

- SUBJECT:** Changing the governance of municipal management districts
- COMMITTEE:** Urban Affairs — favorable, without amendment
- VOTE:** 8 ayes — Button, Shaheen, Goodwin, E. Johnson, Middleton, Morales, Patterson, Swanson
- 1 nay — J. González
- WITNESSES:** For — Trey Lary, Allen Boone Humphries Robinson LLP; Jim Bigham
- Against — (*Registered, but did not testify:* Clifford Sparks, City of Dallas)
- BACKGROUND:** Local Government Code ch. 375 allows for the creation of municipal management districts (MMDs) to promote, develop, encourage, and maintain employment, commerce, economic development, and the public welfare in the commercial areas of municipalities and metropolitan areas.
- Sec. 375.022 requires that a petition submitted to the Texas Commission on Environmental Quality to establish an MMD be signed by the owners of a majority of the assessed value of the real property in the proposed district.
- Sec. 375.161 prohibits MMDs from imposing any tax on single-family detached homes, duplexes, triplexes or fourplexes.
- Sec. 375.063 requires that the director of an MMD be at least 18 years old and be:
- a resident of the district;
 - an owner of property in the district;
 - an owner of stock of a corporate owner of property in the district;
 - an owner of a beneficial interest in a trust that owns property in the district; or
 - an agent, employee, or tenant of an owner of property, owner of stock of a corporate owner of property, or owner of a beneficial

interest in a trust that owns property in the district.

Sec. 375.092(f) allows MMDs to initiate and maintain improvement projects inside or outside of the boundaries of the district.

Sec. 375.243 prohibits the board of directors of an MMD from calling a bond election unless requested via petition by the owners of 50 percent or more of the assessed value of the property or owners of 50 percent or more of the surface area of the district, excluding roads, streets, highways, other public areas and other property exempt under statute.

Sec. 375.262 requires the board to dissolve an MMD when presented with a written petition from the owners of at least 75 percent of the assessed value of the property in the district or 75 percent of the surface area of the district, including roads, streets, highways, other public areas and other property exempt under statute.

DIGEST:

HB 304 would make certain changes to the governance and operation of municipal management districts (MMDs).

The bill would require that a petition submitted to the Texas Commission on Environmental Quality to establish an MMD be signed by the owners of a majority of the assessed value of the real property in the district that would be subject to assessment by the district.

The bill would no longer list being a resident of the district as a qualification for becoming director of an MMD. This provision would apply only to a member of a board of directors of an MMD appointed on or after the bill's effective date.

The bill would allow the owners of a majority of the assessed value of the property subject to assessment by the district to recommend to the governing body of the municipality in which the district was located persons to serve on the MMD's board of directors.

The bill would restrict an MMD's ability to initiate and maintain

improvement projects to those that benefited property in the district, regardless of whether the improvements or services were located inside or outside its boundaries.

HB 304 would prohibit the board of directors of an MMD from calling a bond election unless a petition requesting the bond election was submitted by the owners of a majority of the assessed value of the property in the district subject to assessment by the district.

HB 304 would prohibit the board of directors of an MMD from financing improvement projects unless a petition requesting the bond election was submitted by the owners of a majority of the assessed value of the property in the district subject to assessment by the district or the owners of a majority of the surface area of the real property subject to assessment.

The bill would require the board to dissolve an MMD when presented with a written petition from the owners of at least two-thirds of the assessed value of the property subject to assessment or taxation by the district.

The bill would take effect on September 1, 2019.

**SUPPORTERS
SAY:**

HB 304 would ensure that municipal management districts (MMDs) were accountable to the people paying taxes in the district, increasing their accountability and effectiveness. The bill would give those who funded the districts a chance for greater influence on and awareness of its activities.

Changing the threshold for various petitions related to MMDs from a percentage of the value of property owned in the district to a percentage of the value of property owned that was subject to assessment by the district would ensure that the district was governed by those who pay taxes to it.

Because MMDs do not tax single-family homes and small apartment buildings, having residency as a qualification for serving on the board allows for a situation in which a member of the board is not assessed by

the district. HB 304 would foreclose this possibility while still allowing some residents to qualify for board membership in their capacities as tenants.

OPPONENTS
SAY:

HB 304 would elevate the needs of property owners above those of other Texans. Everyone who is affected by the actions of a political body deserves a role in its governance, including those who own smaller properties or no property. The bill contains no requirement for the board to have a representative from the municipal government, so there is no guarantee that the people will have a voice in governing the district. Eliminating the residency qualification only lessens the likelihood that the board will act in the best interest of the district's residents.