

Summary of Texas LGC Chapter 395 Changes

Affecting League City's Capital Recovery Fee Update Process Changes Since the City's 2023 CIAC Process

The Texas Legislature enacted amendments to Texas Local Government Code Chapter 395 and related statutes during the 88th and 89th Legislative Sessions that materially affect how the City must conduct its next Capital Recovery Fee (CRF) update. The table below identifies each significant change, what it requires, and what it means operationally for League City.

Statute / Source	Topic	What Changed	What This Means for League City
§395.043 (SB 1883)	Public Availability—Land Use Assumptions & CIP	60-day public availability window required before first notice publication (Staff was previously doing this at 30-days)	REQUIRED Ongoing New procedural step Staff must make land use assumptions and the CIP publicly available at least 60 days before the first hearing notice is published.
§395.051 (SB 1883)	Vote Threshold to Adopt Impact Fee	Two-thirds supermajority of the full governing body required (previously simple majority)	REQUIRED Changed threshold Adoption of the CRF ordinance or resolution requires an affirmative vote of two-thirds of all Council members, not just those present. With 8 seated Council members, that is 6 votes.
§395.0515 (SB 1883)	Three-Year Freeze on Fee Increases	New: fee may not be increased for 3 years from the date of adoption or most recent increase	REQUIRED New restriction Once adopted, the updated CRF cannot be raised again for three years. A phased collection schedule (collecting less than the adopted maximum for up to 10 years) is permitted, but the adopted maximum itself is locked for three years.
§395.053 (SB 1883)	Governing Body Deadline to Set Hearing After Receiving Updated CIP	120 days to set hearing (increased from 60 days)	REQUIRED Extended deadline After Staff delivers updated land use assumptions and the CIP to Council, the governing body has 120 days to set the public hearing by order. Missing the deadline does not void the update but triggers the right of fee-payers to demand action under §395.071.
§395.054 (SB 1883)	Public Availability—Amendments	60-day public availability window now explicitly required for amendment hearings	REQUIRED Newly explicit Any future amendment to land use assumptions, the CIP, or the impact fee also requires 60 days of public availability before the first notice publication. This applies to the current update and to all future amendments after adoption.

Statute / Source	Topic	What Changed	What This Means for League City
§395.058 (SB 1883)	CIAC Composition	Industry representation raised from ≥40% to ≥50%; P&Z commission can no longer serve as CIAC	REQUIRED Changed composition The City must form a standalone CIAC. P&Z cannot be designated as the CIAC. Industry representatives who are public-entity employees or officials do not count toward the 50% threshold. (See Exhibit A for full membership criteria.)
§395.058(e) (No change—clarification only)	Procedural Rules—Scope of Council Discretion	No statutory change. Clarification: Chapter 395 is silent on quorum, quorum composition, voting thresholds, attendance requirements, and removal procedures. All of these are Council's domain.	REQUIRED Procedural rules must be adopted REQUIRED (ONGOING) — Council must adopt procedural rules before the CIAC begins work. Those rules have wide latitude: quorum, quorum composition (including any requirement that a minimum number of industry-seat members be present), voting thresholds, conflict-of-interest disclosure and recusal, attendance expectations, removal for non-attendance, meeting notice, and cancellation procedures. None of these are set by the statute. Staff recommends rules require quorum of 3 of 5 members including at least 2 industry-seat members. Rules should also address what happens when quorum cannot be achieved due to industry-seat absences.
§395.058(c)	CIAC Semiannual Reporting Duty	No statutory change. Clarification: it is NOT limited to active update cycles.	REQUIRED Ongoing—not update-limited REQUIRED (ongoing) — The CIAC must file semiannual progress reports year-round, not only during updates. The standalone CIAC must meet and report at least twice per year every year of its existence.
§395.059 (SB 1883)	Independent Financial Audit	New: audit by an independent CPA/PA required before increasing an existing fee or adopting a new fee in a service area where a fee previously existed	REQUIRED New prerequisite Because League City has existing CRFs, an independent financial audit is mandatory before updated fees may be adopted. The auditor must hold a CPA or PA license and must not have been under contract to the City in the preceding 12 months. Audit results must be posted on the City website at least 30 days before notice publication and must be the subject of a public hearing. CRF funds may be used to pay for the audit.

