

CHAPTER 1114

S.B. No. 1225

AN ACT

relating to the creation of reinvestment zones and to the abatement of ad valorem taxes in reinvestment zones.

*Be it enacted by the Legislature of the State of Texas:*

SECTION 1. Subsections (a), (d), and (e), Section 2, Property Redevelopment and Tax Abatement Act (Article 1066f, Vernon's Texas Civil Statutes), are amended to read as follows:

(a) The governing body of an incorporated city or town *eligible to enter into tax abatement agreements under Section 2A of this Act* shall agree in writing with the owner of taxable real property located in an area designated as a reinvestment zone under Section 3 of this Act, but not located within an improvement project financed by tax increment bonds, to exempt from taxation all or part of the *increase in the value of the property over its value in the year in which the agreement is executed* for any period not in excess of 15 years, subject to the rights of holders of outstanding bonds of the city or town, on the condition that the owner of the property make specified improvements or repairs to the property in conformity with the comprehensive plan, if any, of the city or town. Written agreements with property owners located within a reinvestment zone shall contain identical terms regarding the share of value of the property that is to be exempt from the taxation under the agreement and the duration of the exemption. The property

subject to an agreement made under this section may be located in the extraterritorial jurisdiction of the city or town. In that event, the agreement applies to taxes of the city or town if the city or town annexes the property during the period specified in the agreement.

(d) If an area is designated a reinvestment zone, *the governing body of each county or school district eligible to enter into tax abatement agreements under Section 2A of this Act* ~~[every taxing unit]~~ that includes inside its boundaries property that is contained inside the boundaries of the reinvestment zone may execute a written agreement with the owner of any property on which the property taxes are abated due to an agreement under Subsection (a) of this section. Such an agreement must contain terms identical to those contained in the agreement with the city or town regarding the share of the property that is to be exempt from taxation under the agreement, the duration of the exemption, and the provisions included in the agreement pursuant to Subsections (b) and (c) of this section. *If property taxes are abated due to an agreement under Subsection (a) of this section, the terms of the agreement with the city or town regarding the share of the property that is to be exempt in each year of the agreement apply to the taxation of the property by every other taxing unit, other than a county or school district, in which the property is located.* ~~[If a taxing unit fails to execute such an agreement, the taxing unit is limited to taxing any property that is the subject of an agreement under Subsection (a) of this section at the same value at which the property was taxed in the year preceding the execution of the agreement with the city or town, for a period of time equal to twice the duration of the agreement with the city or town.]~~ This subsection does not apply to property located in the extraterritorial jurisdiction of the city or town.

(e) If the governing body of a city or town designates a reinvestment zone that includes property located in the extraterritorial jurisdiction of the city or town, the governing body of a *county or school district eligible to enter into tax abatement agreements under Section 2A of this Act* ~~[any other taxing unit]~~ in which the property is located may execute a written agreement with the owner of the property to exempt from property taxes all or part of the value of the property in the same manner as provided by this section for the city or town. The terms of the agreement are not required to be identical to the terms of an agreement executed by the city or town for the property, and the *county or school district* ~~[taxing unit]~~ may execute an agreement even if the city or town does not execute an agreement for the property. *However, if the governing body of another eligible county or school district has previously executed an agreement to exempt all or part of the value of the property and that agreement is still in effect, the terms of the subsequent agreement relating to the share of the property that is to be exempt in each year that the existing agreement remains in effect must be identical to those of the existing agreement.* *If property taxes are abated on property in the extraterritorial jurisdiction of a city or town due to an agreement with a county or school district under this subsection, the terms of the agreement with the county or school district relating to the share of the property that is to be exempt in each year of the agreement apply to the taxation of the property by every other taxing unit, other than a city, town, school district, or county, in which the property is located.*

SECTION 2. The Property Redevelopment and Tax Abatement Act, as amended (Article 1066f, Vernon's Texas Civil Statutes), is amended by adding Section 2A to read as follows:

**Sec. 2A. ELIGIBILITY OF TAXING UNIT TO PARTICIPATE IN TAX ABATEMENT.** (a) *A city, town, county, or school district may not enter into a tax abatement agreement under this Act and the governing body of a city, town, or county may not designate an area as a reinvestment zone unless the governing body has established guidelines and criteria governing tax abatement agreements by the city, town, county, or school district and a resolution stating that the city, town, county, or school district elects to become eligible to participate in tax abatement.*

(b) *The governing body of a city, town, county, or school district may not enter into a tax abatement agreement under this Act unless it finds that the terms of the agreement and the property subject to the agreement meet the applicable guidelines and criteria adopted by the governing body under this section.*

*(c) The guidelines and criteria adopted under this section are effective for two years from the date adopted. During that period, the guidelines and criteria may be amended or repealed only by a vote of three-fourths of the members of the governing body.*

