

BILL ANALYSIS

Senate Research Center
81R29200 SJM-D

H.B. 4738
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Intergovernmental Relations
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The lack of urban development projects in the North Oak Cliff area in the City of Dallas would be ameliorated by the creation of a municipal management district. The creation of the North Oak Cliff Municipal Management District (district) would allow for urban infill development in this area.

The creation of this district would provide for the development of a mixed-use project that contains high density workforce housing in proximity to the city's urban core, improvement projects to reduce traffic congestion and increase mobility, and enhancements to provide landscaping and lightings to commercial corridors. Also envisioned as part of this project are improvements that provide green spaces and parks, economic and educational development, and safety and security programs.

H.B. 4738 relates to the creation of the district and provides the authority to impose an assessment, impose a tax, and issue bonds. This bill prohibits the district from exercising the power of eminent domain.

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 Subtitle C, Title 4, Special District Local Laws Code, by adding Chapter 3884, as follows:

CHAPTER 3884. NORTH OAK CLIFF MUNICIPAL MANAGEMENT DISTRICT

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 3884.001. DEFINITIONS. Defines "board," "city," "district," and "improvement project."

Sec. 3884.002. CREATION AND NATURE OF DISTRICT. Provides that the district is a special district created under Section 59 (Conservation and Development of Natural Resources and Parks and Recreational Facilities; Conservation and Reclamation Districts), Article XVI (General Provisions), Texas Constitution.

Sec. 3884.003. PURPOSE; LEGISLATIVE FINDINGS. (a) Provides that the creation of the North Oak Cliff Municipal Management District (district) is essential to accomplish the purposes of Sections 52 (Counties, Cities or Other Political Corporations or Subdivisions; Lending Credit; Grants; Bonds) and 52-a (Loan or Grant of Public Money for Economic Development), Article III (Legislative Department), and Section 59, Article XVI, Texas Constitution, and other public purposes stated in this chapter. Provides that by creating the district and in authorizing the city and other political subdivisions to contract with the district, the legislature has established a program to accomplish the public purposes set out in Section 52-a, Article III, Texas Constitution.

(b) Provides that the creation of the district is necessary to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety, the public welfare in the district, and education scholarships for college-bound students residing in or out of the district.

(c) Provides that the district is created to supplement and not to supplant city services provided in the district.

Sec. 3884.004. FINDINGS OF BENEFIT AND PUBLIC PURPOSE. (a) Provides that the district is created to serve a public use and benefit.

(b) Provides that all land and other property included in the district will benefit from the improvements and services to be provided by the district under powers conferred by Sections 52 and 52-a, Article III, and Section 59, Article XVI, Texas Constitution, and other powers granted under this chapter.

(c) Provides that the creation of the district is in the public interest and is essential to further the public purposes of developing and diversifying the economy of the state, eliminating unemployment and underemployment, developing or expanding transportation and commerce, and providing quality residential housing.

(d) Provides that the district will promote the health, safety, and general welfare of residents, employers, employees, potential employees, visitors, and consumers in the district, and of the public; provide needed funding for the district to preserve, maintain, and enhance the economic health and vitality of the district territory as a residential community and business center; promote the health, safety, welfare, and enjoyment of the public by providing pedestrian ways and by landscaping and developing certain areas in the district, which are necessary for the restoration, preservation, and enhancement of scenic beauty; and education scholarships for college-bound students residing in or out of the district

(e) Provides that the pedestrian ways along or across a street, whether at grade or above or below the surface, and street lighting, street landscaping, vehicle parking, and street art objects are parts of and necessary components of a street and are considered to be an improvement project that includes a street or road improvement.

(f) Provides that the district will not act as the agent or instrumentality of any private interest even though the district will benefit many private interests as well as the public.

Sec. 3884.005. DISTRICT TERRITORY. (a) Provides that the district is composed of the territory described by Section 2 of the Act enacting this chapter, as that territory may have been modified under Section 3884.106.

(b) Provides that a mistake in the field notes of the district contained in Section 2 of the Act creating this chapter or in copying the field notes in the legislative process does not in any way affect the district's organization, existence, or validity; the district's right to contract, including the right to issue any type of bond or other obligation for a purpose for which the district is created; the district's right to impose or collect an assessment, tax, or any other revenue; or the legality or operation of the board of directors of the district (board).

