

SUBJECT:	Authorizing San Antonio to create an economic development district
COMMITTEE:	Local Government Ways and Means — committee substitute recommended
VOTE:	5 ayes — Hill, Creighton, Elkins, Quintanilla, Villarreal  0 nays  2 absent — C. Howard, Puente
WITNESSES:	For — None  Against — None  On — Louis E. Davis, City of San Antonio; Camilla W. Kunau, City of San Antonio
BACKGROUND:	<p>Tex. Const., Art. 16, sec 59, allows a city, by ordinance or resolution, to create a conservation and reclamation district.</p> <p>Tex. Const., Art. 3, sec. 52, allows any political subdivision, upon the vote of a two-thirds majority of its qualified voters, to issue bonds or lend credit up to one-fourth of the assessed value of its real property, and levy and collect taxes to pay interest on the borrowed money for certain purposes.</p> <p>Tex. Const., Art. 3, sec. 52-a, authorizes the Legislature to allow for creation of programs and lending and granting public money for:</p> <ul style="list-style-type: none"><li>• developing and diversifying the state's economy;</li><li>• eliminating unemployment or underemployment; and</li><li>• developing or expanding transportation or commerce in the state.</li></ul>
DIGEST:	CSHB 4077 would authorize Bexar County, the city of San Antonio, and other political subdivisions to contract with an economic development district to accomplish the economic benefits delineated in Tex. Const., Art. 3, sec. 52-a. The district would be considered a supplement, not a replacement, for any government services provided within the district.

As specified in the bill, the purpose of Eastside Improvement District No. 1 would be to help East San Antonio redevelop areas that are physically or economically deteriorated, unsafe, or poorly planned. The district could be used as a tool in blighted areas to:

- implement capital projects such as street and landscaping improvements;
- provide incentives for private investment and economic development; and
- assist in development of residential areas, parks, and open spaces.

**Boundaries.** The district would be authorized to annex land but would not be allowed to use eminent domain. Upon its creation, Eastside Improvement District No. 1 would be bound by the following borders:

- Interstate 37 on the east side;
- Interstate 35 on the north side;
- New Braunfels Ave. on the west side; and
- E. Commerce St. on the south side.

**Board of Directors.** The bill specifies the makeup and function of the district's governing board. Fifteen voting directors would serve staggered four-year terms; seven or eight would expire each even-numbered year after the district's creation. The bill would provide for:

- expansion and reduction of the board's size;
- appointment and replacement of directors;
- nonvoting directors that would include the police chief and the directors of specific city departments, among others; and
- other ethics and public and open meetings requirements.

**Powers and duties.** The city would be authorized to allow the district, by ordinance, to grant the district any powers needed to accomplish the purposes for which it was created. The city could also grant the district powers typically reserved for a development or housing finance corporation. The bill would allow the district's board to create a nonprofit corporation to aid or act in lieu of the district to implement a project or provide a service. The board would be allowed to enter into a contract, lease, or other agreement with or make or accept a grant or loan to or from, or accept donations, from any person or government entity. The municipal management districts law (Government Code, Ch. 375) would

apply to the district, its board, and employees unless otherwise specified. If authorized by the city, the district would be allowed to acquire, lease, build, or operate a parking facility.

**Financial services.** The board would be allowed to impose an assessment to finance a service or improvement if it received a request seeking the assessment and service from either the owners of a majority of assessed value of real property in the district or at least 50 land owners in the district, if there were more than 50 property owners in the district. The bill would specify the lien priority on the property assessed and would provide for district recourse to recover unpaid assessments. Governmental entities, nonprofit organizations, and certain residential and utility properties would be exempt from district assessments. The district would be barred from imposing an ad valorem tax or fee.

The district would be authorized to issue bonds, notes, or other debt obligations under Local Government Code, ch. 375. It would need city approval for bond issuance, the improvement plans that would be financed by the bonds, and how those plans would impact city property, easements or rights-of-way. The district would be barred from spending money for a project outside its boundaries.

**Dissolution.** Upon receiving consent of the city, the board would be allowed to dissolve. If the district had debt, it would remain in existence solely for the purpose of paying off any money owed and would expire once that occurred.

The city would be allowed to dissolve the district but would first have to hold public hearings in the manner defined by Local Government Code, ch. 375. Under this provision, the city would assume any remaining assets, debts, or other obligations held by the district. The city would not be bound by existing provisions governing dissolution by municipal ordinance (Local Government Code, sec. 375.263)

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, 2007.