

BILL ANALYSIS

Senate Research Center

H.B. 470
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Intergovernmental Relations
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Chapter 373A (Homestead Preservation Districts and Reinvestment Zones), Local Government Code, authorizes homestead preservation districts to provide certain municipalities with statutory tools to help increase home ownership, provide affordable housing, and prevent the involuntary loss of homesteads by existing low-income and moderate-income homeowners living in neighborhoods experiencing economic pressures.

Through an attorney general opinion, the sponsoring municipality recently identified several concerns with the application of Chapter 373A, Local Government Code, to the municipality and participating nonprofit organizations. This bill addresses those concerns.

H.B. 470 is a cleanup bill for local legislation passed last session that provides the City of Austin economic tools to provide affordable housing in East Austin.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 373A.002, Local Government Code, by amending Subdivision (1) and adding Subdivisions (1-a), (2-a), and (3-a), to define "affordable housing," "county," and "project costs," respectively.

SECTION 2. Amends Section 373A.003, Local Government Code, to provide that this chapter applies only to a political subdivision with jurisdiction over territory that is also part of a municipality described by Subdivision (1). Makes a conforming change.

SECTION 3. Amends Subchapter B, Chapter 373A, Local Government Code, by adding Section 373A.0521, as follows:

Sec. 373A.0521. DISSOLUTION. (a) Authorizes the governing body of a municipality in which a district is located to adopt an ordinance dissolving the district.

(b) Provides that, on the adoption of the district, the district is dissolved and the municipality succeeds to the property and assets of the district and assumes all bonds, debts, obligations, and liabilities of the district.

(c) Provides that this section does not prohibit the municipality from continuing to operate programs established by the municipality, including programs established under Subchapter C, D, or E, in the area previously included in the district that are owned and operated by the municipality on the date the district is dissolved.

SECTION 4. Amends Section 373A.101, Local Government Code, as follows:

Sec. 373A.101. CREATION. Authorizes the governing body of a political subdivision, rather than municipality, by ordinance or order to create or designate under this subchapter one or more homestead land trusts, including a housing finance corporation

established under Chapter 394 (Housing Finance Corporations in Municipalities and Counties) a land trust operated by a community housing development organization certified by the municipality, to operate in an area that includes a district designated under Subchapter B. Makes a conforming change.

SECTION 5. Amends Section 373A.102, Local Government Code, as follows:

Sec. 373A.102. New heading: NATURE OF NONPUBLIC TRUST. (a) Requires a trust that is not created by the governing body of a political subdivision to be a nonprofit organization that satisfies certain conditions.

SECTION 6. Amends Section 373A.104, Local Government Code, to delete existing text relating to the governing body of a municipality. Makes conforming changes.

SECTION 7. Amends Subchapter C, Chapter 373A, Local Government Code, by adding Section 373A.110, as follows:

Sec. 373A.110. APPLICABILITY OF SUBCHAPTER TO TRUST OPERATED BY HOUSING FINANCE CORPORATION. Provides that Sections 373A.102, 373A.104, 373A.105(b), and 373A.106 do not apply to a trust operated in the district by a housing finance corporation established under Chapter 394 (Housing Finance Corporations in Municipalities and Counties).

SECTION 8. Amends Section 373A.151, Local Government Code, as follows:

Sec. 373A.151. New heading: APPLICABILITY OF OTHER LAW. (a) Provides that, except as provided by this subchapter, Chapter 311 (Tax Increment Financing Act), Tax Code, applies, rather than does not apply, to a homestead preservation reinvestment zone created under this subchapter. Provides that, to the extent of any conflict between this subchapter and Chapter 311, Tax Code, this subchapter prevails.

(b) Provides that, in addition to other provisions of this subchapter that modify or supersede the application of Chapter 311, Tax Code, to a zone established under this subchapter, Sections 311.005 and 311.006, Tax Code, do not apply to a zone established under this subchapter .

SECTION 9. Amends Section 373A.152(a), Local Government Code, to authorize a municipality by ordinance to designate a contiguous geographical area contained entirely within the boundaries of the district as a homestead preservation reinvestment zone to develop or redevelop affordable housing if the municipality determines the zone is necessary to accomplish the purposes of this chapter. Deletes existing text relating to the municipality's findings.

