

GOVERNMENT CODE
CHAPTER 2310. DEFENSE ECONOMIC READJUSTMENT ZONE
SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2310.001. DEFINITIONS. In this chapter:

(1) "Bank" means the Texas Economic Development Bank established under Chapter 489.

(1-a) "Defense worker" means:

(A) an employee of the United States Department of Defense, including a member of the armed forces and a government civilian worker;

(B) an employee of a government agency or private business, or an entity providing a department of defense related function, who is employed on a defense facility;

(C) an employee of a business that provides direct services or products to the department of defense and whose job is directly dependent on defense expenditures; or

(D) an employee or private contractor employed by the United States Department of Energy working on a defense or department of energy facility in support of a department of defense related project.

(2) "Defense worker job" means a department of defense authorized permanent position or a position held or occupied by one or more defense workers for more than 12 months.

(3) Repealed by Acts 2003, 78th Leg., ch. 814, Sec. 6.01(8).

(4) "Nominating body" means the governing body of a municipality or county, or a combination of the governing bodies of municipalities or counties, that nominates and applies for designation of an area as a readjustment zone.

(4-a) "Office" means the Texas Economic Development and Tourism Office.

(5) "Qualified business" means a person certified as a qualified business under Section 2310.302.

(6) "Qualified employee" means a person who:

(A) works for a qualified business; and

(B) performs at least 50 percent of the person's service for the business in the readjustment zone.

(7) "Readjustment zone" means an area designated as a defense economic readjustment zone under this chapter.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.27, 601.(8), eff. Sept. 1, 2003.

Sec. 2310.002. JURISDICTION OF MUNICIPALITY. For the purposes of this chapter, territory in the extraterritorial jurisdiction of a municipality is considered to be in the jurisdiction of the municipality.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

SUBCHAPTER B. DEPARTMENT POWERS AND DUTIES RELATING TO ZONES

Sec. 2310.051. GENERAL POWERS AND DUTIES. (a) The bank shall administer and monitor the implementation of this chapter.

(b) The bank shall establish criteria and procedures for designating a qualified area as a readjustment zone and for designating a defense readjustment project.

(c) The office shall adopt rules necessary to carry out the purposes of this chapter.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.28, eff. Sept. 1, 2003.

Sec. 2310.052. EVALUATION; REPORT. (a) The bank shall conduct a continuing evaluation of the programs of readjustment zones.

(b) On or before December 1 of each year, the office shall submit to the governor, the legislature, and the Legislative Budget Board a report that:

(1) evaluates the effectiveness of the readjustment zone program;

(2) describes the use of state and local incentives under this chapter and their effect on revenue; and

(3) suggests legislation, as appropriate.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.29, eff. Sept. 1, 2003.

Sec. 2310.053. ASSISTANCE. (a) The bank shall assist:

(1) a qualified business in obtaining the benefits of any state incentive or inducement program provided by law;

(2) the governing body of a readjustment zone in

obtaining assistance from another state agency, including job training and technical assistance to qualified businesses in a zone; and

(3) the governing body of a readjustment zone in encouraging small business development.

(b) The bank shall provide to persons desiring to locate and engage in business in a readjustment zone information and appropriate assistance relating to the required legal authorization, including a state license, permit, certificate, approval, registration, or charter, to engage in business in this state.

(c) The bank shall publicize existing tax incentives and economic development programs in readjustment zones.

(d) On request the bank shall offer to a unit of local government having a readjustment zone within its jurisdiction technical assistance relating to tax abatement and the development of alternative revenue sources.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.30, eff. Sept. 1, 2003.

Sec. 2310.054. COORDINATION WITH OTHER GOVERNMENTAL ENTITIES. (a) In cooperation with the appropriate units of local government and other state agencies, the bank shall coordinate and streamline state business assistance programs and permit or license application procedures for businesses in readjustment zones.

(b) The bank shall work with the responsible state and federal agencies to coordinate readjustment zone programs with other programs carried out in a readjustment zone, including housing, community and economic development, small business, banking, financial assistance, transportation, and employment training programs.

(c) The bank shall encourage other state agencies in awarding grants, loans, or services to give priority to businesses in readjustment zones.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.31, eff. Sept. 1, 2003.

