

LOCAL GOVERNMENT CODE

TITLE 12. PLANNING AND DEVELOPMENT

SUBTITLE A. MUNICIPAL PLANNING AND DEVELOPMENT

CHAPTER 372. IMPROVEMENT DISTRICTS IN MUNICIPALITIES AND COUNTIES

SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS

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

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 372.0015. DEFINITION. In this subchapter, "extraterritorial jurisdiction" means extraterritorial jurisdiction as determined under Chapter 42.

Added by Acts 1989, 71st Leg., ch. 1, Sec. 76(b), eff. Aug. 28, 1989.

Sec. 372.002. EXERCISE OF POWERS. Powers granted under this subchapter may be exercised by a municipality or county in which the governing body of the municipality or county initiates or receives a petition requesting the establishment of a public improvement district. A petition must comply with the requirements of Section 372.005.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 2, eff. June 16, 2001.

Sec. 372.003. AUTHORIZED IMPROVEMENTS. (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 undertake an improvement project that confers a special benefit on a definable part of the municipality or county or the municipality's extraterritorial jurisdiction. A project may be undertaken in the municipality or county or the municipality's extraterritorial jurisdiction.

(b) A public improvement project may include:

- (1) landscaping;
- (2) erection of fountains, distinctive lighting, and signs;

(3) acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of-way;

(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;

(8) acquisition, construction, improvement, or rerouting of mass transportation facilities;

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

(10) the establishment or improvement of parks;

(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;

(13) special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement;

(14) payment of expenses incurred in the establishment, administration, and operation of the district; and

(15) the development, rehabilitation, or expansion of affordable housing.

(b-1) Payment of expenses under Subsection (b)(14) may also include expenses related to the operation and maintenance of mass transportation facilities.

(c) A public improvement project may be limited to the provision of the services described by Subsection (b)(13).

(d) A county may establish a public improvement district unless within 30 days of a county's action to approve such a district, a home rule municipality objects to its establishment within the municipality's corporate limits or extraterritorial jurisdiction.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 76(c), eff. Aug. 28, 1989; Acts 2001, 77th Leg., ch. 1341, Sec. 3, eff. June 16, 2001.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 340 (H.B. [1029](#)), Sec. 1, eff. June

19, 2009.

Acts 2011, 82nd Leg., R.S., Ch. 970 (H.B. 1400), Sec. 1, eff. September 1, 2011.

Sec. 372.0035. COMMON CHARACTERISTIC OR USE FOR PROJECTS IN CERTAIN MUNICIPALITIES. (a) This section applies only to:

(1) a municipality that:

(A) has a population of more than 650,000 and less than two million; or

(B) has a population of more than 325,000 and less than 625,000; and

(2) a public improvement district established under this subchapter and solely composed of territory in which the only businesses are:

(A) hotels with 100 or more rooms ordinarily used for sleeping, if the district is established by a municipality described by Subdivision (1)(A); or

(B) hotels with 75 or more rooms ordinarily used for sleeping, if the district is established by a municipality described by Subdivision (1)(B).

(b) A municipality may undertake a project that confers a special benefit on areas that share a common characteristic or use. The areas may be noncontiguous.

(c) This section does not prohibit a municipality from or limit a municipality to establishing a district that includes a noncontiguous area authorized by this subchapter.

(d) A municipality that undertakes a project under this section may:

(1) adopt procedures for the collection of assessments under this chapter that are consistent with the municipality's procedures for the collection of a hotel occupancy tax under Chapter 351, Tax Code; and

(2) pursue remedies for the failure to pay an assessment under this chapter that are available to the municipality for failure to pay a hotel occupancy tax under Chapter 351, Tax Code.

Added by Acts 2011, 82nd Leg., R.S., Ch. 970 (H.B. 1400), Sec. 2, eff. September 1, 2011.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 1330 (S.B. 660), Sec. 1, eff. June 14, 2013.

Acts 2015, 84th Leg., R.S., Ch. 447 (S.B. [837](#)), Sec. 1, eff. September 1, 2015.

Sec. 372.004. COMBINED IMPROVEMENTS. An improvement project may consist of an improvement on more than one street or of more than one type of improvement. A project described by this section may be included in one proceeding and financed as one improvement project.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 76(d), eff. Aug. 28, 1989.

