



**CITY OF HOUSTON - CITY COUNCIL**

Meeting Date:

ETJ

Item Creation Date:

PLN - Ordinance Calling a Public Hearing for an Amendment to a Strategic Partnership Agreement (SPA) to annex territory for limited purposes

Agenda Item#:

**Background:**

In 2017, the State Legislature changed the annexation laws in Texas. The changes significantly limited a municipality's options for conducting full purpose (also called general purpose) annexations while they have had no effect on a municipality's ability to annex for limited purposes through a Strategic Partnership Agreement (SPA) with utility districts. Such agreements allow the City to annex all or part of a district for limited purposes. The City can then charge a sales tax and provide specific, limited services to the area. The City cannot levy a property tax in areas annexed for limited purposes.

Since the inception of the Strategic Partnership Agreements in 2000, the City of Houston has executed such agreements with 242 utility districts. Without exception, these agreements have been the result of a request by the district itself, and state law requires that the district approve the agreement prior to Council's consideration of it. At the beginning of a new "round" of annexations, the City will send a general announcement to area districts, and those that are interested respond. When a district enters into an agreement with the City for the first time, a new Strategic Partnership Ordinance is created. Subsequent ordinances between the same district and the City to add territory or to change boundaries are approved as amendments to existing agreements.

These agreements have created net revenue of approximately \$79.1 million to the City in FY 2023 and, because the split is usually 50/50, these agreements have led to around \$39.6 million being redistributed back to the community through the utility districts. While the City does not monitor the expenditures of each district, we are aware that most districts use their funds to supplement existing district services, which effectively lowers utility and tax rates. In some instances, districts have used the proceeds to fund regional parks and other public amenities. Through these agreements, the City has maintained a good working relationship with the utility districts in the Houston area.

The City is required to hold two public hearings in accordance with Section 43.0751(d) of the Texas Local Government Code, which states in pertinent part: *Before the governing body of a municipality or a district adopts a strategic partnership agreement, it shall conduct two public hearings at which members of the public who wish to present testimony or evidence regarding the proposed agreement shall be given the opportunity to do so.*

The hearings called by this ordinance are for an amendment to the existing agreement, with the following Utility District:

- Harris County MUD No. 285

The Planning and Development Department recommends holding the public hearings on November 8, 2023, and November 15, 2023, in the City Council Chambers at 9:00 a.m. The recommended date for passing the SPA and the limited purpose annexation ordinances is December 6, 2023.

DocuSigned by:

Margaret Wallace Brown, AICP, CNU-A  
Director  
Planning and Development Department

**Prior Council Action:**

Ordinance 2010-0985; approved 12-1-2010  
Ordinance 2010-0986; approved 12-1-2010

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**ATTACHMENTS:**

Description	Type
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**Description**

SPA/Limited Annexation Map HC MUD 285  
Council District Map

**Type**

Backup Material  
Backup Material