Sec. 3884.006. ELIGIBILITY FOR INCLUSION IN SPECIAL ZONES. (a) Provides that all or any part of the area of the district is eligible to be included in a tax increment reinvestment zone created by the city under Chapter 311 (Tax Increment Financing Act), Tax Code, a tax abatement reinvestment zone created by the city under Chapter 312 (Property Redevelopment and Tax Abatement Act), Tax Code; or an enterprise zone created by the city under Chapter 2303 (Enterprise Zones), Government Code.

(b) Authorizes a city that creates a tax increment reinvestment zone described by Subsection (a) and the board of directors of the zone, by contract with the district, to grant money deposited in the tax increment fund to the district to be used by the district for the purposes permitted for money granted to a corporation under Section 380.002(b) (relating to a home-rule municipality granting public money to the corporation), Local Government Code, including the right to pledge the money as security for any bonds issued by the district for an improvement project. Prohibits a project from receiving public funds under Section 380.002(b), Local Government Code, unless the project has been approved by the governing body of the city by the adoption of a resolution.

(c) Provides that a tax increment reinvestment zone created by the city in the district is not subject to the limitations provided by Section 311.006(b) (relating to prohibiting a municipality from changing the boundaries of an existing reinvestment zone to include property), Tax Code.

[Reserves Sections 3884.007-3884.050 for expansion.]

SUBCHAPTER B. BOARD OF DIRECTORS

Sec. 3884.051. GOVERNING BODY; TERMS. (a) Provides that the district is governed by a board of nine certain directors.

(b) Authorizes the owner or owners of a majority of the appraised value of the real property in the district, or the majority of the record owners of real property in the district subject to taxation, before the term of each director expires as provided by Subsection (d), to submit a petition to the governing body of the city requesting that the governing body appoint as successor directors the persons named in the petition. Authorizes the governing body, if the persons named in the petition meet the qualifications prescribed by Sections 3884.052 and 3884.053, to appoint those persons as successor directors.

(c) Requires the governing body of the city, if a petition is not submitted under Subsection (b), to appoint as successor directors persons who meet the qualifications prescribed by Sections 3884.052 and 3884.053.

(d) Provides that directors serve staggered terms of four years, with four or five directors' terms expiring July 1 of each odd-numbered year.

Sec. 3884.052. APPOINTMENT OF DIRECTORS; BOARD MEETINGS. (a) Requires directors appointed by the governing body of the city to meet at least one of the qualifications prescribed by Section 3884.053.

(b) Prohibits a person from being appointed to the board by the governing body of the city if the appointment of that person would result in fewer than four of the directors being residents of the city and meeting the qualifications prescribed by Section 3884.053(a)(2)-(5), and two of the directors meeting the qualifications prescribed by Section 3884.053(a)(1).

(c) Prohibits the governing body of the city from appointing a person as a director if the appointment will result in more than four persons serving on the board at any time who are seeking financial assistance or reimbursement from the district for capital improvements in the district.

(d) Authorizes the governing body of the city to remove a member of the board with or without cause at any time by a majority vote.

(e) Requires the board to hold meetings at a place accessible to the public. Requires the board to file a copy of the notice of a meeting with the city's secretary. Requires the city's secretary to post the notice at Dallas City Hall.

(f) Prohibits the board from creating an executive committee to exercise the powers of the board.

(g) Authorizes the governing body of the city, if an office described in Section 3884.051(a) is renamed, changed, or abolished, to appoint another city officer or employee who performs duties comparable to those performed by the officer described by that subsection.

Sec. 3884.053. QUALIFICATIONS OF DIRECTORS APPOINTED BY CITY. (a) Requires a person, to be qualified to serve as a director appointed by the governing body of the city, to be at least 18 years old and to be:

(1) a resident of the district who is also a registered voter of the district or a registered voter who lives within a two-mile radius of the district;

(2) an owner of property in the district;

(3) an owner of stock, whether beneficial or otherwise, of a corporate owner of property in the district;

(4) an owner of a beneficial interest in a trust that owns property in the district; or

(5) an agent, employee, or tenant of a person covered by Subdivision (2), (3), or (4).

