



It's real.



INTRODUCTION TO PUBLIC IMPROVEMENT DISTRICTS

OCTOBER 19, 2021



Introduction to PIDs

- Chapter 372 of Local Government Code Statute provides a legal and regulatory framework that governs the process

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

Big Picture Considerations

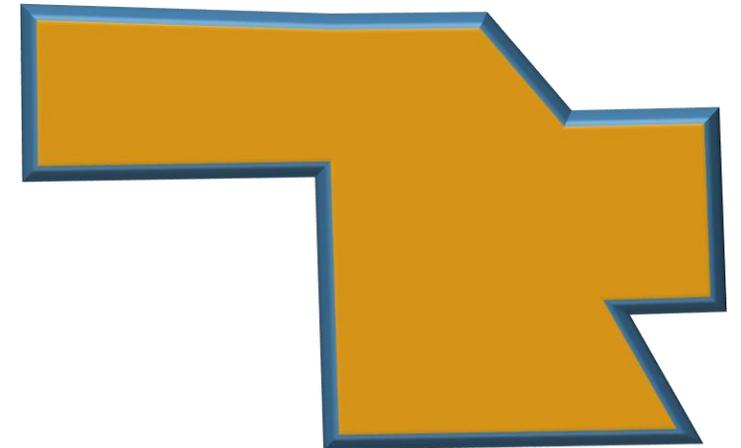


- PIDs are NOT separate political subdivisions. The City Council is the de facto board
- Allows Cities to extend public infrastructure without burdening rate payers and tax payers
- Highly lucrative economic development tool can be useful when negotiating with developers (annexation, oversizing, amenities, etc.)
- Grows the City's tax base without obligating City revenues (TIRZ, 380 Agreements, etc.)
- PIDs can be used to forward the City's Comprehensive Plan, Thoroughfare Plan and Parks Plan



How does a PID work?

- PID is formed over a defined area in the corporate limits of the City or the City's ETJ
- Assessments are levied on property within the PID based on the benefit received from PID improvements
- Assessments can be paid in full or paid in annual installments
- The assessments are a lien that run with the land
- The Assessments are used to pay
 - Debt service on tax exempt bonds issued to fund PID improvements, or
 - Reimbursement agreement with developer, including interest
- Administrative expenses are included in the annual installment



— PID Boundary
(area must be contiguous)

How is a PID created?

- PID Petition submitted by developer
- Professional Services Agreement executed and developer funds deposited with City
- Public hearing on advisability of creating PID
- PID creation resolution approved by City Council
- Preparation of Service and Assessment Plan, PID Finance Agreement, Landowner Agreement, and bond documents (if bonds are contemplated)
- Public hearing on levy of assessment
- Assessment Ordinance, Service and Assessment Plan, PID Finance Agreement, Landowner Agreement, and bond documents approved by City Council
- Typically a 6 month process but timeline can vary widely





Who does the City have on their team?

CITY STAFF

City Manager

City Secretary

City Finance Director

City Engineer

City Attorney

3RD PARTY CONSULTANTS

Financial Advisor

Bond Counsel

PID Administrator

Underwriter

Appraiser





Types of PIDs

- Pay-As-You-Go: allows future long-term reimbursements from assessments to developer
 - Interest rates predetermined; 2-5% above bond index
- Reimbursement Bonds: allows reimbursement soon after infrastructure is installed
 - Appraisal to establish market value
 - Contracts with 3rd party builders
 - The further the project is in the development cycle the less perceived risk
 - Completed or mostly completed Authorized Improvements at Bond issuance
 - Less perceived market risk = lower interest rates = lower annual installments to homeowners
 - Interest rates lower since infrastructure construction is complete and homes beginning construction
 - Undeveloped land without construction starts on Authorized Improvements at Bond issuance
 - More perceived market risk as land is undeveloped = higher interest rates



Developer Benefit

- Pay-As-You-Go

- Developer funds all infrastructure
- Developer receives annual installments for life of PID
- Developer may sell/assign revenue stream to 3rd party

