

BILL ANALYSIS

C.S.H.B. 525
By: Rodriguez
Urban Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, the oldest urban neighborhoods in Texas are often adjacent to Central Business Districts and suffer a variety of negative consequences as a result. Among them is the economic burden of property tax assessments that are inflated by the speculative value of their strategic location. The consequences include: pressure on low-income families to sell at prices which reflect only the value of their land (without consideration of replacement cost), ever increasing rents due to commercial appraisals which are not eligible for the 10% cap on appraisals, high density commercial development that is inconsistent with neighborhood aesthetics, and no alternatives in new development for the provision of housing to low-income families.

The purpose of bill is to create a Homestead Preservation District in the City of Austin for the reclamation of neighborhoods adjacent its central business district. This legislation will provide three development/economic tools which may be utilized by the municipality in their effort to coordinate future development in concert with the needs of the existing population.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

Adds Chapter 373A to the Local Government Code for the establishment of Homestead Preservation Districts and Reinvestment Zones for the purposes of increasing home ownership, providing affordable housing, and preventing the loss of homesteads in disadvantaged neighborhoods. The bill applies only to a municipality with a population of more than 650,000 that is located in a uniform state service region with fewer than 550,000 occupied housing units.

The governing body, by ordinance may designate a homestead preservation district in an area contiguous to a central business district that has specific housing characteristics set forth in the bill. Once a district is designated, it may continue its designation regardless of whether it meets its eligibility requirements, except that it may not be redesignated unless it meets the requirements originally required of a homestead preservation district.

A municipality designating a district must maintain certain public information regarding the inventory of land within the district and may provide certain incentives to increase the supply of affordable housing within the district while maintaining the existing affordable housing stock.

In order to carry out the purposes of the Homestead Preservation District, the municipality may create homestead land trusts as nonprofit organizations used to acquire land and lease housing units on that land or sell housing units on that land under long-term ground leases. A trust's real property is exempt from property taxation, other than taxation by a school district. Land trusts are prevented from selling or leasing the units within its possession to families at greater than 70% of the area medium family income, are required to sell or lease 40% of the units in its possession at or below 50% of the area median family income, and 10% of the units to families at or below 30% of area median family income.

The municipality may create a Homestead Preservation Reinvestment Zone to carry out the purposes of this chapter. The municipality is required to provide public notice and have public hearings before its creation, provides a method for calculating the amount of tax increment,

requires the establishment of a tax increment fund, and sets forth collection and deposit procedures. All funds received from the zone must be used for the creation or preservation of affordable housing by a community housing development organization certified by the municipality or a trust designated by the municipality and must benefit persons at certain income levels, providing restrictions for the expenditure of funds for certain purposes of preserving and creating affordable housing.

A municipality may create a Homestead Land Bank Program to carry out the purposes of this chapter. The land bank may acquire real property from the municipality through foreclosure of a tax lien and sold to the land bank through private sale. The land bank may then resale that property to low income housing developers for the purpose of creating affordable housing within the district. The Homestead Land Bank Program established in this chapter mirrors much of the same program established by Chapter 379A, Local Government Code.

EFFECTIVE DATE

This Act takes effect immediately if it receives a vote of two-thirds of all the members of each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act will then take effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute reorganizes the new subsections within the chapter and applies only to a municipality with population of more than 650,000 that is located in a uniform state service region with fewer than 550,000 occupied housing units as determined by the most recent US census whereas the original had a statewide effect.

The substitute adds Section 373A.052 describing the eligibility of designation for a district, and adds Section 373A.104 to establish that the municipality will appoint all the directors of the board and that four of the members of the board must be city council members and three will be residents of the district.

The substitute adds language which makes clear the provision not preclude a nonprofit from establishing a community land trust under existing laws of the state.

Adds language in Section 373.152 (e), (f) in which a municipality must notify the county of the intention to establish a district. The county must also notify the municipality of its intentions to participate in the district.

The substitute establishes that a homestead land bank program established under this chapter applies only to a municipality that has designated a Homestead Preservation District.

Finally, the substitute, in Section 373.208(d) changes the duration of notice, from 30 to 60 days before the date of sale, which a municipality must give to a person who is a defendant to the judgment.