

**SUBJECT:** Authorizing counties to sell real property for economic development

**COMMITTEE:** Economic Development — favorable, with amendment

**VOTE:** 5 ayes — Jim Solis, Deshotel, Keffer, Luna, Seaman

0 nays

4 absent — Van de Putte, Homer, McClendon, Yarbrough

**WITNESSES:** For — Kathy Garcia and Chris Shields, Texas Economic Development Council

Against — None

**BACKGROUND:** In November 1987, Texas voters approved a constitutional amendment providing that public expenditures for economic development serve a public purpose and therefore are permitted under Texas law.

Under Local Government Code, sec. 381.004(c)(3), a commissioners court may use county employees or funds for a program designed to stimulate economic development. The statute does not specifically allow a county to use its real property as an incentive to attract businesses. Art. 725d, VTCS, allows counties to lease real property for economic development purposes but does not address the purchase of property.

**DIGEST:** HB 2388, as amended, would authorize a commissioners court to sell or lease real property of the county for use in an economic development project if the county acquired the property on or before September 1, 1999. Commissioners could negotiate directly with a business participating in the program.

The commissioners court could sell real property for less than its appraised fair-market value only as part of a transaction that allowed the county to recover benefits of or the value of the benefits of the property's use if the business that purchased the property failed to comply with program standards.

The sale or lease of property for this purpose would be exempt from Local Government Code, secs. 263.001, 263.007, and 272.001(a), which require

that a county's real property be sold pursuant to an auction or sealed bid procedure.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. It would apply only to a sale or lease agreement entered into on or after the effective date.

**SUPPORTERS  
SAY:**

HB 2388 would make it clear that counties can use their real property as an incentive to attract businesses. The lack of specific authority for counties to do this has caused some to lose out on promising business deals that would have meant significant job creation in those counties. Real property may be the only incentive that some counties can provide to compete for business relocation or retention.

County officials would not abuse this authority because they answer to voters. Also, the Texas Constitution's requirement that a county provide assurances that public benefits are obtained from the use of public resources would apply to any incentive programs involving real property.

**OPPONENTS  
SAY:**

No apparent opposition.

**NOTES:**

The committee amendment added the phrase limiting the real property that a county could sell or lease for this purpose to property acquired on or before September 1, 1999.