

SUBJECT: Supporting a county improvement district through property assessments

COMMITTEE: County Affairs — favorable, without amendment

VOTE: 6 ayes — R. Allen, Casteel, Coleman, Farabee, Laney, Naishtat

0 nays

3 absent — W. Smith, Olivo, Otto

WITNESSES: For — (*Registered but did not testify*: Robert Barnwell, Southwest Montgomery County Improvement District; Patrick B. Egan, Regency Centers Corp.; Donald G. “Greg” Storil)

BACKGROUND: HB 3562 by Eissler, enacted by the 78th Legislature in 2003, created the Southwest Montgomery County Improvement District. The district has the authority to collect sales taxes and issue bonds to finance any public improvement that the board finds beneficial, including parks and landscaping, street lighting, roadway and sidewalk improvements, and power facilities and services.

DIGEST: HB 3514 would authorize the Southwest Montgomery County Improvement District to make special assessments on property. The district’s authority to adopt a sales tax would be repealed.

The bill would prohibit the board from financing a project and imposing a tax without a written petition signed by the property owners affected by the improvements. The bill would authorize the district to issue other obligations in addition to bonds.

In addition, the bill would:

- add staggered term expirations for board members;
- permit the removal of the director of the board upon petition by the majority of board members;
- add eligibility requirements for board members
- authorize the commissioners court to appoint the board;

- authorize the board to recommend persons to serve on the succeeding board;
- allow the commissioners court to dissolve the district by unanimous vote;
- allows the board to create a nonprofit corporation to oversee projects; and
- authorize the board to impose assessments.

The bill would take effect September 1, 2005.

**SUPPORTERS
SAY:**

HB 3514 would improve the district's ability to meet future demands for essential services by shifting its reliance on sales taxes to special assessments on property. Voters disapproved of the sales tax use in a recent election. Instead, residents would prefer the district to levy assessments on commercial property through a petition process for its improvement projects.

Most improvement districts rely on commercial property assessment, rather than sales tax. Only two improvement districts in Texas use sales taxes instead of property assessment. The bill would allow the district to raise revenue in the same manner as most other successful improvement districts.

The citizens of southwest Montgomery County have agreed that this form of finance better suits their community. The bill would allow Montgomery County, the 28th fastest growing county in the United States, to raise revenue for improvement in the best and fairest manner possible. As the county continues to grow, it needs the proper financial tools to meet local demands. For example, it must meet the demands created by the rapidly growing Magnolia Independent School District, which has doubled in size over the past eight years.

For commercial assessments, the board would not finance an improvement without a written petition from the majority of owners of the assessed commercial properties requesting the project, plus 50 additional property owners in the county. When the district called for an improvement, such as roadway construction or street lighting, only those targeted commercial property owners would be taxed. While sales tax revenue unfairly taxes residents who might not benefit from the improvements, an assessment is paid by commercial property owners who approve of the measure.

Each special assessment would be provided with a Sunset provision. When the district issued bonds for an improvement, the assessment would help fund the debt payments and would dissolve when the debt was covered.

OPPONENTS
SAY:

Shifting the tax burden onto commercial property owners would disproportionately tax a particular segment of the population. While certain commercial land owners would fund improvements, residential land owners would enjoy the benefits without financial contribution.