(b) Provides that Section 49.052 (Disqualification of Directors), Water Code, does not apply to the district.

Sec. 3884.054. VACANCY. Requires the governing body of the city to fill a vacancy on the board by appointing a person who meets the qualifications prescribed by Section 3884.051(a) or 3884.053 to serve for the remainder of the unexpired term.

Sec. 3884.055. DIRECTOR'S OATH OR AFFIRMATION. Requires a director's oath or affirmation of office to be filed with the district and the district to retain the oath or affirmation in the district records. Requires that a copy of each director's oath or affirmation of office be filed with the city's secretary.

Sec. 3884.056. OFFICERS. Requires the board to elect from among the directors a chair, a vice chair, and a secretary. Prohibits the offices of chair and secretary from being held by the same person concurrently.

Sec. 3884.057. COMPENSATION; EXPENSES; LIABILITY INSURANCE FOR DIRECTORS. (a) Authorizes the district to compensate each director in an amount not to exceed \$50 for each board meeting. Prohibits the total amount of compensation for each director in one year from exceeding \$2,000.

(b) Entitles the directors to reimbursement for necessary and reasonable expenses incurred in carrying out the duties and responsibilities of the board.

(c) Authorizes the district to obtain and pay for comprehensive general liability insurance coverage from a commercial insurance company or other source that protects and insures a director against personal liability and from any and all claims relating to actions taken by the director in the director's capacity as a member of the board, actions and activities taken by the district, or the actions of others acting on behalf of the district.

Sec. 3884.058. CONFLICTS OF INTEREST. (a) Authorizes a director, including a director who qualifies under Section 3884.053(a)(2), (3), (4), or (5), to participate in all

board votes and decisions if the director complies with the requirements of Subsection (b).

(b) Requires a director to comply with Section 171.004 (Affidavit and Abstention From Voting Required), Local Government Code, including the disclosure and abstention requirements of that section. Requires a director to file a copy of the director's disclosure affidavit required by Section 171.004, Local Government Code, with the city's secretary before participating in a board discussion or vote.

Sec. 3884.059. INITIAL DIRECTORS. (a) Provides that the initial board consists of certain directors.

(b) Provides that of the initial directors, the terms of directors appointed for places 1, 2, 3, and 4 expire July 1, 2011, and the terms of directors appointed for places 5, 6, 7, 8, and 9 expire July 1, 2013.

(c) Provides that this section expires September 1, 2013.

[Reserves Sections 3884.060-3884.100 for expansion.]

SUBCHAPTER C. POWERS AND DUTIES

Sec. 3884.101. GENERAL POWERS AND DUTIES. Provides that the district has the powers and duties provided by this chapter and by the general laws relating to conservation and reclamation districts created under Section 59, Article XVI, Texas Constitution, including Chapters 49 (Provisions Applicable to All Districts) and 54 (Municipal Utility Districts), Water Code; except that the district's bonds and other securities are not subject to the jurisdiction or supervision of the Texas Commission on Environmental Quality (TCEQ) under Chapter 49, Water Code, or other law; the general laws relating to road districts and road utility districts created under Section 52(b) (relating to issuing bonds or lending credit in any amount not to exceed one-fourth of the assessed valuation of the real property), Article III, Texas Constitution, including Chapter 441 (Road Utility Districts), Transportation Code, except that the district is authorized to exercise any power granted by this chapter without regard to any provision or requirement of or procedure prescribed by Chapter 441, Transportation Code; and the district is prohibited from building or operating a toll road; Subchapter A (Public Improvement Districts), Chapter 372 (Improvement Districts in Municipalities and Counties), Local Government Code, in the same manner as a municipality or a county; Chapter 1371 (Obligations for Certain Public Improvements), Government Code; Chapter 375 (Municipal Management Districts in General), Local Government Code; and Chapter 311, Tax Code.

