

BILL ANALYSIS

Senate Research Center

C.S.H.B. 2684
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Intergovernmental Relations
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Committee Report (Substituted)

DIGEST

Currently, local governmental entities may create tax reinvestment zones. The zones are special districts used to revitalize an area. A tax increment generated by economic development finances debt service on bonds used to revitalize the zone. A board of directors oversees a reinvestment zone. C.S.H.B. 2684 would authorize the board of directors to authorize its municipality to exercise the powers of the municipality over the zone, and would specify additional powers and duties of a local government corporation acting on behalf of a local government.

PURPOSE

As proposed, C.S.H.B. 2684 amends regulations regarding reinvestment zones and tax increment financing under the Tax Increment Financing Act, tax abatement agreements within those zones, and the administration of certain local government corporations.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 311.009, Tax Code, by adding Subsection (g), to provide that a member of the board of directors of a reinvestment zone (board) is not a public official by virtue of that position, and unless otherwise ineligible, is authorized to be appointed to serve concurrently on the board of directors of a local government corporation created under Chapter 431D, Transportation Code. Makes conforming changes.

SECTION 2. Amends Section 311.010, Tax Code, by amending Subsections (a) and (d) and adding Subsections (d)-(f), to authorize the governing body of the municipality by ordinance or resolution to authorize, rather than to delegate, the board to exercise any of the municipality's powers with respect to the administration, management, or operation of the zone or implementation of the zone, except that the governing body may not authorize the board to undertake certain activities regarding bonds, taxes, eminent domain, project approval. Authorizes the board and the governing body to each enter into agreements as the board or the governing body considers necessary regarding the zone. Authorizes an agreement to maintain in a certain manner revenue in the tax increment fund to pay any project costs that benefit the zone. Requires project costs associated with public works or public improvements that are located outside a reinvestment zone to be approved by each taxing unit that deposits or agrees to deposit any part of its tax increment into the tax increment fund for the zone if any portion of the unit's tax increment will be used to pay for the public works or improvements that are located outside the zone. Specifies what power the board may exercise that is also granted to a municipality. Authorizes the board to exercise any power granted to a board, after the governing body of a municipality by ordinance creates a reinvestment zone. Authorizes the board and the governing body of the municipality to enter into a contract with a local government corporation to manage the reinvestment zone or implement the project plan and reinvestment zone financing plan for the term of the agreement. Defines "local government corporation."

SECTION 3. Amends Section 311.011(f), Tax Code, to require a project plan to provide at least one-third of the tax increment of the zone used to provide affordable housing during the term of the zone. Deletes provisions regarding the area applicable to the tax increment.

SECTION 4. Amends Section 311.012, Tax Code, by amending Subsection (a) and (b), to provide that

the amount of a taxing unit's tax increment is the property taxes levied and collected by the taxing unit. Provides that the captured appraised value of real property taxable by the unit is the total appraised value of all real property taxable by the unit and located in a reinvestment zone.

SECTION 5. Amends Chapter 311, Tax Code, by adding Section 311.0125, as follows:

Sec. 311.0125. TAX ABATEMENT AGREEMENTS. Authorizes a taxing unit other than a school district to enter into a tax abatement agreement with an owner of real or personal property in a reinvestment zone, regardless of whether the taxing unit deposits or agrees to deposit any portion of its tax increment into the tax increment fund. Requires the agreement to abate taxes on real property to be approved by the board and certain governing bodies of each taxing unit. Authorizes the board to covenant that the board will not approve a tax abatement agreement that applies to real property in that zone, in any contract entered into by the board in connection with bonds or other obligations. Provides that taxes that are abated under an agreement are not considered taxes to be imposed or produced by the taxing unit in calculating certain tax increments or taxing deposits.

SECTION 6. Amends Section 311.013, Tax Code, by amending Subsections (b), (f), (g), (h), and (i), to subject a taxing authority's tax exemptions offered to a reinvestment zone to the provisions of Section 311.125. Provides that a taxing unit is not required to pay into a tax increment fund the applicable portion of a tax increment attributable to delinquent taxes until those taxes are collected. Provides that Section 26.05(f), Tax Code, does not prohibit a taxing unit from depositing all of the tax increment produced by the taxing unit in a reinvestment zone into the tax increment fund for that zone. Strikes language regarding an authorization for certain governing bodies of a taxing unit to determine a portion of the tax increment and to decide to retain the increment. Makes conforming changes.

