

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 3, 2005

TO: Honorable Robert Talton, Chair, House Committee on Urban Affairs

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB525 by Rodriguez (Relating to allowing the creation of homestead preservation districts to increase homeownership and provide affordable housing.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would add a new subchapter to Chapter 373 (Community Development in Municipalities) of the Local Government Code to allow the creation of Homestead Preservation Districts. The purpose of the districts would be to promote home ownership, to prevent the involuntary loss of homesteads, and to provide affordable housing in disadvantaged communities. A district would be a creation of the municipality; it would consist of an area where the median family income was less than 60 percent of the median family income of the entire municipality; and it would be adjacent to a central business district.

The Homestead Preservation District would have authority to hold, acquire, and transfer residential property to qualified persons and families, and it could establish and use tax increment funds to finance the district. The amount of a taxing unit's tax increment for a year would be the amount of property taxes on the appraised value of property in the district above the base appraised value for the year in which the district was created. Taxing units could choose to pay a portion of their tax increment to fund district activities. Real property owned by the district through the creation of a land trust would be exempt from state and local taxation.

The municipality that created a Homestead Preservation District would be required to submit a copy of the annual report regarding the tax increment fund to the attorney general and the comptroller.

The bill would take effect immediately if it receives the required two-thirds vote in each house; otherwise, it would take effect on September 1, 2005.

Local Government Impact

Passage of the bill, coupled with the creation of Homestead Preservation Districts and the attendant loss of taxable value, could result in an undetermined loss of revenue by taxing units with territory within a district. However, a sampling of municipalities indicated the fiscal impact would not be significant.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 332 Department of Housing and Community Affairs

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