

Memorandum



CITY OF DALLAS

DATE November 30, 2017

TO The Honorable Members of the Economic Development & Housing Committee:
Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman,
Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,
Omar Narvaez

SUBJECT **University Hills Municipal Management District**

On Monday, December 4, 2017, you will be briefed on the University Hills Municipal Management District. The briefing materials are attached for your review.

Summary

The University Hills Municipal Management District (MMD) was created by the Texas legislature in June of 2017. Unlike the three previous municipal management districts created in Dallas, this MMD was created without the prior consent of the Dallas City Council, and this MMD's statute does not contain conditions and limitations that were included in the creation legislation for those previous districts. This briefing summarizes the location, scope of power, and board composition of the MMD and identifies the City of Dallas's possible actions.

Issue

Unlike prior municipal management districts, the MMD does not have city officials on the board, does not require City consent prior to debt or bond issuance, and does not include standard audit, reporting, and conflicts language.

Alternatives

Council could take no action, approve the MMD as written in the statute, approve the MMD with conditions and limitations that do not conflict with the statute in coordination with the City of Lancaster, or dissolve the MMD.

Fiscal Impact

None.

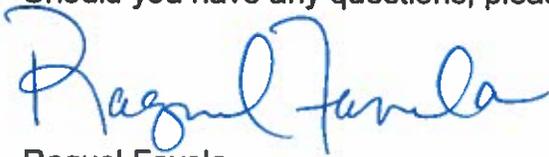
Departments/Committee Coordination

The City Attorney's Office has also reviewed the MMD legislation and will be available to answer legal questions.

Staff Recommendation

Staff recommends either that (i) the City of Dallas approve the MMD in coordination with the City of Lancaster, and that those approvals include sufficient conditions and limitations to protect the City of Dallas, or (ii) the City of Dallas dissolve the MMD by ordinance.

Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela
Chief of Economic Development & Neighborhood Services

- c: The Honorable Mayor and the Members of City Council
 T.C. Broadnax, City Manager
 Larry Casto, City Attorney
 Craig D. Kinton, City Auditor
 Billerae Johnson, City Secretary (Interim)
 Daniel F. Solis, Administrative Judge
 Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
 Majed A. Al-Ghafry, Assistant City Manager
- Jon Fortune, Assistant City Manager
 Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)
 Joey Zapata, Assistant City Manager
 M. Elizabeth Reich, Chief Financial Officer
 Nadia Chandler Hardy, Chief of Community Services
 Theresa O'Donnell, Chief of Resilience
 Directors and Assistant Directors

University Hills Municipal Management District

**Economic Development and
Housing Committee
December 4, 2017**

**Courtney Pogue, Director
Office of Economic Development
City of Dallas**



Presentation Overview

- Background/History
- Proposals
- Next Steps



Background/History

- Municipal Management Districts (MMDs) can be created under Texas Local Government Code Chapter 375 through application to the Texas Commission on Environmental Quality (TCEQ), or otherwise as enacted by the state legislature.
- MMDs are formed to finance facilities, services, and infrastructure in specified areas.
- MMDs may issue ad valorem taxes, impact fees, special assessments, bonds, or other fees in accordance with their creation legislation.

Background/History

- Dallas currently has three MMDs:
 - **Trinity River West**
 - **North Oak Cliff**
 - **Cypress Waters**
- Each of these MMDs was created after approval of the City Council, and the creation legislation incorporates protections, checks, and balances required by the City.
- Until recently, it was the City's understanding that creation of any MMD required the prior consent of the City.



Background/History

During the regular session of the 85th Texas Legislature, the University Hills Municipal Management District was created without any input or prior consent of the Dallas City Council.

Senate Bill 2244 was signed in the House and Senate in May of 2017 and became effective on June 12, 2017.

A then-sitting council member drafted a letter indicating support for the developer's proposed improvements; however, the letter did not mention or support a municipal management district.

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Background/History

SB 2244 created the University Hills MMD by adding a new chapter to the Special District Local Laws Code. The provisions of new Chapter 3947 are detailed on the following slides.