- Reimbursement Bonds

- Developer funds all infrastructure
- Developer receives reimbursement shortly after completion of infrastructure
- Developer passes obligation to repay bonds to homebuilders/homeowners

City Benefits

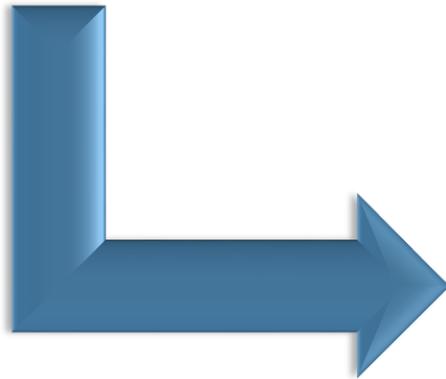
- Use PIDs as an economic development incentive tool to promote annexation
- Incentivizes amenities provided by the developer but for the creation of the PID
 - Superior plan, design, architecture and building materials that exceed subdivision building standards
 - Lot and residential unit size that align with the City's goal for economic growth
 - Private amenities tailored to the community
 - Pools
 - Playgrounds
 - Fitness Centers
 - Enhanced Trails
- Accelerate construction of improvements described in City's Comprehensive Plan, Thoroughfare Plan and Parks Plan
- Oversizing of Improvements
- City can require cash contribution from developer (non PID funds) to fund City projects





City Obligations for PIDs

- Inspect public improvements
- Hire and oversee PID Administrator



CITY IN CONJUNCTION WITH PID ADMINISTRATOR

- Review request for draws by developer
 - Verify infrastructure costs against SAP
 - Certify compliance with the terms of the certificate of payment prior to the release of bond proceeds
 - Verify appropriate release of lien and all bill paid affidavit prior to release of payments to developer
- Maintain database of all property within PID, update assessment roll, allocate assessments upon subdivision, track payment history
- Send assessment roll to County for collection with property taxes
- Prepare delinquency reports
- Account for dollars withdrawn from trust estate against approved draws/debt service payments (account reconciliation)
- Review developer quarter disclosure to ensure accuracy with construction and ownership/platting status
- File annual continue disclosure reports as issuer/obligated party
- Pursue and enforce collection of delinquencies (via County contract)
- Prepare and adopt annual SAP Update

Blue bullet denotes activities for all PIDs

Gold bullets denote activities for bonded PIDs



Financial Implications for the City

PID DEBT

- PID debt is non-recourse to the City
 - Bonds or Reimbursement Agreements are backed only by the assessments on the property within the PID
- Issuance of PID debt by the City does not reduce the City's bonding capacity
- City keeps all of its ad valorem and sales tax revenues
- Counts against Bank Qualified Debt limit

PID CREATION AND ADMINISTRATION

- All City costs incurred as a result of creating the PID should be paid by the developer via a cash escrow deposit with the City
- Administration is typically contracted to a third party, overseen by the City and paid for by the PID at the same time and in the same manner as the annual installments of the assessments

Weighing PID Benefits/Challenges

BENEFITS

- Annexation
- Increased/accelerated tax base
- Enhanced projects and amenities
- Advancing City master plans
- Cash contribution to City

POTENTIAL CHALLENGES

- Public perception
- Headline risk
- Market (Bonds)
- Administrative burden
- Covenant to foreclose



Central Texas PID Locations

EXISTING PIDS WITH BONDS

- | | |
|------------------------|----------------------|
| City of Austin | City of Leander |
| City of Horseshoe Bay | City of Liberty Hill |
| City of Hutto | City of San Marcos |
| City of Manor | Comal County |
| City of New Braunfels* | Hays County |
| City of Marble Falls | Medina County |
| City of Kyle | City of Lago Vista |
| City of Elmendorf | |

More than \$1.1 billion in PID debt has been issued by Texas Municipalities since January 2017



* Bonds pricing November 8, 2021

Questions

