

SUBJECT: Property appraisals for property purchased with bond proceeds

COMMITTEE: Urban Affairs — favorable, without amendment

VOTE: 7 ayes — Dutton, Alvarado, Callegari, Mallory Caraway, Parker, Paxton, Simpson
0 nays
2 absent — Gutierrez, P. King

WITNESSES: None

BACKGROUND: Under Government Code, ch. 505, a municipality may authorize a Type B corporation to carry out public-purpose projects, usually taking the form of an economic development corporation.

Government Code, ch. 1331, and Local Government Code, ch. 505, authorize a municipality and a Type B corporation to issue bonds and use the proceeds to purchase property.

A municipality or Type B corporation is not required to obtain an independent appraisal to determine the property's market value before purchasing property with bond proceeds.

DIGEST: HB 782 would prohibit a municipality or Type B corporation from using bond proceeds to purchase property until an independent appraisal of the property's market value was performed.

The bill would take effect September 1, 2011, and apply to bonds issued on or after the effective date.

SUPPORTERS SAY: HB 782 would ensure that a municipality or Type B corporation was paying the market value for a property and no more. This would ensure that municipalities and economic development corporations were held accountable when spending public funds.

Although some cities in Texas are seeking appraisals before property acquisitions, many economic development corporations are not. HB 782 would ensure a uniform practice for all municipalities and Type B corporations.

**OPPONENTS
SAY:**

HB 782 would remove flexibility from municipalities to make the best decision for their communities. Municipalities and Type B corporations already are seeking appraisals before acquiring property when necessary. However, small acquisitions of property such as easements and rights of way often do not need an appraisal, and HB 782 would take away the flexibility to decide this. Requiring appraisals in all property acquisitions would be inefficient and could cost taxpayers more money.

It is not efficient to require an appraisal before a municipality issues bonds. If the bond measure is not approved, the municipality has wasted money on the appraisal.

NOTES:

A floor amendment is expected to address the issue raised regarding the potentially wasted cost of the appraisal if the bonds were not approved.