



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

October 19, 2023

Dear Members of Congress,

Thank you for your September 30 letter concerning the rapidly expanding Liberty County development known as Colony Ridge, which has become an issue of national concern. I write today to share the Office of the Attorney General's findings and analysis.

The development appears to be attracting and enabling illegal alien settlement in the state of Texas and distressing neighboring cities and school districts. Complaints from nearby communities about the development's scale of growth and unmanageable externalities reveal that this unincorporated settlement has drawn far too many people and enabled far too much chaos for the current arrangement to be tolerated by the state.

Texas has seen a growing trend of real estate developers buying huge quantities of undeveloped land, creating primitive subdivisions, and selling the bare lots in a practice often paired with offering minimal-down-payment, high-interest owner-financed loans. These loans require little identity verification. Lax development codes for unincorporated areas mean residents can crowd onto a property and the residential population can expand quickly. This form of real estate development and financing has created an attractive opportunity for noncitizens to cross the border and settle in Texas, with fast-growing developments the size of entire cities forcing nearby areas to struggle to adapt to—and even subsidize—the influx of new residents enriching the developers. The scale of the Colony Ridge development has proved unmanageable for effective law enforcement and other key standards of acceptable governance. Violent crime, drug trafficking, environmental deterioration, public disturbances, infrastructure overuse, and other problems have plagued the area and nearby towns.

Upon investigation, the Office of the Attorney General found that Colony Ridge in particular was made possible by a specific arrangement created by Senator Robert Nichols and Representative Ernest Bailes. Municipal Management District ("MMD") authority was specifically granted to create an advantageous carve-out for the Colony Ridge development to act virtually as its own city. This is a substantial deviation from lawmakers' original intent for MMDs.

In 1991, the legislature created Municipal Management District authority through Chapter 375 of the Texas Local Government Code. Legislative Findings and Purposes in Chapter 375 generally show that MMDs were intended to be used to revitalize already-developed urban commercial areas, rather than to develop raw land. MMDs were originally used as an extension of city government, providing tax authority to residents to beautify their communities and improve local economic conditions.

In 2017, Representative Ernest Bailes and Senator Robert Nichols specifically took action on behalf of Colony Ridge to enact HB 4341 (Chapter 3795 of the Special District Local Laws Code) which established a small, five-acre Municipal Management District from undeveloped land in Liberty County. Critically, this MMD was surrounded by countless more acres of undeveloped land owned by a real estate developer whom the statute made President of the MMD Board of Directors and who remains in that role. Four of the five current board members work for Colony Ridge. The five-acre MMD controlled by Board President “Trey” Harris then annexed tens of thousands of acres of land also owned by Mr. Harris. Thus, rather than being a small urban revitalization district, it is a sprawling, highly populated settlement that will soon outpace the population of many cities in Texas yet is ungoverned by any meaningful authority other than the developers whose primary interest is selling more property to new residents.

MMDs have taxation authority and can issue tax-exempt bonds, meaning the entity can raise money and finance its own growth without a bank scrutinizing its high-risk activities that may contradict the public interest. Further, a growing town would typically incorporate into a nearby area before growing to this scale. Instead, the managers of this district function as the unelected, unaccountable leaders of a city that is inhabited by an unknown population including unvetted foreign aliens and whose unsustainable growth is protected by a specific state carve-out. The burden displaced onto the surrounding areas to subsidize public services needed by those residing in Colony Ridge is significant. The true costs of the development are often borne by the rest of the people of Texas. In one example, the Cleveland Independent School District is growing faster than any other in the entire state, with Colony Ridge contributing the vast majority of that growth. The number of Cleveland ISD students has more than tripled in recent years—now over 10,000 students—and is projected to double in size again in less than ten years.

To illustrate how severely this arrangement diverges from the intent of the legislation creating MMDs, the 1991 statute says, “The creation of each [municipal management] district is necessary to promote, develop, encourage, and maintain employment, commerce, economic development, and the public welfare in the commercial areas of municipalities and metropolitan areas of this state.” Loc. Gov’t Code Sec. 375.001(b). But Colony Ridge is neither a commercial area of a municipality nor a metropolitan area of the state.

According to the statute, “A [municipal management] district is designed to provide needed funding for metropolitan areas to preserve, maintain, and enhance the economic health and vitality of the areas as community and business centers.” Loc. Gov’t Code Sec. 375.001(h). Colony Ridge is not a metropolitan area and the district does not promote Colony Ridge as a community or business center. In fact, in a 2019 interview, the developer insisted extra state funding was needed to accommodate the growth of residents because the area had so little commercial tax revenue relative to other parts of the state that more readily absorb population growth.

Further, the statute says, “The purpose of this chapter is to promote and benefit commercial development and commercial areas throughout the state. Each improvement project or service authorized by this chapter is found and declared to carry out a public purpose.” Loc. Gov’t Code Sec. 375.001(l). But Colony Ridge’s MMD does not promote or benefit commercial development or commercial areas.

I am beyond disappointed in Senator Nichols and Representative Bailes for apparently working to enrich specific developers at enormous expense to the rest of the public and reducing the quality of life for their own constituents. I have watched journalists and politicians alike downplay this problem. In lockstep, they minimize the scale, costs, and, worst of all, the unjust deprivation of self-governance endured by the people of Texas who never assented to the creation of a sprawling unincorporated, ungoverned zone that caters in no small part to other countries’ citizens but forces them to pay for the associated costs.

Thank you for your attention to this matter. I commend Governor Abbott for requiring the legislature to address the issues pertaining to Colony Ridge in the Special Session. My office has coordinated with the Governor's team to prioritize this issue, and I urge the legislature to address this growing crisis created by some of their own members' hidden agendas. Senator Nichols and Representative Bailes created these problems with their initial legislation, and now the legislature must undo what they have tolerated in their districts for years.

Sincerely,



Ken Paxton
Texas Attorney General

CC:

The Honorable Brian Babin, D.D.S
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kay Granger
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Troy E. Nehls
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Ronny L. Jackson
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Morgan Luttrell
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Michael C. Burgess, M.D.
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Michael McCaul
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Keith Self
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Chip Roy
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Randy K. Weber
U.S. House of Representatives
Washington, D.C. 20515

The Honorable August Pfluger
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Pete Sessions
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nathaniel Moran
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Roger Williams
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Pat Fallon
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John R. Carter
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Tony Gonzales
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Dan Crenshaw
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Beth Van Duyne
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Lance Gooden
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Monica De La Cruz
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Greg Abbott
Governor
Office of the Governor
P.O. Box 12428
Austin, Texas 78711

The Honorable Dade Phelan
Speaker
Texas House of Representatives
P.O. Box 2910
Austin, Texas 78769

The Honorable Wesley Hunt
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Jake Ellzey
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Jodey C. Arrington
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Michael Cloud
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Dan Patrick
Lieutenant Governor
Texas Senate
P.O. Box 12068
Austin, Texas 78711