

House Bill 3246
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SECTION 1. Section 372.0015, Local Government Code, is amended to read as follows:

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

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

(2) "Extraterritorial[;—extraterritorial] jurisdiction" means extraterritorial jurisdiction as determined under Chapter 42.

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

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

(1) a right-of-way or other land dedicated to or owned, leased, or used by a political subdivision or other governmental entity, tax-exempt entity, public or private utility, or railroad; or

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

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

(b) A public improvement project may include:

(1) landscaping;

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- (2) erection of fountains, distinctive lighting, and signs;
- (3) acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of-way;
- (4) construction or improvement of pedestrian malls;
- (5) acquisition and installation of pieces of art;
- (6) acquisition, construction, or improvement of libraries;
- (7) acquisition, construction, or improvement of off-street parking facilities;
- (8) acquisition, construction, improvement, or rerouting of mass transportation facilities;
- (9) acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
- (10) the establishment or improvement of parks and recreation facilities;
- (11) facilities or equipment for firefighters, police, sheriffs, and emergency service providers;
- (12) the right to receive or provide utility services;
- (13) projects similar to those listed in Subdivisions (1)-(12) ~~[(1)-(10)]~~;
- (14) ~~[(12)]~~ acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
- (15) ~~[(13)]~~ special supplemental services for improvement and promotion of the district, including services relating to:
 - (A) advertising;
 - (B) ~~[(7)]~~ promotion;
 - (C) ~~[(7)]~~ health and sanitation;
 - (D) ~~[(7)]~~ water and wastewater;
 - (E) firefighters, police, sheriffs, emergency service providers, and other public safety and ~~[(7)]~~ security personnel;
 - (F) ~~[(7)]~~ business recruitment;
 - (G) ~~[(7)]~~ development;

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~~(H)~~ ~~(7)~~ recreation;~~(7)~~ and
~~(I)~~ cultural enhancement;
~~(16)~~ ~~(14)~~ payment of expenses incurred in the establishment, administration, and operation of the district; and
~~(17)~~ ~~(15)~~ the development, rehabilitation, or expansion of affordable housing.
(c) A public improvement project may be limited to the provision of the services described by Subsection ~~(b)~~~~(13)~~ ~~(15)~~ ~~(13)~~.

No equivalent provision.

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SECTION 4. Chapter 372, Local Government Code is amended to add Sec. 372.031 as follows:
Sec. 372.031. FINDINGS PRIOR TO ISSUANCE OF CERTAIN BONDS OR OBLIGATIONS. (a) Prior to the issuance under this chapter of bonds or obligations wholly or partly payable from or secured by assessments, the governing body of a municipality with a population of 250,000 or less or the governing body of a county with a population of 1 million or less issuing the bonds or obligations must find and determine the following:
(1) construction of all underground water, wastewater, and drainage facilities and roadways to serve the real property liable for assessments necessary to support the payment of the bonds or obligations is at least 95 percent complete; and
(2) construction of at least 25 percent of the houses or other buildings on the real property liable for assessments and necessary to support the bonds or obligations has been completed.
(b) Prior to the issuance under this chapter of bonds or obligations wholly or partly payable from or secured by assessments, a municipality with a population of more than

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700,000 or a county with a population of more than 1 million issuing the bonds or obligations must obtain an independent market study from a firm recognized in the area of real estate market analysis supporting the development projects for the real property liable for assessments and necessary to support the payment of the bonds or obligations.

(c) Subsections (a) and (b) do not apply to general obligation bonds or certificates of obligations.

(d) When a municipality or county subject to this section submits bonds or obligations payable from assessments to the attorney general for approval and examination, the municipality or county must demonstrate compliance with this section. The attorney general shall adopt rules in accordance with Chapter 1202, Government Code, that require the municipality or county to demonstrate the municipality's or county's:

(1) ability to repay the bonds or obligations; and

(2) compliance with the requirements of this subchapter.

[FA1]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) An assessment bears interest at the rate specified by the governing body of the municipality or county beginning at the time or times or on the occurrence of one or more events specified by the governing body. If general obligation bonds, revenue bonds, installment sales contracts, reimbursement agreements, time warrants, or temporary notes are issued or entered into to finance or pay for the improvement for which the assessment is levied [assessed], the interest rate for the [that] assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. [Interest on the assessment between the effective date of the ordinance or order levying the assessment and the date the first installment is payable shall be added to the first installment.] The interest on any delinquent installment shall be added to each subsequent installment until all delinquent installments are paid. The added interest may be used to pay costs, including the payment or prepayment of the assessment, administrative costs, costs of improvements, and costs of financing such as reserves for debt service.

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

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

(1) has accrued on the assessment; and

(2) will accrue on the assessment until the next scheduled prepayment or redemption date on the general obligation bonds, revenue bonds, installment sales contract,

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reimbursement agreement, temporary note, or time warrant issued or entered into to finance or pay for the improvements [on any lot or parcel].

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

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

(1) a municipality or county;

(2) a political subdivision or other entity exercising the powers granted under this subchapter as authorized by other law; or

(3) an entity that:

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

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

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

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

(1) under an installment sales [~~sale~~] contract or a

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reimbursement agreement between the municipality or county and [with] the person who acquires, installs, or constructs the improvements [contracts to install or construct the improvement for which the costs apply];

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

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

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

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

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

(2) after the period described by Subdivision (1), may not exceed two percent above the bond index rate described by Subdivision (1) [of the contract or agreement or the issuance of the bond, temporary note, or time warrant. The newspaper must specialize in bonds and be acceptable as a reliable source

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~~for bond interest rates to the governing body of the municipality or county that enters into the contract or agreement or that issues the bond, temporary note, or time warrant].~~

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

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

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

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

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

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

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

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

(b) The bond or obligation may be:

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

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(2) issued to pay costs;

(3) issued to refund any obligation entered into or issued under this subchapter, including an installment sales contract, reimbursement agreement, temporary note, and time warrant; and

(4) payable from and secured by special assessments.

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

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

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

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

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

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

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

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SECTION 12. Same as House version.

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effect, this Act takes effect September 1, 2011.

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