

Amend CSHB 3485 (Senate committee printing) by adding the following appropriately numbered SECTIONS to the bill and renumbering subsequent SECTIONS of the bill accordingly:

SECTION _____. Subchapter A, Chapter 372, Local Government Code, is amended to read as follows:

SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS

Sec. 372.001. SHORT TITLE. This subchapter may be cited as the Public Improvement District Assessment Act.

Sec. 372.0015. DEFINITIONS [~~DEFINITION~~]. In this subchapter:

(1) "Authorized instrumentality" means a public facility corporation created by the governing body of a municipality or county under Chapter 303 or a local government corporation created by the governing body of a municipality or county under Subchapter D, Chapter 431, Transportation Code.

(2) "Extraterritorial[,—————"extraterritorial] jurisdiction" means extraterritorial jurisdiction of a municipality as determined under Chapter 42.

(3) "Public improvement district" or "district" means an area defined by the governing body of a municipality or county that:

(A) consists of one or more contiguous or noncontiguous tracts of land; and

(B) will be specially benefited as determined by the municipality or county by any or all of the public improvements or services.

(4) "Qualified costs" means the costs and expenses incurred in establishing, administering, managing, and operating a public improvement district, including:

(A) costs and expenses of or related to the construction of an improvement project;

(B) financing of an improvement project by a municipality, county, or authorized instrumentality, including the debt service requirements owed or to be owed under installment purchase or reimbursement contracts, temporary notes, time warrants, revenue bonds, special assessment bonds, or certificates of obligation, including reserve funds and capitalized interest;

(C) costs and expenses of or related to the negotiation, development, and execution of the obligations described by Paragraph (B);

(D) costs and expenses of or related to credit and interest rate management agreements entered into under Chapter 1371, Government Code;

(E) costs of attorneys and other professional advisors, including consultants; and

(F) costs related to the administrative oversight of public improvements, services, and operations of the public improvement district.

(5) "Revenue bonds" means bonds, notes, or other securities issued by a municipality, county, or authorized instrumentality that are payable from and secured by liens on all or part, or a combination of, the revenue derived from installment payments of special assessments plus any other revenues, donations, grants, or income described by Section 372.026(e).

(6) "Special assessment bonds" means bonds, notes, or other securities issued by a municipality, county, or authorized instrumentality that are payable solely from and secured by special assessments levied by the governing body of the municipality or county in a public improvement district.

(7) "Special district" means a political subdivision of this state with a limited geographic area created by local law or under general law for a special purpose.

Sec. 372.002. EXERCISE OF POWERS. (a) A public improvement district is not a separate body politic or corporate from the municipality or county that created the district.

(b) Subject to Section 372.010(c), powers [Powers] granted under this subchapter in an area comprising a public improvement district may be exercised by a municipality or county on and after the date [in which] the governing body of the municipality or county [initiates or] receives a petition requesting the establishment of a public improvement district that complies[. A petition must comply] with the requirements of Section 372.005.

(c) The powers granted under this subchapter may be exercised by the governing body of any other political subdivision

if the law creating or governing the political subdivision grants the political subdivision authority described by this subchapter. The governing body of the political subdivision has the same powers and is subject to the same limitations as are applicable to the governing body of a municipality or a county under this subchapter unless and except as modified by the law creating or governing the political subdivision.

Sec. 372.003. AUTHORIZED IMPROVEMENTS AND SERVICES.

(a) If the governing body of a municipality or county finds that it promotes the interests of the municipality or county, the governing body may create one or more public improvement districts under this subchapter and undertake one or more ~~[an]~~ improvement projects ~~[project]~~ that confer ~~[confers]~~ a special benefit on the property located in the public improvement district ~~[a definable part of the municipality or county or the municipality's extraterritorial jurisdiction]~~. A project may be undertaken within or outside the district in the municipality or county or in the municipality's extraterritorial jurisdiction if the project benefits the district.

(b) A public improvement project may include:

- (1) landscaping;
- (2) erection of fountains, distinctive lighting, and signs;
- (3) acquiring, constructing, improving, repairing, widening, narrowing, closing, or rerouting of sidewalks or of streets, roads, highways, bridges, culverts, water retention walls, ~~[any other roadways,~~] or related ~~[their]~~ rights-of-way owned by or to be conveyed to the municipality, the county, the federal government, or another political subdivision or entity exercising powers granted under this subchapter;
- (4) construction or improvement of pedestrian malls;
- (5) acquisition and installation of pieces of art;
- (6) acquisition, construction, or improvement of ~~[libraries,~~
- ~~[(7) acquisition, construction, or improvement of]~~ off-street parking facilities;
- (7) ~~[(8)]~~ acquisition, construction, or improvement~~[-~~

~~or rerouting]~~ of mass transportation facilities, including light rail mass transit, streetcar, or similar systems, and related vehicle parking facilities;

(8) [(9)] acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;

(9) [(10)] the establishment or improvement of parks, playgrounds, lakes, and open spaces, including paths, trails, boat docks, and wharves;

(10) acquisition, construction, or improvement of other public projects that are determined by the municipality or county to promote the interests of the municipality or county and to be of a special benefit to the public improvement district, including:

(A) community centers, recreation centers, and recreation facilities;

(B) libraries;

(C) facilities for police, sheriffs, or firefighters;

(D) municipal or county administration centers;
and

(E) other governmental buildings for the provision of governmental services;

(11) acquisition, construction, or improvement of other public projects, facilities, or services required by a development agreement, interlocal agreement, zoning regulation, or permit issued by a municipality or county having jurisdiction in the public improvement district;

