

SUBJECT: Allowing some development districts to spend money outside their borders

COMMITTEE: Urban Affairs — committee substitute recommended

VOTE: 6 ayes — Talton, Wong, A. Allen, Bailey, Blake, Rodriguez

0 nays

1 absent — Menendez

WITNESSES: For — Calvin Munding, City of Baytown

Against — None

BACKGROUND: Local Government Code, ch. 377 allows cities located in more than one county to create a municipal development district in all or part of the city to plan, acquire, establish, develop, construct, or renovate one or more development projects in the district. Voters must approve creation of the district and authorize and set the rate for any sales and use tax levied by the district. Under sec. 377.072, the district's development projects must be within the district's boundaries.

DIGEST: HB 167 would allow a municipal development district in Harris County to undertake projects outside of the district but within the extraterritorial jurisdiction of the city in which the district is located.

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, 2005.

SUPPORTERS SAY: CSHB 167 would grant the two municipal development districts in Harris County more flexibility to promote economic development by allowing them to support projects within the city's jurisdiction that would benefit the district, rather than requiring the project to be entirely within the district, as in current law. Because of land, utility, environmental, and other considerations, it may be more practical sometimes to locate a project outside of a district that still would create a positive economic benefit for the people of the district. In many cases, this land later may be

annexed by the city and the district, and the ability to undertake projects in these areas would aid the local authority in planning and promoting that growth. Districts should have the opportunity to evaluate these projects and help fund them if they decide that a project outside the district would be beneficial. In particular, the Baytown municipal development district would like to extend water and sewer lines to a planned soccer park and Wal-Mart distribution center, which are expected to bring in tourism and jobs, as well as turn a donated 80-acre park into an arboretum.

Any concern that CSHB 167 would lead to misuse of public money is unfounded, because the current statute already defines acceptable development projects. Moreover, the city always has the option of rescinding the tax or dissolving the district if it is unhappy with the way its money is being spent. Although no statute explicitly provides for the dissolution of a municipal development district, cities have an implicit authority to dissolve districts created under their authority. Even without an explicit provision allowing voters to petition to dissolve a district, voters always may bring petitions to their local governments, and elected public officials will respond or be held accountable at the polls. In Baytown, the board includes the mayor and city council members, so citizens also would be able to vote these members out of office if they were unhappy with the projects funded.

**OPPONENTS
SAY:**

Taxing entities traditionally have been limited to spending money within their borders to ensure that the citizens paying those taxes receive the benefit of the projects on which those funds are spent. CSHB 167 could allow money to be spent on projects outside of the municipal development district that created little benefit for the people of the district. The bill would not define the term beneficial, nor set explicit criteria for determining benefit.

**OTHER
OPPONENTS
SAY:**

All municipal development districts should have the flexibility to promote economic development projects outside of their borders that would benefit the district's residents. CSHB 167 should be amended to apply to all five districts in the state.

NOTES:

The committee substitute limited the bill's application to Harris County and specifically would allow those districts to spend money outside their boundaries.