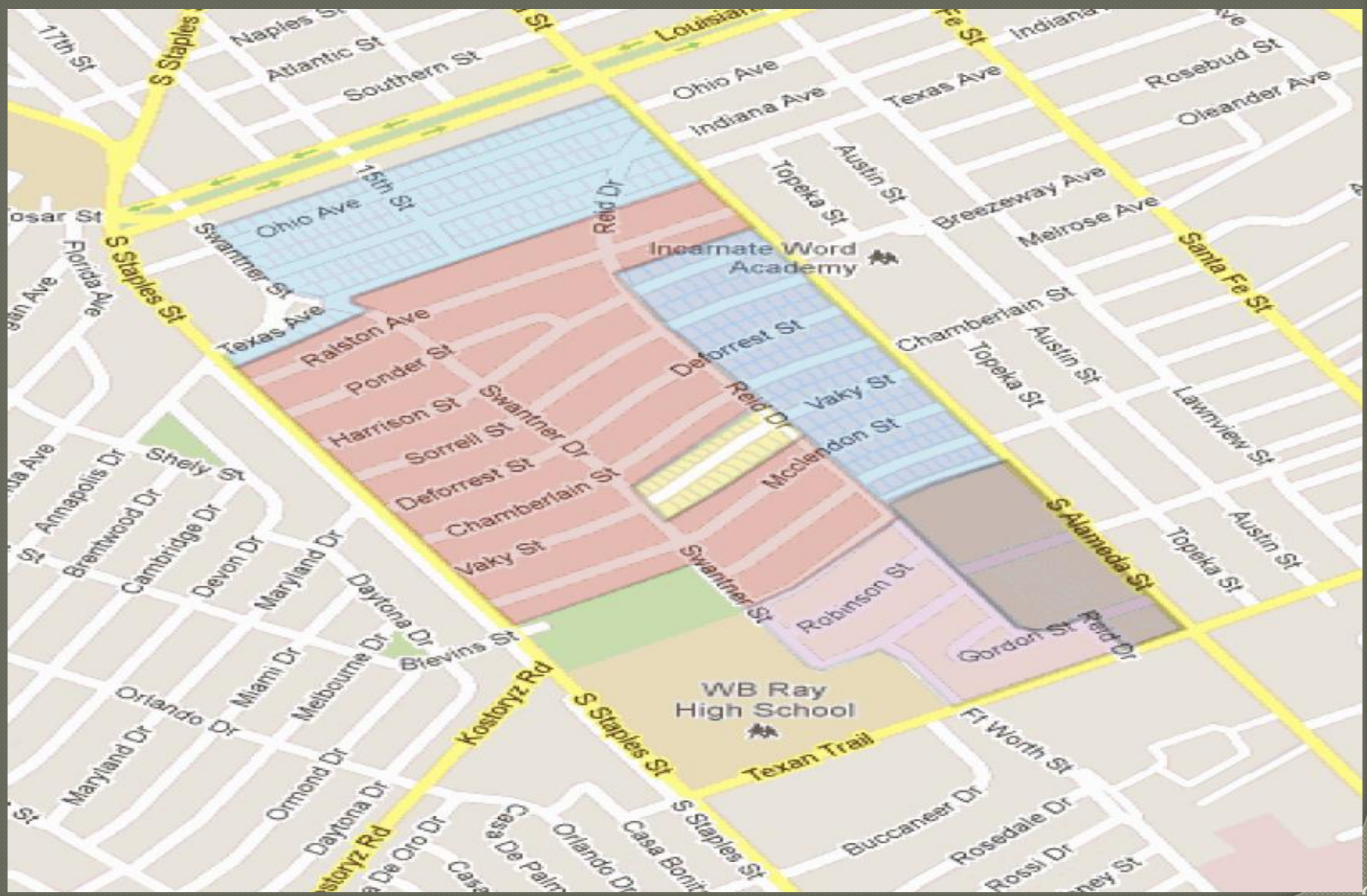


Municipal Management Districts



Overview

Municipal Management Districts (MMD) are special districts that are:
Self governed, but must be approved by the host municipality; and have the ability to construct public infrastructure and provide services within District approved service plan.

Created either:
Pursuant to Ch.375, Local Government Code, through the Texas Commission on Environmental Quality (TECQ,) or by local law enacted by the State Legislature.

Overview, cont'd.

- MMDs may issue Tax Exempt Bonds **BUT bond debt is not city debt** and does **not impact city bonding capacity**.
 - May **levy taxes, assessments** and **impact fees** in accordance with service plan. Assessments only by petition of affected property owners and property taxes require approval by majority of eligible voters in district.
 - **Bond issuances** must be **approved by City Council**.
- **Often combined with TIFs** to provide funding necessary to finance infrastructure improvements and supplement city's capital investments
- There is significant use of this tool in other areas of the State
 - Operated in Houston since mid-1990s.
 - Several other Texas cities have established MMDs

What is the purpose of a Municipal Management District?

- Promote, develop, encourage and maintain employment, commerce, transportation, housing, tourism, recreation, arts, economic development, safety and public welfare within a **defined area**.
- Provide and enhance supplemental services to the area.
- Create an independent financing mechanism to finance these services.
- Focused primarily on **commercial development or business activity**.

How are MMDs Created?

- MMDs can be created in two ways:
 - Through formal application to Texas Commission on Environmental Quality (TECQ) in accordance with the provisions of Chapter 375, Local Government Code
 - involves nine months process
 - serves primarily commercial development
 - requires a petition signed by owners of a majority of the assessed real property in proposed district
 - Through a special local bill in the State Legislature
 - must be supported by local municipality and House/Senate authors and sponsors (four months)

What are MMD Powers and Duties?

