

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 19, 2011

TO: Honorable Harold V. Dutton Jr., Chair, House Committee on Urban Affairs

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB2860 by Davis, Yvonne (Relating to public improvement districts designated by a municipality or county.), **As Introduced**

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| No fiscal implication to the State is anticipated. |
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The bill would amend the Local Government Code to authorize a public improvement district (PID) to consist of noncontiguous areas, but the areas must share a common characteristic or use. The bill would modify the information required in a petition for the establishment of a PID.

The bill also would authorize a PID to use a deferred assessment and would provide procedures governing the practice. The bill would require the municipality or county in which a PID is to be established to use employees to estimate the appraised value of taxable real property in the district and the cost of improvement if a proposal includes a deferred assessment. The bill also would allow for the cost of an improvement to be assessed as a percentage of sales or receipts or increased property value attributable to improvement.

Local Government Impact

There could be costs for a city, a county or a PID for estimating appraised value and cost of the improvement. In addition, there could be a positive fiscal impact associated with the ability to cost improvements from sales or receipts or increased property value.

Based on the analysis of the City of Fort Worth, the fiscal impact is not anticipated to be significant. A PID could have additional administrative costs by including more areas, contiguous or non-contiguous in the PID boundary than would have otherwise. Currently, the areas in the PID boundary are only contiguous. The city also stated that there could be increased collection fees charged by a county determined by the number of accounts in each PID. In addition, there could be an increase in revenue from special assessments as a result of boundary changes in the PIDs if property values increase in the area; and an additional ability to cost improvements that would result in reimbursable administrative costs and additional revenue.

The City of Grand Prairie reported that the city recently researched the use of deferred assessments for PIDS and determined that the City's Charter prohibits using public funds to pay for developer costs. In addition, Dallas County, which collects assessments for 15 of Grand Prairie's PIDs did not have the software needed to collect a deferred assessment; as a result, the city would have needed to either purchase the software for Dallas County or hire another contractor to handle collections. In addition, the analysis revealed that the revenue generated by the proposed development (houses with an average value of \$200,000) would not be sufficient to cover the costs of providing the services for the development.

Source Agencies:

LBB Staff: JOB, KKR, TP