Background/History

Location

The MMD is primarily located in the City of Dallas, but a small portion on the southwest corner is located in the City of Lancaster.

The portion of the MMD in the City of Dallas mirrors the southern sub-district of the proposed University TIF.

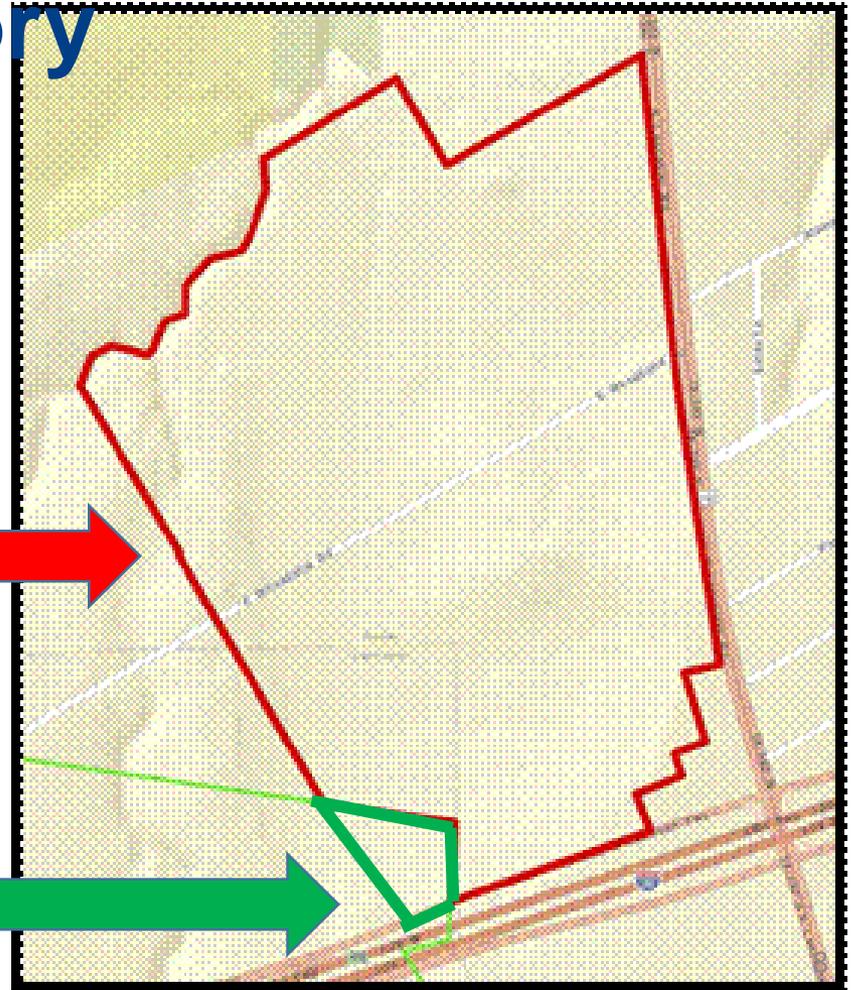


Background/History

MMD Location

Area in red is City of Dallas,
and matches the University
Hills Sub-District of the
University TIF

Area in green is the
City of Lancaster



Background/History

Initial Directors:

- The MMD is currently governed by 5 initial directors, who are named in the legislation:
 - Kenneth Medlock
 - Michael Williams
 - Susan Larson
 - Alan Michlin
 - Michael Warner
- The legislation gives names only, not addresses or occupations, so we could not confirm exactly who these members are.
- Centurion has represented to the City that none of these board members have a financial interest in Centurion or any project of Centurion.
- These initial directors serve for four years, or until replaced by permanent directors.

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Background/History

Permanent Directors:

- Once the Cities of Dallas and Lancaster consent to the creation of the MMD by ordinance or resolution, the initial directors hold an election and select five permanent directors.
- The election is held pursuant to Section 49.102 of the Texas Water Code, which states that the names on the ballot can only include the initial directors, plus blank spaces if any candidate has filed a write-in application. Because of this, the City cannot appoint City officials to the board like the three previous MMDs.
 - If the Cities of Dallas and Lancaster never consent and therefore an election is never held, the property owners submit new initial directors to TCEQ every four years.
 - It appears that the MMD can continue indefinitely with successive 4-year appointments of "initial" directors.

