

SUBJECT: Creating a commercial and industrial development zone in Harris County

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — Oliveira, McCall, Hartnett, Bonnen, Y. Davis, Heflin, Keffer, Ramsay, Ritter

0 nays

2 absent — Craddick, Hilbert

WITNESSES: For — Bruce A. Austin, Sidney J. Braquet, and Jim Gonzales, Harris County Community Development Department

Against — None

DIGEST: HB 1053 would allow creation of a commercial and industrial economic development zone in Harris County. The purpose of the new development zone would be to promote commercial and workforce development, improvement of competitiveness in education, public and private sector partnerships, and the revitalization of neighborhoods. A creating body could allow one-quarter of 1 percent of a local property tax increment to fund the development zone, as provided by Tax Code, chapter 311.

To be created as a development zone, an area would have to:

- ! have a continuous boundary;
- ! be at least 10 square miles but not larger than 5 percent of the area of the political subdivision nominating it as a development zone;
- ! be an area of pervasive poverty, unemployment, or economic distress;
- ! be located in a county with a population of 2.5 million or more (currently, only Harris County);
- ! be adjacent to major transportation thoroughfares that could be used to export products; and
- ! be designated as a development zone by an ordinance or order adopted by each creating body.

A municipality could not contain more than three such development zones in its territory, including its extraterritorial jurisdiction. A county could not

contain more than three such zones in its unincorporated areas. Creation of the economic development zone would not affect the number of enterprise zones that could be designated in a municipality or county.

An area would be considered an area of pervasive poverty, unemployment, or economic distress if:

- ! the average unemployment rate for the most recent year was at least 150 percent of the state average;
- ! the area was a low-income poverty area;
- ! the area was in a pocket of poverty according to the U.S. Department of Housing and Urban Development; or
- ! at least 70 percent of the residents or households had an income below 80 percent of the median income for the locality or state, whichever was less.

The governing body of a city or county, individually or in combination with other municipalities, could create the development zone within its jurisdiction. An order creating the development zone would have to include, among other requirements, a summary of incentives, including tax incentives, and programs for businesses in the area. The incentives or programs would have to include an incentive that did not apply to all businesses within the jurisdiction of the creating body, a program to improve the skills of the labor pool, and a program to address infrastructure, housing, or other quality-of-life elements.

A creating body could amend the boundary of the development zone up to once per year after a public hearing. The amended boundary could not exceed the original size requirement and could not exclude any area originally included within the boundary of the development zone.

The development zone would be governed by a nine-member board of directors appointed by the governing body of the municipality that contained the greatest part of the zone's territory, any other municipalities included in the development zone, and the county commissioners court. The board would have to establish a development zone office in the county and hold regular meetings. Special meetings could be called at other times as the business of the development zone required.

The development zone could:

- ! acquire and dispose of projects;
- ! contract with professional services or provide for general promotion of the zone and vicinity to attract visitors; and
- ! enter into a memorandum of understanding with any state agency or higher education institution to increase economic development of the zone.

To carry out its duties, the economic development zone would have the powers of a municipal management district and a county commissioners court.

The economic development zone board would have to evaluate alternatives to imposing a tax to fund the development zone, including:

- ! regional grants from federal and state agencies;
- ! local money from a creating body;
- ! money from charities;
- ! a sales tax;
- ! use or impact fees on affected businesses;
- ! incentives for businesses that could benefit from the development zone;
- ! money provided by local government entities; and
- ! in-kind contributions.

Creation of a development zone and the authority granted under HB 1053 would not limit the authority of any federal or state enterprise zone, municipal management district, or any other special district. If HB 1053 conflicted with the laws of any other district or zone, the laws of the district or zone would take precedence.

The economic development zone board would have to monitor any person that received benefits granted under the development zone's authority, and the Texas Workforce Commission would have to provide the person's tax records on the board's request.

The board could designate and would have authority over a neighborhood redevelopment zone if the area was adjacent to the development zone and was eligible for inclusion under the requirements for amending a boundary.

The development zone could sue and be sued through its board of directors. The zone's money could be disbursed only by an instrument, including a check, draft, or order, signed by at least three members of the board. The board could pass a resolution authorizing a general manager, treasurer, or other employee to sign a financial instrument on behalf of the board. The development zone would have to follow competitive bidding and disadvantaged business practices as if it were a municipal management district.

A creating body could dissolve the economic development zone after a hearing if:

- ! the area no longer met the original criteria for designation as a development zone;
- ! it was in the best interests of the creating body and property interests in development zone; and
- ! each creating body agreed by ordinance on the dissolution of the zone, the disposition of assets, and the assumption of liabilities by the creating bodies.

The dissolution of the development zone would not affect the validity of tax incentives, regulatory relief, or bonds issued under the development zone's authority. The board of a development zone could petition a creating body to dissolve a development zone if a majority of the board found, before issuing bonds or lending credit, that continuation of the development zone was impracticable or that all bonds had been paid and the purposes of the development zone had been accomplished. Upon dissolution of the zone, any taxes levied on behalf of the zone would be abolished.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

SUPPORTERS
SAY:

HB 1053 would allow creation of a commercial and industrial development zone in Harris County. The zone would link major transportation nodes, such as the Port of Houston and Bush Intercontinental and Houston Hobby airports, in an international trade corridor. It also would promote education and workforce development, infrastructure development, and improve quality of life in an area in which 50 percent of the residents do not have a high

school diploma and 71 percent have low to moderate income levels, and which suffers from a 17 percent unemployment rate. The development zone could foster development of tertiary industries — support industries that spring up on the periphery of significant industrial development — through neighborhood redevelopment zones.

The development zone would complement, rather than duplicate, other zones and districts. The development zone would be a more comprehensive approach to developing large-scale cluster development of international, commercial, and industrial businesses. Other zones and districts do not share this focus and are less comprehensive in nature.

**OPPONENTS
SAY:**

HB 1053 is unnecessary. Current law already allows designation of areas for economic development, such as enterprise zones and municipal management districts. Creating a new commercial and industrial development zone would duplicate opportunities already available under current law. Rather than creating a new development zone or district for every purpose, the authority of the zones already authorized should be enlarged.

NOTES:

The companion bill, SB 468 by Gallegos, has been referred to the Senate Business and Commerce Committee.