

BILL ANALYSIS

Senate Research Center
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H.B. 3350
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

H.B. 3350 facilitates the ability of cities to use the housing preservation tools set forth in the State of Texas's Homestead Preservation District laws. The Homestead Preservation District laws were adopted by the Texas Legislature in 2005 to promote the ability of municipalities to increase homeownership, prevent the involuntary loss of homesteads by low- and moderate-income homeowners living in disadvantaged neighborhoods, and protect a municipality's interest in improving economic and social conditions within disadvantaged communities by enhancing the viability of home ownership among low- and moderate-income residents in areas experiencing economic pressures.

H.B. 3350 expands the areas in a municipality eligible for a homestead preservation district beyond areas adjoining a central business district. The geographic scope of areas eligible for a homestead district has become too narrow since the original passage of the legislation in 2005, in light of the rapid increase of housing prices in cities such as Austin and increased housing pressures on low-income families in many areas of the City. Specifically, HB 3350 eliminates the requirement that the district be adjacent to a central business district, expands the eligible size of the district from 25,000 residents to 75,000 residents, eliminates the 8,000 household limit, eliminates the requirement that owner-occupied households exceed 50 percent of the total households in the district, and eliminates a few other requirements that have limited the effectiveness of the State's Homestead Preservation District laws.

H.B. 3350 also eliminates the requirement that a municipality can enact a homestead preservation reinvestment zone only if the county decides to also participate. The homestead preservation reinvestment zone is a form of TIF that municipalities and counties can choose to participate in for the purpose of preserving affordable housing opportunities in a homestead preservation district. However, under the current law, a municipality is barred from adopting this tool unless the county decides to participate, which has resulted in this tool never being utilized. This amendment to the statute allows a municipality to participate even if a county choose not to do so.

H.B. 3350 amends current law relating to homestead preservation districts and reinvestment zones.

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.051(a), Local Government Code, to authorize the governing body of a municipality by ordinance, to promote and expand the ownership and rental of affordable housing and to prevent the involuntary loss of homesteads by existing homeowners and renters living in the area, to designate as a homestead preservation district an area in the municipality that is eligible under Section 373A.052.

SECTION 2. Amends Section 373A.052(a), Local Government Code, as follows:

(a) Requires an area, to be designated as a district within a municipality described by Section 373A.003(a) (relating to providing that this chapter applies to a municipality with a population of more than 750,000 that is located in a uniform state service region with fewer than 550,000 occupied housing units) under this subchapter, to be composed of census tracts forming a spatially compact area with:

- (1) fewer than 75,000 residents;
- (2) an overall poverty rate that is at least two times the poverty rate for the entire municipality; and
- (3) in each census tract within the area, a median family income that is less than 80 percent, rather than 60 percent, of the median family income for the entire municipality.

Deletes existing text requiring an area, to be designated as a district within a municipality described by Section 373A.003(a) under this subchapter, to be composed of census tracts forming a spatially compact area contiguous to a central business district and with fewer than 25,000 residents; fewer than 8,000 households; a number of owner-occupied households that does not exceed 50 percent of the total households in the area; housing stock at least 55 percent of which was built at least 45 years ago; and an unemployment rate that is greater than 10 percent. Makes nonsubstantive changes.

SECTION 3. Amends Section 373A.152, Local Government Code, by adding Subsection (b) to authorize a county to participate in a homestead preservation reinvestment zone established by a municipality under Subsection (a) (relating to authorizing a municipality by ordinance to designate a continuous geographical area contained entirely within the boundaries of the district as a homestead preservation reinvestment zone) by adopting a final order agreeing to the creation of the zone, the zone boundaries, and the zone termination date specified by the municipality under Section 373A.1521(1) (relating to requiring the ordinance designating the homestead preservation zone to contain certain information) and specifying an amount of tax increment to be deposited by the county into the tax increment fund that is equal to the amount of the tax increment specified by the municipality under Section 373A.1521(3) (relating to requiring the ordinance designating the homestead preservation zone to specify the amount of tax increment to be deposited by the municipality into the tax increment fund).

SECTION 4. Amends Section 373A.1522, Local Government Code, as follows:

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 designated by the municipality in the ordinance adopted under Section 373A.1521. Deletes existing text providing 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 agreeing to the creation of the zone, the zone boundaries, and the zone termination date specified by the municipality under Section 373A.1521(1), and specifying an amount of tax increment to be deposited by the county into the tax increment fund that is equal to the amount of the tax increment specified by the municipality under Section 373A.1521(3).

SECTION 5. Amends Section 373A.155(b), Local Government Code, to require a county, if the county elects to participate in a homestead preservation reinvestment zone, 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.152, rather than Section 373A.1522.

SECTION 6. Amends Section 373A.158(a), Local Government Code, to provide that, if a county elects to participate in a homestead preservation reinvestment zone, the county is the only taxing unit entitled to receive the annual report prepared under Section 311.016(a) (relating to requiring the governing body of a municipality or county to submit to the chief executive officer of each taxing unit that levies property taxes on real property in certain reinvestment zones a report on the status of the zone), Tax Code. Makes a nonsubstantive change.

SECTION 7. Effective date: September 1, 2013.