Sec. 3884.102. IMPROVEMENT PROJECTS. (a) Authorizes the district to provide or enter into contracts with a governmental or private entity to provide the following types of improvement projects located in the district or activities in support of or incidental to those projects:

(1) a supply and distribution facility or system to provide potable and nonpotable water to the residents and businesses of the district, including a wastewater collection facility;

(2) a paved, macadamized, or graveled road, or street inside and outside the district, to the full extent authorized by Section 52, Article III, Texas Constitution;

(3) the planning, design, construction, improvement, and maintenance of landscaping; highway right-of-way or transit corridor beautification and improvement; lighting, banners, and signs; a street or sidewalk; a hiking and cycling path or trail; a pedestrian walkway, skywalk, crosswalk, or tunnel; a park, lake, garden, recreational facility, community activities center, dock, wharf, sports facility, open space, scenic area, or related

exhibit or preserve; a fountain, plaza, or pedestrian mall; or a drainage or storm-water detention improvement;

(4) protection and improvement of the quality of storm water that flows through the district;

(5) the planning, design, construction, improvement, maintenance, and operation of a water or sewer facility or an off-street parking facility or heliport;

(6) the planning and acquisition of public art and sculpture and related exhibits and facilities or an educational facility, and a cultural exhibit or facility;

(7) the planning, design, construction, acquisition, lease, rental, improvement, maintenance, installation, and management of and provision of furnishings for a facility for a conference, convention, or exhibition; a manufacturer, consumer, or trade show; a civic, community, or institutional event; or an exhibit, display, attraction, special event, or seasonal or cultural celebration or holiday;

(8) the removal, razing, demolition, or clearing of land or improvements in connection with improvement projects;

(9) the acquisition and improvement of land or other property for the mitigation of the environmental effects of an improvement project if those costs are incurred in accordance with a development agreement and reimbursement of those costs is conditioned on the completion of substantial vertical development, or the costs are related to a transit or mobility project;

(10) the acquisition of property or an interest in property in connection with one or more authorized improvement projects, including a project authorized by Subchapter A, Chapter 372, Local Government Code;

(11) a special or supplemental service for the improvement and promotion of the district or an area adjacent to the district or for the protection of public health and safety in or adjacent to the district, including advertising, promotion; tourism; health and sanitation; public safety; security; fire protection or emergency medical services; business recruitment; elimination of traffic congestion, including by use of rail services; and recreational, educational, or cultural improvements, enhancements, and services; and creation and financing of a higher education scholarship fund for students attending Mountain View College or the University of North Texas (Dallas Campus); or

(12) any similar public improvement, facility, or service.

(b) Prohibits the district from undertaking an improvement project under this section unless the board determines the project to be necessary to accomplish a public purpose of the district and has received the approval of the city under Section 3884.160.

(c) Requires that an improvement project comply with any applicable codes and ordinances of the city.

(d) Prohibits the district from providing, conducting, or authorizing an improvement project on the city streets, highways, rights-of-way, or easements without the consent of the governing body of the city.

(e) Authorizes the city, subject to an agreement between the district and the city, to by ordinance, order, or resolution require that title to all or any portion of an improvement project vest in the city; or unless prohibited by Subsection (h), by ordinance, order, resolution, or other directive, authorize the district to own, encumber, maintain, and operate an improvement project, subject to the right of the city to order a conveyance of the improvement project to the city on a date determined by the city.

(f) Requires the district to immediately comply with any city ordinance, order, or resolution adopted under Subsection (e).

(g) Provides that for the purposes of this section, planning, design, construction, improvement, and maintenance of a lake includes work done for drainage, reclamation, or recreation.

(h) Authorizes waterworks and sanitary sewer improvements to be undertaken by the district inside or outside the boundaries of the district, subject to the following conditions: the city is required to request that waterworks or sanitary sewer improvements be funded by the district; the city is required to construct, own, operate, and maintain the improvements; and the district is required to comply with Sections 3884.152, 3884.157, and 3884.160 as a condition for the district to fund the improvements.