- **Are Self-governed** and a **political sub-division** of the **State**, but **City** has **ability to require checks and balances** in formatting State legislation.
- Provides **complimentary and supplemental services**, but does not replace services provided by municipality
- **May levy taxes, assessments or impact fees** in accordance with its approved service plan. **Assessments** must be requested by **petition** of affected **property owners**. **Real Property Taxes** must be approved by a **majority of eligible voters** in District.

How is MMD Governed?

- Generally track Chapter 375 of Local Government Code.
 - Initial **board appointed by creating legislation/application.**
 - **New appointment/reappointments** recommended by governing board and approved by **City Council.**
 - Four year staggered terms
 - Board eligibility:
 - At least 18 years old
 - Resident or owner of property in the District
 - Owner of stock of a corporate owner of property in District
 - Owner of a beneficial interest in Trust that owns property in District
 - An agent, employee or tenant of a person that owns property in the District

What are Permitted Services and Projects?

- Economic Development
- Business Recruitment
- Promotion of Health and Sanitation
- Public Safety, Traffic Control and Recreation
- Landscaping, Lighting and Signs
- Streets, Walkways and Drainage
- Solid Waste, Water, Sewer and Power Facilities
- Parks, Historic Areas, Works of Art
- Parking Facilities and Transit Stations

How Does the MMD Generate Revenue?

- May **issue bonds** allowed by statute and its local governing municipality
- Bond debt is **not City debt** and **does not impact City bonding capacity**
- Bond debt **supported by Real Property Taxes, Assessments or Impact Fees** (Assessments must be requested by petition of affected property owners.) Real Property taxes must be approved by a majority of eligible voters in District
- Under Chapter 375, District may not finance services and improvement projects unless petitioner requesting those services and improvement projects submitted by either owners of 50 percent or more of assessed value in district or owners of 50 percent or more of surface area of district, excluding publicly owned lands and lands exempt from assessment.

Dissolution

- MMD exists until dissolved by:
 - Petition by property owners (75%), or
 - Vote of board
- Additionally the MMD may be dissolved by
 - Resolution of City Council

Use	Land	Improvement	Total	Taxable
Single Family	\$ 13,976,565	\$ 64,048,154	\$ 78,024,719	\$ 61,395,359
Multi Family	2,059,859	9,523,908	11,583,767	11,141,349
Office	1,132,054	4,727,586	5,859,640	4,955,184
Commercial	2,622,381	6,089,685	8,712,066	8,712,066
Total	\$ 19,790,859	\$ 84,389,333	\$ 104,180,192	\$ 86,203,958

Cost to Property Owners

- 865 residential parcels of property are in the boundaries of the potential Municipal Management District for a total appraised value of \$89,608,486
- Based on total appraised value in 2012, the average value per residential parcel is \$103,593
- 40 Commercial parcels of property are within the boundaries of the potential Municipal; Management District for a total appraised value of \$14,571,706
- Based on the total appraised value in 2012, the average value of commercial parcels is \$2,604,048

-
- On the average residential parcel, every \$.01 of tax assessed would create a tax liability to the owner of \$10.53
 - On the average commercial property, every \$.01 of tax assessed would create a liability to the owner of \$260.05
 - Each \$.07 of tax assessed on the entire residential district would pay for approximately \$1.0 million in capital project cost

● Full Reconstruction

- | | |
|--------------------------|--------------|
| • Roadway Reconstruction | \$9,000,000 |
| • Storm Water Costs | \$4,600,000 |
| • Water Costs | \$1,150,000 |
| • Wastewater Costs | \$ 900,000 |
| • Total | \$15,740,000 |
- \$1.1018 tax rate required = \$1,141 per year (residential)
 - \$1.1018 tax rate required = \$28,691.40 per year (commercial)

Partial Reconstruction

- | | |
|--------------------------|--------------|
| • Roadway Reconstruction | \$6,300,000 |
| • Storm Water Costs | \$4,600,000 |
| • Water Costs | \$1,150,000 |
| • Wastewater Costs | \$990,000 |
| • Total | \$13,040,000 |
- Mill off asphalt and partial repair of roadway base
 - \$.9128 tax rate required = \$945.59 per year (residential)
 - \$.9128 tax rate required = \$23,769.75 per year (commercial)

Role of the City of Corpus Christi

◉ Proposed role of the City of Corpus Christi is:

- Facilitator
- Technical Advisor
- Evaluator

Other factors

- Tax Increment Refinancing Zone

Tax Increment Financing, or **TIF**, is a public financing method that is used for subsidizing redevelopment, infrastructure, and other community-improvement projects in many countries, including the United States. Similar or related value capture strategies are used around the world.

If the cost of basic services increases, with TIF in place, the result is a revenue shortfall that has to be paid from sources other than tax revenues of the TIF district.

TIF is a method to use future gains in taxes to subsidize current improvements, which are projected to create the conditions for said gains. The completion of a public project often results in an increase in the value of surrounding real estate, which generates additional tax revenue. Sales-tax revenue may also increase, and jobs may be added, although these factors and their multipliers usually do not influence the structure of TIF.

Other Factors Continued

- Tax Abatement

The Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code, authorizes counties, cities and school districts to provide property tax abatement for limited periods of time as an inducement for the development or redevelopment of a property.

Next Steps

- Clear identification of district boundaries
- Project consideration/selection
- More substantial modeling of cost to home owners
- Identification of home owner interest
- Briefing to City Council
- Consideration of Preliminary Board Composition
- Consideration of a Municipal Management District Service Plan
- Seek approval through petition to Texas Commission on Environmental Quality (Majority of the assessed value of real property in the district, or 50 persons who own real property in the proposed district)

Questions?