SUBCHAPTER C. DESIGNATION OF READJUSTMENT ZONE

Sec. 2310.101. CRITERIA FOR READJUSTMENT ZONE DESIGNATION. (a) To be designated as a readjustment zone an area must:

(1) have a continuous boundary;

(2) be at least one square mile but not larger than 20 square miles, excluding lakes, waterways, and transportation arteries, of the municipality, county, or combination of municipalities or counties nominating the area as a readjustment zone;

(3) be located in an adversely affected defense-dependent community;

(4) have at least 50 percent of its area located in an existing or former United States Department of Defense facility; and

(5) be nominated as a readjustment zone by an ordinance or order adopted by the nominating body.

(b) An area is not prohibited from being included in a readjustment zone because the area is also included in an enterprise zone designated under Chapter 2303.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.102. ADVERSELY AFFECTED DEFENSE-DEPENDENT COMMUNITY. A municipality or county is an adversely affected defense-dependent community if the bank determines that:

(1) the municipality or county requires assistance because of:

(A) the proposed or actual establishment, realignment, or closure of a defense facility;

(B) the cancellation or termination of a United States Department of Defense contract or the failure of the department of defense to proceed with an approved major weapon system program;

(C) a publicly announced planned major reduction in department of defense spending that would directly and adversely affect the municipality or county; or

(D) the closure or a significant reduction of the operations of a defense facility as the result of a merger, acquisition, or consolidation of a defense contractor operating the

facility; and

(2) the municipality or county is expected to experience, during the period between the beginning of the federal fiscal year during which an event described by Subdivision (1) is finally approved and the date that the event is to be substantially completed, a direct loss of:

(A) 2,500 or more defense worker jobs in any area of the municipality or county that is located in an urbanized area of a metropolitan statistical area;

(B) 1,000 or more defense worker jobs in any area of the municipality or county that is not located in an urbanized area of a metropolitan statistical area; or

(C) one percent of the civilian jobs in the municipality or county.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.32, eff. Sept. 1, 2003.

Sec. 2310.103. NOMINATION OF READJUSTMENT ZONE. (a) The governing body of a municipality or county that is an adversely affected defense-dependent community, individually or in combination with other municipalities or counties that are adversely affected defense-dependent communities, by ordinance or order, as appropriate, may nominate as a readjustment zone an area within its jurisdiction that meets the criteria under Section 2310.101.

(b) Unless the nominating body holds a public hearing before adopting an ordinance or order under this section, the ordinance or order is not valid.

(c) The governing body of a county may not nominate territory in a municipality, including extraterritorial jurisdiction of a municipality, to be included in a proposed readjustment zone unless the governing body of the municipality also nominates the territory and together with the county files a joint application under Section 2310.105.

(d) The governing bodies of a combination of municipalities or counties may not jointly nominate an area as a readjustment zone unless the governing bodies have entered into a binding agreement to administer the zone jointly.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.104. NOMINATING ORDINANCE OR ORDER. (a) An ordinance or order nominating an area as a readjustment zone must:

(1) describe precisely the area to be included in the zone by a legal description or reference to roadways, lakes, waterways, or municipal or county boundaries;

(2) state a finding that the area meets the requirements of this chapter;

(3) summarize briefly the incentives, including tax incentives, that, at the election of the nominating body, apply to business enterprises in the area; and

(4) nominate the area as a readjustment zone.

(b) At least one of the incentives summarized under Subsection (a)(3) must not be offered elsewhere within the jurisdiction except within an enterprise zone designated under Chapter 2303.

(c) This section does not prohibit a municipality or county from extending additional incentives, including tax incentives, for business enterprises in a readjustment zone by a separate ordinance or order.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.105. APPLICATION FOR DESIGNATION. (a) For an area to be designated as a readjustment zone, the nominating body, after nominating the area as a readjustment zone, must send to the bank a written application for designation of the area as a readjustment zone.

(b) The application must include:

(1) a certified copy of the ordinance or order, as appropriate, nominating the area as a readjustment zone;

(2) a map of the area showing existing streets and highways;

(3) an analysis and appropriate supporting documents and statistics demonstrating that the area qualifies for designation as a readjustment zone;

(4) a statement that specifies each tax incentive, grant, other financial incentive or benefit, or program to be provided by the nominating body to business enterprises in the area

that is not to be provided throughout the governmental entity or entities nominating the area as a readjustment zone;

(5) a statement of the economic development and planning objectives for the area;

(6) an estimate of the economic impact of the designation of the area as a readjustment zone on the revenues of the governmental entity or entities nominating the area as a readjustment zone, considering all the financial incentives and benefits and the programs contemplated;

(7) a transcript or tape recording of all public hearings on the proposed zone;

(8) if the application is a joint application, a description and copy of the agreement between the applicants;

(9) the procedures for negotiating with residents, community groups, and other entities affected by the designation of the area as a readjustment zone and with qualified businesses in the area;

(10) a description of the administrative authority, if one is to be appointed for the readjustment zone under Section 2310.202; and

(11) any additional information the bank requires.

