

SPECIAL DISTRICT LOCAL LAWS CODE

TITLE 4. DEVELOPMENT AND IMPROVEMENT

SUBTITLE C. DEVELOPMENT, IMPROVEMENT, AND MANAGEMENT

CHAPTER 3964. CITY OF CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 3

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 3964.0101. DEFINITIONS. In this chapter:

- (1) "Board" means the district's board of directors.
- (2) "City" means the City of Conroe, Texas.
- (3) "Commission" means the Texas Commission on Environmental Quality.
- (4) "Director" means a board member.
- (5) "District" means the City of Conroe Municipal Management District No. 3.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0102. CREATION AND NATURE OF DISTRICT. The district is a special district created under Sections 52 and 52-a, Article III, and Section 59, Article XVI, Texas Constitution.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0103. PURPOSE; LEGISLATIVE FINDINGS. (a) The creation of the district is essential to accomplish the purposes of Sections 52 and 52-a, Article III, and Section 59, Article XVI, Texas Constitution, and other public purposes stated in this chapter. By creating the district and in authorizing the city and other political subdivisions to contract with the district, the legislature has established a program to accomplish the public purposes set out in Section 52-a, Article III, Texas Constitution.

(b) The creation of the district is necessary to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety, and the public welfare in the district.

(c) This chapter and the creation of the district may not be interpreted to relieve the city from providing the level of services provided to the area in the district as of the effective date of the Act enacting this chapter. The district is created to supplement and not to supplant the city services provided in the district.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0104. FINDINGS OF BENEFIT AND PUBLIC PURPOSE.

(a) The district is created to serve a public use and benefit.

(b) All land and other property included in the district will benefit from the improvements and services to be provided by the district under powers conferred by Sections 52 and 52-a, Article III, and Section 59, Article XVI, Texas Constitution, and other powers granted under this chapter.

(c) The district is created to accomplish the purposes of a municipal management district as provided by general law and Sections 52 and 52-a, Article III, and Section 59, Article XVI, Texas Constitution.

(d) The creation of the district is in the public interest and is essential to:

(1) further the public purposes of developing and diversifying the economy of the state;

(2) eliminate unemployment and underemployment;

(3) develop or expand transportation and commerce; and

(4) provide quality residential housing.

(e) The district will:

(1) promote the health, safety, and general welfare of residents, employers, potential employees, employees, visitors, and consumers in the district, and of the public;

(2) provide needed funding for the district to preserve, maintain, and enhance the economic health and vitality of the district territory as a community and business center;

(3) promote the health, safety, welfare, and enjoyment of the public by providing pedestrian ways and by landscaping and developing certain areas in the district, which are necessary for

the restoration, preservation, and enhancement of scenic beauty; and

(4) provide for water, wastewater, drainage, road, and recreational facilities for the district.

(f) Pedestrian ways along or across a street, whether at grade or above or below the surface, and street lighting, street landscaping, parking, and street art objects are parts of and necessary components of a street and are considered to be a street or road improvement.

(g) The district will not act as the agent or instrumentality of any private interest even though the district will benefit many private interests as well as the public.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. [2077](#)), Sec. 1, eff. June 10, 2019.

Sec. 3964.0105. DISTRICT TERRITORY. (a) The district is composed of the territory described by Section 2 of the Act enacting this chapter, as that territory may have been modified under other law.

(b) The boundaries and field notes contained in Section 2 of the Act enacting this chapter form a closure. A mistake in the field notes or in copying the field notes in the legislative process does not affect the district's:

(1) organization, existence, or validity;

(2) right to contract;

(3) authority to borrow money or issue bonds or other obligations or to pay the principal and interest of the bonds or other obligations;

(4) right to impose or collect an assessment, or collect other revenue; or

(5) legality or operation.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. [2077](#)), Sec. 1, eff. June 10, 2019.