Sec. 3884.103. GENERAL POWERS REGARDING CONTRACTS. (a) Authorizes the district to:

(1) contract with any person to accomplish any district purpose, including a contract for the payment, repayment, or reimbursement of costs incurred by that person on behalf of the district, including all or part of the costs of any improvement project and interest on the reimbursed cost; or the use, occupancy, lease, rental, operation, maintenance, or management of all or part of a proposed or existing improvement project; and

(2) apply for and contract with any person to receive, administer, and perform a duty or obligation of the district under a federal, state, local, or private gift, grant, loan, conveyance, transfer, bequest, or other financial assistance arrangement relating to the investigation, planning, analysis, study, design, acquisition, construction, improvement, completion, implementation, or operation by the district or others of a proposed or existing improvement project.

(b) Authorizes a contract the district enters into to carry out a purpose of this chapter to be on any terms and for any period the board determines, including a negotiable or nonnegotiable note or warrant payable to the city, Dallas County, or any other person.

(c) Authorizes any person to contract with the district to carry out the purposes of this chapter without further statutory or other authorization.

(d) Requires the district to follow Resolution 08-2826, adopted by the city on October 22, 2008, for construction, procurement, and professional services contracts related to the use of historically underutilized businesses and minority contracting in the implementation of its district plan.

Sec. 3884.104. RULES; ENFORCEMENT. (a) Authorizes the district to adopt rules to administer or operate the district; for the use, enjoyment, availability, protection, security, and maintenance of the district's property and facilities; or to provide for public safety and security in the district.

(b) Authorizes the district to enforce its rules by injunctive relief.

(c) Provides that to the extent a district rule conflicts with a city rule, order, or regulation, the city rule, order, or regulation controls.

(d) Requires the district to provide the city with written notice not later than the 30th day before the date of a meeting at which the board will adopt rules. Prohibits the district from adopting a rule affecting the use of a municipally owned asset, such as a public park, street, sidewalk, transit facility, or public right-of-way, unless the governing body of the city has approved the rule by ordinance, order, or resolution.

Sec. 3884.105. **NAME CHANGE.** Authorizes the board by resolution to change the district's name. Requires the board to give written notice of the change to the city.

Sec. 3884.106. **ADDING OR REMOVING TERRITORY.** Authorizes the board to add or remove territory under Subchapter J (Annexation or Exclusion of Land), Chapter 49, Water Code, and Section 54.016 (Consent of City), Water Code, except that:

(1) the addition or removal of the territory must be approved by the governing body of the city by ordinance, order, or resolution; and the owners of the territory being added or removed;

(2) a reference to a tax in Subchapter J, Chapter 49, Water Code, or Section 54.016, Water Code, means an ad valorem tax; and

(3) territory is prohibited from being removed from the district if bonds or other obligations of the district payable wholly or partly from ad valorem taxes or assessments imposed or assessed on the territory are outstanding.

Sec. 3884.107. **ECONOMIC DEVELOPMENT.** (a) Authorizes the district to create economic development and other programs under Section 52-a, Article III, Texas Constitution, and to impose and collect ad valorem taxes for those purposes. Provides that the district has the economic development powers that Chapter 380 (Miscellaneous Provisions Relating to Municipal Planning and Development), Local Government Code, provides to a municipality with a population of more than 100,000. Requires that each economic development program and each project that will receive public funds under an economic development program be approved by the governing body of the city by ordinance, order, or resolution.

(b) Requires the district to provide the city written notice not later than the 30th day before the date of a meeting at which the board will adopt terms of an economic development program. Prohibits the district from adopting an economic development program or improvement project to be funded under an economic development program unless the governing body of the city has approved the program or improvement project by ordinance, order, or resolution.

Sec. 3884.108. **NO EMINENT DOMAIN POWER.** Prohibits the district from exercising the power of eminent domain.

Sec. 3884.109. **TERMS OF EMPLOYMENT; COMPENSATION.** Authorizes the board to employ and establish the terms of employment and compensation of an executive director or general manager and any other district employees the board considers necessary. Prohibits an employee from receiving annual compensation of more than \$150,000 from public funds of the district.

Sec. 3884.110. **NOTICE TO PROPERTY OWNERS.** (a) Requires the board to annually provide owners of real property in the district written notice that specifies the tax of the district for the district's next fiscal year in sufficient clarity to describe the tax rate for the operation and maintenance of the district and the tax rate for the payment of debt service of obligations issued or incurred by the district. Requires that the written notice be sent by first class United States mail, postage prepaid, to the current address of the property owner as reflected on the tax rolls of the appraisal district.

