

SUBJECT: Using TIF revenues for housing programs

COMMITTEE: Economic Development — committee substitute recommended

VOTE: 6 ayes — Oliveira, Yarbrough, Keffer, Seaman, Siebert, Van de Putte
1 nay — Luna
2 absent — Greenberg, Raymond

WITNESSES: For — None
Against — None
On — Dan Wattles, Texas Department of Commerce

BACKGROUND
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Texas law offers municipalities and counties a variety of options to undertake certain projects to promote economic development in economically disadvantaged areas. One option is the enterprise zone. Municipalities can designate enterprise zones based upon unemployment levels and lack of private investment in an area. Businesses are offered tax refunds and abatements as incentives to remain or locate within the designated enterprise zone.

An enterprise zone is automatically a reinvestment zone and a tax increment financing (TIF) zone. TIFs channel to neighborhood economic development projects the property tax revenue increases stemming from their inclusion in the enterprise zone. The extra revenues — the “tax increments” — are deposited into a tax increment fund, which is then used to service bond debt on economic development projects in the enterprise zone. A city or county may nominate a blighted area as a reinvestment zone and use tax increment financing and tax abatements to attract private investment to the area.

The board of directors of a reinvestment zone must consist of between five and 15 members. If the zone was designated by a petition of property owners, the board consists of nine members, including the state senator or representative whose district is located in the zone.

Municipalities also can designate public improvement districts (PIDs) to undertake certain local projects. Public improvement projects can include the construction or improvement of parks, libraries and sidewalks and the acquisition and installation of art. Municipalities can issue bonds to pay for projects; at least 10 percent of the cost of an improvement must be paid by special assessments against property located in the PID. Owners of taxable real property representing more than 50 percent of the appraised value of the property liable for assessment may petition a municipality for the establishment of a PID.

DIGEST:

CSHB 3083 would allow a municipality with a population of 100,000 or more to create a public improvement district (PID) to include all or part of a reinvestment zone that is located in an enterprise zone. Land annexed to the reinvestment zone would automatically be annexed to the PID.

CSHB 3083 would also allow a municipality to contract with consultants and developers to implement redevelopment plans. Municipalities could use tax increment revenue to pay consultants and developers, build fences and sidewalks, clean up contaminated land or buildings, and acquire or install works of art, security devices or trees in the reinvestment zone. Members of a reinvestment zone board could use revenue in the tax increment fund to pay the costs of low-income or moderate-income housing.

The bill also would allow Houston to use TIF revenue to build moderate-income housing or to stimulate economic development of certain business activities. The board of directors of a reinvestment zone in Houston would be required to specify in reinvestment plans the manner in which low-income or moderate-income housing would be provided and how business activities would be assisted. The board also would have to designate the method and frequency by which the tax increment would be allocated.

CSHB 3083 would increase the number of members on a reinvestment zone board to 17 and require membership by the state senator or representative in whose district the zone was located. This provision would apply to all reinvestment zones, regardless of their date of creation.

The bill would take effect September 1, 1997.

- SUPPORTERS SAY:** CSHB 3083 would allow communities to use tax increment revenue to provide low and moderate income housing. Texas communities already are facing a severe shortage of affordable housing; with federal dollars for affordable housing likely to be cut this year, the onus of providing affordable housing will fall increasingly on state and local governments.
- TIFs are important economic development tools that can jumpstart a local economy by attracting businesses and creating jobs in a decaying area. CSHB 3083 would require the appropriate state representative or senator to sit on the board of a reinvestment zone to ensure these state officials can effectively represent their constituents in the region's development efforts. This provision would also be consistent with representation required for zones created through a petition of business owners.
- OPPONENTS SAY:** The boards of reinvestment zones could become politicized because of the new mandate to appoint the appropriate state representative or senator to the board. The bill should be amended to make this provision permissive.
- NOTES:** The committee substitute allowed municipalities to create a PID and contract with consultants; increased reinvestment zone board membership; required board membership of the state senator or representatives; and allowed Houston to use TIF revenue for affordable housing.