

BILL ANALYSIS

H.B. 3842
By: Callegari
Natural Resources
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties contend that there is a need for a municipal management district within a certain area of Harris County. H.B. 3842 seeks to address this issue by establishing provisions relating to the creation of the Bridgeland Management District, providing authority to levy an assessment, impose a tax, and issue bonds, in order to administer and provide funding for economic development projects and services.

RULEMAKING AUTHORITY

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

ANALYSIS

H.B. 3842 amends the Special District Local Laws Code to provide for the creation and nature of the Bridgeland Management District, required confirmation and directors' election, required municipal consent, and to provide for the district purpose, declaration of intent, and findings of benefit and public purpose. The bill sets out provisions relating to the initial district territory, including provisions for the effect of certain mistakes in the description of the boundaries, and makes all or part of the district eligible for inclusion in a tax increment reinvestment zone, a tax abatement reinvestment zone, an enterprise zone, or an industrial district. The bill makes general law municipal management district provisions applicable to the district, provides for the liberal construction of the bill's provisions, and establishes that such provisions prevail over any provision of general law that is in conflict or inconsistent with the bill's provisions.

H.B. 3842 provides for the district's governance by a board of five directors and sets out provisions relating to the length of terms and director compensation. The bill establishes temporary provisions, set to expire September 1, 2019, providing for the appointment of temporary directors.

H.B. 3842 sets out provisions relating to district powers and duties, establishing that the district has the powers and duties necessary to accomplish the purposes for which the district is created. The bill authorizes the district to undertake an authorized improvement project or service or to contract with a governmental or private entity for an authorized improvement project or service. The bill sets out provisions relating to authorized recreational facilities, authority to undertake certain road projects, and the conveyance and approval of a road project. The bill authorizes the district to exercise the powers given to a Type B development corporation.

H.B. 3842 authorizes the district's board of directors by resolution to authorize the creation of a nonprofit corporation to assist and act for the district in implementing a project or providing an authorized service, authorizes the district to make an agreement with or accept a gift, grant, or loan from any person, and authorizes the district to contract with a qualified party, including Harris County or the City of Houston, to provide law enforcement services in the district. The bill authorizes the district to join and pay dues to a charitable or nonprofit organization for the

furtherance of a district purpose. The bill authorizes the district to engage in activities that accomplish the economic development purposes of the district, to establish and provide for the administration of one or more programs to promote state or local economic development and to stimulate business and commercial activity in the district, and to create economic development programs and exercise certain municipal economic development powers. The bill provides for a strategic partnership agreement, regional participation agreement, and the annexation and exclusion of land. The bill sets out provisions relating to firefighting and emergency medical services and the applicability of other law to certain contracts. The bill 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. The bill prohibits the district from exercising the power of eminent domain.

H.B. 3842 authorizes the district to acquire, lease, construct, develop, own, operate, and maintain a public transit system to serve the area in the district only if an applicable written petition has been filed with the board. The bill authorizes the district to acquire, lease, construct, develop, own, operate, and maintain parking facilities and sets out related provisions. The bill authorizes the district to adopt rules covering its public transit system or its public parking facilities, except that a rule relating to or affecting the use of the public right-of-way or a requirement for off-street parking is subject to all applicable county requirements. The bill authorizes the district to impose a fee for the use of the public transit system and associated parking facilities.

H.B. 3842 authorizes the district and a rapid transit authority to agree to jointly construct, own, operate, and maintain a transit facility or a parking facility under the terms the authority and district desire. The bill authorizes the agreement to provide that the district and the authority exchange or trade land provided that each party to the agreement receives fair market value. The bill establishes that the authority is not required to offer any property that it proposes to trade to the district for sale to the public or for sale to any abutting property owner. The bill, for purposes of these provisions relating to an agreement with a rapid transit authority, defines "authority."

H.B. 3842 sets out general financial provisions relating to money used for district improvements or services, a required petition for financing services and improvements with assessments, and a certain method of notice for a hearing. The bill authorizes the board by resolution to impose and collect an assessment for any purpose authorized by the bill's provisions in all or part of the district and sets out related provisions. The bill authorizes the district to designate reinvestment zones and to grant abatements of a tax or assessment on property in the zones. The bill prohibits the district from imposing an assessment on the property, including the equipment, rights-of-way, facilities, or improvements, of an electric utility or a power generation company, a gas utility, a telecommunications provider, or a person who provides to the public cable television or advanced telecommunications services.

