

By: Elkins

H.B. No. 3246

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to public improvement districts designated by a  
3 municipality or county.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 372.0015, Local Government Code, is  
6 amended to read as follows:

7 Sec. 372.0015. DEFINITIONS [~~DEFINITION~~]. In this  
8 subchapter:

9 (1) "Costs" means costs and expenses paid or incurred  
10 before, during, or after the establishment of a public improvement  
11 district and in connection with or related to the undertaking and  
12 funding of a public improvement project authorized under this  
13 subchapter.

14 (2) "Extraterritorial[~~, "extraterritorial]~~  
15 jurisdiction" means extraterritorial jurisdiction as determined  
16 under Chapter 42.

17 SECTION 2. Subchapter A, Chapter 372, Local Government  
18 Code, is amended by adding Section 372.0025 to read as follows:

19 Sec. 372.0025. PUBLIC IMPROVEMENT DISTRICT. A public  
20 improvement district is an area, the boundaries of which are  
21 designated by the governing body of a municipality or county under  
22 this subchapter, that may include two or more noncontiguous areas  
23 separated by:

24 (1) a right-of-way or other land dedicated to or

1 owned, leased, or used by a political subdivision or other  
2 governmental entity, tax-exempt entity, public or private utility,  
3 or railroad; or

4 (2) not more than 1,000 feet, as measured in a straight  
5 line, between the nearest points on the property lines of the  
6 closest situated noncontiguous areas.

7 SECTION 3. Sections 372.003(b) and (c), Local Government  
8 Code, are amended to read as follows:

9 (b) A public improvement project may include:

10 (1) landscaping;

11 (2) erection of fountains, distinctive lighting, and  
12 signs;

13 (3) acquiring, constructing, improving, widening,  
14 narrowing, closing, or rerouting of sidewalks or of streets, any  
15 other roadways, or their rights-of-way;

16 (4) construction or improvement of pedestrian malls;

17 (5) acquisition and installation of pieces of art;

18 (6) acquisition, construction, or improvement of  
19 libraries;

20 (7) acquisition, construction, or improvement of  
21 off-street parking facilities;

22 (8) acquisition, construction, improvement, or  
23 rerouting of mass transportation facilities;

24 (9) acquisition, construction, or improvement of  
25 water, wastewater, or drainage facilities or improvements;

26 (10) the establishment or improvement of parks and  
27 recreation facilities;

- 1           (11) facilities or equipment for firefighters,  
2 police, sheriffs, and emergency service providers;  
3           (12) the right to receive or provide utility services;  
4           (13) projects similar to those listed in Subdivisions  
5 (1)-(12) [~~(1)-(10)~~];  
6           (14) [~~(12)~~] acquisition, by purchase or otherwise, of  
7 real property in connection with an authorized improvement;  
8           (15) [~~(13)~~] special supplemental services for  
9 improvement and promotion of the district, including services  
10 relating to:  
11           (A) advertising;  
12           (B) [~~(7)~~] promotion;  
13           (C) [~~(7)~~] health and sanitation;  
14           (D) [~~(7)~~] water and wastewater;  
15           (E) firefighters, police, sheriffs, emergency  
16 service providers, and other public safety and [~~(7)~~] security  
17 personnel;  
18           (F) [~~(7)~~] business recruitment;  
19           (G) [~~(7)~~] development;  
20           (H) [~~(7)~~] recreation; [~~(7)~~] and  
21           (I) cultural enhancement;  
22           (16) [~~(14)~~] payment of expenses incurred in the  
23 establishment, administration, and operation of the district; and  
24           (17) [~~(15)~~] the development, rehabilitation, or  
25 expansion of affordable housing.

26           (c) A public improvement project may be limited to the  
27 provision of the services described by Subsection (b)(15)

1 [~~(b)(13)~~].

2 SECTION 4. Subchapter A, Chapter 372, Local Government  
3 Code, is amended by adding Section 372.0035 to read as follows:

4 Sec. 372.0035. AUTHORIZED HIGHER EDUCATION FACILITIES;  
5 LEASE TO INSTITUTION OF HIGHER EDUCATION. (a) In this section,  
6 "institution of higher education" has the meaning assigned by  
7 Section 61.003, Education Code.

8 (b) A public improvement project under Section 372.003 may  
9 include the acquisition, construction, maintenance, or improvement  
10 of buildings and other facilities commonly used for:

11 (1) teaching, research, or the preservation of  
12 knowledge by an institution of higher education; or

13 (2) an auxiliary purpose of an institution of higher  
14 education, including the provision of administrative services,  
15 student services, student housing, athletics, performing arts, and  
16 alumni support.

17 (c) The governing body of a municipality or county that  
18 establishes a public improvement district to finance a public  
19 improvement project described by Subsection (b) may enter into a  
20 memorandum of understanding with an institution of higher education  
21 that provides educational services in the municipality or county  
22 under which the municipality or county leases the public  
23 improvement project to the institution, at a nominal rate, for use  
24 by the institution in providing teaching, research, public service,  
25 or auxiliary enterprise activities to students of the institution.

