

- SUBJECT:** Use of tax increment fund revenue to purchase open space
- COMMITTEE:** Transportation — favorable, without amendment
- VOTE:** 7 ayes — Krusee, Phillips, Callegari, Casteel, Deshotel, Hamric, West
0 nays
2 absent — Flores, Hill
- WITNESSES:** 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 are deposited into a tax increment fund, which pays for the costs of 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.”
- DIGEST:** HB 2653 would allow the board of directors of a reinvestment zone or a municipal government to spend a portion of its tax increment fund revenue on the acquisition of property outside the reinvestment zone for the purpose of reserving land as open space. It would apply to tax increment reinvestment zones containing mass transit projects — specifically, bus rapid transit projects or rail transportation projects.
- The bill would permit such an acquisition if:
- the land was located in the same county as the zone and would be preserved in its natural condition;
 - the acquisition of such land would benefit the zone by compensating for dense development surrounding mass transit projects inside the zone; and

- the municipality that created the zone and the county that contained the zone each contributed the same portion of its tax increment to the tax increment fund.

HB 2653 would not affect the powers granted to boards of directors or local governments under current law to use revenue to purchase property or make improvements inside reinvestment zones.

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 2653 would help compensate for rapid development within tax increment reinvestment zones by providing open space elsewhere in the same county. Economic development in such zones is beneficial to both the zone itself and the larger area in which the zone is located. However, it is important to counteract dense development with open space for residents to enjoy. HB 2653 would allow for the simultaneous preservation of land in its natural state and economic growth in underdeveloped urban areas.

Given the pace of development in many urban areas throughout the state, the trend toward urban sprawl should be able to be offset where appropriate by the preservation of land for open space. Open space not only provides a natural retreat for urban residents, but it also preserves the beauty, character, and diversity of the natural environment.

The bill is entirely permissive and would not mandate that a municipality or board of directors of a reinvestment zone use funds in a tax increment fund account to acquire open space. Cities that preferred to reserve all funds in their TIF account specifically for development purposes within the reinvestment zone still would be able to do so under HB 2653.

**OPPONENTS
SAY:**

Tax increment funds are needed for their intended purpose — to finance necessary structural improvements and infrastructure enhancements in areas that need redevelopment. Directing these funds to sources outside the reinvestment zone could mean less funding for improvement within

the reinvestment zone. These zones could lose some of their appeal to investors if a portion of tax increment revenue was diverted elsewhere.