(12) acquisition, construction, maintenance, or improvement of buildings and other facilities commonly used for teaching, research, or the preservation of knowledge by an institution of higher education as defined by Section 372.0045 or for auxiliary purposes of the institution, including administration, student services and housing, athletics, performing arts, and alumni support;

(13) [(11) projects similar to those listed in Subdivisions (1)-(10);

[(12)] acquisition, by purchase or otherwise, of real

property in connection with an authorized improvement; and

(14) [(13)] special supplemental services for improvement and promotion of the district, including services relating to:

(A) advertising;

(B) [7] promotion;

(C) [7] health and sanitation;

(D) [7] water and wastewater;

(E) enhanced fire protection, police, sheriff, and other [7] public safety and [7] security;

(F) [7] business recruitment;

(G) [7] development;

(H) [7] recreation; [7] and

(I) cultural enhancement [7] ~~and~~

~~[(14) payment of expenses incurred in the establishment, administration, and operation of the district].~~

(b-1) The legislature finds that a purpose described by Subsection (b)(12), including an auxiliary purpose, is an authorized economic development purpose of a county or municipality under Section 52-a, Article III, Texas Constitution.

(c) A public improvement project may include or may be limited to the provision of all or any part of the services described by Subsection (b)(14) [(b)(13)].

(d) A municipality that exercises powers under this subchapter may establish a public improvement district in the corporate limits or the extraterritorial jurisdiction of the municipality. A county or other political subdivision that exercises powers under this subchapter may establish a public improvement district in the county or the area of the political subdivision, including in the corporate limits or the extraterritorial jurisdiction of a municipality unless within 30 days after the date notice is provided to the municipality of an [a county's] action to approve [such] a public improvement district, the [a home-rule] municipality objects to the district's [its] establishment within the municipality's corporate limits or extraterritorial jurisdiction.

Sec. 372.004. COMBINED IMPROVEMENTS. A public ~~[An]~~

improvement project may consist of an improvement on more than one street or of more than one type of improvement. An improvement ~~[A]~~ project described by this section may be included in one proceeding and financed as one improvement project.

Sec. 372.0045. AUTHORIZED HIGHER EDUCATION FACILITIES; LEASE TO INSTITUTION OF HIGHER EDUCATION. (a) In this section, "institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(b) The governing body of a municipality or county that establishes a public improvement district to finance a public improvement project described by Section 372.003(b)(12) may enter into a memorandum of understanding with an institution of higher education that provides educational services in the municipality or county under which the municipality or county leases the public improvement project to the institution, at a nominal rate, for use by the institution in providing teaching, research, public service, or auxiliary enterprise activities to students of the institution.

(c) A memorandum of understanding entered into by a municipality or county under this section must include adequate controls to ensure that the lease of the public improvement project promotes the municipality's or county's interests and provides a public benefit to the area served by the district.

Sec. 372.005. PETITION. (a) A petition for the establishment of a public improvement district must state:

(1) the general nature of the proposed improvements ~~[improvement]~~;

(2) the estimated qualified costs ~~[cost]~~ of the improvements ~~[improvement]~~;

(3) the boundaries of the proposed ~~[assessment]~~ district;

(4) the proposed method of assessment, which may specify included or excluded classes of assessable property;

(5) ~~[the proposed apportionment of cost between the public improvement district and the municipality or county as a whole,~~

~~whether the management of the district is to be~~
by:

(A) the municipality;
(B) the ~~or~~ county;
(C) an authorized instrumentality;
(D) ~~the~~ private sector;~~the~~ or
(E) a partnership between the private sector and
one of the entities described by Paragraphs (A)-(C) ~~[municipality~~
~~or county and the private sector]~~;

(6) ~~that~~ that the persons signing the petition request or concur with the establishment of the district; and

(7) ~~that~~ that an advisory body may be established or
an authorized instrumentality may be incorporated to develop and recommend an improvement plan to the governing body of the municipality or county.

(b) The petition is sufficient if signed by:

(1) owners of taxable real property representing more than 50 percent of the appraised value of taxable real property liable for assessment under the proposal, as determined by the current roll of the appraisal district in which the property is located; and

(2) record owners of real property liable for assessment under the proposal who:

(A) constitute more than 50 percent of all record owners of property that is liable for assessment under the proposal; or

(B) own taxable real property that constitutes more than 50 percent of the area of all taxable real property that is liable for assessment under the proposal.

(c) A ~~The~~ petition filed with the municipality may be filed with the municipal secretary or other officer performing the functions of the municipal secretary. A petition filed with the county may be filed with the county clerk or other officer designated by the commissioners court. A petition filed with any other political subdivision exercising powers under this subchapter may be filed with the political subdivision's governing body.

Sec. 372.006. FINDINGS. (a) If a petition that complies with this subchapter is filed, the governing body of the

municipality or county may make findings by resolution as to:

- (1) the advisability of the proposed improvements;
- (2) the [improvement, its] estimated qualified costs of the proposed improvements; and
- (3) [cost,] the method of assessment[~~, and the apportionment of cost between the proposed improvement district and the municipality or county as a whole~~].

(b) The governing body's findings under this section are conclusive.

Sec. 372.007. FEASIBILITY REPORT. (a) Before holding the hearing required by Section 372.009, the governing body of the municipality may use the services of municipal employees, the governing body of the county may use the services of county employees, or the governing body of the municipality or county may employ consultants to prepare a report to determine whether improvements [~~an improvement~~] should be made as proposed by petition or otherwise or whether improvements [~~the improvement~~] should be made in combination with other improvements authorized under this subchapter. The governing body may also require that a preliminary estimate of the qualified costs [~~cost~~] of improvements [~~the improvement~~] or a combination of improvements be made.