SECTION 10. Amends Subchapter D, Chapter 373A, Local Government Code, by adding Sections 373A.1521 and 373A.1522, as follows:

Sec. 373A.1521. CONTENTS OF REINVESTMENT ZONE ORDINANCE. Requires the ordinance designating the homestead preservation zone to meet certain criteria set forth in this section.

Sec. 373A.1522. EFFECTIVE DATE OF ZONE. Provides that the zone designated by the ordinance adopted under Section 373A.1521 takes effect on the date on which the county adopts a final order that contains certain agreements and specifications.

SECTION 11. Amends Subchapter D, Chapter 373A, Local Government Code, by adding Section 373A.1541, as follows:

Sec. 373A.1541. TAX INCREMENT FINANCING AND ABATEMENT. Provides that designation of an area as a homestead preservation reinvestment zone is also designation of the area as a reinvestment zone for tax increment financing under Chapter 311 (Tax Increment Financing Act), Tax Code.

SECTION 12. Amends Section 373A.155, Local Government Code, as follows:

Sec. 373A.155. COLLECTION AND DEPOSIT OF TAX INCREMENTS. (a) Requires the municipality designating the zone and the county, rather than each taxing unit that taxes real property located in a zone, to provide for the collection of its taxes on real property located in the zone as for any other property taxed by the municipality and the county, rather than unit.

(a-1) Requires the municipality to pay into the tax increment fund an amount specified in the ordinance designating the zone.

(b) Requires the county to pay into the tax increment fund for the zone an amount equal to the tax increment paid by the municipality as specified in the order adopted under Section 373A.1522. Deletes existing text providing an exception to this subsection. Deletes existing Subsections (c) and (d) relating to certain taxing units.

SECTION 13. Amends Sections 373A.157(a) and (e), Local Government Code, as follows:

(a) Provides that the tax increment fund is administered by the governing body of the municipality in accordance with the project and reinvestment zone financing plans. Requires revenue from the tax increment fund to be dedicated as provided by this section to the development, construction, and preservation of affordable housing in the zone by a political subdivision, a community housing development organization certified by the municipality, a trust created or designated by a political subdivision, or another entity as provided by this section. Makes conforming changes.

(e) Requires the municipality to spend at least 80 percent of the revenue expended annually from the tax increment fund for project costs, including the purchase of real property, the construction or rehabilitation of affordable housing in the zone, and infrastructure improvements directly related to supporting the construction or rehabilitation of affordable housing in the zone. Makes conforming changes.

SECTION 14. Amends Sections 373A.158(a) and (b), Local Government Code, as follows:

(a) Provides that the county is the only taxing unit entitled to receive the annual report prepared under Section 311.016(a), Tax Code.

(b) Requires the report to include any additional information necessary to demonstrate good faith, rather than strict, compliance with the provisions of this subchapter.

SECTION 15. Amends Section 311.0031, Tax Code, as follows:

Sec. 311.0031. ENTERPRISE ZONE. Provides that designation of an area under the following other law, rather than Chapter 2303 (Enterprise Zones), Government Code, constitutes designation of the area as a reinvestment zone under this chapter without further hearing or other procedural requirements other than those provided by the other law. Makes conforming changes.

SECTION 16. Repealer: (1) Sections 373A.152(b) (relating to the boundaries of a zone), (c) (relating to the preparation of a preliminary zone financing plan), (d) (relating to a public hearing on the creation of a zone), (e) (relating to written notification of the establishment of a zone), and (f) (relating to notification regarding the governing body of the county's intention to participate in the zone), Local Government Code;

(2) Section 373A.158(c) (relating to a report sent by the municipality to certain entities), Local Government Code; and

(e) Sections 373A.108 (Tax Exemptions), 373A.153 (Determination of Amount of Tax Increment), 373A.154 (Tax Increment Fund), and 373A.156 (Annual Plan), Local Government Code.

SECTION 17. Effective date: September 1, 2007.