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

- (1) the general nature of the proposed improvement;
- (2) the estimated cost of the 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;
- (6) whether the management of the district is to be by the municipality or county, the private sector, or a partnership between the municipality or county and the private sector;
- (7) that the persons signing the petition request or concur with the establishment of the district; and
- (8) that an advisory body may be established 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.

(b-1) Notwithstanding Subsection (b), a petition for the establishment of a public improvement district described by Section 372.0035(a)(2) is sufficient only if signed by record owners of taxable real property liable for assessment under the proposal who constitute:

(1) more than 60 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) more than 60 percent of:

(A) all record owners of taxable real property that are liable for assessment under the proposal; or

(B) the area of all taxable real property that is liable for assessment under the proposal.

(c) The petition may be filed with the municipal secretary or other officer performing the functions of the municipal secretary.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 76(e), eff. Aug. 28, 1989; Acts 2001, 77th Leg., ch. 1341, Sec. 4, eff. June 16, 2001.

Amended by:

Acts 2015, 84th Leg., R.S., Ch. 447 (S.B. 837), Sec. 2, eff. September 1, 2015.

Sec. 372.0055. DEFERRED ASSESSMENT; ESTIMATE. If a proposed improvement under Section 372.005 includes a deferred assessment, before holding the hearing required by Section 372.009, the governing body of the municipality or county must estimate:

(1) the appraised value of taxable real property liable for assessment in the district; and

(2) the cost of the improvement.

Added by Acts 2011, 82nd Leg., R.S., Ch. 970 (H.B. 1400), Sec. 3, eff. September 1, 2011.

Sec. 372.006. FINDINGS. 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 the advisability of the proposed improvement, its estimated cost, the method of assessment, and the apportionment of cost between the proposed improvement district and the municipality or county as a whole.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 5, eff. June 16, 2001.

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 an improvement should be made as proposed by petition or otherwise or whether 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 cost of the improvement or combination of improvements be made.

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

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 6, eff. June 16, 2001.

Sec. 372.008. ADVISORY BODY. (a) After receiving a petition that complies with Section 372.005, the governing body of the municipality or county may appoint an advisory body with the responsibility of developing and recommending an improvement plan to the governing body.

(b) The composition of the advisory body 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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by

Acts 2001, 77th Leg., ch. 1341, Sec. 7, eff. June 16, 2001.

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 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 the improvement;
- (2) the nature of the improvement;
- (3) the estimated cost of the improvement;
- (4) the boundaries of the public improvement district;
- (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 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 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 improvement;
- (3) the estimated cost of the improvement;
- (4) the boundaries of the proposed assessment district;
- (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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 76(f), eff. Aug. 28, 1989; Acts 2001,

77th Leg., ch. 1341, Sec. 8, eff. June 16, 2001.

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 an improvement district if, by majority vote of all members of the governing body, the members adopt a resolution authorizing the district in accordance with its finding as to the advisability of the 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 an improvement may not begin 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. 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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 76(g), eff. Aug. 28, 1989; Acts 2001, 77th Leg., ch. 1341, Sec. 9, eff. June 16, 2001.

Sec. 372.011. DISSOLUTION. A public hearing may be called and held 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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

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 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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 10, eff. June 16, 2001.

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 another entity 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 costs for improvements. The plan shall be reviewed and updated annually for the purpose of determining the annual budget for improvements.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 11, eff. June 16, 2001.

Sec. 372.014. ASSESSMENT PLAN; PAYMENT BY EXEMPT JURISDICTIONS.

(a) An assessment plan must be included in the annual service plan.

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

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 76(h), eff. Aug. 28, 1989; Acts 2001,

77th Leg., ch. 1341, Sec. 12, eff. June 16, 2001.

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

(b) 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 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 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 adjusted following the annual review of the service plan.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 13, eff. June 16, 2001.

Sec. 372.016. ASSESSMENT ROLL. (a) After the total cost of an improvement is determined, the governing body of the municipality or county shall prepare a proposed assessment roll. The roll must state the assessment against each parcel of land in the district, 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 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. 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 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 improvement;
- (3) the cost of the 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 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 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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 76(i), eff. Aug. 28, 1989; Acts 2001, 77th Leg., ch. 1341, Sec. 14, eff. June 16, 2001.

Sec. 372.017. LEVY OF 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 amend a proposed assessment on any parcel.