(b) For the purpose of determining the feasibility and desirability of a public [~~an~~] improvement district, the governing body may take other preliminary steps before the hearing required by Section 372.009 and [~~7~~] before establishing a public improvement district [~~, or before entering into a contract~~].

Sec. 372.008. ADVISORY BODY. (a) The [~~After receiving a petition that complies with Section 372.005, the~~] governing body of the municipality or county, on the governing body's own initiative or after receiving a petition that complies with Section 372.005, may appoint an advisory body with the responsibility of developing and recommending an improvement plan to the governing body.

(b) The composition of an [~~the~~] advisory body, if established, must include:

- (1) owners of taxable real property representing more than 50 percent of the appraised value of taxable real property liable for assessment under the proposal, as determined by the

current roll of the appraisal district in which the property is located; and

(2) record owners of real property liable for assessment under the proposal who:

(A) constitute more than 50 percent of all record owners of property that is liable for assessment under the proposal; or

(B) own taxable real property that constitutes more than 50 percent of the area of all taxable real property that is liable for assessment under the proposal.

(c) The members of the advisory body serve at the will of the governing body of the municipality or county creating the public improvement district and may be removed at any time.

Sec. 372.009. HEARING. (a) A public improvement district may be established and improvements provided by the district may be financed under this subchapter only after the governing body of the municipality or county holds a public hearing on the advisability of the improvements ~~[improvement]~~.

(b) The hearing may be adjourned from time to time until the governing body makes findings by resolution as to:

- (1) the advisability of each ~~[the]~~ improvement;
- (2) the nature of each ~~[the]~~ improvement;
- (3) the estimated qualified costs ~~[cost]~~ of each ~~[the]~~ improvement;
- (4) the boundaries of the ~~[public improvement]~~ district; and
- (5) the method of assessment ~~[, and~~
- ~~[(6) the apportionment of costs between the district and the municipality or county as a whole].~~

(c) Notice of the hearing must be given in a newspaper of general circulation in the municipality or county. If any part of the public improvement district is to be located in the municipality's extraterritorial jurisdiction or if any part of the improvements is to be undertaken in the municipality's extraterritorial jurisdiction, the notice must also be filed with the municipal secretary or other officer performing the duties of the municipal secretary and published ~~[given]~~ in a newspaper of

general circulation in the part of the extraterritorial jurisdiction in which the district is to be located or in which the improvements are to be undertaken. The final publication of notice must be made before the 15th day before the date of the hearing. The notice must state:

- (1) the time and place of the hearing;
- (2) the general nature of the proposed improvements ~~[improvement]~~;
- (3) the estimated qualified costs ~~[cost]~~ of the proposed improvements ~~[improvement]~~;
- (4) the boundaries of the proposed public improvement ~~[assessment]~~ district; and
- (5) the proposed method of assessment ~~[, and~~
- ~~[(6) the proposed apportionment of cost between the improvement district and the municipality or county as a whole].~~

(d) Written notice containing the information required by Subsection (c) must be mailed before the 15th day before the date of the hearing. The notice must be addressed to "Property Owner" and mailed to the current address of the owner, as reflected on tax rolls, of property subject to assessment under the proposed public improvement district.

Sec. 372.010. IMPROVEMENT ORDER. (a) During the six-month period after the date of the final adjournment of the hearing under Section 372.009, the governing body of the municipality or county may authorize the creation of a public ~~[an]~~ improvement district subject to Section 372.012 if, by majority vote of all members of the governing body, the governing body adopts ~~[members adopt]~~ a resolution authorizing the district in accordance with its finding as to the advisability of the improvements ~~[improvement]~~.

(b) An authorization takes effect when it has been published one time in a newspaper of general circulation in the municipality or county. If any part of the ~~[improvement]~~ district is located in the municipality's extraterritorial jurisdiction or if any part of the improvements is to be undertaken in the municipality's extraterritorial jurisdiction, the authorization does not take effect until the notice is also given one time in a newspaper of general circulation in the part of the extraterritorial

jurisdiction in which the district is located or in which the improvements are to be undertaken.

(c) Actual construction of improvements [~~an improvement~~] may not begin, and acquisition of existing improvements may not occur, until after the 20th day after the date the authorization takes effect and may not begin if during that 20-day period written protests signed by at least two-thirds of the owners of record of property within the [~~improvement~~] district or by the owners of record of property comprising at least two-thirds of the total area of the district are filed with the municipal [~~or county~~] secretary or other officer performing the duties of the municipal [~~or county~~] secretary or the county clerk or other officer designated by the commissioners court. A person whose name appears on a protest may withdraw the name from the protest at any time before the governing body of the municipality or county convenes to determine the sufficiency of the protest.

(d) Before the levy of assessments under Section 372.017, the property owners in the district who signed the original petition may petition the governing body to amend the resolution creating the district adopted under Subsection (a) to amend the estimated qualified costs of the improvements, including adding or deleting improvement projects. The governing body shall provide notice of the owners' petition and hold a public hearing as provided by Section 372.009 to make findings, by amended resolution, of the nature and estimated qualified costs of each improvement. A county or other entity that proposes to amend a resolution under this subsection in the corporate boundaries or extraterritorial jurisdiction of a municipality shall provide notice to the municipality on or before the 30th day before the date the entity amends the resolution.

Sec. 372.011. DISSOLUTION. (a) A public hearing may be [~~called and~~] held after giving notice in the same manner as a hearing under Section 372.009 for the purpose of dissolving a district if a petition requesting dissolution is filed and the petition contains the signatures of at least enough property owners in the district to make a petition sufficient under Section 372.005(b). If the district is dissolved, the district nonetheless

shall remain in effect for the purpose of meeting obligations of indebtedness for improvements.

