

SUBJECT: Houston improvement district transit and parking facility authority

COMMITTEE: Urban Affairs — committee substitute recommended

VOTE: 5 ayes — Talton, Van Arsdale, Edwards, Hunter, Wong
0 nays
2 absent — Menendez, Bailey

WITNESSES: For — John Breeding, Robert Randolph, Harris County Improvement District No. 1
Against — None

BACKGROUND: In 1987, the 70th Legislature created the Harris County Improvement District No. 1 (HCID No. 1), which coordinates traffic operations, public maintenance, infrastructure improvements, and economic development in the Uptown area of Houston. This highly developed area includes office buildings, hotels, and the Galleria shopping center. The HCID No. 1 levies taxes on assessed property values in the district to fund its operations.

DIGEST: CSHB 1685 would expand the authority of HCID No. 1.

Transportation. HCID No. 1 could acquire, lease, develop, and operate a public transit system to serve the district. Prior to development or acquisition of a public transportation system by the district, a petition requesting the project would have to be submitted by owners representing a majority of either the square-footage or the assessed value on the right-of-way where the project is proposed to be located.

Parking. HCID No. 1 could acquire, lease, develop, and operate parking facilities. These facilities would be either leased to or operated by an entity other than the district and used for public purposes. Any lease of a parking facility by the district under the bill would be exempt from ad valorem taxes, as well as state and local sales and use taxes.

Funding. This bill would authorize HCID No. 1 to use any of its resources to fund public transit projects or parking facilities. The district would be authorized to collect fees and tolls to finance the cost of the transportation and parking programs. HCID No. 1 also could issue bonds or notes to finance the projects and facilities. No petition from property owners would be required if the district financed a transportation or parking system without public funds. HCID No. 1 could adopt necessary rules covering its transportation and parking systems, provided that those rules were subject to other applicable municipal requirements.

Compensation in lieu of taxes. If acquisition of property for a parking facility by HCID No. 1 removed that property from the tax rolls of a taxing unit, HCID No. 1 would have to compensate the taxing unit for an amount equal to the ad valorem taxes that would have been paid on the property. This payment would be based on the assessed value of the property in the year preceding acquisition by the district and would not reflect any improvements constructed on the property.

CSHB 1685 would validate and confirm all acts and proceedings by HCID No. 1 and its board of directors prior to the bill's effective date except for any matter currently being litigated or any act held invalid in court.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS
SAY:**

CSHB 1685 would give HCID No. 1 the ability to address the growing traffic problem in Uptown Houston, a uniquely important commercial district for the City of Houston. HCID No. 1 was created by the Legislature in 1987 in order to stimulate transportation and commerce in the Uptown area, which currently has an inadequate system of public transportation, streets, and parking facilities. CSHB 1685 would provide HCID No. 1 with the tools needed to improve mobility and parking in this area.

Given the authority proposed under CSHB 1685, HCID No. 1 would be able to improve quality of life in its jurisdiction. Traffic congestion in the Uptown area not only inconveniences residents, shoppers, and workers, but also deters economic growth, lowers property values, and exacerbates pollution. Creation

of park-and-ride facilities and shuttle routes would benefit an area that is important to the economy of Houston and Texas.

CSHB 1685 would provide HCID No. 1 with appropriate flexibility to coordinate and plan projects in the district. CSHB 1685 would enable the HCID No. 1 to take advantage of all available public and private funds and allow the district to contract with other public and private entities. The improvement district could fund new projects through federal or private grants and could partner with Houston METRO to provide public transportation services in the Uptown area.

By requiring a petition approved by property owners before a tax was levied or a public transit project was initiated, CSHB 1685 would incorporate democratic protections into HCID No. 1's planning process. With these protections incorporated into CSHB 1685, HCID No. 1 could not initiate a project that was unwanted or unpopular with the property owners who would have to pay for it.

By requiring HCID No. 1 to compensate all relevant taxing units if acquisition of property for a parking facility resulted in removal of that property from a taxing unit's rolls, CSHB 1685 would prevent any decrease in revenue to taxing jurisdictions in the improvement district.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The committee substitute to HB 1685 added language requiring that any rules adopted by HCID No. 1 be subject to all applicable municipal charter, code, and ordinance requirements. The committee substitute also added a section requiring payment by the improvement district in lieu of taxes to all relevant taxing units if property for a parking facility was removed from the taxing unit's tax rolls. This payment would apply every year the property was held by the improvement district and would be equivalent to the taxes that otherwise would have been paid for the preceding year. The payment would not take into account any improvements constructed on the property.

The Senate passed the companion bill, SB 868 by Lindsay, by 31-0 on the Local and Uncontested Calendar on April 3. The Urban Affairs Committee

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reported SB 868 favorably without amendment, on April 8, making it eligible to be considered in lieu of HB 1685.