

SUBJECT: Creating the Oak Farms Municipal Management District

COMMITTEE: Urban Affairs — favorable, without amendment

VOTE: 9 ayes — Button, Shaheen, J. González, Goodwin, E. Johnson, Middleton, Morales, Patterson, Swanson

0 nays

WITNESSES: For — Ross Martin, Cienda Partners

Against — Lee Kleinman, City of Dallas

BACKGROUND: Local Government Code ch. 375 subch. B establishes certain requirements that must be met before a municipal management district may be created, including a petition to the Texas Commission on Environmental Quality that includes a resolution of the governing body of the municipality in which the district would be created in support of the district.

DIGEST: HB 4733 would create the Oak Farms Municipal Management District and grant it certain powers, including those of issuing bonds and imposing assessments, fees and taxes.

Territorial boundaries. The bill would define the territory of the district, which would be located in the Oak Cliff area of Dallas, with regard to certain geographical features. It would establish that the district could add or exclude land, and that any mistake in the description of the territorial boundaries would not affect the existence or powers of the district as described in other parts of the bill. The bill would allow all or any part of the area of the district to be included in a tax increment or tax abatement reinvestment zone.

Board of directors. The bill would establish a board of five elected directors serving staggered terms of four years. The district would be allowed to compensate each director up to \$150 for each board meeting. Total compensation could not exceed \$7,200 per year.

Powers and duties. HB 4733 would specify the powers and duties allowed and prohibited to the district.

Improvement projects. The bill would grant the district the authority to construct, maintain, or finance an improvement project or service, and to contract with a governmental or private entity to accomplish any tasks related to them. The district would be allowed to use any money available to it for these purposes.

Nonprofit corporations. The bill would allow the board to create a nonprofit corporation to implement a project or provide a service. The board of directors of the municipal management district would appoint the board of directors of the nonprofit corporation, who would serve in the same manner as the board of directors of a local government corporation, except that a board member of such a nonprofit corporation would not be required to live in the district.

Economic development. The bill would allow the district to engage in activities that stimulate business and commercial activity in the district, including the establishment and administration of programs that would make loans and grants of public money and would provide district personnel and services. The bill would allow the district to exercise certain economic development powers generally provided to municipalities.

Eminent domain prohibited. The bill would prohibit the district from exercising the power of eminent domain.

Other powers. The bill would allow the district to contract with the city or another qualified party to provide law enforcement services. The district also would be allowed to join and pay dues to a charitable or nonprofit organization that performed a service or provided an activity consistent with the district's purpose. The bill would allow the district to acquire, build, lease as lessor or as lessee, own, and manage parking facilities.

Assessments. The bill would allow the board to impose and collect an assessment for any purpose that the district is authorized to pursue. The board would be prohibited from using assessments to finance a service or improvement project unless a written petition requesting that service or improvement had been filed with the board. The petition would be required to have been signed by the owners of a majority of the assessed value of real property in the district subject to assessment.

Liens. The bill would assign assessments and related charges incurred by the district as first and prior liens against the property assessed, superior to any other lien or claim other than a lien or claim for ad valorem taxes from certain other political subdivisions. It also would assign such liens as the personal liability of, and a charge against, the owners of the property even if the owners were not named in the assessment proceedings. The lien would be effective from the date of the board's resolution imposing the assessment until the date the assessment was paid. The board would be allowed to enforce the lien in the same manner as it would enforce an ad valorem tax lien against real property.

Taxes and bonds. HB 4733 would allow the district to tax and to issue bonds.

Ad valorem taxes. The bill would require the board to get voter approval through an election before imposing an ad valorem tax.

Operations and maintenance tax. The bill would allow the district to impose an operation and maintenance tax on taxable property in the district, if authorized by a majority of the district voters, for any purpose including the maintenance and operation of the district, the construction or acquisition of improvements, or the provision of services. The board would be allowed to set the tax rate at any amount up to the one approved by voters at the election.

Bonds. The bill would allow the district to borrow money on terms determined by the board. The board would be allowed to issue bonds, notes or other obligations payable from ad valorem taxes, assessments,

impact fees, revenue, contract payments, grants, or other district money, to pay for any authorized district purpose.

HB 4733 would allow the district to issue bonds payable from ad valorem taxes if approved in an election.

The bill would allow the district to issue bonds without an election if they were secured by revenue other than ad valorem taxes or contract payments, provided that certain requirements regarding contract elections had been met.

If the district issued bonds payable wholly or partly from ad valorem taxes, the bill would require the board to impose a continuing direct annual ad valorem tax. The tax would be required to remain in effect for each year that all or part of the bonds were outstanding, in compliance with certain requirements relating to tax levies for bonds.

Debt obligations payable from assessments. The bill would allow the district to issue a debt obligation, by public or private sale, based on bonds, notes or other obligations payable wholly or partly from assessments if the district had previously entered into an arrangement with a municipality or retail utility provider by which it financed an improvement with an obligation and conveyed that improvement to, or allowed it to be operated or maintained by, the municipality or retail utility provider.

Consent of municipalities. The bill would not allow the board to issue its first bonds payable from ad valorem taxes until each municipality in whose corporate limits or extraterritorial jurisdiction the district was located had consented by ordinance or resolution to the creation of the district and to the inclusion of land in the district.

Dissolution. HB 4733 would require the board to dissolve the district on written petition of the owners of 66 percent or more of the assessed value of the district property subject to assessment or from the owners of 66 percent or more of the surface area of the district, excluding roads, streets

and other property exempt from assessment by the district. The bill would allow the board to dissolve the district by majority vote at any time.

The bill would not allow the district to be dissolved if it had any outstanding debt or had a contractual obligation to pay money. The district could not be dissolved if it owned, operated, or maintained public works, facilities, or improvements, unless it made arrangements for another person to own, operate, or maintain the public works, facilities, or improvements.

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, 2019.

**SUPPORTERS
SAY:**

HB 4733 would allow for increased investment in infrastructure and economic development in an area that is currently underdeveloped. Concerns about a lack of municipal oversight are misplaced, as local input into the creation and governance of municipal management districts is provided under current statute.

**OPPONENTS
SAY:**

HB 4733 would not allow for sufficient input from local governments. Safeguards should be put in place for property tax exemptions, prohibitions against assessments of sales taxes, and local oversight.