the fee is determined by the  
24 municipality. The municipality shall deposit the fee in an  
25 affordable housing fund administered by the governing body of the  
26 municipality. Money in the fund may be used only to:

27           (1) subsidize the cost to the municipality of tax

1 abatement agreements entered into under Section 311.0125 with the  
2 owners of real property located in the zone if:

3 (A) the real property subject to the tax  
4 abatement agreement is the owner's residence homestead; and

5 (B) the owner, at the time the tax abatement  
6 agreement is entered into, has:

7 (i) resided in the zone for 10 or more  
8 years; and

9 (ii) a yearly income at or below 60 percent  
10 of the median family income in the zone, adjusted for family size;  
11 and

12 (2) pay to a qualified for-profit entity or a  
13 nonprofit entity for the purpose of developing, constructing, or  
14 preserving affordable housing in the zone and in the area adjacent  
15 to the zone for families that have a yearly income at or below 60  
16 percent of the area median family income, adjusted for family size.

17 (g) Section 311.0125(b) does not apply to a tax abatement  
18 agreement described by Subsection (f)(1).

19 (h) Notwithstanding any other law, a project or  
20 reinvestment zone financing plan for a reinvestment zone that is  
21 approved or amended on or after September 1, 2019, shall provide  
22 that when money is spent from the tax increment fund for the zone  
23 for the purpose of making infrastructure improvements in the zone,  
24 a proportionate amount of money in the fund equal to not more than  
25 20 percent of that amount must be spent from the fund to provide  
26 necessary infrastructure improvements in the area adjacent to the  
27 zone. The plan shall provide that the governing body of the

1 municipality that designated the zone determines:

2 (1) the proportionate amount to be spent in the area  
3 adjacent to the zone, subject to the limitation provided by this  
4 subsection; and

5 (2) the infrastructure improvements that are  
6 necessary in the area adjacent to the zone.

7 (i) Notwithstanding Section 1.04(7), in determining the  
8 market value of a residence homestead that is more than 30 years old  
9 and located in a reinvestment zone or in the area adjacent to the  
10 zone, the chief appraiser for the appraisal district in which the  
11 property is located may exclude from consideration the value of new  
12 or substantially remodeled residential properties that are located  
13 in the same neighborhood as the residence homestead being appraised  
14 and that would otherwise be considered in appraising the residence  
15 homestead.

16 (j) If the municipality that designated the reinvestment  
17 zone has adopted minimum habitability standards for residential  
18 housing units in the municipality, the municipality shall develop  
19 and adopt a plan to provide for the relocation of tenants displaced  
20 as a result of the enforcement of those standards. The plan must  
21 provide that the municipality may use any penalties received from  
22 the owner of the housing unit from which tenants were displaced to  
23 pay the tenant's relocation costs.

24 SECTION 4. Section 311.016, Tax Code, is amended by adding  
25 Subsection (c) to read as follows:

26 (c) In addition to the information required under  
27 Subsection (a), the annual report for a reinvestment zone described

1 by Section 311.0112 must include the following information,  
2 specific to each neighborhood located in the zone:

3 (1) a detailed explanation of each expenditure from  
4 the tax increment fund established by the zone for affordable  
5 housing in the neighborhood; and

6 (2) an analysis of:

7 (A) the effect of each expenditure from the fund  
8 on the availability of affordable housing in the neighborhood; and

9 (B) whether any expenditure from the fund had a  
10 disparate impact on minority or low-income neighborhood residents.

11 SECTION 5. This Act takes effect September 1, 2019.