(c) Information required by Subsection (b) is for evaluation purposes only.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.33, eff. Sept. 1, 2003.

Sec. 2310.106. REVIEW OF APPLICATION. (a) On receipt of an application for the designation of a readjustment zone, the bank shall review the application to determine if the nominated area qualifies for designation as a readjustment zone under this chapter.

(b) The bank shall allow an applicant to correct any omission or clerical error in the application and to return the application to the bank on or before the 15th day after the date on which the bank receives the application.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.34, eff. Sept. 1, 2003.

Sec. 2310.107. DESIGNATION AGREEMENT. (a) If the bank determines that a nominated area for which a designation application has been received satisfies the criteria under Section 2310.101, the bank shall negotiate with the nominating body for a designation agreement.

(b) A designation agreement must:

(1) designate the nominated area as a readjustment zone; and

(2) designate the administrative authority, if one is to be appointed for the zone under Section 2310.202, and describe its functions and duties, which should include decision-making authority and the authority to negotiate with affected entities.

(c) The bank shall complete the negotiations and sign the agreement not later than the 60th day after the date on which the application is received unless the bank extends that period to the 90th day after the date on which the application was received.

(d) If an agreement is not completed within the 60-day period provided by Subsection (c), the bank shall provide to the nominating body the specific areas of concern and a final proposal for the agreement.

(e) If the agreement is not executed before the 91st day after the date on which the application was received, the application is considered to be denied.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.35, eff. Sept. 1, 2003.

Sec. 2310.108. DENIAL OF APPLICATION; NOTICE. (a) The bank may deny an application for the designation of a readjustment zone only if the bank determines that the nominated area does not satisfy the criteria under Section 2310.101.

(b) The bank shall inform the nominating body of the specific reasons for denial of an application, including denial under Section 2310.107(e).

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.36, eff. Sept. 1, 2003.

Sec. 2310.109. PERIOD OF DESIGNATION. An area may be

designated as a readjustment zone for a maximum of seven years. A designation remains in effect until September 1 of the final year of the designation.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.110. AMENDING BOUNDARIES. (a) The nominating body may amend the boundary of a readjustment zone by ordinance or order, as appropriate, adopted after a public hearing on the issue.

(b) The amended boundary:

(1) must be continuous;

(2) may not exceed the original size requirement of Section 2310.101; and

(3) may not exclude any qualified business designated as a defense readjustment project included within the boundary of the zone as designated.

(c) The readjustment zone with the amended boundary must continue to meet the location requirements of Section 2310.101(a)(4).

(d) A nominating body may not make more than one boundary amendment annually for a readjustment zone.

(e) For each amendment of a readjustment zone boundary, the nominating body shall pay the bank a reasonable fee, in an amount specified by the bank, not to exceed \$500. The bank may use fees collected under this subsection to administer this chapter and for other purposes to advance this chapter.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Amended by Acts 2003, 78th Leg., ch. 356, Sec. 1, eff. June 18, 2003; Acts 2003, 78th Leg., ch. 814, Sec. 3.37, eff. Sept. 1, 2003.

Sec. 2310.111. REMOVAL OF DESIGNATION. (a) The bank may remove the designation of an area as a readjustment zone if:

(1) the area no longer meets the criteria for designation under this chapter or by rule of the office adopted under this chapter; or

(2) the bank determines that the governing body of the readjustment zone has not complied with commitments made in the ordinance or order nominating the area as a readjustment zone.

(b) The removal of a designation does not affect the validity of a tax incentive or regulatory relief granted or accrued before the removal.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.38, eff. Sept. 1, 2003.

SUBCHAPTER D. ADMINISTRATION OF READJUSTMENT ZONES

Sec. 2310.201. ADMINISTRATION BY GOVERNING BODY. The governing body of a readjustment zone is the governing body of the municipality or county, or the governing bodies of the combination of municipalities or counties, that applied to have the area designated as a readjustment zone.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.202. ADMINISTRATION BY ADMINISTRATIVE AUTHORITY. (a) The governing body of a readjustment zone may delegate its administrative duties to an administrative authority appointed by the governing body.