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Background/History

- **Powers of the MMD (do not require consent of Cities):**
 - **WATER:** All powers related to conservation and reclamation districts under Section 59, Article XVI, Texas Constitution and Chapters 49 and 54 (Municipal Utility Districts), Texas Water Code.
 - **ROADS:** All powers to design, construct, maintain and convey roadways (excluding toll roads) and improvements, including storm drainage, in aid of those roads. This includes financing and bond issuance authority.
 - **OTHER IMPROVEMENTS:** All power to construct improvements or carry out services under the MMD and PID statutes, inside or outside the MMD boundaries.
 - **ASSESSMENTS:** All powers of a city or county under Chapter 372, Texas Local Government Code (PID statute).
 - **MMD DIVISION:** Can divide the MMD into two or more MMDs, so long as no bond debt is outstanding.
 - **FEES:** Can issue assessments, impact fees, and standby fees.
 - **BONDS:** Can incur debt and issue bonds.

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Background/History

- Powers of the MMD do **NOT** include:
 - Establishment or operation of a fire or police department, without consent of the City.
 - Cannot change the MMD boundaries, without the consent of the City.
 - Eminent domain authority, which is specifically excluded.
 - Ad valorem taxation, which is specifically excluded.
 - **Note**: a new MMD created by subdivision may have the power to levy ad valorem taxes. The subdivision provision discusses issuance of bonds payable from ad valorem taxes, which implies the new MMD may have this authority.
 - Improvement projects must comply with city codes and ordinances, unless waived by City.

Background/History

Dissolution:

- The board may dissolve the MMD.
- The City of Dallas may dissolve the MMD by ordinance.
 - Even though the MMD is located in both Dallas and Lancaster, this provision of the statute refers specifically to Dallas.
 - As a condition of dissolution, Dallas must succeed to all rights and obligations of the MMD, including debt and bond obligations.
 - Centurion has represented to staff that at this time, the MMD has entered into no contracts and has issued no assessments, obligations, debts, bonds, or other obligations. Ross Martin from Winstead PC has represented to staff that the board has not yet held an organizational meeting.

Proposals

- The City has several options:
 1. **Option 1:** Take no action and let the MMD continue to operate with initial directors, or approve the MMD without conditions or limitations.
 2. **Option 2:** Approve the MMD, and impose conditions, limitations, and restrictions to protect the City's interests, similar to the three previously-approved MMDs.
 - Also requires the approval of City of Lancaster.
 3. **Option 3:** Dissolve the University Hills MMD by ordinance.

Proposals

Option 1: Take no action and let the MMD continue to operate with initial directors, or approve the MMD without conditions or limitations.

- Both of these options have essentially the same impact.
 - If either Dallas or Lancaster take no action, the MMD will carry on with all statutory authority governed by succeeding "initial" directors.
 - If Dallas and Lancaster approve the MMD without limitations or condition, the MMD will elect permanent officers but otherwise will carry on with all statutory authority.

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Proposals

Option 2: Approve the MMD, and impose conditions, limitations, and restrictions to protect the City's interests, similar to the three previously-approved MMDs. This also requires the approval of the City of Lancaster. Suggested conditions include:

- Impose reporting, auditing, and conflict of interest requirements
- Requirement that no action of the MMD violate any covenants of city water bonds or the charter
- Explicit requirement for City consent prior to debt or bond issuance, on design and conveyance of improvements, prior to subdivision of the MMD, and prior to issuance of ad valorem taxes, impact fees, assessments, etc.

Proposals

Option 3: Dissolve the MMD by ordinance.

- Dissolution requires that the City assume all assets, liabilities, and obligations of the MMD.
- Centurion and its attorney have represented to us that the MMD has no assets, liabilities, or obligations at this time.

Next Steps

To be determined based on feedback from this Committee.



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