

SUBJECT: Amending the County Development District Act

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — Oliveira, McCall, Bonnen, Y. Davis, Hilbert, Keffer, T. King,
Ramsay, Sadler

0 nays

2 absent — Craddick, Heflin

WITNESSES: *(On original bill:)*

For — Sandy Jacobs, Denton County; Tom Leonard, Denton County

Against — Katie Croker, Jim Pelley, City of Little Elm; Del Knowler,
Citizens United for a Rural Environment; Bill Wilkinson, City of Double Oak

BACKGROUND: The 74th Legislature in 1995 enacted the County Development District Act authorizing creation of county development districts (CDDs) to help small and medium-sized counties diversify their economies by attracting visitors and tourists. Currently, there are six CDDs, three in Denton County and one each in Cherokee, Kaufman, and Williamson counties.

A county with a population of up to 400,000 can create a CDD by an order of the commissioners court, if a proper petition has been filed. Upon voter approval, districts can issue bonds, levy sales and use taxes, and build projects including recycling facilities, sports facilities, public parks, and museums. Sec. 383.061, Local Government Code, grants to CDDs the same powers as municipal management districts (MMDs).

DIGEST: CSHB 3567 would provide that:

- ! any bond issued by a CDD would have to be approved by the attorney general under art. 717k-8, VTCS, and would not require approval under sec. 50.107, Water Code;
- ! CDD bonds could be repaid from any source of tax or revenue, including property tax assessments;
- ! a CDD could use hotel occupancy tax revenue for the purpose of

attracting visitors to the county;

- ! hotel occupancy taxes assessed for properties located in more than one CDD would go entirely to the first CDD to include the property;
- ! a petition to create a district would have to be accompanied by an ordinance or resolution of each municipality with jurisdiction in the proposed district;
- ! an appeal of an order creating a district would have to be filed in a district court of the county not later than 30 days after the order is issued;
- ! the commissioners court would include property in more than one CDD with the written consent of the owner or fee simple title of the property;
- ! a CDD could contract with any other district or person as needed to carry out the powers and duties of the district; and
- ! a CDD could enter into a contract with the county under which the CDD agreed not to call an election to authorize a property tax without written approval of the county.

CSHB 3567 would provide that an action taken by a CDD before the effective date of the bill would be validated as of the date the action was taken unless it was involved in litigation. The action of a CDD in litigation would not be considered validated as of the date the action was taken if the litigation ultimately resulted in the action being held invalid by a final judgment of a court.

CSHB 3567 also would increase the maximum population for counties authorized to create County Development Districts to 600,000 from 400,000.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

**SUPPORTERS
SAY:**

CSHB 3567 would clarify specific powers, duties, obligations, and requirements already implied in current law. The bill would amend the County Development Act to clarify that CDDs have the same powers as Municipal Management Districts. The bill would not grant new powers to a CDD that it did not already have, either explicitly or because CDDs have been given the same powers as MMDs by statute.

CSHB 3567 contains safeguards that would protect property owners. The bill would require the consent of every municipality for any CDD that proposes to include a portion of the municipality or an area of its extraterritorial

jurisdiction, a provision added by the committee substitute. Adding this requirement to the CDD creation process would give the public an additional opportunity to oppose creation of such a district.

Under current law, the county commissioners court is the principal venue for protesting a CDD's creation. The bill also would establish a route of appeal to the creation of the CDD by a commissioners court and place a reasonable time limit to initiate proceedings.

CSHB 3567 also would ensure that all counties currently having the authority to create CDDs would maintain that authority after the decennial census is conducted in 2000.

**OPPONENTS
SAY:**

People wishing to appeal the creation of a CDD should be given longer than 30 days to file suit in district court. The bill should require any party wishing to appeal to provide written notice of an intention to file suit to the county commissioners court within 30 days.

NOTES:

The substitute would require the approval of municipalities before a CDD could be created. The substitute deletes sections of the original bill that would have included projects involving water, sewers, storm drainage, and streets as projects on which money could be spent to attract visitors.