(b) An administrative authority must:

(1) be composed of 3, 5, 7, 9, 11, or 15 members;

(2) be a viable and responsive body generally representative of all public or private entities that have a stake in the development of the zone; and

(3) if the readjustment zone includes private residences, include:

(A) an elected official representing readjustment zone residents and businesses; or

(B) at least two readjustment zone residents.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.203. LIAISON. The governing body of a readjustment zone shall designate a liaison to communicate and negotiate with:

(1) the bank;

(2) the administrative authority, if one exists;

(3) a defense readjustment project; and

(4) other entities in or affected by the readjustment zone.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.39, eff. Sept. 1, 2003.

Sec. 2310.204. ANNUAL REPORT. (a) Not later than October 1

of each year, the governing body of a readjustment zone shall submit to the bank a report in the form required by the bank.

(b) The report must be approved by the readjustment zone's administrative authority, if one exists.

(c) The report must include for the year preceding the date of the report:

(1) a list of local incentives for community development available in the zone;

(2) the use of local incentives for which the governing body provided in the ordinance or order nominating the readjustment zone and the effect of those incentives on revenue;

(3) the number of businesses assisted, located, and retained in the zone since its designation due to the existence of the readjustment zone;

(4) a summary of all industrial revenue bonds issued to finance projects located in the zone; and

(5) a description of all efforts made to attain revitalization goals for the zone.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.40, eff. Sept. 1, 2003.

SUBCHAPTER E. QUALIFIED BUSINESSES AND DEFENSE READJUSTMENT PROJECTS

Sec. 2310.301. DEFINITION. In this subchapter, "new permanent job" means a new employment position created by a qualified business as described by Section 2310.302 that:

(1) has provided at least 1,820 hours of employment a year to a qualified employee; and

(2) is intended to exist during the period that the qualified business is designated as a defense readjustment project under Section 2310.306.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.302. QUALIFIED BUSINESS. (a) A person is a qualified business if the bank, for the purpose of state benefits under this chapter, or the governing body of a readjustment zone, for the purpose of local benefits, certifies that:

(1) the person is engaged in or has provided substantial commitment to initiate the active conduct of a trade or business in the readjustment zone; and

(2) at least 25 percent of the person's new employees in the readjustment zone are:

(A) residents of the governing jurisdiction;

(B) economically disadvantaged individuals, as defined by Section 2303.402(c); or

(C) dislocated defense workers.

(b) The governing body of a readjustment zone may certify a franchise or subsidiary of a new or existing business as a qualified business if the franchise or subsidiary:

(1) is located entirely in the readjustment zone; and

(2) maintains separate books and records of the business activity conducted in the zone.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.41, eff. Sept. 1, 2003.

Sec. 2310.303. PROHIBITION ON QUALIFIED BUSINESS CERTIFICATION. If the bank determines that the governing body of a readjustment zone is not complying with this chapter, the bank shall prohibit the certification of a qualified business in the zone until the bank determines that the governing body is complying with this chapter. The bank may not designate more than two defense readjustment projects in a single readjustment zone.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.42, eff. Sept. 1, 2003.

Sec. 2310.304. REQUEST FOR APPLICATION FOR DEFENSE READJUSTMENT PROJECT DESIGNATION. A qualified business in a readjustment zone may request that the governing body of the readjustment zone apply to the bank for designation of the business as a defense readjustment project. The request must also be made to the readjustment zone's administrative authority, if one exists.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.42, eff. Sept. 1, 2003.

Sec. 2310.305. APPLICATION FOR DEFENSE READJUSTMENT PROJECT DESIGNATION. (a) If the governing body of a readjustment zone or

the governing body and administrative authority of a readjustment zone, as appropriate, approve a request made under Section 2310.304, the governing body may apply to the bank for the designation of the qualified business as a defense readjustment project.

