

- SUBJECT:** Modifying procedures associated with public improvement districts
- COMMITTEE:** County Affairs — committee substitute recommended
- VOTE:** 7 ayes — W. Smith, Naishtat, Bolton, Coleman, Farabee, Harless, Heflin  
0 nays  
2 absent — Leibowitz, T. Smith
- WITNESSES:** For — Ray Hutchinson, City of Lavan; Maury Rubin, Centerpointe Properties Ltd; Susan Zachos, City of Fort Worth; Andy Messer; Ike Shupe; (*Registered, but did not testify*: Shanna Igo, Texas Municipal League; Juan R. Gonzalez)  
  
(*On committee substitute*:)  
For — Howard Cohen; (*Registered, but did not testify*: Camila W. Kunan, City of San Antonio)  
  
Against — None
- BACKGROUND:** Public Improvement Districts (PIDs) are regulated by Local Government Code, ch 372, subch A. Such districts have become an increasingly important means of financing and undertaking a number of improvements related to infrastructure, public facilities, and other amenities. Existing statutory processes for PIDs do not offer much flexibility for modifications following designation and have vague standards regarding notification for property owners in affected areas.  
  
Ch. 372, subch. A provides that a governing body of a municipality or county may undertake an improvement project in a PID if it finds that doing so would promote its interest. Such projects include the construction of public facilities, infrastructure, common areas, public works, landscape improvements, and others. The subchapter sets forth procedures for the petition for and designation of a district, governance by an advisory body, assessment of value of land contained by a district for tax purposes, periodic review of a service plan that includes the projected costs for improvements, and creation of funding mechanisms and issuance of bonds to implement proposed projects.

DIGEST:

CSHB 3223 would make a series of changes to statutory provisions governing PIDs created under ch. 372, subch A. The bill would allow for projects to be undertaken inside or outside the boundaries of a PID. Any public facilities constructed in the district would have to provide for public health and sanitation, improve water and wastewater resources, enhance the provision of public safety and security, provide governmental services in one or more municipal buildings, enhance business recruitment and development, provide recreation and other cultural amenities, or improve the general quality of life in the district.

PIDs would not have to be composed of contiguous territory. The majority of owners in an area could petition to add or exclude areas unless doing so would interfere with issued general obligation or revenue bonds associated with the area. Governing bodies would be empowered to create a corporation for the purposes of issuing bonds and providing for the financing of improvements. The governing body also could cede to the corporation title to improvements and the responsibility for managing the PID. The bill would enhance payment options for PIDs for costs incurred for the construction of improvements.

CSHB 3223 would make revisions to the process by which residents could petition for the resolution calling for the creation of a PID. Property owners in a district could petition to request the governing body of the municipality or the county to increase or decrease the estimated cost of the improvements, add or delete one or more improvements, or revise the proposed method of assessment. A governing body could amend the resolution accordingly by majority vote following a public hearing preceded by due notice.

Practices regarding the assessment of value and the imposition of liens on property in a district would be modified. The amount of an assessment could be reduced or eliminated to the extent that it could be supplemented by other available revenue. A governing body would have to establish a method of assessment for subdivided parcels that did not result in an increase of the total assessment on any parcel. A revised assessment roll would be included as part of the PID service plan to reflect the subdivision of assessed parcels and the resulting allocation of the assessments for each parcel upon subdivision. Any liens assessed on foreclosed property would remain outstanding to be paid by a person who was to purchase the property.

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, 2007.

NOTES:

The committee substitute added a number of provisions to the bill as filed, including:

- defining the legitimate purposes of public facilities constructed as part of a public improvement project;
- granting that governing bodies could undertake public improvement projects within or without the boundaries of a PID;
- providing that PIDs would not have to be composed of contiguous territory;
- revising the process by which residents could petition for the resolution calling for the creation of a PID; and
- modifying practices regarding the assessment of value and the imposition of liens on property in a district.