

SUBJECT: Creating neighborhood empowerment zones

COMMITTEE: Urban Affairs — committee substitute recommended

VOTE: 8 ayes — Hill, Bailey, Burnam, Clark, Ehrhardt, Hodge, Shields, Wohlgemuth

0 nays

1 absent — Garcia

WITNESSES: For — Chris Luna, City of Dallas; David Mintz, Texas Apartment Association; Jim Pate, Dallas Area Habitat for Humanity; Sophia Guerra, Center for Housing Resources; Monique S. Allen, James B. Brown

Against — None

BACKGROUND : The Tax Code allows municipalities to abate certain taxes for businesses locating in reinvestment zones. To be designated a reinvestment zone, an area must substantially arrest or impair the sound growth of the municipality as evidenced by such factors as substandard housing, defective and inadequate sidewalks and streets, tax deficiencies, unsafe or unsanitary conditions, and other hazardous conditions.

DIGEST: CSHB 1117 would authorize municipalities to create neighborhood empowerment zones on a determination that a zone would promote affordable housing or increase economic development or the quality of social services, education or public safety provided to residents of the zone. To create a zone, the municipalities would have to adopt a resolution indicating such determination, describing the boundaries of the zone, and specifying that it would satisfy Tax Code criteria for municipal reinvestment zones.

A municipality could create more than one zone and include an area in more than one zone.

The municipality could waive or adopt special building inspection or impact fees, agree to refund or rebate municipal taxes from sales in the area, and abate property taxes for up to 10 years.

CSHB 1117 would take immediate effect if finally approved by a two-thirds record vote of the membership of each house.

SUPPORTERS
SAY:

CSHB 1117 would help cities revitalize their neighborhoods and provide desperately needed affordable housing for their residents. Enterprise zone programs currently operating do not provide effective incentives for the development of affordable housing. In contrast, neighborhood empowerment zones would take a more comprehensive approach by attracting businesses and affordable housing developers, both non-profit and for-profit, into neighborhoods where they are needed.

Creating a program of neighborhood empowerment zones would set in motion a cycle of social and economic renewal — attracting developers to produce affordable housing would attract new homeowners who would attract businesses that would employ area residents that would increase the number of residents who can become homeowners, and so on. This would have many benefits. People with the pride of home ownership are motivated to take care of their homes and neighborhoods. Vacant lots and abandoned properties would be developed and eventually returned to the tax rolls. Crime rates usually decrease in revitalized areas.

Construction fee waivers and sales and property tax abatements and refunds are necessary to set these processes in motion. For example, paying municipal construction fees is very expensive for a non-profit organization such as Habitat for Humanity. Every dollar saved in fees is another dollar available to build additional affordable homes. The bill would prevent abuse of tax abatements and refunds and eventually restore the income they produce to the city by limiting their duration. Meanwhile, the city would receive major benefits from revitalized neighborhoods that far outweigh the income they would have received from waived fees and abated taxes. In addition, cities in other states have received substantial federal grants as a result of their neighborhood empowerment zone programs.

OPPONENTS
SAY:

HB 1117 would set up another program on top of the existing enterprise zones where municipalities could waive fees and abate or refund sales and property taxes for certain individuals or businesses. This program would be unfair in its application and remove income from the municipality that could be used for city-wide services or projects.

The Legislature is now trying to develop a comprehensive tax plan for distributing the tax burden equitably among all sectors of society. This is an inappropriate time to suggest yet another tax abatement program, however well intentioned.

NOTES:

The committee substitute added the requirements that a resolution creating a zone include a finding that it would satisfy requirements for reinvestment zones; that sales tax refund agreements be limited to 10 years and apply only to sales made in the zone; and that property tax abatements be subject to duration limits and apply only to property in the zone.

The companion bill, SB 1723 by West, has been referred to the Senate Economic Development Committee.