(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 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 defer an assessment until a date the governing body specifies in the ordinance or order. The governing body may provide that assessments be paid in periodic installments, at an interest rate and for a period approved by the

governing body. The provision that assessments be paid in periodic installments may, but is not required to, result in level annual installment payments. The installments must be in amounts necessary to meet annual costs for improvements and must continue for:

(1) the period necessary to retire the indebtedness on the improvements; or

(2) the period approved by the governing body for the payment of the installments.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 15, eff. June 16, 2001.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 320 (H.B. 621), Sec. 1, eff. June 19, 2009.

Acts 2011, 82nd Leg., R.S., Ch. 970 (H.B. 1400), Sec. 4, eff. September 1, 2011.

Sec. 372.0175. CONTRACTS FOR COLLECTION OF ASSESSMENTS. The governing body of a municipality or county may contract with the governing body of another taxing unit, as defined by Section 1.04, Tax Code, or the board of directors of an appraisal district to perform the duties of the municipality or county relating to collection of special assessments levied under this subchapter.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1211 (S.B. 422), Sec. 1, eff. June 17, 2011.

Sec. 372.018. INTEREST ON ASSESSMENT; LIEN. (a) An assessment bears interest at the rate specified by the governing body of the municipality or county beginning at the time or times or on the occurrence of one or more events specified by the governing body. If general obligation bonds, revenue bonds, time warrants, or temporary notes are issued to finance the improvement for which the assessment is assessed, the interest rate for that assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. 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.

(b) An assessment or reassessment, with interest, the expense of collection, and reasonable attorney's fees, if incurred, is:

- (1) a first and prior lien against the property assessed;
- (2) superior to all other liens and claims except liens or claims for state, county, school district, or municipality ad valorem taxes; and
- (3) a personal liability of and charge against the owners of the property regardless of whether the owners are named.

(c) The lien is effective from the date of the ordinance or order levying the assessment until the assessment is paid.

(d) The lien runs with the land and that portion of an assessment payment that has not yet come due is not eliminated by foreclosure of an ad valorem tax lien.

(e) The assessment lien 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. Foreclosure of accrued installments does not eliminate the outstanding principal balance of the assessment. Any purchaser of the property in foreclosure takes the property subject to the assessment lien and any associated obligations.

(f) Delinquent installments of the assessment shall incur interest, penalties, and attorney's fees in the same manner as delinquent ad valorem taxes. The owner of assessed property may pay at any time all or any part of the assessment, with interest that has accrued on the assessment, on any lot or parcel.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 76(j), eff. Aug. 28, 1989; Acts 2001, 77th Leg., ch. 1341, Sec. 16, eff. June 16, 2001.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 320 (H.B. [621](#)), Sec. 2, eff. June 19, 2009.

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 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](#).

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by

Acts 2001, 77th Leg., ch. 1341, Sec. 17, eff. June 16, 2001.

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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 18, eff. June 16, 2001.

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.

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

(c) The fund may be used to:

- (1) pay the costs of planning, administration, and an improvement authorized by this subchapter;
- (2) prepare preliminary plans, studies, and engineering reports to determine the feasibility of an improvement; and
- (3) if ordered by the governing body of the municipality or county, pay the initial cost of the improvement until temporary notes, time warrants, 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.

(e) 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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by

Acts 2001, 77th Leg., ch. 1341, Sec. 19, eff. June 16, 2001.

Sec. 372.022. SEPARATE FUNDS. If bonds are issued, a separate public improvement district fund shall be created in the municipal or county treasury for each district. Proceeds from the sale of bonds, temporary notes, and time warrants, and other sums appropriated to the fund by the governing body of the municipality or county shall be credited to the fund. The fund may be used solely to pay costs incurred in making an improvement. When an improvement is completed, the balance of the part of the assessment that is for improvements shall be transferred to the fund established for the retirement of bonds.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 20, eff. June 16, 2001.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 320 (H.B. 621), Sec. 3, eff. June 19, 2009.

Sec. 372.023. PAYMENT OF COSTS. (a) Costs of improvements may be paid or reimbursed by any combination of the methods described by this section if the improvements are dedicated, conveyed, leased, or otherwise provided to or for the benefit of:

- (1) a municipality or county;
- (2) a political subdivision or other entity exercising the powers granted under this subchapter as authorized by other law; or
- (3) an entity that:
 - (A) is approved by the governing body of an entity described by Subdivision (1) or (2); and
 - (B) is authorized by order, ordinance, resolution, or other official action to act for an entity described by Subdivision (1) or (2).

