

# **City of Texas City Policy for the Use of Special Districts**

## **1. Purpose of Policy**

The City will consider the use of special districts to promote new development and redevelopment where it can be demonstrated that an increase in tax base can reasonably be expected and the overall quality of life for people who live and work in the City can be improved. This policy will be applicable within the City and within its Extra-Territorial Jurisdiction ("ETJ"). For those proposed developments that meet the goals and criteria of this policy, the City is willing to consider the following types of special districts: municipal utility districts, tax increment reinvestment zones, municipal management districts, public improvement districts, and neighborhood empowerment zones as described in Section 3.

The purpose of this Policy is to establish a common understanding and consistent approach to guide developers, City staff, the City Commission and the general public through a standardized evaluation process for development proposals that request City consideration of a special district. The policy is intended to:

- **Provide Consistency** - Provide consistent ground rules regarding what is required from developers and a uniform process for City staff in evaluating development proposals where the creation of a special district is being considered, or may be appropriate, and in making recommendations to the Mayor and City Commission.
- **Protect the City's Interests** - Clearly articulate the information that the Mayor and City Commissioners require in order to make a well-informed decision that is in the best interests of the City.
- **Create Win-Win Conditions** - Ensure that benefits accrue for both the City and the developer so that the overall quality and sustainability of tax base is ensured. At the same time, create a positive and predictable development atmosphere that will place and keep Texas City in the competitive forefront in attracting high-quality jobs and environmentally friendly business and industry.
- **Promote Thorough Understanding Regarding When City Will Create Special Districts** - Demonstrate to the development community that the City may consider the use of special districts under special circumstances where a proposal meets the goals set out in this policy and where demonstrable extraordinary benefits will accrue to the City.

## 2. **Goals of the Policy**

1. Improve the overall quality and performance of the City's infrastructure and facilities.
  - Development should make significant positive contributions to public infrastructure and facilities that will have broad reaching benefits, including to the older areas of the City.
2. Promote diversification and balance in the local economy.
  - Encourage environmentally friendly, clean industry.
  - Attract high-paying jobs.
3. Ensure high quality, well-planned developments.
  - The City is predominantly interested in promoting only the highest and best use of land to foster sustainable tax base.
  - Development should be well planned and comprehensive, taking into consideration the impact of the proposed development on potential future development opportunities on nearby lands.
  - Development should be mixed-use, including a strong environmentally friendly commercial/industrial component where appropriate that will include high-paying jobs.
  - Provide a broad range of housing options, including high-end housing.
4. Protect the City's tax-base.
  - Development should generate the highest possible ad valorem value and sales tax revenue.
  - Development should not create a burden on existing taxpayers.

## 3. **Description of Special Districts:**

- Municipal Utility District

A Municipal Utility District (MUD) can be created by provisions of the Constitution, the Water Code, or Legislative Act, They help finance the cost of water, wastewater, drainage and detention required for development, usually (but not necessarily) in unincorporated areas. MUDs have the power to levy an ad valorem tax to repay developers for the provisions of needed services plus the operation and maintenance of district facilities. MUDs generally reimburse developers from between 70% to 100% for water, sewer, drainage and detention costs, as well as associated financing costs. MUDs have also recently been given broader powers to provide such additional services as garbage collection, security, and parks construction.

- Tax Increment Reinvestment Zone

A Tax Increment Reinvestment Zone (TIRZ) is a development-financing tool created under the provisions of Chapter 311 Texas Tax Code. A TIRZ provides a method to finance improvements in a specifically designated zone using tax increment funds. The City may designate a specific geographic area as a Reinvestment Zone to promote development or redevelopment of the area if such development would not occur solely through private investment in the reasonably foreseeable future.

The term tax increment financing (TEF) refers to the amount of tax revenue generated on the increased property values, which result from new development or redevelopment. To implement TIF the City must create a TIRZ. While a TIRZ can only be created by the City, any jurisdiction that levies a tax on property within the TIRZ can "participate" in the TIRZ by contributing all or a portion of its tax rate to the TW. At the time the TIRZ is created, the base taxable value is established. The tax revenue generated on the increased value over and above the base year value is known as the "increment" and can be used by the TIRZ to pay for public improvements within the TIRZ.

- Municipal Management District/Improvement District

Municipal Management Districts and Municipal Improvement Districts are created either by a special act of the Legislature or through petition to the Texas Commission on Environmental Quality (TCEQ). Property owners within these districts are authorized to assess, and in some instances tax, themselves to fund specific improvements, including those related to quality of life issues such as beautification, security, mobility, transit, traffic control, and marketing. Also, these districts can operate and maintain infrastructure through services such as landscape maintenance and street and sidewalk sweeping.