SECTION 7. Amends Section 431.101, Transportation Code, to authorize a local government corporation to be created to aid and act on behalf of one or more local governments to accomplish any governmental purpose of those local governments. Requires the articles of incorporation and the bylaws of a local government corporation to be approved by ordinance, resolution, or order adopted by the governing body of each local government for which the corporation is created to aid and act on behalf of. Provides that the provisions of Article 1396-1.01 et seq., V.T.C.S. (Texas Non-Profit Corporation Act) relating to powers, standards of conduct, and interest in contracts, apply to the directors and officers of the local government corporation. Provides that a provision of this chapter relating to the creation, dissolution, administration, or supervision of a corporation by the commission does not apply to a local government corporation. Provides that the provisions of Section 394.904(a), Local Government Code (Exemption from Requirements and Restrictions Applying to Public Property), are applicable to property and improvements owned by a local government corporation and that Section 394.904(b) of that code applies to each contract awarded by the local government corporation. Provides that a member of the board of directors of a local corporation is not a public official and may not be appointed to serve concurrently on the board of directors of a reinvestment zone created under Chapter 311, Tax Code.

SECTION 8. Amends Chapter 311, Tax Code, by adding Section 311.018, as follows:

Sec. 311.018. CONFLICTS WITH MUNICIPAL CHARTER. Provides that this chapter controls to the extent of a conflict between this chapter and a municipal charter.

SECTION 9. Repealer: Section 311.003(h), Tax Code (authorizes the board to exercise any of the municipality's power regarding administration, management, and operation of the zone or the implementation of the project plan and reinvestment zone financing plan, with certain exceptions).

SECTION 10. Reenacts and amends Section 403.302(d), Government Code, to redefine "taxable value."

SECTION 11. Amends Sections 403.302(e)-(g), Government Code, to provide that Subsection (d)(3) applies only to the captured appraised value of real property located in the zone before September 1, 1999, or an improvement to real property described by Subdivision (1), regardless of the improvement date. Makes conforming changes.

SECTION 12. Amends Section 403.303(a), Government Code, to make conforming changes.

SECTION 13. Amends Section 431.102, Transportation Code, by adding Subsection (c), to prohibit the requirement in Section 394.021(a), Local Government Code, that requires all directors to be local residents, from being applicable to directors of a local government corporation except that a person may not be appointed to the board of a local government corporation if the appointment of that person would result in less than a majority of the board members being residents of the local government.

SECTION 14. Amends Section 311.004(a), Tax Code, to require that certain zone ordinances take effect immediately upon passage of the ordinance, rather than on January 1 of the year following the year in which the ordinance is adopted.

SECTION 15. Provides that nothing in this Act is intended to prohibit a member of a governing body of a taxing unit that levies taxes on real property in the reinvestment zone from serving as a member of the board under Chapter 311, Tax Code (Texas Tax Increment Financing Act). Requires the provisions of 311.013(f), Tax Code as they existed before the application of this Act to continue to be applicable to reinvestment zones created before the application date of this Act.

SECTION 16. Emergency clause.
Effective date: upon passage.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Amends Section 311.002(1), Tax Code, to delete proposed redefinition for “project costs.”

Redesignates SECTIONS 2-4 as SECTIONS 1-3.

SECTION 2.

Amends Section 311.010(b), Tax Code, to strike language authorizing certain projects of a reinvestment zone regardless of whether the public works or public improvements are inside or outside the zone.

SECTION 4.

Amends Sections 311.012(a) and (b) Tax Code, to amend the taxing unit’s tax increment and the amount of taxable capture appraised value of real property.

SECTION 6.

Amends Section 311.013, Tax Code, by amending Subsections (b), (f), (g), (h), and (i), to make changes regarding the taxing and exemption authority of a taxing unit of a governmental body; to strike language regarding an authorization for certain governing bodies of a taxing unit to determine a portion of the tax increment and to decide to retain the increment; to delete proposed Subsection (j); to provide that Section 26.05(f) does not prohibit certain tax increments into the tax increment fund; and to make conforming changes.

SECTION 15.

Requires the provisions of Section 311.013(f), Tax Code, to continue to apply to reinvestment zones created before the application of this Act.