(a-1) The payment or reimbursement may be provided before or after a method of payment or reimbursement authorized by this section is entered into or issued.

(b) A cost payable by the municipality or county as a whole may be paid from general funds available for the purpose or other available general funds.

(c) A cost payable from a special assessment that has been paid in full shall be paid from that assessment.

(d) Costs payable from a special assessment that is payable in installments may be paid by any combination of the following methods:

(1) under an installment sales contract or a reimbursement agreement between the municipality or county and the person who acquires, installs, or constructs the improvements;

(2) as provided by a temporary note or time warrant issued by the municipality or county and payable to the person who acquires, installs, or constructs the improvements; or

(3) by the issuance and sale of bonds under Section [372.024](#).

(d-1) An installment sales contract, reimbursement agreement, temporary note, or time warrant described by Subsection (d) may be assigned by the payee without the consent of the municipality or county.

(e) The interest rate on unpaid amounts due under an installment sales contract, reimbursement agreement, temporary note, or time warrant described by Subsection (d):

(1) may not exceed, for a period of not more than five years, as determined by the governing body of the municipality or county, five percent above the highest average index rate for tax-exempt bonds reported in a daily or weekly bond index approved by the governing body and reported in the month before the date the obligation was incurred; and

(2) after the period described by Subdivision (1), may not exceed two percent above the bond index rate described by Subdivision (1).

(f) Repealed by Acts 2011, 82nd Leg., R.S., Ch. 384, Sec. 2, eff. June 17, 2011.

(g) The cost of more than one improvement may be paid:

(1) from a single issue and sale of bonds without other consolidation proceedings before the bond issue; or

(2) under a single installment sales contract, reimbursement agreement, temporary note, or time warrant.

(h) The costs of any improvement include interest payable on a temporary note or time warrant and 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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, Sec. 76(k), eff. Aug. 28, 1989; Acts 2001, 77th Leg., ch. 1341, Sec. 21, eff. June 16, 2001.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 320 (H.B. [621](#)), Sec. 4, eff. June

19, 2009.

Acts 2011, 82nd Leg., R.S., Ch. 384 (S.B. 412), Sec. 1, eff. June 17, 2011.

Acts 2011, 82nd Leg., R.S., Ch. 384 (S.B. 412), Sec. 2, eff. June 17, 2011.

Sec. 372.024. GENERAL OBLIGATION AND REVENUE BONDS. 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. 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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.330, eff. Sept. 1, 2001.

Sec. 372.025. TERMS AND CONDITIONS OF BONDS. (a) Revenue 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 under terms and conditions specified in the ordinance or order authorizing the issuance of the bonds.

(b) The bonds shall be executed and the bonds and interest coupons appertaining to them are negotiable instruments within the meaning and for all purposes of the Uniform Commercial Code (Section 1.101 et seq., Business & Commerce Code). The ordinance or order authorizing the issuance of the bonds must specify:

- (1) whether the bonds 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.

(c) The ordinance or order 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) may be placed in time deposit or invested, until needed.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 22, eff. June 16, 2001.

Sec. 372.026. PLEDGES. (a) In this section, "obligation" means bonds, temporary notes, time warrants, or an obligation under an installment sale contract or reimbursement agreement.

(b) For the payment of obligations issued or agreed to under this subchapter and the payment of principal, interest, and any other amounts required or permitted in connection with the obligations, the governing body of the municipality or county may pledge all or part of the income from improvements financed under this subchapter, including income received in installment payments under Section [372.023](#).

(c) Pledged income must be fixed and collected in amounts sufficient, with other pledged resources, to pay principal, interest, and other expenses related to the obligations, and to the extent required by the ordinance, order, or agreement authorizing the obligations, to pay for the operation, maintenance, and other expenses related to improvements authorized by this subchapter.

(d) The obligations 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 encumbrance as evidence of the indebtedness.

(e) The governing body may pledge to the payment of obligations 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.

(f) The governing body may enter into an agreement with a corporation created by the municipality or county under the Texas Constitution or other law that provides for payment of amounts pledged under this section to the corporation to secure indebtedness issued by the corporation to finance an improvement project, including indebtedness

to pay capitalized interest and a reserve fund permitted by this subchapter for revenue or general obligation bonds issued under this subchapter and indebtedness issued to pay the corporation's costs of issuance. In addition, the agreement may provide that:

- (1) the corporation is responsible for managing the district;
or
- (2) title to one or more improvements will be held by the corporation.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 23, eff. June 16, 2001.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 320 (H.B. [621](#)), Sec. 5, eff. June 19, 2009.