(b) An application must:

(1) describe the procedures and efforts of the governmental entity or entities that applied to have the area designated as a readjustment zone to facilitate and encourage participation by and negotiation among affected entities in the zone in which the qualified business is located;

(2) contain an economic analysis of the plans of the qualified business for expansion, revitalization, or other activity in the readjustment zone, including:

(A) the number of anticipated new permanent jobs the business will create;

(B) the anticipated number of permanent jobs the business will retain;

(C) the amount of investment to be made in the zone; and

(D) other information the bank requires; and

(3) describe the local effort made by the governmental entity or entities that applied to have the area designated as a readjustment zone, the administrative authority, if one exists, the qualified business, and other affected entities to develop and revitalize the zone.

(c) For the purposes of this section, local effort to develop and revitalize a readjustment zone is:

(1) the willingness of public entities in the zone to provide services, incentives, and regulatory relief authorized by this chapter and to negotiate with the qualified business for which application is made and with other local groups or businesses to achieve the public purposes of this chapter; and

(2) the effort of the qualified business and other affected entities to cooperate in achieving those public purposes.

(d) Factors to be considered in evaluating the local effort of a public entity include:

(1) tax abatement, deferral, refunds, or other tax incentives;

(2) regulatory relief, including:

(A) zoning changes or variances;

(B) exemptions from unnecessary building code requirements, impact fees, or inspection fees; and

(C) streamlined permitting;

(3) enhanced municipal services, including:

(A) improved police and fire protection;

(B) institution of community crime prevention programs; and

(C) special public transportation routes or reduced fares;

(4) improvements in community facilities, including:

(A) capital improvements in water and sewer facilities;

(B) road repair; and

(C) creation or improvement of parks;

(5) improvements to housing, including:

(A) low-interest loans for housing rehabilitation, improvement, or new construction; and

(B) transfer of abandoned housing to individuals or community groups;

(6) business and industrial development services, including:

(A) low-interest loans for business;

(B) use of surplus school buildings or other underutilized publicly owned facilities as small business incubators;

(C) provision of publicly owned land for development purposes, including residential, commercial, or industrial development;

(D) creation of special one-stop permitting and problem resolution centers or ombudsmen; and

(E) promotion and marketing services; and

(7) job training and employment services, including:

(A) retraining programs;

(B) literacy and employment skills programs;

- (C) vocational education; and
- (D) customized job training.

(e) Factors to be considered in evaluating the local effort of a private entity include:

(1) the willingness to negotiate or cooperate in the redevelopment of vacated defense facilities and the creation of high-skilled, high wage jobs;

(2) commitments to hire dislocated defense workers and economically disadvantaged workers;

(3) commitments to hire minority workers and to contract with minority-owned businesses;

(4) provision of technical and vocational job training for residents of the nominating body's jurisdiction or economically disadvantaged employees;

(5) provision of child care for employees;

(6) commitments to implement and contribute to a tutoring or mentoring program for area students;

(7) prevention or reduction of juvenile crime; and

(8) the willingness to make contributions to the well-being of the community, such as job training, or the donation of land for parks or other public purposes.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.43, eff. Sept. 1, 2003.

Sec. 2310.306. DEFENSE READJUSTMENT PROJECT DESIGNATION. (a) The bank may designate a qualified business as a defense readjustment project only if the bank determines that:

(1) the business is a qualified business under Section 2310.302 that is located in or has made a substantial commitment to locate in a defense readjustment zone;

(2) the governing body of the readjustment zone making the application has demonstrated that a high level of cooperation exists among public, private, and neighborhood entities in the zone; and

(3) the designation will contribute significantly to the achievement of the plans of the governing body making the application for development and revitalization of the zone.

(b) The bank shall designate qualified businesses as defense readjustment projects on a competitive basis. The bank shall make its designation decisions using a weighted scale in which:

(1) 50 percent of the evaluation is based on the effect of the loss of defense expenditures and employment on the community;

(2) 25 percent of the evaluation depends on the local effort to achieve development and revitalization of the readjustment zone; and

(3) 25 percent of the evaluation depends on the evaluation criteria as determined by the bank, which must include:

(A) the level of cooperation and support the project applicant commits to the revitalization goals of the zone; and

(B) the type and wage level of the jobs to be created or retained by the business.

(c) The bank may remove a defense readjustment project designation if it determines that the business is not complying with a requirement for its designation.

(d) The bank may designate the same qualified business in a readjustment zone as more than one defense readjustment project.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 356, Sec. 2, eff. June 18, 2003; Acts 2003, 78th Leg., ch. 814, Sec. 3.44, eff. Sept. 1, 2003.

