

- SUBJECT:** Condemnation of vacant buildings inside a reinvestment zone.
- COMMITTEE:** Economic Development — committee substitute recommended
- VOTE:** 5 ayes — Cook, Kolkhorst, Anchia, Deshotel, McCall
0 nays
2 absent — Ritter, Seaman
- WITNESSES:** For — Larry Castro, City of Dallas ; (*Registered, but did not testify:*
Brandon Aghamalin, City of Fort Worth; Maureen Crocker, City of
Houston, Office of the Mayor; Shanna Igo, Texas Municipal League; Tom
Utter, City of Corpus Christi)

Against — None
- BACKGROUND:** Under the Tax Increment Financing Act, Tax Code, ch. 311, a city may create a tax increment reinvestment zone for a specified period to upgrade an area and increase its taxable value. Taxes paid by landowners and/or developers on improvements they make to property in the zone go into a tax increment fund, which pays for new or upgraded infrastructure and other public improvements in the zone. The additional tax revenue generated by the property after it is improved represents the increment. The additional taxable value of the property derived from the improvements is called "captured appraised value."
- The Tax Increment Financing Act authorizes the designation of areas that impair economic development in a city as a result of:
- many dilapidated buildings ;
 - defective or inadequate sidewalks or streets;
 - inadequate layout in relation to size, adequacy, accessibility or usefulness;
 - sanitary or unsafe conditions ;
 - deterioration;
 - severe tax delinquency;

- a defective title; or
- dangerous conditions like the possibility of a fire.

DIGEST:

HB 1188 would allow cities to designate areas with vacant buildings as tax increment zones. Municipalities could exercise rights of eminent domain for the purpose of condemning property occupied by vacant buildings.

The bill defines vacant buildings as those with less than 10 percent of the building's square footage in use for the past five years. HB 1188 would apply only in cities with populations of more than 100,000 and not to buildings that were single-family residential structures.

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, 2005.

**SUPPORTERS
SAY:**

HB 1188 would help relieve the "doughnut hole" trend occurring in major cities around the nation as suburbanization impedes development in downtown areas. Dallas is one example of a city being affected by this trend that sends economic development outside the city's center. Economic vitality in a downtown area has proven to be vital to the overall economic condition of a city.

The presence of vacant buildings significantly harms economic development in a particular region. Vacant buildings deter investment and negatively affect neighboring businesses. For example, a major department store in downtown Dallas has expressed dissatisfaction with being located adjacent to a large vacant building. Property owners often need a certain density of redevelopment in the area to make a successful investment decision. HB 1188 would promote the economic success of existing businesses in tax increment reinvestment zones by providing a mechanism to rid areas of unattractive vacant buildings.

HB 1188 would not grant cities broad powers of eminent domain. Cities could exercise eminent domain only in cases involving long-term vacant buildings. Most opposition to eminent domain occurs when governments have broad eminent domain powers, such as the ability to seize entire neighborhoods in order to build a highway. HB 1188 would not result in the displacement of large numbers of residents – in fact, cities have planned to redevelop many inner city vacant buildings into residential

structures. Residents in tax increment financing zones actually would benefit from HB 1188 because it would spur economic growth in the area.

OPPONENTS
SAY:

HB 1188 would infringe upon the rights of an individual to own property and keep it vacant. Property should not be seized simply because it may not currently be used for purposes suitable to the government. The desires of neighboring property owners should not supersede the property rights of owners just because the neighbors happen to be large businesses.

OTHER
OPPONENTS
SAY:

Municipalities need much broader eminent domain authority to promote economic development in tax increment zones. The limited ability to condemn vacant buildings likely would not result in significant improvements in a tax increment zone. Cities around the nation, such as Boston, that have more widespread condemnation powers have been successful in promoting economic growth in inner-city areas. HB 1188 should include much stronger condemnation authority for cities in order to achieve the goal of economic growth in urban areas.

NOTES:

The committee substitute differs from the original bill by specifying that only buildings other than single-family residences and buildings that have been mostly vacant for more than five years would qualify as part of an tax increment reinvestment zone.