26 SECTION 5. Section 372.014, Local Government Code, is  
27 amended by adding Subsection (c) to read as follows:

1       (c) The assessment plan is intended to be flexible to  
2 provide for various development scenarios, including:

3           (1) assessments against all property to pay the costs  
4 of improvements that benefit all the property and additional  
5 assessments levied against portions of the property to pay the  
6 costs of improvements that benefit those portions of the property;  
7 or

8           (2) assessments levied to pay the costs for all  
9 improvements contemplated for all phases of development of the  
10 property with different payment and collection dates for the  
11 different phases determined by events established by the plan,  
12 including events related to the future phased development of the  
13 property.

14       SECTION 6. Section 372.015, Local Government Code, is  
15 amended by adding Subsections (e), (f), (g), and (h) to read as  
16 follows:

17       (e) The annual installment of an assessment payable in  
18 installments may be increased or decreased by the governing body of  
19 the municipality or county as reflected in the updated annual  
20 service plan and the corresponding updated assessment roll.

21       (f) If a parcel is subdivided, the assessment against the  
22 parcel before the parcel was subdivided may be reallocated among  
23 the subdivided parcels.

24       (g) If two or more parcels are consolidated, the assessments  
25 against each parcel may be reallocated to the consolidated parcel.

26       (h) If a proposed use of an undeveloped parcel changes after  
27 an assessment is levied against a parcel:

1           (1) the change in use does not affect the validity of  
2 the assessment against the parcel; and

3           (2) the aggregate amount of assessments levied against  
4 multiple undeveloped parcels for which the proposed use has changed  
5 may be reallocated among the undeveloped parcels.

6           SECTION 7. Subchapter A, Chapter 372, Local Government  
7 Code, is amended by adding Section 372.0175 to read as follows:

8           Sec. 372.0175. CONTRACTS FOR COLLECTION OF ASSESSMENTS.  
9 The governing body of a municipality or county may contract with the  
10 governing body of another taxing unit, as defined by Section 1.04,  
11 Tax Code, or the board of directors of an appraisal district to  
12 perform the duties of the municipality or county relating to  
13 collection of special assessments levied under this subchapter.

14           SECTION 8. Section 372.018, Local Government Code, is  
15 amended by amending Subsections (a) and (f) and adding Subsection  
16 (g) to read as follows:

17           (a) An assessment bears interest at the rate specified by  
18 the governing body of the municipality or county beginning at the  
19 time or times or on the occurrence of one or more events specified  
20 by the governing body. If general obligation bonds, revenue bonds,  
21 installment sales contracts, reimbursement agreements, time  
22 warrants, or temporary notes are issued or entered into to finance  
23 or pay for the improvement for which the assessment is levied  
24 [assessed], the interest rate for the [that] assessment may not  
25 exceed a rate that is one-half of one percent higher than the actual  
26 interest rate paid on the debt. [~~Interest on the assessment between~~  
27 ~~the effective date of the ordinance or order levying the assessment~~

1 ~~and the date the first installment is payable shall be added to the~~  
2 ~~first installment.]~~ The interest on any delinquent installment  
3 shall be added to each subsequent installment until all delinquent  
4 installments are paid. The added interest may be used to pay costs,  
5 including the payment or prepayment of the assessment,  
6 administrative costs, costs of improvements, and costs of financing  
7 such as reserves for debt service.

8 (f) Delinquent installments of the assessment shall incur  
9 interest, penalties, and attorney's fees in the same manner as  
10 delinquent ad valorem taxes.

11 (g) The owner of assessed property may pay at any time on any  
12 parcel or lot all or any part of the assessment, with interest that:

- 13 (1) has accrued on the assessment; and  
14 (2) will accrue on the assessment until the next  
15 scheduled prepayment or redemption date on the general obligation  
16 bonds, revenue bonds, installment sales contract, reimbursement  
17 agreement, temporary note, or time warrant issued or entered into  
18 to finance or pay for the improvements [~~on any lot or parcel~~].

19 SECTION 9. Section 372.023, Local Government Code, is  
20 amended by amending Subsections (a), (d), (e), and (g) and adding  
21 Subsections (a-1) and (d-1) to read as follows:

22 (a) Costs of improvements may be paid or reimbursed by any  
23 combination of the methods described by this section if the  
24 improvements are dedicated, conveyed, leased, or otherwise  
25 provided to or for the benefit of:

- 26 (1) a municipality or county;  
27 (2) a political subdivision or other entity exercising

1 the powers granted under this subchapter as authorized by other  
2 law; or

3 (3) an entity that:

4 (A) is approved by the governing body of an  
5 entity described by Subdivision (1) or (2); and

6 (B) is authorized by order, ordinance,  
7 resolution, or other official action to act for an entity described  
8 by Subdivision (1) or (2) [The cost of an improvement made under  
9 this subchapter must be paid in accordance with this section].

10 (a-1) The payment or reimbursement may be provided before or  
11 after a method of payment or reimbursement authorized by this  
12 section is entered into or issued.