(b) Requires that the notice clearly state that the tax rates on real property imposed in the district are in addition to the ad valorem taxes imposed by other taxing units that tax real property in the boundaries of the district.

(c) Requires the district to generate and implement a program to provide notification to a prospective purchaser of property in the district of the rates of tax and assessments that have been approved and are imposed by the district.

[Reserves Sections 3884.111-3884.150 for expansion.]

SUBCHAPTER D. GENERAL FINANCIAL PROVISIONS

Sec. 3884.151. GENERAL POWERS REGARDING FINANCIAL MATTERS. (a) Authorizes the district, except as provided by Section 3884.160, to:

(1) impose an ad valorem tax on all taxable industrial and commercial property in the district to pay for any improvement projects of the types authorized by Section 52(b), Article III, and Section 59, Article XVI, Texas Constitution, and to secure the payment of bonds issued for those purposes;

(2) impose an assessment on property in the district to pay the cost of any authorized improvement project and the cost of the maintenance of the project in the manner provided for a district under Subchapters A (General Provisions), E (Powers and Duties), and F (Assessments), Chapter 375, Local Government Code; or a municipality or county under Subchapter A, Chapter 372, Local Government Code;

(3) provide or secure the payment or repayment of any bond, note, or other temporary or permanent obligation or reimbursement or other contract with any person, the costs and expenses of the establishment, administration, and operation of the district, and the district's costs or share of the costs or revenue of an improvement project or district contractual obligation or indebtedness by or through the imposition of an ad valorem tax, assessment, user fee, concession fee, or rental charge; and any other revenue or resources of the district, or other revenue authorized by the city, including revenue from a tax increment reinvestment zone created by the city under applicable law;

(4) establish user charges related to the operation of storm-water facilities, including the regulation of storm water for the protection of water quality in the district;

(5) establish user charges for the use of nonpotable water for irrigation purposes, subject to the approval of the governing body of the city;

(6) undertake separately or jointly with other persons, including the city or Dallas County, all or part of the cost of any improvement project, including an improvement project for improving, enhancing, and supporting public safety and security, fire protection and emergency medical services, and law enforcement in and adjacent to the district; or that confers a general benefit on the entire district or a special benefit on a definable part of the district; and

(7) enter into a tax abatement agreement in accordance with the general laws of this state authorizing and applicable to tax abatement agreements by municipalities.

(b) Prohibits the district from imposing an ad valorem tax to pay for an improvement project under this chapter unless the imposition is approved by the

voters of the district voting at an election held for that purpose. Authorizes the board to call an election to approve the imposition of an ad valorem tax to pay for an improvement project under this chapter only if the board receives a petition requesting the election signed by at least 65 percent of the record owners of real property in the district subject to taxation, or owners representing at least 65 percent of the appraised value of real property in the district subject to taxation, as determined by the tax rolls of the appraisal district.

Sec. 3884.152. BORROWING MONEY. (a) Authorizes the district to borrow money for a district purpose by issuing or executing bonds, notes, credit agreements, or other obligations of any kind found by the board to be necessary or appropriate for any district purpose. Authorizes the bond, note, credit agreement, or other obligation to be secured by and payable from ad valorem taxes, assessments, a combination of ad valorem taxes and assessments, or other district revenue. Requires the governing body of the city to approve the issuance of bonds, notes, credit agreements, or other obligations of the district, in general terms before the preparation of preliminary official statements or loan closing documents, as provided by the development and operating agreement approved by the city in accordance with Section 3884.160, or by separate action.

(b) Requires the governing body of the city to approve the final terms of the bond issuance, note, or credit facility, including the principal amount, note amount, interest rate or rates, redemption provisions, and other terms and conditions relating to the issuance.

(c) Requires the district to file annual audited financial statements with the city's secretary.

Sec. 3884.153. ASSESSMENTS; EXEMPTION. (a) Authorizes the district to impose an assessment on property in the district, including an assessment on commercial, industrial, or office property, only in the manner provided by Subchapter A, Chapter 372, Local Government Code, or Subchapter F, Chapter 375, Local Government Code, for a municipality, county, or public improvement district, according to the benefit received by the property.

