

SUBJECT: Eligibility of reinvestment zone property owner for city or county office

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — Oliveira, McCall, Hartnett, Bonnen, Y. Davis, Heflin, Keffer,  
Ramsay, Ritter

0 nays

2 absent — Craddick, Hilbert

WITNESSES: None

BACKGROUND: In 1987, the 70th Legislature enacted the Tax Code Increment Financing Act (Tax Code, ch. 311) and the Property Redevelopment and Tax Abatement Act (Tax Code, ch. 312). Sec. 311.003 authorizes the governing body of a municipality to designate a reinvestment zone in a contiguous geographic area where development or redevelopment would not occur solely through private investment in the foreseeable future. Under sec. 311.0125, the municipality may agree to a tax abatement for a reinvestment zone, which exempts a portion of the valuation of the property from taxation. Under a tax increment financing district, the difference between the original taxable value of the property and the increase due to improvements made by the private developer — or the increment — can be reserved to repay bonds issued for public improvements in the tax increment financing district.

Tax Code, sec. 312.204(d) excludes from a property tax abatement any property in a reinvestment zone that is held by a member of the municipality's governing body, its zoning or planning board or commission, or the tax increment financing district. Tax Code, sec. 312.402(d) excludes property owned or leased by a county commissioner from a county tax abatement agreement.

Local Government Code, sec. 171 defines conflicts of interest in government service.

**DIGEST:** HB 1194 would amend Tax Code, sec. 312.204(d) to allow a reinvestment zone property owner to become a member of the city's governing board or planning and zoning commission without losing an existing tax abatement or eligibility to participate in the tax increment finance district.

HB 1194 also would amend Tax Code, sec. 312.402 to allow a property owner in a county reinvestment zone to serve as a county commissioner and not lose eligibility for the existing tax abatement.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

**SUPPORTERS SAY:** Citizens must make sacrifices to serve in city and county offices, and it would be unfair for them to forfeit additional valuable property rights to serve in public office. Under HB 1194, the decision whether to grant a tax abatement or create a tax increment district already would have been made before the affected property owner became a candidate for the city council or county commissioners court or a prospective member of the planning and zoning commission.

Making property owners in tax increment districts ineligible to receive a tax abatement upon election could limit the pool of interested and qualified citizens who serve on city councils, commissioners courts, and planning and zoning commissions. Tax increment districts and other special districts that promote redevelopment of blighted and undeveloped areas have become prevalent throughout larger cities in Texas. Property owners in these districts have expertise and experience which could guide municipal and county policies on redeveloping other neglected areas of the community. They also would bring new perspectives to future decisions on tax abatement and tax increment districts.

As public officials, city council members and county commissioners should be able to put aside their own private interest for the betterment of their communities and constituents. This charge can be difficult, particularly for part-time office holders who support themselves and their families, but public officials voluntarily accept the responsibility to act ethically while representing their community, and the majority of them do.

Local Government Code, sec. 171 already adequately defines conflicts of interest and helps protect the public. Strict standards exist for recusal of city council or planning and zoning commission members or county commissioners from making decisions in areas where they have a financial interest.

Voters would be aware of any potential conflict and would have the right to exercise independent judgment on a candidate's qualifications for public office. Citizens should evaluate the character and ethics of all local candidates before deciding how to vote. The ballot box remains the best remedy for weeding out less than ethical elected officials.

OPPONENTS  
SAY:

HB 1194 could open the door to questionable or unethical activity where an interested party could decide on policy regarding property taxes and other financial decisions. Tax abatement and other redevelopment policies are controversial enough without introducing potential individual conflicts of interest. A property owner receiving a tax abatement or tax increment financing benefits may be too biased to favor — or disallow — other tax breaks for new redevelopment projects.

Public confidence in government could be further undermined by the adoption of HB 1194. A change in state law would not change citizens' perception that a potential conflict of interest existed if reinvestment zone owners were elected or appointed to city or county offices.