Sec. 3964.0106. APPLICABILITY OF MUNICIPAL MANAGEMENT DISTRICTS LAW. Except as otherwise provided by this chapter, Chapter [375](#), Local Government Code, applies to the district.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0107. CONSTRUCTION OF CHAPTER. This chapter shall be liberally construed in conformity with the findings and purposes stated in this chapter.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0108. CONFLICTS OF LAW. This chapter prevails over any provision of Chapter 375, Local Government Code, that is in conflict or inconsistent with this chapter.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0109. CONSENT OF MUNICIPALITY REQUIRED. The board may not hold an election to authorize the issuance of bonds until the governing body of the city by ordinance or resolution consents to the creation of the district and to the inclusion of land in the district. The city's consent must be granted in the manner provided by Section 54.016, Water Code, for including land within the corporate limits or extraterritorial jurisdiction of a city.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

#### SUBCHAPTER B. BOARD OF DIRECTORS

Sec. 3964.0201. GOVERNING BODY; TERMS. The district is governed by a board of five directors appointed by the commission who serve staggered terms of four years, with two or three directors' terms expiring June 1 of each even-numbered year.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0202. APPOINTMENT BY COMMISSION. (a) Before the term of a director expires, the board shall recommend to the

commission a person to serve as a successor director. The commission shall appoint as director the person recommended by the board.

(b) A person recommended by the board under Subsection (a) must be:

- (1) at least 18 years of age;
- (2) an owner of property in the district;
- (3) an owner of stock, whether beneficial or otherwise, of a corporate owner of property in the district;
- (4) an owner of a beneficial interest in a trust that owns property in the district; or
- (5) an agent, employee, or tenant of a person described by Subdivision (2), (3), or (4).

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0203. VACANCY. If a vacancy occurs on the board, the remaining directors shall appoint a director for the remainder of the unexpired term.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0204. COMPENSATION; EXPENSES. (a) The district may compensate each director in an amount not to exceed \$150 for each board meeting. The total amount of compensation a director may receive each year may not exceed \$7,200.

(b) A director is entitled to reimbursement for necessary and reasonable expenses incurred in carrying out the duties and responsibilities of the board.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

#### SUBCHAPTER C. POWERS AND DUTIES

Sec. 3964.0301. GENERAL POWERS AND DUTIES. The district has the powers and duties necessary to accomplish the purposes for which the district is created.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. [2077](#)), Sec. 1, eff. June 10, 2019.

Sec. 3964.0302. IMPROVEMENT PROJECTS AND SERVICES. The district may provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service using money available to the district for the purpose, or contract with a governmental or private entity to provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service authorized under this chapter or Chapter [375](#), Local Government Code.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. [2077](#)), Sec. 1, eff. June 10, 2019.

Sec. 3964.0303. LOCATION OF IMPROVEMENT PROJECT. A district improvement project may be located inside or outside of the district.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. [2077](#)), Sec. 1, eff. June 10, 2019.

Sec. 3964.0304. NO EMINENT DOMAIN. The district may not exercise the power of eminent domain.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. [2077](#)), Sec. 1, eff. June 10, 2019.

#### SUBCHAPTER D. GENERAL FINANCIAL PROVISIONS

Sec. 3964.0401. DISBURSEMENTS AND TRANSFERS OF MONEY. The board by resolution shall establish the number of directors' signatures and the procedure required for a disbursement or transfer of the district's money.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. [2077](#)), Sec. 1, eff. June 10, 2019.

Sec. 3964.0402. MONEY USED FOR IMPROVEMENTS OR SERVICES. The district may acquire, construct, or finance an improvement project or service authorized by this chapter or

Chapter 375, Local Government Code, using any money available to the district for that purpose.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

#### SUBCHAPTER E. TAXES AND BONDS

Sec. 3964.0501. OPERATION AND MAINTENANCE TAX. The district may impose an operation and maintenance tax on taxable property in the district for any district purpose in the manner provided by Section 49.107, Water Code, if authorized by a majority of the district voters voting at an election under that section, including for:

- (1) maintaining and operating the district;
- (2) constructing or acquiring improvements; or
- (3) providing a service.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0502. TAXES FOR BONDS AND OTHER OBLIGATIONS. At the time bonds or other obligations payable wholly or partly from ad valorem taxes are issued:

(1) the board shall impose a continuing direct annual ad valorem tax for each year that all or part of the bonds are outstanding; and

(2) the board annually shall impose an ad valorem tax on all taxable property in the district in an amount sufficient to:

(A) pay the interest on the bonds or other obligations as the interest becomes due; and

(B) create a sinking fund for the payment of the principal of the bonds or other obligations when due or the redemption price at any earlier required redemption date.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

#### SUBCHAPTER F. SPECIAL BOND PROVISIONS

Sec. 3964.0601. APPLICABILITY. This subchapter applies only to bonds payable wholly or partly from revenue derived from assessments on real property in the district.  
Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0602. CONFLICT OF LAWS. In the event of a conflict between this subchapter and any other law, this subchapter prevails.  
Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0603. WRITTEN AGREEMENT REGARDING SPECIAL APPRAISALS. Before the district may issue bonds, the district and any person to whom the board intends that proceeds of the bonds be distributed, including the developer, another owner of land in the district, and any entity acting as a lender to the developer or other landowner for the purpose of a project relating to the district, must enter into a written agreement that:

(1) waives for the term of the agreement the right to a special appraisal with respect to taxation by the district under Subchapters B, C, D, E, F, and H, Chapter 23, Tax Code; and

(2) remains in effect for 30 years and is binding on the parties, on entities related to or affiliated with the parties, and on their successors and assignees.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.

Sec. 3964.0604. REQUIREMENTS FOR ADVERTISING BOND ISSUE. The district may not advertise for an issuance of bonds until the completion of at least 25 percent of the projected value of the improvements, including houses and other buildings, that are liable for district assessments and necessary to support the district bonds.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. 2077), Sec. 1, eff. June 10, 2019.



Sec. 3964.0605. REQUIREMENTS FOR BOND ISSUE. The district may not issue bonds until:

(1) the district submits to the commission:

(A) an engineer's report describing the project for which the bonds will provide funding, including data, profiles, maps, plans, and specifications related to the project; and

(B) a cash flow analysis to determine the projected rate of assessment, which includes the following assumptions:

(i) each ending balance for debt service in the analysis is not less than 25 percent of the following year's debt service requirement;

(ii) interest income is only shown on the ending balance for debt service for the first two years; and

(iii) the projected rate of assessment is level or decreasing for the life of the bonds issued by the district;

(2) the completion of at least 75 percent of the projected value of the improvements, including houses and other buildings, that are liable for district assessments and necessary to support the district bonds; and

(3) the district has obtained an independent market study from a firm recognized in the area of real estate market analysis supporting the development projects for the real property that is liable for district assessments and necessary to support the district bonds.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. [2077](#)), Sec. 1, eff. June 10, 2019.

Sec. 3964.0606. REQUIREMENTS FOR COLLECTION OF REVENUE TO PAY BONDS. The district may not collect an assessment to be used for the payment of bonds until:

(1) the completion of at least 95 percent of the underground water, wastewater, and drainage facilities financed from bond proceeds that are necessary to serve the projected build-out, as certified by the district's engineer;

(2) the district or other appropriate party has

secured the groundwater, surface water, and water discharge permits that are necessary to secure capacity to support the projected build-out;

(3) the completion of at least 95 percent of lift station, water plant, and sewage treatment plant capacity sufficient to serve the connections constructed in the project for a period of not less than 18 months, as certified by the district's engineer; and

(4) the completion of at least 95 percent of the streets and roads that are necessary to provide access to the areas served by utilities and financed by the proceeds of bonds issued by the district, as certified by the district's engineer and constructed in accordance with municipal or county standards.

Added by Acts 2019, 86th Leg., R.S., Ch. 535 (H.B. [2077](#)), Sec. 1, eff. June 10, 2019.