(b) A district may be dissolved at the discretion of the governing body without a petition only if no assessments have been levied on property in the district or if assessments previously levied have been paid in full and the district has no other outstanding obligations. A dissolution under this subsection may not occur until after the governing body holds a hearing and gives notice in the manner required by Section 372.009.

Sec. 372.012. AREA OF DISTRICT. The area of a public improvement district to be assessed according to the findings of the governing body of the municipality or county establishing the boundaries may include contiguous and noncontiguous tracts of land and may be less than the area described in the proposed boundaries stated by the notice under Section 372.009. The area to be assessed may not include property not described by the notice as being within the proposed boundaries of the district unless a hearing is held to include the property and notice for the hearing is given in the same manner as notice under Section 372.009.

Sec. 372.013. SERVICE PLAN. (a) The advisory body shall prepare an ongoing service plan and present the plan to the governing body of the municipality or county for review and approval. The governing body may assign responsibility for the plan to the employees of the governing body or an authorized instrumentality or to another entity instead ~~[in the absence]~~ of an advisory body.

(b) The plan must cover a period of at least five years and must also define the annual indebtedness and the projected qualified costs for improvements.

(c) The plan shall be reviewed and updated annually for the purpose of determining the annual budget for improvements. As part of the annual update, a revised assessment roll must be prepared to reflect any division of parcels and any reallocation of assessments based on the division.

Sec. 372.014. ASSESSMENT PLAN; PAYMENT BY EXEMPT JURISDICTIONS. (a) An assessment plan must be included in the annual service plan prepared under Section 372.013.

(b) The municipality or county is responsible for payment of assessments against exempt municipal or county property in the district if any assessments are levied. Payment of assessments by other exempt jurisdictions must be established by contract.

(c) The assessment plan may require the district to be divided into development phases and, subject to Sections 372.016 and 372.017, may levy assessments periodically in separate development phases or may stagger the collection of assessments, with different development phases in the district assigned different payment and collection dates. The development phases and staggered collection dates may be coordinated with the installation of the improvements or with the maturity dates of installation purchase or reimbursement contract obligations or with temporary notes, time warrants, or bonds ~~[An assessment paid by the municipality or county under this subsection is considered to have been paid by special assessment for the purposes of Subsection (a)].~~

Sec. 372.015. DETERMINATION OF ASSESSMENT. (a) The governing body of the municipality or county shall apportion the qualified costs ~~[cost]~~ of an improvement to be assessed against property in a public ~~[an]~~ improvement district. The apportionment shall be made on the basis of special benefits accruing to the property because of the improvement.

(b) The qualified costs ~~[Cost]~~ of an improvement may be assessed:

- (1) equally per front foot or square foot;
- (2) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or
- (3) in any other manner that results in imposing equal shares of the qualified costs ~~[cost]~~ on property similarly benefitted.

(c) The governing body may establish by ordinance or order:

- (1) reasonable classifications and formulas for the apportionment of the qualified costs ~~[cost]~~ between the municipality or county and the area to be assessed; and
- (2) the methods of assessing the special benefits for

various classes of improvements.

(d) The amount of assessment for each property owner may be:

(1) adjusted following the annual review of the service plan; and

(2) reallocated, but not increased, if an assessed parcel has been divided.

(e) Notice of any reallocation of assessments shall be given to the property owner of the divided parcel.

(f) The findings, determinations, and assessments made by the governing body under this section are conclusive.

Sec. 372.016. ASSESSMENT ROLL. (a) The ~~[After the total cost of an improvement is determined, the governing body of the]~~ municipality or county shall prepare a proposed assessment roll based on the estimated qualified costs of the improvements. The roll must state the assessment against each parcel of land in the district and ~~[, as determined by]~~ the method of assessment ~~[chosen by the municipality or county under this subchapter].~~

(b) The ~~[governing body shall file the]~~ proposed assessment roll must be filed with the municipal secretary or other officer performing the functions of the municipal secretary or in a district formed by a county, the county tax assessor-collector. The proposed assessment roll is subject to public inspection. When the assessment roll is filed, the appropriate designated officer described by this subsection shall ~~[The governing body shall require the municipal secretary or other officer or county tax assessor-collector to]~~ publish notice of the governing body's intention to consider the proposed assessments at a public hearing. The notice must be published in a newspaper of general circulation in the municipality or county before the 10th day before the date of the hearing. If any part of the public improvement district is located in the municipality's extraterritorial jurisdiction or if any part of the improvements is to be undertaken in the municipality's extraterritorial jurisdiction, the notice must also be published, before the 10th day before the date of the hearing, in a newspaper of general circulation in the part of the extraterritorial jurisdiction in which the district is located or in which the improvements are to be undertaken. The notice must

state:

- (1) the date, time, and place of the hearing;
- (2) the general nature of the improvements [~~improvement~~];
- (3) the qualified costs [~~cost~~] of the improvements [~~improvement~~];
- (4) the boundaries of the [~~assessment~~] district; and
- (5) that written or oral objections will be considered at the hearing.

(c) When the assessment roll is filed under Subsection (b), the appropriate designated [~~municipal secretary or other~~] officer shall mail to the owners of property liable for assessment a notice of the hearing. The notice must contain the information required by Subsection (b) and the appropriate designated [~~secretary or other~~] officer shall mail the notice to the last known address of the property owner. The failure of a property owner to receive notice does not invalidate the proceeding.