Sec. 2310.307. ALLOCATION OF JOBS ELIGIBLE FOR TAX REFUND. When the bank designates a business as a defense readjustment project, the bank shall allocate to the project the maximum number of new permanent jobs or retained jobs eligible to be included in a computation of a tax refund for the project. The number may not exceed 500 or a number equal to 110 percent of the number of anticipated new permanent jobs or retained jobs specified in the application for designation of the business as a defense readjustment project under Section 2310.305, whichever is less.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.44, eff. Sept. 1, 2003.

Sec. 2310.308. DURATION OF CERTAIN DESIGNATIONS. The bank's

designation of a qualified business as a defense readjustment project is effective until the fifth anniversary of the date on which the designation is made regardless of whether the readjustment zone in which the project is located expires before the fifth anniversary of the project.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.44, eff. Sept. 1, 2003.

SUBCHAPTER F. READJUSTMENT ZONE BENEFITS

Sec. 2310.401. EXEMPTIONS FROM STATE REGULATION; SUSPENSION OF LOCAL REGULATION. (a) A state agency may exempt from its regulation a qualified business, qualified employee, or qualified property in a readjustment zone if the exemption is consistent with:

- (1) the purposes of this chapter; and
- (2) the protection and promotion of the general health and welfare.

(b) A local government may suspend local regulation, including an ordinance, rule, or standard, relating to zoning, licensing, or building codes in a readjustment zone.

(c) An exemption from or suspension of regulation under this section must be adopted in the same manner that the regulation was adopted.

(d) The authorization provided by Subsection (a) or (b) does not apply to regulation:

- (1) that relates to:
 - (A) civil rights;
 - (B) equal employment;
 - (C) equal opportunity;
 - (D) fair housing rights; or
 - (E) preservation of historical sites or historical artifacts;

(2) the relaxation of which is likely to harm the public safety or public health, including environmental health; or

(3) that is specifically imposed by law.

(e) For the purposes of this section, property is classified as qualified property if the property is:

(1) tangible personal property located in the readjustment zone that was acquired from the federal government by lease or deed or:

(A) acquired by a taxpayer not earlier than the 90th day before the date on which the area was designated as a readjustment zone; and

(B) used predominantly by the taxpayer in the active conduct of a trade or business;

(2) real property located in the readjustment zone that was acquired from the federal government by lease or deed or:

(A) acquired by a taxpayer not earlier than the 90th day before the date on which the area was designated as a readjustment zone and was used predominantly by the taxpayer in the active conduct of a trade or business; or

(B) the principal residence of the taxpayer on the date of the sale or exchange; or

(3) an interest in an entity that was certified as a qualified business under Section 2310.302 for the entity's most recent tax year ending before the date of the sale or exchange.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.402. REVIEW OF STATE AGENCY RULES; REPORT. (a) A state agency by rule may provide, when applicable, encouragements and incentives to increase:

(1) the renovation, improvement, or new construction of housing in readjustment zones; and

(2) the economic viability and profitability of business and commerce in readjustment zones.

(b) The bank shall disseminate the reports to the governing bodies of readjustment zones and others as necessary to advance the purposes of this chapter.

(c) To contribute to the implementation of this chapter, an agency may waive, modify, provide exemptions to, or otherwise minimize the adverse effects of the rules it administers on the renovation, improvement, or new construction of housing in readjustment zones or on the economic viability and profitability of business and commerce in readjustment zones.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.45, eff. Sept. 1,

2003.

Sec. 2310.403. STATE PREFERENCES. (a) A state agency shall give preference to the governing body of a readjustment zone or a qualified business or qualified employee located in a readjustment zone over other eligible applicants for grants, loans, or credit enhancements that are administered by the state agency if:

(1) at least 50 percent of the grant, loan, or credit enhancement will be spent for the direct benefit of the readjustment zone; and

(2) the purpose of the grant, loan, or credit enhancement is to:

(A) promote economic development in the community; or

(B) construct, improve, extend, repair, or maintain public facilities in the community.

(b) The comptroller may and is encouraged to deposit state money in financial institutions located or doing business in readjustment zones.

(c) A state agency may and is encouraged to contract with businesses located in readjustment zones.

(d) The office or another state agency may give preference to readjustment zones in granting economic development money or other benefits.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.46, eff. Sept. 1, 2003.