13 (d) Costs [A cost] payable from a special assessment that is  
14 payable [to be paid] in installments may be paid by any combination  
15 of the following methods [and a cost payable by the municipality or  
16 county as a whole but not payable from available general funds or  
17 other available general improvement funds shall be paid]:

18 (1) under an installment sales [sale] contract or a  
19 reimbursement agreement between the municipality or county and  
20 [with] the person who acquires, installs, or constructs the  
21 improvements [contracts to install or construct the improvement for  
22 which the costs apply];

23 (2) as provided by a temporary note or time warrant  
24 issued by the municipality or county and payable to the [reimburse  
25 a] person who acquires, installs, or constructs the improvements  
26 [for money advanced or work performed in connection with an  
27 improvement]; or



1 (3) by the issuance and sale of [~~revenue or general~~  
2 ~~obligation~~] bonds under Section 372.024.

3 (d-1) An installment sales contract, reimbursement  
4 agreement, temporary note, or time warrant described by Subsection  
5 (d) may be assigned by the payee without the consent of the  
6 municipality or county.

7 (e) The [~~net effective~~] interest rate[~~, as computed for a~~  
8 ~~public security under Section 1204.005, Government Code,~~] on unpaid  
9 amounts due under an installment sales contract, reimbursement  
10 agreement, temporary note, or time warrant described by [~~money owed~~  
11 ~~or paid under~~] Subsection (d):

12 (1) may not exceed, for a period of not more than five  
13 years, as determined by the governing body of the municipality or  
14 county, five [~~one-half of one~~] percent above the highest average  
15 index [~~interest~~] rate for tax-exempt bonds reported in a daily or  
16 [~~by a newspaper in a~~] weekly bond index approved by the governing  
17 body and reported in the month before the date the obligation was  
18 incurred; and

19 (2) after the period described by Subdivision (1), may  
20 not exceed two percent above the bond index rate described by  
21 Subdivision (1) [~~of the contract or agreement or the issuance of the~~  
22 ~~bond, temporary note, or time warrant. The newspaper must~~  
23 ~~specialize in bonds and be acceptable as a reliable source for bond~~  
24 ~~interest rates to the governing body of the municipality or county~~  
25 ~~that enters into the contract or agreement or that issues the bond,~~  
26 ~~temporary note, or time warrant].~~

27 (g) The cost of more than one improvement may be paid:

1 (1) from a single issue and sale of bonds without other  
2 consolidation proceedings before the bond issue; or

3 (2) under a single installment sales contract,  
4 reimbursement agreement, temporary note, or time warrant [~~an~~  
5 ~~agreement with a person who contracts to install or construct the~~  
6 ~~improvement and who sells the improvement to the municipality or~~  
7 ~~county~~].

8 SECTION 10. Section 372.024, Local Government Code, is  
9 amended to read as follows:

10 Sec. 372.024. GENERAL OBLIGATION AND REVENUE BONDS. (a)  
11 The governing body of a municipality or county may issue:

12 (1) general [~~General~~] obligation bonds [~~issued to pay~~  
13 ~~costs under Section 372.023(d) must be issued~~] under [~~the~~  
14 ~~provisions of~~] Subtitles A and C, Title 9, Government Code;

15 (2) certificates of obligation under Subchapter C,  
16 Chapter 271; and

17 (3) revenue [~~Revenue~~] bonds, issued [~~to pay costs~~  
18 ~~under that subsection may be issued from time to time~~] in one or  
19 more series [~~and are to be payable from and secured by liens on all~~  
20 ~~or part of the revenue derived from improvements authorized under~~  
21 ~~this subchapter, including revenue derived from installment~~  
22 ~~payments of special assessments~~].

23 (b) The bond or obligation may be:

24 (1) issued on the terms determined by the governing  
25 body of the municipality or county;

26 (2) issued to pay costs;

27 (3) issued to refund any obligation entered into or

1 issued under this subchapter, including an installment sales  
2 contract, reimbursement agreement, temporary note, and time  
3 warrant; and

4 (4) payable from and secured by special assessments.

5 (c) If the bond or obligation is issued for the purpose  
6 described by Subsection (b)(3) and is secured wholly or partly by a  
7 special assessment, the lien created by the originally levied  
8 special assessment continues uninterrupted for the term of the bond  
9 or obligation to secure payment of the bond or obligation.

10 SECTION 11. Section 372.026, Local Government Code, is  
11 amended by adding Subsection (g) to read as follows:

12 (g) If an assessment is collected and applied to pay an  
13 amount due under an installment sales contract, reimbursement  
14 agreement, temporary note, or time warrant, the governing body of a  
15 municipality or county may pledge all or any part of the revenue  
16 collected to pay general obligation bonds, certificates of  
17 obligation, or revenue bonds issued to refund those obligations.

18 The pledge authorized by this subsection:

19 (1) does not affect the lien of that assessment; and

20 (2) is not a reassessment or a new assessment.

21 SECTION 12. Section 372.023(f), Local Government Code, is  
22 repealed.

23 SECTION 13. This Act takes effect immediately if it  
24 receives a vote of two-thirds of all the members elected to each  
25 house, as provided by Section 39, Article III, Texas Constitution.  
26 If this Act does not receive the vote necessary for immediate  
27 effect, this Act takes effect September 1, 2011.