H.B. 3842 authorizes the district to issue by competitive bid or negotiated sale bonds, notes, or other obligations payable wholly or partly from taxes, assessments, fees, revenue, contract payments, grants, or other district money, or any combination of those sources of money, to pay for any authorized district purpose. The bill authorizes the proceeds of the district's bonds, in addition to any other terms authorized by the board by bond order or resolution, to be used for a reserve fund, credit enhancement, or capitalized interest for the bonds. The bill makes the limitation on the outstanding principal amount of bonds, notes, and other obligations provided by a Water Code provision relating to water district bonds for recreational facilities in certain counties inapplicable to the Bridgeland Management District. The bill establishes that a municipality is not required to pay a bond, note, or other obligation of the district except as provided by a general law municipal management district provision relating to dissolution by municipal ordinance.

H.B. 3842 authorizes the Bridgeland Management District to adopt a sales and use tax if authorized by district voters, establishes that the Municipal Sales and Use Tax Act governs the

imposition, computation, administration, enforcement, and collection of the authorized sales and use tax except where inconsistent with the bill's provisions, and sets out related provisions. The bill requires the board to determine and adopt by resolution or order the initial rate of the tax, which must be in one or more increments of one-eighth of one percent, and authorizes the board to increase or decrease the rate of the tax by one or more increments of one-eighth of one percent. The bill prohibits the initial rate of the tax or any rate resulting from subsequent increases or decreases from exceeding the lesser of the maximum rate authorized by the district voters or a rate that, when added to the rates of all sales and use taxes imposed by other political subdivisions with territory in the district, would result in the prescribed maximum combined rate of two percent at any location in the district.

H.B. 3842 sets out provisions relating to a tax after annexation applicable to the district after a municipality annexes part of the territory in the district and imposes the municipality's sales and use tax in the annexed territory. The bill, if at the time of annexation the district has outstanding debt or other obligations payable wholly or partly from district sales and use tax revenue, makes a certain provision relating to a municipal sales and use tax effective date applicable to the district. The bill authorizes the district, if at the time of annexation the district does not have outstanding debt or other obligations payable wholly or partly from district sales and use tax revenue, to exclude the annexed territory from the district, if the district has no outstanding debt or other obligations payable from any source, or to reduce the sales and use tax in the annexed territory by resolution or order of the board to a rate that, when added to the sales and use tax rate imposed by the municipality in the annexed territory, is equal to the sales and use tax rate imposed by the district in the district territory that was not annexed by the municipality.

H.B. 3842 requires the board to notify the comptroller of public accounts of any changes made to the district sales and use tax rate in the same manner the municipal secretary provides notice. The bill provides that revenue from the district sales and use tax is for the use and benefit of the district and may be used for any district purpose. The bill authorizes the district to pledge all or part of the revenue to the payment of bonds, notes, or other obligations, and establishes that that pledge of revenue may be in combination with other revenue, including tax revenue, available to the district. The bill authorizes the board to abolish the district sales and use tax without an election but prohibits the board from doing so if the district has outstanding debt secured by the tax and repayment of the debt would be impaired by the abolition of the tax. The bill, if the board abolishes the tax, requires the board to notify the comptroller of that action in the same manner the municipal secretary provides notice. The bill, if the board abolishes the tax or decreases the tax rate to zero, requires a new election to authorize a sales and use tax to be held before the district may subsequently impose the tax. The bill makes these provisions relating to the abolition of the district sales and use tax inapplicable to a certain authorized decrease in the tax as provided by the bill.

H.B. 3842 authorizes the district to impose a hotel occupancy tax for any district purpose, including to maintain and operate the district, construct or acquire an improvement project, and provide a service, and establishes that, except as inconsistent with the bill's provisions relating to a district hotel occupancy tax, Tax Code provisions relating to the imposition and collection of a county hotel occupancy tax govern a hotel occupancy tax authorized by the bill. The bill prohibits the amount of the hotel occupancy tax from exceeding the prescribed maximum rate of seven percent of the price paid for a room in a hotel. The bill establishes that the district hotel occupancy tax is in addition to a municipal or county hotel occupancy tax. The bill authorizes the district to examine and receive information related to the imposition of hotel occupancy taxes to the same extent as if the district were a county. The bill authorizes the district to use revenue from the hotel occupancy tax for a district purpose and to pledge any part of the revenue to the payment of bonds, notes, or other obligations and combine the pledged revenue with revenue from other sources. The bill authorizes the board to abolish the district hotel occupancy tax but prohibits the board from doing so if the district has outstanding debt secured by the tax and repayment of the debt would be impaired by the abolition of the tax. The bill, for purposes of its provisions relating to a district hotel occupancy tax, provides for the meaning of "hotel" by

reference to the Tax Code.

H.B. 3842 authorizes the board to dissolve the district regardless of whether the district has debt and requires the district, if the district has debt when it is dissolved, to remain in existence solely for the purpose of discharging its debts. The bill establishes that the dissolution is effective when all debts have been discharged.

H.B. 3842 sets out in detail the initial boundaries of the district. The bill defines "board," "city," "commission," "county," "director," and "district."

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.