Sec. 2310.404. STATE TAX REFUNDS AND CREDITS; REPORT. (a) Subject to Section 2310.413, a defense readjustment project is eligible for:

(1) a refund of state taxes under Section 151.4291, Tax Code;

(2) a franchise tax credit under Subchapter P or Q, Chapter 171, Tax Code; and

(3) the exclusion of receipts from service performed in a readjustment zone in the determination of gross receipts from business done in this state under Sections 171.103 and 171.1032, Tax Code.

(b) Not later than the 60th day after the last day of each fiscal year, the comptroller shall report to the bank the statewide total of the tax refunds or credits made under this section during that fiscal year.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 2001, 77th Leg., ch. 1134, Sec. 1.04, eff. Sept. 1, 2001; Acts 2001, 77th Leg., ch. 1134, Sec. 2.03, eff. Sept. 1, 2005; Acts 2003, 78th Leg., ch. 814, Sec. 3.47, 3.48, eff. Sept. 1, 2003; Acts 2005, 79th Leg., ch. 1280, Sec. 8, eff. Sept. 1, 2005.

Sec. 2310.405. LOCAL SALES AND USE TAX REFUNDS. (a) To encourage the development of areas designated as readjustment zones, the governing body of a municipality through a program may refund its local sales and use taxes paid by a qualified business on:

(1) the purchase, lease, or rental of equipment or machinery for use in a readjustment zone;

(2) the purchase of material for use in remodeling, rehabilitating, or constructing a structure in a readjustment zone;

(3) labor for remodeling, rehabilitating, or constructing a structure in a readjustment zone; and

(4) electricity and natural gas purchased and consumed in the normal course of business in the readjustment zone.

(b) To promote the public health, safety, or welfare, the governing body of a municipality or county through a program may refund its local sales and use taxes paid by a qualified business or qualified employee.

(c) The governing body of a municipality or county that is the governing body of a readjustment zone may provide for the partial or total refund of its local sales and use taxes paid by a person making a taxable purchase, lease, or rental for development or revitalization in the zone.

(d) A person eligible for a refund of local sales and use taxes under this section shall pay the entire amount of state and local sales and use taxes at the time the taxes would be due if an agreement for the refund did not exist.

(e) An agreement to refund local sales and use taxes under this section must:

(1) be written;

(2) contain an expiration date; and
(3) require that the person eligible for the refund provide to the municipality or county making the refund the documentation necessary to support a refund claim.

(f) The municipality or county shall make the refund directly to the person eligible for the refund in the manner provided by the agreement.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.406. REDUCTION OR ELIMINATION OF LOCAL FEES OR TAXES. (a) To promote the public health, safety, or welfare, the governing body of a municipality or county through a program may reduce or eliminate fees or taxes that it imposes on a qualified business or qualified employee.

(b) This section does not apply to sales and use taxes or property taxes.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.407. TAX INCREMENT FINANCING AND ABATEMENT. Designation of an area as a readjustment zone is also designation of the area as a reinvestment zone for:

(1) tax increment financing under Chapter 311, Tax Code; and

(2) tax abatement under Chapter 312, Tax Code.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.408. DEVELOPMENT BONDS. To finance a project in a readjustment zone, bonds may be issued under:

(1) Chapter 1433; or

(2) the Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes).

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.248, eff. Sept. 1, 2001.

Sec. 2310.409. OTHER LOCAL INCENTIVES. (a) The governing body of a municipality or county that is the governing body of a readjustment zone may:

(1) defer compliance in the zone with the subdivision and development ordinances or rules, other than those relating to streets and roads or sewer or water services, of the municipality or county, as appropriate;

(2) give priority to the zone for the receipt of:

(A) community development block grant money;

(B) industrial revenue bonds; or

(C) funds received for job training;

(3) adopt and implement a plan for police protection in the zone;

(4) amend the zoning ordinances of the municipality or county, as appropriate, to promote economic development in the zone;

(5) establish permitting preferences for businesses in the zone;

(6) establish simplified, accelerated, or other special permit procedures for businesses in the zone;

(7) waive development fees for projects in the zone;

(8) create a local readjustment zone fund for funding bonds or other programs or activities to develop or revitalize the zone;

(9) for qualified businesses in the zone, reduce rates charged by:

(A) a utility owned by the municipality or county, as appropriate; or

(B) a cooperative corporation or utility owned by private investors, subject to the requirements of Subsection (b);

(10) in issuing housing finance bonds, give priority to persons or projects in the zone;

(11) in providing services, give priority to local economic development, educational, job training, or transportation programs that benefit the zone; or

(12) sell real property owned by the municipality or county, as appropriate, and located in the readjustment zone in accordance with Section 2310.410.

