



MEMORANDUM

To: Mayor and City Council

From: Calie Willis, Chief of Strategic Relationships

Date: August 25, 2026

Reference: Consider approving AUTHORIZATION to submit proposed Legislation to the 90th Texas State Regular Legislative Session for Creation of a Special District for a portion of Old Town District and adjacent Commercial and Industrial zoned areas for Entertainment and Economic Development; providing for creation of the District, providing for the creation of a Board of Directors and Governance; providing for Powers and Duties; providing for Annexation or Disannexation to the District; providing for No Additional Taxes or Assessments; providing for Dissolution; Authorizing City Manager or designee to coordinate with City's Legislative Representation in the Texas House and Senate to assist and support the passage and adoption.

2040: Sustainable Government

Introduction:

Staff requests City Council consider authorizing the submission of proposed legislation during the 90th Texas Legislative Session to create a special district encompassing a portion of the Old Town District and adjacent commercial and industrial zoned areas for entertainment and economic development purposes. Approval of this item would also authorize the City Manager or designee to coordinate with the City's legislative representation in the Texas House and Senate to assist with and support passage and adoption of the proposed legislation during the 90th Texas Legislative Session.

Background:

City Council has previously provided direction to explore options for addressing alcohol policies that limit certain establishment types within Old Town while maintaining the City's broader limitations on alcohol sales outside of restaurants. Staff, with assistance from the City Attorney and legislative consultants, conducted legal and policy analysis of potential tools to address this direction.

- February 7, 2026 City Council Retreat: Staff introduced a special district as a potential tool for addressing the opportunity within Old Town to carry out a specific public purpose-

activating Old Town. The concept presented to Council emphasized that the tool would be geographically limited and would not change citywide alcohol regulations.

- May 26, 2026 work session: Council received an informational overview of foundational policy considerations.
- June 9, 2026 work session: Council continued its discussion and provided direction regarding these policy considerations.

The proposed legislation:

- Creates the Old Town Entertainment District as a special district.
- Establishes the initial territory of the District and provides a process for adding or removing territory with City Council approval.
- Establishes the governance structure for the District, beginning with a temporary Board of Directors responsible for establishing the process for selection and appointment of the permanent Board.
- Establishes the powers and duties to support entertainment and economic development and related public improvements.
- Establishes requirements for City oversight of District activities/projects.
- Establishes financial provisions related to funding improvements and services, financial planning, obligations, and reporting. The District framework provides for no additional taxes or assessments.
- Establishes procedures for dissolution of the District, including circumstances under which the District may automatically dissolve and authority for the City to dissolve the District by ordinance.

Staff identified a three-phase process for development of the proposed district.

- Phase 1 (February through June 2026): Focused on establishing the district framework, including boundaries, permitted uses, governance, public engagement, and development of a draft legislative framework.
- Phase 2 (June 2026 through May 2027): Finalizing the district legislation and proceeding through the state legislative process.
- Phase 3 (beginning after successful passage of the legislation): Focus on establishment of district governance, oversight, and implementation.

If authorized by Council, the proposed legislation will move forward for consideration during the 90th Texas Legislative Session. The City Manager or designee will coordinate with the City's legislative representation in the Texas House and Senate and other appropriate stakeholders to assist with and support the legislation through the legislative process.

Benefit to the Community:

The proposed special district provides a geographically focused economic development tool intended to support continued investment, entertainment opportunities, long-term economic vitality and commercial activity, public improvements, and destination development within a portion of Old Town and adjacent commercial and industrial areas.

Legal Review:

The City Attorney drafted the proposed legislation.

Fiscal Impact:

No additional budget impact is anticipated as a result of this action. The proposed FY 2026-27 budget includes \$10,000 for legislative travel, consistent with funding provided in previous years.

Recommendation:

Staff recommends City Council approval.