Sec. 372.017. LEVY OF ASSESSMENTS [~~ASSESSMENT~~]. (a) At or on the adjournment of the hearing referred to by Section 372.016 on proposed assessments, the governing body of the municipality or county must hear and pass on any objection to a proposed assessment. The governing body may:

- (1) amend a proposed assessment on any parcel; and
- (2) initially or by amendment, provide for reductions of the amount of the annual assessment installments if and to the extent other revenues of the municipality or county of any of the types described by Section 372.026(e) are pledged or become available to pay all or part of installment purchase or reimbursement contract obligations or temporary notes, time warrants, revenue bonds, special assessment bonds, or certificates of obligation that are payable in whole or in part from the assessment installments.

(b) After all objections have been heard and the governing body has passed on the objections, the governing body by ordinance or order shall levy the assessment in the amount required to pay qualified costs as a special assessment on the property. The governing body by ordinance or order shall specify the method of

payment of the assessment. The governing body may provide that assessments be paid in periodic installments. The installments may be in equal or different annual amounts, but must be in amounts each year necessary to meet annual qualified costs. The installments ~~[for improvements and]~~ must continue for a period and be in amounts necessary to retire any ~~[the]~~ indebtedness or obligation to pay or reimburse for the qualified costs, including the proper administration of the district ~~[on the improvements]~~. The obligation to pay installments may be conditioned on the occurrence of a future event or condition if the first periodic installment payment of the assessment occurs on a date not later than the fifth anniversary of the date the assessment was levied.

(c) The governing body may:

(1) levy multiple assessments on property in the district to finance all or part of public improvements and must comply with Section 372.016 for each assessment;

(2) execute and deliver installment purchase or reimbursement contracts or temporary notes or time warrants or issue revenue bonds, special assessment bonds, or certificates of obligation to pay the qualified costs or to refund previously executed installment purchase or reimbursement contracts or temporary notes or time warrants; and

(3) secure the obligations described by Subdivision (2) by pledging one or more of the assessments levied under this subchapter.

Sec. 372.018. INTEREST ON ASSESSMENT; LIEN. (a) An assessment bears interest at the rate and for the period specified by the governing body of the municipality or county, but may not exceed a rate that is ~~[one-half of]~~ one percent higher than the actual interest rate paid on any installment purchase or reimbursement contract obligation or temporary note or time warrant ~~[the public debt]~~ used to finance or to evidence an obligation to pay for the improvement. If revenue bonds, special assessment bonds, or certificates of obligation are issued to pay or refund any of the obligations described by this subsection, the annual interest rate is adjusted to a rate not to exceed one percent higher than the actual rate paid on the bonds or certificates, if the rate

is lower than the rate on the obligations. Interest on the assessment between the effective date of the ordinance or order levying the assessment and the date the first installment is payable shall be added to the first installment. The interest on any delinquent installment shall be added to each subsequent installment until all delinquent installments are paid. The added interest payable on an installment purchase or reimbursement contract or a temporary note, time warrant, or bond under this subsection may be used by a municipality or county to pay qualified costs of improvements or the costs of administration of the district, including the enforcement of assessments or the payment or prepayment of obligations.

(b) An assessment or reassessment, with interest, the expense of collection, and reasonable attorney's fees, if incurred, is a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for [~~state,~~] county, special [~~school~~] district, or municipality ad valorem taxes, and is a personal liability of and charge against the owners of the property regardless of whether the owners are named. The lien is effective from the date of the ordinance or order levying the assessment until the assessment is paid in full and may be enforced by the governing body in the same manner that an ad valorem tax lien against real property may be enforced by the governing body. On the sale of assessed property, any installment or portion of an assessment that is or will be payable for the property during the year of the sale shall be prorated between the buyer and the seller in the same manner as ad valorem taxes are prorated between a buyer and seller. Delinquent installments of the assessment shall incur interest, penalties, and [~~attorney's~~] fees in the same manner as delinquent ad valorem taxes.

(c) A district assessment on property under this subchapter runs with the land. Any portion of an assessment payment obligation that is not yet due is not eliminated by the foreclosure of an ad valorem tax lien. Any purchaser of property at a foreclosure sale under an ad valorem tax lien takes the property subject to any assessment payment obligation that is not yet due and to the terms of payment under the applicable assessment ordinance or order.

(d) The owner of assessed property may pay at any time on any parcel or lot the entire assessment, with interest that:

(1) has accrued on the assessment; and

(2) will accrue on the assessment until the next scheduled prepayment or redemption date on the installment purchase or reimbursement contract or temporary note, time warrant, revenue bond, special assessment bond, or certificate of obligation that secured the assessment~~[, on any lot or parcel]~~.

Sec. 372.019. SUPPLEMENTAL ASSESSMENTS. After notice and a hearing, the governing body of the municipality or county may make supplemental assessments to correct omissions or mistakes in the assessment relating to the qualified costs ~~[total cost]~~ of the improvement. Notice must be given and the hearing held under this section in the same manner as required by Sections 372.016 and 372.017.

Sec. 372.020. REASSESSMENT. The governing body of the municipality or county may make a reassessment or new assessment of a parcel of land if:

(1) a court ~~[of competent jurisdiction]~~ sets aside an assessment against the parcel;

(2) the governing body determines that the original assessment is excessive; or

(3) on the written advice of counsel, the governing body determines that the original assessment is invalid.

Sec. 372.021. SPECIAL IMPROVEMENT DISTRICT FUND. (a) A municipality or county that intends to create a public improvement district may by ordinance or order establish a special improvement district fund in the municipal or county treasury or in a bank designated by the municipality or county to serve as a depository bank for the district's funds.

(b) The municipality or county annually may levy a tax to support the fund established under this section.