§395.077 (SB 1883)	Attorney General Enforcement Authority	New: AG may bring action on behalf of a property owner to contest a fee or obtain a refund	INFORMATIONAL Expanded AG role The State now has an active enforcement role. A procedural defect—missed notice deadline, skipped audit, wrong vote threshold, non-compliant CIAC—is more likely to invite State-level challenge than it was before.
§395.044 (SB 1883 repeal)	Substantial-Compliance Protection for Notice Errors	Repealed. Prior law allowed substantial compliance to cure notice defects. That protection no longer exists.	REQUIRED Safety net removed Every required public notice must be fully compliant in content, timing, and method. There is no longer a cure for technical errors.
§395.011 (SB 840 & SB 2477)	Impact Fees—Qualifying Building Conversions	New limitations on imposing impact fees for qualifying conversions of nonresidential or office buildings to multifamily or mixed-use residential use	INFORMATIONAL Project-specific application If a developer converts a qualifying nonresidential building to multifamily or mixed-use residential, new limitations may apply to the City’s ability to impose CRFs on that project. Staff will need to evaluate each proposed conversion individually.
§395.0231 (SB 14, eff. Jan. 1, 2026)	Conservation & Reuse Credits—Water and Wastewater Fees	New: mandatory credit against water and wastewater impact fees for eligible water-reuse, conservation, or savings facilities and systems	REQUIRED New credit procedures The City must now provide credits against water and wastewater CRFs for eligible facilities that reduce per-unit water demand, wastewater generation, or stormwater discharge, or that achieve water efficiency exceeding standard requirements. The City must establish and adopt credit calculation, application, review, and approval procedures as part of this CRF update.

Key Procedural Takeaways for the City's CRF Update

1. **CIAC FORMATION IS REQUIRED.** The CIAC must be appointed and its procedural rules adopted before the update process starts. The City cannot use P&Z or the TIC. (§395.058, SB 1883)

2. **THE CIAC MUST MEET YEAR-ROUND.** The semiannual reporting duty applies every year of the CIAC's existence. Procedural rules should establish at least two regular meetings per calendar year. (§395.058(c)(4))

3. **QUORUM COMPOSITION BELONGS IN THE PROCEDURAL RULES—AND IT MATTERS.** Chapter 395 says nothing about quorum. Council has full discretion. Staff recommends defining quorum as 3 of 5 members including at least 2 industry-seat members. This ensures industry representation is functional at every meeting, not just at appointment. It also means industry-seat members cannot routinely skip meetings without triggering a quorum failure.

4. **AN INDEPENDENT FINANCIAL AUDIT IS REQUIRED BEFORE ADOPTION.** The audit must be completed, published online, and reviewed at a public hearing before the updated fees may be adopted. (§395.059, SB 1883)

5. **SIX COUNCIL VOTES ARE NEEDED TO ADOPT THE FEE.** Two-thirds of all 8 Council members must vote yes. This is not a simple majority of those present. (§395.051, SB 1883)

6. **ONCE ADOPTED, THE FEE IS LOCKED FOR THREE YEARS.** There is one opportunity to get the rate right. A phased collection schedule is permitted but the adopted maximum cannot increase for three years. (§395.0515, SB 1883)

7. **THERE IS NO LONGER A CURE FOR NOTICE DEFECTS.** Every required public notice must be fully compliant in timing, content, and method. Legal review will be required. (§395.044 repeal, SB 1883)

8. **CONSERVATION AND REUSE CREDIT PROCEDURES ARE MANDATORY.** The City must develop and adopt credit procedures for water and wastewater fees as part of this update. (§395.0231, SB 14, eff. January 1, 2026)

Anticipated Update Schedule

Staff and the City's consultant team (Freese & Nichols, with subconsultants Ardurra, NewGen Strategies, and ADS) are currently developing the water and wastewater master plan that will serve as the technical foundation for the updated CRFs. The anticipated project schedule calls for completion of the draft Capital Recovery Fee Update Report within approximately 300 days of City approval of updated land use assumptions, and completion of the draft Water and Wastewater Master Plan Update Report within approximately 390 days of that same milestone. Final adoption of updated CRFs by City Council will follow completion of the draft CRF Update Report, the independent financial audit, CIAC review, and the required public notice and hearing process. An RFQ for the independent financial audit is planned for early 2027."

All process steps must comply with Chapter 395 as it stands on the date each step is taken. Staff will continue to monitor for any further legislative changes affecting the City's CRF program.