



Public
Improvement
Districts

P3WORKS, LLC

PID Definition

A PID is a contiguous area designated by a city or county upon petition of the majority of the landowners (by assessed value and number or area) within which projects or services will be undertaken and paid for solely from special assessments levied based on the special benefit conferred by the projects or services. **The designation of a PID and levy of assessments are discretionary, legislative functions.**

PID Purpose

Public Improvement Districts (“PIDs”) provide a development tool that allocates costs according to the benefits received. A PID can provide a means to fund supplemental services and improvements to meet community needs which could not otherwise be constructed or provided and be paid by those who most benefit from them.

PID Authority

The statute authorizing the creation of PIDs is found in Chapter 372 of the Local Government Code.

The public improvements district may be formed to accomplish any of the following improvements:

1. Water, wastewater, health, and sanitation, or drainage improvements (including acquisition, construction, or improvements of water, wastewater or drainage improvements);
2. Street and sidewalk improvements (acquiring, constructing, improving, widening, narrowing, closing or rerouting sidewalks, streets or any other roadways or their rights-of-way);
3. Mass transit improvements (acquisition, construction, improvement or rerouting of mass transportation facilities);

PID Authority (cont'd)

4. Parking improvements (acquisition, construction or improvement of off-street parking facilities);
5. Library improvements (acquisition, construction or improvement of libraries);
6. Park, recreation and cultural improvements (the established or improvement of parks);
7. Landscaping and other aesthetic improvements (erection of fountains, distinctive lighting and signs);
8. Art installation (acquisition and installation of pieces of art);
9. Creation of pedestrian malls (construction or improvement of pedestrian malls);
10. Similar improvements (projects similar to those listed above);
11. Supplemental safety services for the improvement of the district, including public safety and security services; or
12. Supplemental business-related services for the improvement of the district, including advertising and business recruitment and development.

When to Consider a PID

- ❖ Extend public infrastructure without burdening rate payers and tax payers.
- ❖ Forward the City's Comprehensive Plan, Thoroughfare Plan and Parks Plan.
- ❖ Achieve amenities that “but for” the PID would not be possible.
- ❖ Establish high development standards that “but for” the PID may not be financially achievable.
- ❖ Grow the City's tax base consistent with adopted plans without obligating City revenues (TIF, 380 Agreements, etc.).

Financing the Improvements

A Municipality may create a PID in which the City issues “up-front” non-recourse debt to pay for eligible public improvements.

Or...

A Municipality may create a PID in which the assessments are assigned to reimburse the developer for eligible public improvements as the assessments are collected.

PID Assessment Financial Parameters

- ❖ Loan to Value Ratio 3 : 1

e.g. \$15 million developed value (neighborhood area) = \$5 million loan

- ❖ PID Assessment + all entities tax levy \leq ~\$3.00/\$100

City	\$ 0.4636
County	\$ 0.32702
ISD	\$ 1.40
Road \$	\$ 0.08318
County Hospital	\$ 0.113
<u>County College District</u>	<u>\$ 0.11195</u>
Total	\$ 2.49875
Remaining Capacity	\$ 0.50125

Financial Implications for the City

PID debt is non-recourse to the City. The bonds are backed only by the assessments on property within the PID.

All City costs incurred as a result of creating the PID (staff, legal, consultants, engineers, etc.) should be paid by the developer via a cash escrow deposit with the City and are ultimately reimbursable from bond proceeds when the bonds sell.

The issuance of PID debt by the City does not reduce the City's bonding capacity.

The City keeps all of its ad valorem and sales tax revenues.

Ongoing administrative requirements are contracted to a third party, answering to the City, which is paid for by PID assessments.

The City will employ the services of Bond Counsel, Financial Advisor, City Attorney, City PID Consultant, Professional Appraisal Firm and PID Administrator. All costs are reimbursed from PID bond proceeds or developer agreement.

Property Owner Impact

All property owners within the PID boundaries will pay an annual assessment.

The assessment can never change once adopted by Council without consent of homeowners.

Assessments may be prepaid.

Undeveloped land is assessed and paid by developer (owner).

City is legally obligated to foreclose on unpaid assessments, so reserve funds are established for that purpose.

Assessment will be the same for every lot as established in the Service and Assessment Plan.

The total tax burden of all entities, including the PID assessment should generally not exceed \$3.05, or any tax rate that will put the property out of the local market.

The assessment will expire in 30 years following payment of the debt and the assessment will end.

Property owners are assessed only for costs which confer a special benefit to the property.

PID Process (Bonded PID)

1. Introduction of PID to City
2. Submittal of a PID Petition by developer
3. Submittal of a Preliminary Service and Assessment Plan (SAP) for Council review
4. City Council Accepts PID Petition
5. Property Appraisal paid by Developer, approved by City
6. Public Hearing to Approve Creation of PID
7. Preparation of revised Service and Assessment Plan (SAP) as necessary
8. Initiate Preparation of Bond Documentation
9. Public Hearing to Approve SAP and Levy Assessments
10. City Council Review and Approval of Bond Issue
11. Sell Bonds
12. Initiate Construction of infrastructure improvements



PID Summary

- ❖ A PID is an economic development tool that enables an assessment to be placed on property which is used to fund/reimburse capital costs to facilitate higher quality projects with better and more amenities than would have been constructed otherwise.
- ❖ The City creates the PID, levies the assessments on the property, issues debt, collects cash assessments to pay bondholders, and forecloses on property for non-payment, if necessary.
- ❖ The PID assessments are usually collected on the ad valorem property tax bill of the landowners that are benefitting from the “special nature” of the project – no financial cost or liability to City or non-PID properties.
- ❖ Unlike property taxes, PID assessment/lien can be prepaid at anytime.
- ❖ PID assessment/lien are subordinate only to governmental ad valorem taxes.
- ❖ PID “Special and Limited Revenue Debt” does not pledge or encumber any City funds or assets, but the City is responsible for administration and SEC reporting.
- ❖ The City is responsible for reviewing and disclosing the impact on Citizens, PID landowners, PID Bond investors and consider the impact on other developers.