Sec. 372.027. REFUNDING BONDS. (a) Revenue bonds issued under this subchapter may be refunded or refinanced by the issuance of refunding bonds, under terms or conditions set forth in ordinances or orders of the municipality or county issuing the bonds. The provisions of this subchapter applying generally to revenue bonds, including provisions related to the issuance of those bonds, apply to refunding bonds authorized by this section. The refunding bonds may be sold and delivered in amounts necessary for the principal, interest, and any redemption premium of the bonds to be refunded, on the date of the maturity of the bond or any redemption date of the 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 authorizing the issuance of refunding bonds. The exchange may be made in one delivery or several installment deliveries.

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

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 1341, Sec. 24, eff. June 16, 2001.

Sec. 372.028. APPROVAL AND REGISTRATION. (a) Revenue bonds issued under this subchapter and a record of the proceedings authorizing their issuance must be submitted to the attorney general for examination. If

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. On the approval of the attorney general, the comptroller of public accounts shall register the bonds.

(c) Bonds and contracts or leases approved and registered under this section are valid and binding obligations for all purposes in accordance with their terms and are incontestable in any court or other forum.

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

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

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.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

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

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

SUBCHAPTER B. IMPROVEMENT DISTRICTS IN HOME-RULE MUNICIPALITIES

Sec. 372.041. AUTHORITY OF HOME-RULE MUNICIPALITY. (a) A home-rule municipality may create improvement districts for the purposes of:

(1) levying, straightening, widening, enclosing, or otherwise improving a river, creek, bayou, stream, other body of water, street, or alley;

(2) draining, grading, filling, and otherwise protecting and improving the territory within the municipality's limits;

(3) issuing bonds to finance improvements listed in this subsection; and

(4) financing an improvement described in Subchapter A.

(b) If a home-rule municipality creates an improvement district in order to make improvements authorized by this subsection, the municipality must comply with the general law of the state relating to the creation of improvement districts. Bonds issued for improvements under this section must be issued in a manner that complies with the general authority of a home-rule municipality to issue bonds.

(c) A home-rule municipality may require the owners of property in the territory specially benefitted in enhanced value by improvements made under this section to pay the costs of the improvement. If a municipality finances an improvement under this subsection, the municipality shall make a personal charge against those property owners and fix a lien against that property by special assessment. The municipality may issue assignable or negotiable certificates to pay for the costs of improvements and require the property owners to make deferred payments to retire the certificates. Interest on deferred payments may not exceed eight percent. The municipality may appoint special commissioners or provide otherwise for the making and levying of special assessments under this subsection, or may provide that the making and levying of the assessment be performed by the governing body of the municipality, in compliance with requirements for hearings and other procedures as may be adopted under or required by the municipal charter.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 970 (H.B. [1400](#)), Sec. 5, eff. September 1, 2011.

SUBCHAPTER D. REIMBURSEMENT FOR PUBLIC IMPROVEMENTS IN CERTAIN COUNTIES

Sec. 372.151. APPLICABILITY. This subchapter applies only to a county that:

- (1) contains no municipality with a population of more than 50,000; and
- (2) is adjacent to at least two counties, each with a population of more than one million.

Added by Acts 2009, 81st Leg., R.S., Ch. 645 (H.B. 1730), Sec. 1, eff. June 19, 2009.

Sec. 372.152. ISSUANCE OF BONDS TO REIMBURSE ACQUIRED PUBLIC IMPROVEMENTS. (a) The governing body of a municipality or county may issue and sell general obligation bonds or revenue bonds to reimburse a developer for the cost of a public improvement if:

- (1) the public improvement is located in a public improvement district created on or after January 1, 2005;
- (2) the public improvement has been dedicated to and accepted by the municipality or county; and
- (3) before the public improvement was dedicated to and accepted by the municipality or county, the governing body of the municipality or county entered into an agreement with the developer to pay for the public improvement.

(b) General obligation bonds or revenue bonds issued under this subchapter must comply with the provisions relating to general obligation bonds or revenue bonds issued under Subchapter A.

Added by Acts 2009, 81st Leg., R.S., Ch. 645 (H.B. 1730), Sec. 1, eff. June 19, 2009.