Municipal Management Districts/Improvement Districts can also function on a peer level with other public agencies to provide a similar mechanism for interaction between the agencies, property owners, tenants and residents to guide the cooperative processes typically necessary for effective large-scale development and/or redevelopment. Municipal Management/Improvement Districts have the ability to provide long-term maintenance to improvements.

- Public Improvement District

A Public Improvement District (PID) is a financing tool created under the Public Improvement Chapter 372 of the Texas Local Government Code. This tool allows the City to initiate or receive a petition from property owners requesting the establishment of a special district to finance improvements. A PID can even be used to actively market an area. A PID is created by the City Commission and needs no state agency approval.

A PID enables a neighborhood or commercial area to make improvements benefiting the area and spread the cost equally among all properties. Property owners who benefit from the improvements are assessed based on benefit. It is an overlapping assessment, i.e. it is in addition to City, County and School District taxes.

- Neighborhood Empowerment Zone

Neighborhood Empowerment Zones can be created by the City Commission under the provisions of Chapter 378 of the Local Government Code. Through creation of a NEZ the City is allowed to contract to abate and/or refund all or a portion of taxes, including personal property and sales taxes, if the City makes findings that the zone will promote economic development within its corporate limit. To create a NEZ the City must adopt an ordinance or resolution with findings, that the zone will contribute to the economic development of the City.

The City reserves the right to limit the term or duration of any special district it creates or consents to being created. Further the City may limit the timing, term and number of debt issues and refinancing of debt as may be appropriate to coordinate debt repayment with the term or duration of the special district. A chart summarizing the powers and creation process for all these, except the Neighborhood Empowerment Zone, is included as an exhibit to this document.

#### 4. Evaluation Criteria

All proposals submitted to the City for consideration of creation of a special district must be complete according the following criteria. Incomplete applications, or those lacking sufficient detail, will not be processed until all information, including payment of application fee, is provided.

##### a) General Provisions for Special Districts in Texas City

<i>Type of Special District</i>	<i>Minimum Total Size of Development</i>	<i>Residential Component</i>	<i>Commercial Component</i>
<b>Municipal Utility District</b>	200 acres	Not required  If a residential component is included, the average sales price must be a minimum of \$140,000. <sup>1</sup>	Required.

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<sup>1</sup> The minimum average sales price may change from time to time to reflect changes in market conditions, at the discretion of the city.

<b>Tax Increment Reinvestment Zones</b>	None	Allowed if incorporated with a commercial component.	Required
<b>Municipal Management Districts</b>	None	Allowed if incorporated with a commercial component.	Required
<b>Public Improvement Districts</b>	None	If a residential component is included, the average sales price must be a minimum of \$140,000. <sup>2</sup>	Not required
<b>Neighborhood Empowerment Zone</b>	None	Not allowed	Required

b) **Evaluation Criteria Checklist**



• Submit 10 copies of the complete proposal package	
• Application fee to be submitted along with the package: \$5,000.00	
• Packages will include the following:	
○ Detailed description of proposed development and type(s) of Special District being requested	
○ Business plan, if applicable	
○ Market feasibility considerations / justification of need	
○ Proposed development schedule	
○ Project construction estimates / pro forma projections	
○ List of previous projects	
○ References	
○ Map and/or list of all land in which the proponent has an interest that is contiguous to, and/or in close proximity to the land that is the subject of this submission	
○ Detailed description of how each of the evaluation criteria listed below are addressed:	
<b><i>Developer/Applicant</i></b>	
• Financial capability to carry-out the proposed development	
• Proven track record	
• Project management expertise	

<sup>2</sup> The minimum average sales price may change from time to time to reflect changes in market conditions, at the discretion of the city.



<b><i>Evaluation of Development Impact (Costs and Benefits)</i></b>	
<i>Long Term Strategies</i>	
• Employment generation – short and long term (no. & type of jobs, salary levels)	
• Business and job retention	
• Infrastructure improvements (existing)	
• High-end housing	
<b><i>Environment Impact</i></b>	
• Environmentally-friendly, clean industry	
• Assessment of impact of development on surrounding area	
<b><i>Impact on Public Infrastructure and Services</i></b>	
• Transportation/mobility, traffic and roads	
• Water need requirements	
• Sanitary sewers	
• Storm water	
• Other Utilities (electricity, fiber optics, etc.)	
• Police, Fire and EMS	
• Schools	
• Parks and recreation	
• Airport	
<b><i>Impact on City Policies, Ordinances &amp; Regulations</i></b>	
• Vision 2020	
• Goals 2000	
• Comprehensive Plan	
• City Codes or Ordinances, including subdivision code and zoning standards	
<b><i>Fiscal Impact</i></b>	
• Property Tax	
• Sales tax from construction activities	
• Sales tax derived from development itself	
• Franchise and service fees	
• Other City revenue sources	

Notwithstanding the individual criteria provided above, the City will review the aggregate impact of each proposal in making its decision.

