

- SUBJECT:** Creating neighborhood empowerment zones
- COMMITTEE:** Urban Affairs — committee substitute recommended
- VOTE:** 8 ayes — Carter, Bailey, Burnam, Clark, Ehrhardt, Hill, Hodge, Najera
0 nays
1 absent — Edwards
- WITNESSES:** For — Randy Cain, City of Dallas; Andrew Cameron, City of San Antonio; Andrew Erben, Texas Association of Builders; David Mintz, Texas Apartment Association; Jerome Walker, Fort Worth City Council
Against — None
- BACKGROUND:** The Tax Code, chapter 311, allows municipalities to abate certain taxes for businesses locating in reinvestment and enterprise zones. Enterprise zones may be created under chapter 2303 of the Government Code. To be designated a reinvestment zone, an area must arrest or impair substantially the sound growth of the municipality as evidenced by such factors as substandard housing, defective and inadequate sidewalks and streets, tax deficiencies, unsafe or unsanitary conditions, and other hazardous conditions.
- DIGEST:** CSHB 313 would authorize municipalities to create neighborhood empowerment zones upon determining that such zones would promote the creation or rehabilitation of affordable housing or would increase economic development or the quality of social services, education, or public safety provided to zone residents. To create such a zone, the municipality would have to adopt a resolution indicating such determination, describing the boundaries of the zone, and specifying that it would satisfy Tax Code criteria for municipal reinvestment zones.
- A municipality could create more than one neighborhood empowerment zone and could include an area in more than one zone.
- The municipality could waive or adopt building-inspection or impact fees, agree to refund or rebate municipal taxes from sales in the area, and abate

property taxes for up to 10 years. The municipality also could set baseline performance standards encouraging the use of alternative building materials for environmental, maintenance, or energy-consumption concerns.

CSHB 313 would take immediate effect if finally approved by a two-thirds record vote of the membership of each house.

**SUPPORTERS
SAY:**

CSHB 313 would help cities revitalize their neighborhoods and provide desperately needed affordable housing for their residents. Current enterprise zone programs do not provide effective incentives for the development of affordable housing. In contrast, neighborhood empowerment zones would take a more comprehensive approach by attracting and retaining businesses and developers of affordable housing, both nonprofit and for-profit, into neighborhoods where they are needed.

Creating a program of neighborhood empowerment zones would set in motion a cycle of social and economic renewal. Attracting developers to produce affordable housing would attract new homeowners who, in turn, would attract businesses that would employ area residents, thus increasing the number of residents who could become homeowners. This would have many benefits. People with the pride of home ownership are motivated to take care of their homes and neighborhoods. Vacant lots and abandoned properties would be developed and eventually returned to the tax rolls. Also, crime rates usually drop in revitalized areas.

Waivers of construction fees and abatements and refunds of sales and property taxes are necessary to set these processes in motion. For example, paying municipal construction fees is very expensive for a nonprofit organization such as Habitat for Humanity. Every dollar saved in fees is another dollar available to build additional affordable homes. CSHB 313 would prevent abuse of tax abatements and refunds and eventually would restore the income they produce to the city by limiting their duration to 10 years. Meanwhile, the city would receive major benefits from revitalized neighborhoods, far outweighing the income it would have received from the waived fees and abated taxes. In addition, cities in other states have received substantial federal grants as a result of their neighborhood empowerment zone programs.

OPPONENTS SAY: CSHB 313 would set up another program on top of the existing enterprise zones where municipalities could waive fees and abate or refund sales and property taxes for certain individuals or businesses. This program would remove income from the municipality that could be used for city-wide services or projects.

NOTES: The committee substitute added the creation of manufactured housing and the rehabilitation of affordable housing to the list of purposes for which a municipality could resolve to create a neighborhood empowerment zone. It also added the provision that cities could set baseline performance standards to encourage the use of alternative building materials.

During the 75th Legislature, HB 1117 by Giddings, identical to HB 313 as filed, passed the House by 130-0 late in the session, but died the Senate Economic Development Committee.

A related bill this session, SB 1413 by West, which would make numerous changes to the Texas Enterprise Zone Act, including the recognition of neighborhood empowerment zones, has been referred to the Senate Economic Development Committee.