



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 10/1/2019

District B, District E, District F, ETJ

Item Creation Date:

PLN - Fall 2019 SPA Round: Ordinance Calling Public Hearings

Agenda Item#: 23.

Summary:

ORDINANCE calling for public hearings at which interested persons will be given the opportunity to be heard on: 1) Proposed Strategic Partnership Agreement between the City of Houston, Texas, and **WILLOW POINT MUNICIPAL UTILITY DISTRICT** to annex for limited purposes certain territory located within and in the vicinity of such district in Fort Bend and Waller Counties, Texas; 2) proposed amendment to the existing Strategic Partnership Agreement between the City of Houston, Texas, and **HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53** to annex for limited purposes certain territory located within and in the vicinity of such district in Harris County, Texas; 3) proposed amendments to the existing Strategic Partnership Agreements between the City of Houston, Texas, and **BAYBROOK MUNICIPAL UTILITY DISTRICT NO. 1, HARRIS COUNTY WATER CONTROL and IMPROVEMENT DISTRICT NO. 96, HARRIS COUNTY WATER CONTROL and IMPROVEMENT DISTRICT NO. 110, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 46, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 106, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 109, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 132, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 152, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 278, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 412, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494, and TRAIL OF THE LAKES MUNICIPAL UTILITY DISTRICT**; and 4) proposal of the City of Houston, Texas, to impose sales and use tax in such territories; providing for the publication of notice of such hearings; containing findings and other provisions relating to the foregoing subject; providing for severability; and declaring an emergency.

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 241 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 \$59.7 million to the City in FY 2019 and, because the split is usually 50/50, these agreements have led to around \$59.7 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 new agreements, or amendments to existing agreements, with the following Utility Districts:

New Agreement:

Willow Point MUD

Amendments to existing Agreements:

Baybrook MUD No. 1

Harris County MUD No. 53

Harris County MUD No. 46

Harris County MUD No. 106

Harris County MUD No. 109

Harris County MUD No. 132
Harris County MUD No. 152
Harris County MUD No. 153
Harris County MUD No. 278
Harris County MUD No. 412
Harris County MUD No. 494
Harris County WCID No. 96
Harris County WCID No. 110
Trail of The Lakes MUD

For Willow Point MUD, the new agreement will add undeveloped land intended for commercial use. For Harris County MUD No. 53, the amendment will add commercial property to the existing agreement. There is no population located in these territories proposed to be annexed for limited purposes. In each case, the City will levy a 1% sales tax and the taxes collected will be divided evenly between the City and the District.

For Harris County WCID No. 96 and Harris County WCID No. 110, the amendments will extend the existing terms of the SPAs for an additional 10 years. The exact dates for these terms will be specified in the proposed amendments to the SPAs. The SPA for Baybrook MUD No. 1 will be amended to correct the term, so that it expires on January 1, 2031, thirty years from the original SPA date. For all the other MUDs which are in the Atascocita area, the SPA amendments will:

- (i) Extend the terms for 30 years from the date of such amendments
- (ii) Amend provisions related to full-purpose annexation

The Planning and Development Department's recommendation is to have the public hearings on November 6, 2019 and November 13, 2019 in City Council chambers. The recommended date for passing the SPA and the limited purpose annexation Ordinances is December 4, 2019.



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ATTACHMENTS:

Description

SPA Map
Ordinance (revised)

Type

Backup Material
Ordinance/Resolution/Motion