## 5. Evaluation Process

Each proposal for the creation of a special district shall be evaluated against the provisions of this policy, according to the following review procedures:

1. Prior to the submission of any proposal for the creation of a special district, the developer/applicant is required to request a pre-proposal meeting. This meeting will be attended by all or some of the representatives of the Review Team as described below in item 5, at the discretion of the Mayor. The purpose of the pre-proposal meeting is to address questions regarding the use of this policy early on and to give preliminary consideration as to whether the Review Team believes that there is a reasonable expectation of support for the proposal going forward. This does not, however, prejudice the Review Team's decision as a result of the proposal going through the evaluation process. The pre-proposal meeting will also allow the City staff to identify for the developer/applicant amendment applications that would also be required to permit the proposal to move forward, if it were successful under this policy.
2. Proposals are to be submitted to the City of Texas City, City Planner.
3. The City Planner will conduct an initial evaluation for completeness of the application and contact proponent if additional information is required. Incomplete applications will not be processed until all information, including payment of the application fee, as set out above is provided.
4. City Planner will coordinate an evaluation of the application based on the evaluation criteria and prepare a preliminary report. In the preparation of this report, City Planner will consult with other City departments and other agencies, as appropriate, for their input regarding the proposal and its impacts on, and costs and benefits to the City of Texas City.
5. A Review Team, consisting of the following, will consider the proposal and the staff report.
  - a. Mayor
  - b. City Director of Management Services
  - c. City Planner
  - d. City Attorney
  - e. City Engineer
  - f. City Director of Public Works
  - g. City Director of Finance
  - h. City Building Official
6. The Review Team will prepare a final report with recommendations regarding the proposal, and the proposal along with the recommendation shall be forwarded to City Commission for consideration.
7. The City will endeavor to meet a 45-day time frame for conducting its evaluation process, following receipt of a properly completed proposal package and application fee.
8. The City and the Review Team will respect the confidentiality of the material that is required by this policy to be submitted by the development/applicant, to the extent permitted by law.

## City of Texas City

### Policy for the Use of Special Districts

	MUD	TIRZ	MMD	PID
<b>Enabling Statute</b>	Chapter 54 Water Code	Chapter 311 Tax Code	Chapter 376 Local Govt. Code	Chapter 372 Local Govt. Code
<b>Regulatory Oversight Method of Request to Create</b>	TCEQ Petition (majority of value)	City City initiated or Petition (majority of value)	City Special Legislation or TCEQ process by petition	City Petition (majority of value)
<b>Notice to Create</b>	Public Hearing 14-day Published Notice and City Consent	Public Hearing 7-day Published Notice 60-day Notice of Hearing	Legislative hearings or TCEQ hearings	Public Hearing 15-day Published Notice
<b>Statutory Purpose</b>	Provide w/s/d, irrigation, navigation, parks, solid waste management, deed restriction enforcement	Implement adopted plan of public improvements including w/s/d/paving, sidewalks, landscape, streetscape, parks	Implement adopted Service and Assessment Plan for public improvements including w/s/d/paving, landscape, streetscape, parks, sidewalks, maintenance, security, marketing	Implement adopted Service and Assessment Plan for public improvements including w/s/d/paving, landscape, streetscape, parks, sidewalks, maintenance, security, marketing
<b>Board</b>	Mandatory 5 director board elected by residents of MUD	Mandatory 7-9 director board appointed by City	Board appointed in legislation establishing district	Discretionary Advisory Board appointed by City, must be landowners
<b>Board Term</b>	4 years	2 years	4 years	No term
<b>Levy Authority</b>	Unlimited Ad Valorem Tax for cost of improvements, operations and maintenance, TCEQ only approves bond sales with projections of rate at \$.50/\$100 or below.	None	Assessment for cost of public improvements and supplemental operation and maintenance, established annually with public hearing or set once without increase	Assessment for cost of public improvements and supplemental operation and maintenance, established annually with public hearing or set once without increase
<b>Bonded Debt Issuance</b>	As authorized by voters in MUD	As allowed by City	As allowed by City	As allowed by City
<b>Overlapping Tax Duration</b>	Tax Rate Until dissolved by vote of board of directors; or annexed and dissolved by City	None Limited by statute to less than 40 years	Assessment Rate Until dissolved by Board of Directors or City	Assessment Rate Until dissolved by City upon petition of majority of value;