(c) The fund may be used to:

(1) pay the qualified costs of improvements ~~[planning, administration, and an improvement authorized by this subchapter]~~;

(2) prepare preliminary plans, studies, and engineering reports to determine the feasibility of improvements

~~[an improvement]~~; and

(3) if ordered by the governing body of the municipality or county, pay the initial qualified costs of improvements ~~[cost of the improvement]~~ until installment purchase contracts or reimbursement contracts are entered into or temporary notes or~~[7]~~ time warrants are issued or revenue bonds, special assessment bonds, or certificates of obligation are~~[7, or improvement bonds have been]~~ issued and sold.

(d) The fund is not required to be budgeted for expenditure during any year, but the amount of the fund must be stated in the municipality's or county's annual budget. The amount of the fund must be based on an annual service plan that describes the public improvements for the fiscal year.

~~[(c) A grant-in-aid or contribution made to the municipality or county for the planning and preparation of plans for an improvement authorized under this subchapter may be credited to the special improvement district fund.]~~

Sec. 372.022. SEPARATE FUNDS. (a) A separate public improvement district fund shall be created in the municipal or county treasury or in a designated depository bank as provided by Section 372.021 for each district.

(b) The following revenues shall be deposited to the fund:

(1) special assessments;

(2) money, if any, contributed by the municipality or county to pay qualified costs;

(3) proceeds ~~[Proceeds]~~ from the sale of revenue bonds, if payable in part from special assessments;

(4) proceeds from the sale of special assessment bonds or certificates of obligation;~~[, temporary notes, and time warrants7]~~ and

(5) any other sums appropriated to the fund by the governing body of the municipality or county for the district ~~[shall be credited to the fund]~~.

(c) The fund may be used solely to pay:

(1) qualified costs of improvement;

(2) amounts due on an installment purchase contract or reimbursement amounts owed under a reimbursement contract,

temporary note, or time warrant; or

(3) any revenue bonds, special assessment bonds, or certificates of obligation that are payable in whole or in part from special assessments levied under this subchapter ~~[incurred in making an improvement]~~.

(d) When an improvement is completed and all of the obligations are paid in full, the balance on deposit in the special improvement district fund that was derived from special assessments, if any, ~~[of the part of the assessment that is for improvements]~~ shall be transferred to a [the] fund established for the retirement of bonds that are payable in whole or in part from assessments.

Sec. 372.023. PAYMENT OF QUALIFIED COSTS. (a) The qualified costs ~~[cost]~~ of an improvement made under this subchapter may ~~[must]~~ be paid by a method or by a combination of methods described by ~~[in accordance with]~~ this section and Section 372.024.

(b) The ~~[A cost payable by the]~~ municipality or county ~~[as a whole]~~ may, on its own or under an installment purchase, reimbursement, or other contract with a third party:

(1) erect, acquire, construct, improve, repair, establish, install, or equip improvements; and

(2) pay all or part of the qualified costs of the improvements ~~[be paid]~~ from:

(A) general funds or other revenues available for that ~~[the]~~ purpose;

(B) special assessments; or

(C) the issuance and sale of general obligation bonds, certificates of obligation, revenue bonds, or special assessment bonds ~~[other available general funds]~~.

(c) The municipality or county may enter into and execute an installment purchase or reimbursement contract with or may deliver a nonnegotiable but transferable temporary note or time warrant to a third party under which:

(1) the third party agrees to:

(A) erect, acquire, construct, improve, repair, establish, install, or equip public improvements; and

(B) dedicate or sell the improvements to the

municipality, county, or authorized instrumentality; and

(2) the municipality, county, or authorized instrumentality agrees to pay or reimburse the third party for the qualified costs by paying accumulated amounts due under the installment purchase or reimbursement contract, temporary note, or time warrant from any and all of the sources described by Subsection (b)(2) [A cost payable from a special assessment that has been paid in full shall be paid from that assessment].

(d) Subject to Section 372.018, an installment purchase or reimbursement contract, temporary note, or time warrant may bear interest at a rate and for a period determined by the governing body of the municipality or county [A cost payable from a special assessment that is to be paid in installments and a cost payable by the municipality or county as a whole but not payable from available general funds or other available general improvement funds shall be paid by the issuance and sale of revenue or general obligation bonds].

(e) An installment purchase or reimbursement contract, temporary note, or time warrant that is payable from installments of assessments is subject to prepayment and redemption at any time from the proceeds of prepayment of assessments made by a property owner under Section 372.018(d) [While an improvement is in progress, the governing body of the municipality or county may issue temporary notes or time warrants to pay for the costs of the improvement and, on completion of the improvement, issue revenue or general obligation bonds.

[(f) The cost of more than one improvement may be paid from a single issue and sale of bonds without other consolidation proceedings before the bond issue.

[(g) The costs of any improvement include all costs incurred in connection with the issuance of bonds under Section 372.024 and may be included in the assessments against the property in the improvement district as provided by this subchapter].

Sec. 372.024. GENERAL OBLIGATION BONDS, [AND] REVENUE AND SPECIAL ASSESSMENT BONDS, CERTIFICATES OF OBLIGATION, AND BONDS ISSUED BY AUTHORIZED INSTRUMENTALITY. (a) The governing body of a municipality or county may issue:

(1) general [General] obligation bonds [issued to pay costs under Section 372.023(d) must be issued] under [the provisions of] Subtitles A and C, Title 9, Government Code;

(2) revenue bonds or special assessment bonds in one or more series; and

(3) certificates of obligation under Subchapter C, Chapter 271.