SECTION 3. Subsection (a), Section 3, Property Redevelopment and Tax Abatement Act, as amended (Article 1066f, Vernon's Texas Civil Statutes), is amended to read as follows:

(a) To be designated as a reinvestment zone, an area must:

(1) substantially impair or arrest the sound growth of a city or town, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use by reason of the presence of a substantial number of substandard, slum, deteriorated, or deteriorating structures; predominance of defective or inadequate sidewalk or street layout; faulty lot layout in relation to size, accessibility, or usefulness; unsanitary or unsafe conditions; deterioration of site or other improvements; tax or special assessment delinquency exceeding the fair value of the land; defective or unusual conditions of title; the existence of conditions that endanger life or property by fire or other cause; or any combination of these factors or conditions;

(2) be predominantly open and, because of obsolete platting or deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the city or town;

(3) be in a federally assisted new community located within a home-rule city or in an area immediately adjacent to the federally assisted new community;

(4) be located wholly within an area which meets the requirements for federal assistance under Section 119 of the Housing and Community Development Act of 1974;

(5) encompass signs, billboards, and other outdoor advertising structures designated by the governing body of the incorporated city or town for relocation, reconstruction, or removal for the purpose of enhancing the physical environment of the city or town, which the legislature hereby declares to be a public purpose; [ø]

(6) be designated a local or state-federal enterprise zone under the Texas Enterprise Zone Act; or

*(7) be reasonably likely as a result of the designation to contribute to the retention or expansion of primary employment or to attract major investment in the zone that would be a benefit to the property and that would contribute to the economic development of the city or town.*

SECTION 4. Subsections (a) and (e), Section 7A, Property Redevelopment and Tax Abatement Act (Article 1066f, Vernon's Texas Civil Statutes), are amended to read as follows:

(a) The commissioners court of a county *eligible to do so under Section 2A of this Act* by order may designate as a reinvestment zone any area of the county that does not contain area in the taxing jurisdiction of an incorporated city or town. The commissioners court may not designate an area as a reinvestment zone until the commissioners court has held a public hearing on the designation and has found that the designation would *contribute to the retention or expansion of primary employment or would attract major investment in the zone that would be a benefit to the property to be included in the zone, and that development anticipated to occur in the proposed zone would contribute to the economic development of the county.* At the hearing, interested persons are entitled to speak and present evidence for or against the designation. Notice of the hearing must be given in the same manner as provided for notice of a hearing to be held by a city as provided by Subsection (b) of Section 5 of this Act.

(e) The commissioners court may execute a tax abatement agreement with the owner of taxable real property located in a reinvestment zone designated under this section. The execution, duration, and other terms of an agreement made under this subsection are governed by the provisions of Section 2 of this Act applicable to a city or town. A tax abatement agreement made by a county under this section has the same effect on the

*school district* and other taxing units in which the property subject to the agreement is located as is provided by Subsection (d) of Section 2 of this Act for an agreement made by a city or town under Section 2 of this Act to abate taxes on property located in the taxing jurisdiction of the city or town. If property subject to an agreement with a county under this section is annexed by an incorporated city or town during the existence of the agreement, the governing body of the city or town *may* [must] enter into an agreement in the same manner as a *school district* [~~any other taxing unit~~] until the termination of the county agreement [~~or the city or town is limited to taxing the property subject to the agreement at the taxable value of the property in the year preceding the execution of the county agreement until the termination of the county agreement plus a period of additional years immediately following the termination of the county agreement equal to the number of years in which the county agreement was in effect~~].

SECTION 5. (a) The change in law made by this Act applies only to the effect on other taxing units of a tax abatement agreement made by a city or town under Section 2 of the Property Redevelopment and Tax Abatement Act (Article 1066f, Vernon's Texas Civil Statutes), or by a county under Section 7A of that Act on or after the effective date of this Act. The effect on other taxing units of a tax abatement agreement made by a city or town under Section 2 of that Act or by a county under Section 7A of that Act before the effective date of this Act, together with any amendments or extensions of such tax abatement agreement (even if such amendments or extensions are made after the effective date of this Act) is governed by the law in effect when the original tax abatement agreement is made, and the former law is continued in effect for that purpose.

(b) The change in law made by this Act does not affect the validity of the designation of a reinvestment zone or of a tax abatement agreement made under the Property Redevelopment and Tax Abatement Act before the effective date of this Act.

SECTION 6. This Act takes effect September 1, 1987.

SECTION 7. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

Passed the Senate on April 23, 1987, by the following vote: Yeas 31, Nays 0; and the Senate concurred in House amendments on May 22, 1987, by a viva-voce vote.

Passed the House, with amendments, on May 21, 1987, by a non-record vote.

Approved June 19, 1987.

Effective Sept. 1, 1987.