



## CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 10/4/2016

District A, District E, District F, ETJ

Item Creation Date: 9/9/2016

PLN - SPAs Fall 2016 - Ordinance Calling Public Hearings

Agenda Item#: 21.

### **Background:**

In 1999, 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 and expanded a municipality's ability to annex for limited purpose through a Strategic Partnership Agreement 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 specified, 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 237 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 change boundaries or contract terms are approved as amendments to existing Agreements.

These agreements have created net revenue of approximately \$51 million to the City in 2015 and, because the split is usually 50/50, these agreements have led to around \$51 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 holding these hearings in accordance with Section 43.075 of the Texas Local Government Code, which states: *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 amendments to existing agreements, with the following Utility Districts:

#### **Amendments to existing Agreements:**

Fort Bend County MUD 142 (Amendment 2)

Lake Forest UD (Amendment 2)

Montgomery County MUD 119 (Amendment 1)

Reid Road MUD 1 (Amendment 2)

Trail of the Lakes MUD (Amendment 1)

Each of these amendments will add commercial property and undeveloped land intended for commercial use to the existing agreement. There is no population located in these territories proposed to be annexed for limited purposes. In addition, the city will levy a 1 percent sales tax and the taxes collected in the areas will be divided evenly between the City and the District.

The hearings will be held on November 2, 2016 and November 9, 2016 in City Council chambers.

Patrick Walsh, P.E.

Director

Planning and Development Department

### **Contact Information:**

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### **ATTACHMENTS:**

**Description**  
SPA Location Map

**Type**  
Backup Material