(b) A bond or obligation described by Subsection (a) may be issued to:

(1) pay qualified costs under Section 372.023(b), including the costs of issuing bonds; and

(2) pay or refund obligations executed or issued under Section 372.023(c).

(c) Certificates of obligation may be payable from and secured by installment payments of special assessments levied under this subchapter.

(d) The governing body of the municipality or county or the authorized instrumentality may include any term or provision consistent with this subchapter in a revenue bond or a special assessment bond issued under this section.

(e) The governing body of a municipality or county may incorporate an authorized instrumentality to act on its behalf to issue revenue bonds or special assessment bonds under this section. The governing body may enter into agreements and contracts with the authorized instrumentality to transfer pledged revenues, funds, and special assessments to or for the account of the authorized instrumentality at the times and as required by the terms of the resolution authorizing the issuance of the revenue bonds or special assessment bonds. Any bonds issued by an authorized instrumentality must be approved by the governing body of the municipality or county before issuance and delivery to the purchaser.

(f) To the extent consistent with this subchapter, an authorized instrumentality shall issue revenue bonds or special assessment bonds under:

(1) Chapter 303, if the authorized instrumentality is a public facility corporation; or

(2) Subchapter D, Chapter 431, Transportation Code, if the authorized instrumentality is a local government corporation [Revenue bonds issued to pay costs under that subsection may be issued from time to time in one or more series and are to be payable from and secured by liens on all or part of the revenue derived from improvements authorized under this subchapter, including revenue derived from installment payments of special assessments].

Sec. 372.0241. SPECIAL ASSESSMENT PUBLIC IMPROVEMENT DISTRICT MANAGEMENT POLICY. (a) The governing body of a municipality or county may develop, adopt, and amend a special assessment public improvement district management policy.

(b) The policy may establish the general requirements and standards for and the preconditions to:

(1) the creation of a public improvement district under this subchapter;

(2) the execution and issuance of installment purchase or reimbursement contracts or temporary notes or time warrants; and

(3) the issuance of any bonds or certificates of obligation payable in whole or in part from special assessments.

(c) If a management policy is adopted, compliance with the terms of the policy, including any amendments to the policy, is required for:

(1) the execution of any installment purchase or reimbursement contracts or temporary notes or time warrants;

(2) the issuance of any revenue bonds or special assessment bonds by the municipality or county or by an authorized instrumentality; and

(3) the issuance of any certificates of obligation by a municipality or county.

Sec. 372.025. TERMS AND CONDITIONS OF BONDS. (a) Revenue bonds and special assessment bonds issued under Section 372.024 must be authorized by:

(1) ordinance, if issued by a municipality;

(2) order, if issued by a county; and

(3) resolution, if issued by an authorized instrumentality.

(b) Revenue bonds and special assessment bonds may be issued

to mature serially or in any other manner but must mature not later than 40 years after their date. A provision may be made for the subsequent issuance of additional parity bonds or subordinate lien bonds secured in whole or in part by any assessments or any other revenues authorized by this subchapter under terms and conditions specified in the ordinance, ~~[or]~~ order, or resolution authorizing the issuance of the bonds.

(c) Revenue bonds, special assessment bonds, and certificates of obligation may be subject to redemption before maturity at the option of the issuer and at the times and in the manner provided by the ordinance, order, or resolution authorizing the issuance. Revenue bonds and certificates of obligation that are secured in part by a pledge of special assessments and all special assessment bonds are subject to mandatory redemption at least semiannually from funds provided by assessed parties, if any, as prepayment of installments of special assessments under Section 372.018(d).

(d) Revenue bonds and special assessment bonds shall be executed in the manner and by the persons required by the ordinance, order, or resolution authorizing the issuance.

(e) Revenue bonds and special assessment ~~[(b) The]~~ bonds ~~[shall be executed and the bonds]~~ and any interest coupons appertaining to the bonds ~~[them]~~ are negotiable instruments within the meaning and for all purposes of the Uniform Commercial Code (Section 1.101 et seq., Business & Commerce Code).

(f) The ordinance, [or] order, or resolution authorizing the issuance of the revenue bonds or special assessment bonds must specify:

(1) whether the bonds may be registered ~~[are issued registrable]~~ as to principal alone or as to both principal and interest;

(2) whether the bonds are redeemable before maturity;

(3) the form, denomination, and manner of issuance;

(4) the terms, conditions, and other details applying to the bonds including the price, terms, and interest rates on the bonds; and

(5) the manner of sale of the bonds.

(g) [(e)] The ordinance, ~~or~~ order, or resolution authorizing the issuance of the bonds may specify that the proceeds from the sale of the bonds:

(1) be used to pay interest on the bonds during and after the period of acquisition or construction of an improvement financed through the sale of the bonds;

(2) be used for creating a reserve fund for payment of the principal of and interest on the bonds and for creating other funds; ~~and~~

(3) be used for the payment of any other qualified costs as determined by the governing body of the municipality or county or by the authorized instrumentality; and

(4) may be placed in time deposit or invested, until needed.

Sec. 372.026. PLEDGES. (a) For the payment of ~~[bonds issued under this subchapter and the payment of]~~ principal, interest, and any other amounts payable on or with respect to any bonds issued by a municipality or county under this subchapter ~~[required or permitted in connection with the bonds]~~, the governing body of the municipality or county may pledge:

(1) all or part of the income from improvements financed under this subchapter, including income received in installment payments from special assessments; and

(2) if the payment is for the payment of revenue bonds, any other revenue described by Subsection (e) [under Section 372.023].

(b) For the payment of principal, interest, and any other amounts payable on or with respect to bonds issued by an authorized instrumentality under this subchapter, the authorized instrumentality may pledge all or part of the assessments or other revenues, if any, that are to be transferred and paid to the authorized instrumentality by the municipality or county under an agreement entered into between the parties under Section 372.024(e).