(b) Requires that an assessment on property be for the limited purpose of providing capital funding for public water and wastewater facilities, drainage and storm-water facilities, streets and alleys, and any authorized purpose under Chapter 372, Local Government Code.

(c) Provides that an assessment, a reassessment, or an assessment resulting from an addition to or correction of the assessment roll by the district, penalties and interest on an assessment or reassessment, an expense of collection, and reasonable attorney's fees incurred by the district are a first and prior lien against the property assessed, and are superior to any other lien or claim other than a lien or claim for county, school district, or municipal ad valorem taxes.

(d) Provides that a lien of an assessment against property under this chapter runs with the land, and the portion of an assessment payment obligation that has not yet come due is not eliminated by the foreclosure of an ad valorem tax lien. Provides that any purchaser of property in a foreclosure of an ad valorem tax lien takes the property subject to the assessment payment obligations that have not yet come due and to the lien and terms of payment under the applicable assessment ordinance or order.

(e) Authorizes the board to make a correction to or deletion from the assessment roll that does not increase the amount of assessment of any parcel of land without providing notice and holding a hearing in the manner required for additional assessments.

(f) Requires the district to file notice of any tax or assessment imposed by the district with the county clerk of Dallas County and post the notice on the district's Internet website.

Sec. 3884.154. **RESIDENTIAL PROPERTY EXEMPT.** Prohibits the district from imposing taxes, assessments, fees, or any other requirement for payment, construction, alteration, or dedication on single-family detached residential property, residential condominiums, duplexes, triplexes, and quadruplexes.

Sec. 3884.155. **MAINTENANCE AND OPERATION TAX; ELECTION.** (a) Authorizes the district to impose a tax for maintenance and operation purposes, including for planning, constructing, acquiring, maintaining, repairing, and operating all improvement projects, including land, plants, works, facilities, improvements, appliances, and equipment of the district; and paying costs of services, engineering and legal fees, and organization and administrative expenses, including expenses of the city payable under the terms of the project development agreement described by Section 3884.160.

(b) Prohibits the district from imposing a maintenance and operation tax for improvement projects under this chapter unless the imposition of the tax is approved by the voters of the district voting at an election held for that purpose. Authorizes an election to be called only on receipt of a petition as provided by Section 3884.151(b).

(c) Authorizes a maintenance and operation tax election to be held at the same time and in conjunction with any other district election. Authorizes the election to be called by a separate election order or as part of any other election order.

Sec. 3884.156. **USE OF SURPLUS MAINTENANCE AND OPERATION MONEY.** Authorizes the money to be used for any authorized purpose if the district has surplus maintenance and operation tax money that is not needed for the purposes for which it was collected.

Sec. 3884.157. **BONDS AND OTHER OBLIGATIONS.** (a) Authorizes the district, subject to the requirements of Sections 3884.159 and 3884.160, to issue by public or private sale bonds, notes, or other obligations payable wholly or partly from ad valorem taxes, or by assessments in the manner provided by Subchapter A, Chapter 372, Local Government Code, or Subchapter J (Bonds), Chapter 375, Local Government Code.

(b) Authorizes the district, in exercising the district's borrowing power, to issue a bond or other obligation in the form of a bond, note, certificate of participation or other instrument evidencing a proportionate interest in payments to be made by the district, or any other type of obligation.

(c) Authorizes district bonds, in addition to the sources of money described by Subchapter A, Chapter 372, Local Government Code, and Subchapter J, Chapter 375, Local Government Code, to be secured and made payable wholly or partly by a pledge of any part of the money the district receives from system or improvement project revenue or from any other source.

Sec. 3884.158. **BOND MATURITY.** Authorizes bonds to mature not more than 40 years from their date of issue.

Sec. 3884.159. **TAXES FOR BONDS AND OTHER OBLIGATIONS.** Requires the board, at the time bonds or other obligations payable wholly or partly from ad valorem taxes are issued, to impose a continuing direct annual ad valorem tax for each year that all or part of the bonds are outstanding, and requires the district to annually impose an ad valorem tax on all taxable property in the district in an amount sufficient to pay the interest on the bonds or other obligations as the interest becomes due, and create a sinking fund for the payment of the principal of the bonds or other obligations when due or the redemption price at any earlier required redemption date.

