

## **BILL ANALYSIS**

Senate Research Center

H.B. 1053  
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Engrossed

### **DIGEST AND PURPOSE**

There are several transportation nodes in Texas that are areas of poverty and economic distress, yet may have economic potential. Incentives that address economic development, education, and quality of life may entice people to take advantage of proximity to major transportation nodes. These incentives may lead to a greater reinvestment in these areas of the community while at the same time potentially produce a stronger, more diversified market for international, commercial, and industrial trade. To achieve these goals, H.B. 1053 authorizes a municipality or county to create a commercial and industrial redevelopment zone (zone) with its own nongovernmental board to administer its activities, which include recruiting businesses to the zone, infrastructure improvements, and seeking funds to fulfill economic development, workforce, and quality of life goals.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Title 12B, Local Government Code, by adding Chapter 386 as follows:

#### CHAPTER 386. COMMERCIAL AND INDUSTRIAL DEVELOPMENT ZONES

##### SUBCHAPTER A. GENERAL PROVISIONS

Sec. 386.001. DEFINITIONS. Defines “board” and “development zone.”

Sec. 386.002. JURISDICTION OF MUNICIPALITY. Provides that, for the purposes of this chapter, territory in the extraterritorial jurisdiction of a municipality is considered to be in the jurisdiction of the municipality.

Reserves Sections 386.003-386.030 for expansion.

##### SUBCHAPTER B. CREATION OF COMMERCIAL AND INDUSTRIAL DEVELOPMENT ZONE

Sec. 386.031. CRITERIA FOR DEVELOPMENT ZONE CREATION. (a) Requires an area, to be created as a development zone, to meet certain requirements.

(b) Authorizes a municipality to contain not more than three development zones within its jurisdiction.

(c) Authorizes a county to contain not more than three development zones in its unincorporated areas.

(d) Provides that the creation of a development zone in a municipality or county does not affect the number of enterprise zones that may be designated in the municipality or county under Chapter 2303, Government Code.

Sec. 386.032. AREA OF PERVASIVE POVERTY, UNEMPLOYMENT, OR ECONOMIC DISTRESS. Provides that an area is an area of pervasive poverty, unemployment, or economic distress for the purposes of Section 386.031 if certain requirements are met.

Sec. 386.033. CREATION OF DEVELOPMENT ZONE. (a) Provides that a development zone is created to promote and encourage certain factors.

(b) Authorizes the governing body of a municipality or county, individually or in combination with other municipalities, by ordinance or order to create as a development zone an area within its jurisdiction that meets the criteria under Section 386.031.

(c) Requires that each creating body hold a public hearing before adopting an ordinance or order under this section.

(d) Prohibits the governing body of a county from designating territory in the jurisdiction of a municipality as part of a proposed development zone unless the governing body of the municipality also designates the territory.

(e) Provides that a development zone created under this section is a political subdivision of the state and a special district.

Sec. 386.034. DESIGNATING ORDINANCE OR ORDER. (a) Requires an ordinance or order designating an area as a development zone to meet certain requirements.

(b) Requires the incentives or programs summarized under Subsection (a)(3) to include certain requirements.

(c) Provides that this section does not prohibit a municipality or county from extending additional incentives, including tax incentives, to business enterprises in a development zone by a separate ordinance or order.

Sec. 386.035. TAX INCREMENT. (a) Authorizes a creating body to use tax increment financing to fund a development zone, as provided by Chapter 311, Tax Code, and as modified by this section.

(b) Authorizes the fund, on adoption of an order or ordinance by each creating body, to be used to pay salaries of employees of the board and administrative expenses of the development zone.

(c) Provides that for the purpose of tax increment financing under this section, the board is considered the board of directors of the reinvestment zone under Chapter 311, Tax Code. Provides that Section 311.009, Tax Code, does not apply to this chapter.

Sec. 386.036. AMENDING BOUNDARIES. (a) Authorizes a creating body by ordinance or order to amend the boundary of a development zone after a public hearing on the issue.

(b) Requires that the amended boundary to meet certain requirements.

(c) Requires the entire development zone with the amended boundary to continue to meet the unemployment or economic distress requirements of Section 386.031.

(d) Prohibits a creating body from making more than one boundary amendment for a development zone in a calendar year.

(e) Requires that if more than one body created the development zone, each body agree on the amendment by ordinance or order.

Reserves Sections 386.037-386.060 for expansion.

#### SUBCHAPTER C. BOARD OF DIRECTORS

Sec. 386.061. BOARD OF DIRECTORS. (a) Provides that a development zone is governed by a board of nine directors who serve two-year terms, appointed as follows:

(1) the governing body of the municipality, if any, that includes the greatest part of the zone's territory shall appoint four directors;

(2) other municipalities, if any, any part of which are included in the zone's territory, jointly shall appoint one director; and

(3) the commissioners court of the county in which the zone is located shall appoint nine directors, if the zone contains no municipality, or four directors, if the zone contains one or more municipalities, and if a development zone contains territory in only one municipality, the municipality and the county in which the zone is located jointly shall appoint one director.

(b) Authorizes the initial terms of directors to be staggered.

Sec. 386.062. QUALIFICATIONS OF DIRECTORS. Requires a person, to serve as a director, to be at least 21 years old and be registered to vote in the county in which the development zone is located.

Sec. 386.063. DISQUALIFICATION OF DIRECTORS. Provides that Section 49.052, Water Code, applies to directors of a development zone created under this chapter as if the zone were a district governed by that section.