(c) Pledged income must be ~~[fixed and collected in amounts]~~ sufficient, with other pledged resources, if any, to pay principal, interest, and other expenses related to the bonds, and to the extent

required by the ordinance, ~~[or]~~ order, or resolution authorizing the bonds, to pay for the operation, maintenance, and other expenses related to improvements authorized by this subchapter.

(d) Bonds issued by a municipality or county ~~[(e) The bonds]~~ may also be secured by mortgages or deeds of trust on any real property related to the facilities authorized under this subchapter that are owned or are to be acquired by the municipality or county and by chattel mortgages, liens, or security interests on any personal property appurtenant to that real property. The governing body may authorize the execution of trust indentures, mortgages, deeds of trust, or other forms of encumbrances as evidence of the security interest of the holders of the bonds in the related property ~~[indebtedness]~~.

(e) [(d)] The governing body may pledge to the payment of certificates of obligation issued by the governing body or to the payment of revenue bonds issued by the governing body or by an authorized instrumentality all or part of a grant, donation, revenue, or income received or to be received from the government of the United States or any other public or private source, whether or not it is received pursuant to an agreement or otherwise, including impact fees and incremental ad valorem tax revenues collected by a municipality or by another taxing unit and municipal sales tax collected by a municipality from all or part of a tax increment reinvestment zone created under Chapter 311, Tax Code.

Sec. 372.027. REFUNDING BONDS. (a) Revenue bonds and special assessment bonds issued under this subchapter and certificates of obligation payable solely from special assessments may be refunded or refinanced by the issuance of refunding bonds, under terms or conditions provided ~~[set forth]~~ in the ordinance, order, or resolution authorizing the issuance ~~[ordinances or orders]~~ of the ~~[municipality or county issuing the]~~ bonds. The provisions of this subchapter applying generally to revenue bonds and special assessment bonds, including provisions related to the issuance of those bonds, apply to refunding bonds of like kind authorized by this section. The refunding bonds may be sold and delivered in amounts necessary to pay ~~[for]~~ the principal, interest, and any redemption premium of the bonds ~~[to be refunded]~~,

on the date of the maturity of the bonds [~~bond~~] or any redemption date of the bonds [~~bond~~].

(b) Refunding bonds may be issued for exchange with the bonds they are refunding. The comptroller of public accounts shall register refunding bonds described by this subsection and deliver the bonds to holders of bonds being refunded in accordance with the ordinance, ~~[or]~~ order, or resolution authorizing the issuance of refunding bonds. The exchange may be made in one delivery or several installment deliveries.

(c) General obligation bonds and certificates of obligation issued under this subchapter may be refunded in the manner provided by law.

Sec. 372.028. APPROVAL AND REGISTRATION. (a) Revenue bonds and special assessment bonds issued under this subchapter and a record of the proceedings authorizing their issuance must be submitted to the attorney general for examination. If revenue bonds state that they are secured by a pledge of revenue or rentals from a contract or lease, a copy of the contract or lease and a description of the proceedings authorizing the contract or lease must also be submitted to the attorney general.

(b) If the attorney general determines that the bonds were authorized and the contracts or leases related to the bonds were made in accordance with the law, the attorney general shall approve the bonds and the contract or lease. After [~~On the approval of~~] the attorney general approves the bonds and the contract or lease, the comptroller of public accounts shall register the bonds.

(c) Bonds and contracts or leases approved and registered under this section are:

(1) valid and binding obligations for all purposes in accordance with their terms; and

(2) [~~are~~] incontestable in any court or other forum.

(d) General obligation bonds and certificates of obligation issued under this subchapter shall be approved and registered as provided by law.

Sec. 372.029. AUTHORIZED INVESTMENTS; SECURITY.

(a) Bonds issued under this subchapter are legal and authorized investments for:

(1) banks, trust companies, and savings and loan associations;

(2) all insurance companies;

(3) fiduciaries, trustees, and guardians; and

(4) interest funds, sinking funds, and other public funds of the state or of an agency, subdivision, or instrumentality of the state, including a county, municipality, school district, or other district, public agency, or body politic.

(b) Bonds issued under this subchapter may be security for deposits of public funds of the state or of an agency, subdivision, or instrumentality of the state, including a county, municipality, school district, or other district, public agency, or body politic, to the extent of the market value of the bonds, if accompanied by any appurtenant ~~[unmatured]~~ interest coupons that have not matured.

Sec. 372.030. SUBCHAPTER NOT EXCLUSIVE. This subchapter is an alternative to other methods by which a municipality may finance public improvements under applicable law ~~[by assessing property owners]~~.

SECTION _____. Section 61.0572, Education Code, is amended by adding Subsection (f) to read as follows:

(f) Approval of the board is not required for buildings or other facilities financed by a public improvement district under Subchapter A, Chapter 372, Local Government Code.

SECTION _____. Section 61.058, Education Code, is amended by adding Subsection (c) to read as follows:

(c) This section does not apply to construction, repair, or rehabilitation of buildings or other facilities financed by a public improvement district under Subchapter A, Chapter 372, Local Government Code.

SECTION _____. All governmental acts and proceedings of a governmental body of a municipality or county under Subchapter A, Chapter 372, Local Government Code, as that subchapter existed before the effective date of this Act, to establish a public improvement district, designate improvements, levy assessments, and finance costs of improvements in response to a petition filed with the governing body that conformed to the requirements of Section 372.005, Local Government Code, as that section existed

before the effective date of this Act, are validated and confirmed in all respects.