Sec. 3884.160. DEVELOPMENT AND OPERATING AGREEMENT REQUIRED. (a) Requires the district and the city, after the district's board is organized, but before the district is authorized to undertake any improvement project, issue bonds, impose taxes, levy assessments or fees, or borrow money, to negotiate and execute a mutually approved and accepted development and operating agreement, including any limitations imposed by the city, regarding the plans and rules for:

- (1) the exercise of the powers granted to the district under this chapter, including the organization, development, and operation of the district;
- (2) the selection and description of improvement projects that are authorized to be undertaken and financed by the district and the ownership, operation, and maintenance of those projects;
- (3) the terms, conditions, methods, means, and amounts of financing authorized by this chapter that the district is authorized to use in providing improvement projects; and
- (4) the amounts, methods, and times of reimbursement to the city for costs and expenses, if any, incurred by the city with respect to the development and operation of the district and the financing of improvement projects by the district.

(b) Provides that an agreement authorized by this section is not effective until its terms and execution are approved by the board and the governing body of the city by resolution.

[Reserves Sections 3884.161-3884.250 for expansion.]

SUBCHAPTER E. DISSOLUTION

Sec. 3884.251. DISSOLUTION BY CITY ORDINANCE. (a) Authorizes the city by ordinance to dissolve the district.

(b) Prohibits the city from dissolving the district until the district's outstanding indebtedness or contractual obligations that are payable from ad valorem taxes have been repaid or discharged, or the city has affirmatively assumed the obligation to pay the outstanding indebtedness from the city's lawfully available revenue.

(c) Prohibits the city from dissolving the district until the agreement under Section 3884.160 has been executed and the district's performance under the agreement has been fulfilled, including any right or obligation the district has to reimburse a developer or owner for the costs of improvement projects.

Sec. 3884.252. COLLECTION OF ASSESSMENTS AND OTHER REVENUE. (a) Requires the city, if the dissolved district has bonds or other obligations outstanding secured by and payable from assessments or other revenue, other than ad valorem taxes, to succeed to the rights and obligations of the district regarding enforcement and collection of the assessments or other revenue.

(b) Requires the city to have and exercise all district powers to enforce and collect the assessments or other revenue to pay the bonds or other obligations when due and payable according to their terms, or special revenue or assessment bonds or other obligations issued by the city to refund the outstanding bonds or obligations.

Sec. 3884.253. CONCURRENCE ON ADDITIONAL POWERS. Prohibits the district, if the legislature grants the district a power that is in addition to the powers approved by the initial resolution of the governing body of the city consenting to the creation of the

district, from exercising that power unless the governing body of the city consents to that change by resolution.

Sec. 3884.254. ASSUMPTION OF ASSETS AND LIABILITIES. (a) Provides that after the city dissolves the district, the city assumes, subject to the appropriation and availability of funds, the obligations of the district, including any bonds or other indebtedness payable from assessments or other district revenue.

(b) Requires the board, if the city dissolves the district, to transfer ownership of all district property to the city.

SECTION 2. Sets forth the initial boundaries of the district.

SECTION 3. Provides that the legislature finds that proper and legal notice of the intention to introduce this Act, setting forth the general substance of this Act, has been published as provided by law, and the notice and a copy of this Act have been furnished to all persons, agencies, officials, or entities to which they are required to be furnished by the constitution and laws of this state, including the governor, who has submitted the notice and Act to TCEQ; TCEQ has filed its recommendations relating to this Act with the governor, lieutenant governor, and speaker of the house of representatives within the required time; the general law relating to consent by political subdivisions to the creation of districts with conservation, reclamation, and road powers and the inclusion of land in those districts has been complied with; and all requirements of the constitution and the laws of this state and the rules and procedures of the legislature with respect to the notice, introduction, and passage of this Act have been fulfilled and accomplished.

SECTION 4. Effective date: upon passage or September 1, 2009.