Sec. 386.064. BOARD VACANCIES. Requires a vacancy in the office of director to be filled by appointment by the entity that appointed the vacating director.

Sec. 386.065. REMOVAL OF DIRECTOR. Authorizes a majority of the board to remove a director for misconduct or failure to carry out the director's duties.

Sec. 386.066. ORGANIZATION OF BOARD. (a) Requires the board, except as provided by Subsection (b), after each appointment and qualification of directors by the appointing entities, to organize by electing a president, a vice president, a secretary, and any other officers the board considers necessary.

(b) Requires that if a director is appointed under Section 386.061(a)(4), that director serve as board president.

Sec. 386.067. QUORUM; DIRECTOR'S DUTIES; MANAGEMENT OF ZONE. Provides that Sections 49.053, 49.057, and 49.058, Water Code, apply to the board of directors of a development zone created under this chapter as if the zone were a district governed by those sections.

Sec. 386.068. MEETINGS AND NOTICE. (a) Requires the board to designate and

establish a development zone office in the county.

(b) Authorizes the board to establish regular meetings to conduct development zone business and to hold special meetings at other times as the business of a zone requires.

(c) Requires notice of the time, place, and purpose of any meeting of the board to be given by posting a notice containing that information at a place convenient to the public within the development zone. Requires a copy of the notice to be furnished to the clerk or clerks of the county in which the zone is located, who shall post the notice on a bulletin board in the county courthouse used for that purpose.

Sec. 386.069. DIRECTOR'S COMPENSATION; BOND AND OATH OF OFFICE. Provides that Sections 375.067, 375.069, and 375.070 apply to directors of a development zone created under this chapter as if the zone were a municipal management district.

Reserves Sections 386.070-386.100 for expansion.

#### SUBCHAPTER D. POWERS AND DUTIES

Sec. 386.101. GENERAL POWERS. (a) Authorizes a development zone to acquire and dispose of projects and provides that it has the powers, authority, rights, and duties that are necessary to permit the accomplishment of purposes for which the zone was created.

(b) Authorizes a development zone to provide for general promotion of and tourist advertising regarding the zone and its vicinity and for a marketing program to attract visitors. Authorizes the zone to conduct those activities under contracts for professional services with persons or organizations the zone selects.

(c) Authorizes a development zone to enter into a memorandum of understanding with any state agency, including an institution of higher education, to further the economic development of the zone.

(d) Provides that to the extent not inconsistent with this chapter, a development zone has the powers of a municipal management district created under Chapter 375 and a county commissioners court under Section 381.004.

Sec. 386.102. DUTY TO EVALUATE AVAILABLE FINANCING OPTIONS. Requires the board to evaluate all options available to the development zone as alternatives to imposing a tax under Section 386.035, including certain items.

Sec. 386.103. LIMIT ON DEVELOPMENT ZONE POWERS; OTHER LAWS SUPERSEDE. (a) Defines "district or zone."

(b) Provides that this section applies only to a district or zone that contains territory included in the development zone's territory.

(c) Provides that the authority granted to a development zone under this chapter is not intended to duplicate the authority granted to a district or zone.

(d) Provides that this chapter does not limit the authority or jurisdiction of any district or zone.

(e) Requires that to the extent the laws of this chapter conflict with the laws of any other district or zone, the laws of the other district or zone control over this chapter.

Sec. 386.104. MONITORING. (a) Requires the board to monitor each person in a development zone that receives benefits available under this chapter.

(b) Requires that on the board's request, the Texas Workforce Commission or the comptroller's office provide to the board tax records of a person that receives benefits under this chapter.

Sec. 386.105. NEIGHBORHOOD REDEVELOPMENT ZONES. (a) Authorizes the board to designate an area as a neighborhood redevelopment zone if the area is adjacent to the development zone and eligible for inclusion in the development zone under Sections 386.036(b) and (c).

(b) Authorizes a development zone to exercise the powers available to it in an area designated by the board under Subsection (a).

Sec. 386.106. SUITS. Authorizes a development zone to, through its directors, sue and be sued in this state in the name of the development zone. Authorizes service of process in a suit to be had by serving a director.

Reserves Sections 386.107-386.200 for expansion.

#### SUBCHAPTER E. GENERAL FISCAL PROVISIONS

Sec. 386.201. EXPENDITURES. Authorizes a development zone's money to be disbursed only by check, draft, order, or other instrument signed by at least three directors. Authorizes the general manager, treasurer, or other employee of the development zone, if authorized by resolution of the board, to sign checks, drafts, orders, or other instruments on any development zone operation account on behalf of the board.

Sec. 386.202. COMPETITIVE BIDDING; CONTRACT AWARD. Provides that Chapter 375K, applies to a development zone created under this chapter as if the zone were a municipal management district.

Reserves Sections 386.203-386.300 for expansion.

#### SUBCHAPTER F. DISSOLUTION

Sec. 386.301. DISSOLUTION OF DEVELOPMENT ZONE BY CREATING BODY.

(a) Authorizes a creating body, after a hearing, to dissolve a development zone if certain requirements are met.

(b) Provides that the dissolution of a development zone does not affect the validity of a tax incentive or regulatory relief granted or accrued before the removal or bond issued under this chapter.

Sec. 386.302. DISSOLUTION BY BOARD REQUEST. Authorizes a board to petition a creating body to dissolve the development zone under Section 386.301 if a majority of the board finds at any time certain requirements.

Sec. 386.303. TAXES. Provides that on dissolution of a development zone, any taxes levied on behalf of the zone are abolished.

SECTION 2. Effective date: upon passage of September 1, 2001.