(b) A reduction in utility rates under Subsection (a)(9)(B) is subject to the agreement of the affected utility and the approval of the appropriate regulatory authority under Title 2, Utilities Code. The rates may be reduced up to but not more than five percent below the lowest rate allowable for that customer class. In making its determination under this section, the regulatory authority

shall consider revitalization goals for the readjustment zone. In setting the rates of the utility the appropriate regulatory authority shall allow the utility to recover the amount of the reduction.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 1999, 76th Leg., ch. 62, Sec. 18.29, eff. Sept. 1, 1999.

Sec. 2310.410. DISPOSITION OF PUBLIC PROPERTY IN READJUSTMENT ZONE. (a) After an area is designated as a readjustment zone, the state, a municipality, or a county that owns a surplus building (including any structure) or vacant land in the zone may dispose of the building or land by:

- (1) selling the building or land at a public auction;
- (2) selling the building or land without notice or bidding as provided by Subsection (d); or
- (3) establishing an urban homestead program described by Subsection (e).

(b) A municipality or county may sell a surplus building or vacant land in the readjustment zone at less than fair market value if the governing body of the municipality or county by ordinance or order, as appropriate, adopts criteria that specify the conditions and circumstances under which the sale may occur and the public purpose to be achieved by the sale. A copy of the ordinance or order must be filed with the bank not later than the day on which the sale occurs.

(c) If the surplus building or vacant land is sold at a public auction, the building or land may be sold to a buyer who is not the highest bidder if the criteria and public purpose specified in the ordinance or order adopted under Subsection (b) are satisfied.

(d) The surplus building or vacant land may be sold without complying with notice or bidding requirements (including election or voter approval requirements imposed by other law, if any) if the criteria and public purpose specified in the ordinance or order adopted under Subsection (b) are satisfied.

(e) An urban homestead program must provide that:

(1) the state, municipality, or county is to sell to an individual a residence or part of a residence that it owns for an amount not to exceed \$100;

(2) as a condition of the sale, the individual must agree by covenant in the deed conveying the residence to live in the residence for at least seven years and to renovate or remodel the residence to meet the level of maintenance stated in an agreement between the individual and the governmental entity; and

(3) after the individual satisfies the seven-year residency and property improvement requirements of the agreement, the governmental entity shall assign the residence to the individual.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997. Amended by Acts 1999, 76th Leg., ch. 1055, Sec. 1, eff. June 18, 1999; Acts 2001, 77th Leg., ch. 894, Sec. 1, eff. Sept. 1, 2001; Acts 2003, 78th Leg., ch. 814, Sec. 3.49, eff. Sept. 1, 2003.

Sec. 2310.411. WAIVER OF PERFORMANCE BOND. A subcontractor is not required to execute a performance bond under Chapter 2253 if:

(1) the construction, alteration, repair, or other public work to be performed under the contract is entirely in a readjustment zone; and

(2) the amount of the contract does not exceed \$200,000.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.412. LIABILITY OF CONTRACTOR OR ARCHITECT. A contractor or architect who constructs or rehabilitates a building in a readjustment zone is liable for any structural defect in the building only for the period ending on the 10th anniversary of the date on which beneficial occupancy of the building begins after the construction or rehabilitation, notwithstanding a statute of limitations to the contrary.

Added by Acts 1997, 75th Leg., ch. 114, Sec. 1, eff. May 19, 1997.

Sec. 2310.413. MONITORING DEFENSE READJUSTMENT PROJECT COMMITMENTS. (a) The bank may monitor a defense readjustment project to determine whether and to what extent the project has followed through on any commitments made by it or on its behalf under this chapter.

(b) The bank may determine that the defense readjustment project is not eligible for state tax refunds and credits under

Section 2310.404 if the bank finds that:

(1) the project is not willing to cooperate with the bank in providing the bank with the information the bank needs to make the determination under Subsection (a); or

(2) the project has substantially failed to follow through on its commitments made by it or on its behalf under this chapter.

Added by Acts 2001, 77th Leg., ch. 1134, Sec. 1.05, eff. Sept. 1, 2001. Amended by Acts 2003, 78th Leg., ch. 814, Sec. 3.50, eff. Sept. 1, 2003.