

- SUBJECT:** Revising powers, duties, and name of Upper Kirby Management District
- COMMITTEE:** County Affairs — committee substitute recommended
- VOTE:** 5 ayes — Lewis, W. Smith, Farabee, Flynn, Quintanilla
0 nays
4 absent — Casteel, Chisum, Farrar, Olivo
- WITNESSES:** For — Jamie Brewster and John Kuhl, Harris County Improvement District No. 3
Against — None
- BACKGROUND:** In 1997, the 75th Legislature created the Upper Kirby Management District in Houston. The district functions as a municipal management district for the Kirby Drive area, a major commercial area, and manages government functions in conjunction with the city, including improvement projects and programs related to utility systems and public safety. Local Government Code, ch. 376, subchapter E governs the district's operations.
- DIGEST:** CSHB 3578 would rename the Upper Kirby Management District as the Harris County Improvement District No. 3 (HCID No. 3) and would expand its authority.
- An assessment could be imposed on a part of the district if only that part would benefit from the service or improvement. The board of directors could not impose an assessment or finance a service or improvement project unless the board received a written petition signed by:
- the owners of a majority of the assessed value of real property in the district or area of the district that would be subject to the assessment, or
 - at least 25 people who owned real property in the district or area that would be subject to the assessment, if more than 25 people owned real property in the district or area.

Use of electrical or optical lines. The district could impose an assessment to pay the cost of:

- burying or removing electrical power lines, telephone lines, cable or fiberoptic lines, or any other type of electrical or optical line;
- removing poles and any elevated lines using the poles; and
- reconnecting elevated lines to buildings or other improvements.

The district could finance, acquire, build, improve, operate, maintain, or charge a fee for the use of telecommunications networks, fiberoptic cable, electronic transmission lines, or other types of transmission lines and supporting facilities or conduits for a line or any such facility.

HCID No. 3 could not impose a fee or assessment on a gas utility or a telecommunications provider.

Transportation. HCID No. 3 could acquire, lease, build, develop, own, operate, and maintain a public transit system to serve the area. A petition requesting the project would have to be submitted by owners representing a majority of either the assessed value or of the area of the real property in the district that abutted the right-of-way where the project would be located.

Parking. HCID No. 3 could acquire, lease, build, develop, own, operate, and maintain parking facilities. These facilities would have to be 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 from state and local sales and use taxes.

Funding. HCID No. 3 could use any of its resources to fund public transit project or parking facilities. The district could collect fees and tolls to finance the cost of transportation and parking programs. It 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. 3 could adopt necessary rules, provided that they were subject to other applicable municipal requirements.

Compensation in lieu of taxes. If acquisition of property for a parking facility by HCID No. 3 removed that property from the tax rolls of a taxing

unit, HCID No. 3 would have to compensate the taxing unit by January 1 of each year 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 built on the property.

CSHB 3578 would validate and confirm all acts and proceedings by HCID No. 3 and its board of directors before the bill's effective date, except for any matter under litigation or any act held invalid by a court.

This 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.

NOTES:

The committee substitute would:

- add language prohibiting the district from imposing a fee or assessment on a gas utility or telecommunications provider;
- authorize a public transit system and parking facilities;
- exempt parking facilities from ad valorem taxes and from state and local sales and use taxes;
- require that any rules adopted by HCID No. 3 be subject to all applicable municipal charter, code, and ordinance requirements;
- authorize the district to issue bonds or notes to finance the parking facilities; and
- require 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 roll.

The 78th Legislature has enacted a similar bill, SB 868 by Lindsay, expanding the authority of HCID No. 1 in the Uptown area of Houston. SB 868 was signed by the governor on April 24 and took effect immediately.