AUSTIN CITY COUNCIL

AGENDA



Recommendation for Council Action

Austin City Council	**Item ID**	7794	**Agenda Number**	55.
Meeting Date:	11/3/2011	**Department:**	Treasury	

Subject

Approve an ordinance authorizing the issuance of City of Austin, Texas Special Assessment Revenue Bonds, Subordinate Series 2011 (Whisper Valley Public Improvement District), in an amount not to exceed $ 18,800,000, and approving all related documents and fees. Related to Items # 12 and 54.

Amount and Source of Funding

The bonds will be paid from special assessments levied on the property with the public improvement districts and from contributions made by the developer, who currently owns 100% of the property within the public improvement districts. No ad valorem taxes or other revenues of the City are pledged to the payment of the debt.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required. No ad valorem taxes or other revenues of the City are pledged to the payment of the debt.

Purchasing Language:	
Prior Council Action:	December 18, 2008 – Council approved policy and general criteria under which requests to create public improvement districts will be considered. June 18, 2009 – Council approved the Whisper Valley Development Agreement. June 24, 2010 – Council set a public hearing for Whisper Valley PID for August 5, 2010. July 29, 2010 – Council conducted a public hearing for the limited purpose annexation of the Whisper Valley Area. August 5, 2010 – Council conducted a public hearing related to authorization of the Whisper Valley PID and limited annexation of the Whisper Valley Area. May 27, 2010 – Council set a public hearing for the limited purpose annexation of the Whisper Valley Area. August 26, 2010 – Council approved an ordinance authorizing negotiation and execution of an amended and restated cost reimbursement agreement with Club Deal 120 Whisper Valley, LP for construction of a 48 and 24 inch water main; for the design of a wastewater treatment plant. Approved a resolution authorizing creation of a Public Improvement District for the Whisper Valley Area to provide a financing mechanism for infrastructure supporting the planned development. Approved an ordinance annexing the Whisper Valley Annexation Area for limited purposes of planning and zoning. Approved an ordinance adopting a regulatory plan for the Whisper Valley annexation area. May 26, 2011 – Council approved contracts with bond counsel and underwriter related to the future issuance of public improvement bonds for Whisper Valley and Indian Hills. July 28, 2011 – Council set a public hearing relating to the proposed assessments on the PID for the Whisper Valley Area. August 4, 2011 – A public hearing was held as required by law for Council to receive input on the draft service and assessment plan. No speakers signed up for comment.
For More Information:	Art Alfaro, Treasurer 974-7882; Leslie Browder, Chief Financial Officer 974-2283

Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

Whisper Valley and Indian Hills are two mixed-used planned communities to be located in the SH 130 corridor in the City of Austin's Desired Development Zone. The Whisper Valley property (2,062 acres) was purchased by Taurus of Texas Holdings L.P. in June 2006 and is located east of SH 130. The site is planned to include approximately 7,500 single and multi-family homes, and more than 2 million square feet of retail and office space. In addition, 700 acres of open space is to be dedicated to the City for use as trails and parkland. The Indian Hills project is described in more detail in a related item that requests Council approval of a service and assessment plan and an assessment roll for the Indian Hills Public Improvement District (PID).

In June 2009, the City Council voted to approve related development agreements, and in August 2010, voted to approve zoning changes and limited purpose annexation. The property is now zoned as a planned unit development. The City Council also approved the creation of a public improvement district (PID) for the planned development, in response to a petition by the property owners, a State law prerequisite to creation of a PID. The PID was intended to provide a financing mechanism through the apportionment, levying and collection of assessments to support the issuance of debt for the basic infrastructure that will support the planned community (water, wastewater and roads).

These two projects are long-term in nature, and the first phase is designed to construct the basic infrastructure needed before site development can begin. This basic infrastructure (excluding subdivision internal structure) includes approximately 2.4 miles of major divided arterial roadway (Braker Lane) to connect FM 973 to Taylor Lane, a wastewater treatment facility with capacity up to 3 million gallons per day, several lift stations, 2.5 miles of 30-inch wastewater interceptor, and 12 miles of large diameter (24-inch diameter and greater) water transmission main. All water and wastewater infrastructure will ultimately be turned over to the City and designed in accordance with City standards. These "macro" improvements will provide benefit to the two projects as a whole. Buildout is then anticipated over 15 to 20 years after this initial phase in response to market demand for housing. The total cost of infrastructure improvements after all phases have been completed is forecast at approximately $270 million for Whisper Valley and $28 million for Indian Hills.

The developer plans to construct improvements in phases as the property builds out, and has previously asked the City to issue bonds, backed by the PID assessments, both during discussions regarding the development agreements in 2009 and during formation of the PIDs in 2010. PID bonds are considered to be special assessment revenue bonds and are not secured by the full faith and credit of City. Bonded debt service is paid for by special assessments levied on the real property within the PID. The financing plan for the Whisper Valley and Indian Hills projects includes the issuance of approximately $38 million in PID bonds, with developer equity contributions of approximately $7 million.

As a developer subdivides and sells off the land, the new property owner assumes the assessment burden. The ultimate security for PID bonds is the value of the real property being assessed, so it is important that the appraised value of the land be sufficient to secure the bonded debt, and reflect conservative valuation assumptions to account for changes in the real estate market over time. Under the oversight of the City's real estate staff, the City contracted with a qualified appraiser to assess the value of the Whisper Valley and Indian Hills properties to ascertain that adequate value-to-assessment burden ratios were in place prior to the issuance of PID obligations. The appraisal sets forth the estimated aggregate retail value of the taxable property subject to assessment within both PIDs and the present value of the reimbursements for a total combined value estimate of $80 million. The estimated combined value to assessment burden ratio is approximately 5.13 times the expected principal amount of the bonds for Whisper Valley and a ratio of 5.01 times for Indian Hills. Based on an evaluation of the City's financial advisor and the underwriter, these ratios are considered favorable for a financing of this nature.

Current financing projections for the "macro infrastructure" of the Whisper Valley and the Indian Hills project include the issuance of two separate series of bonds that will include senior bonds as well as subordinate bonds.

- The senior PID bonds, estimated at $18 million, will be secured by an assessment on the real estate. The assessments will be approved and "levied" by the City Council when the PID's service and assessment plan is considered at its meeting on September 22, 2011.
- The subordinate PID bonds, estimated at approximately $20 million, will also be secured by the assessments, which are secured by a lien on the property, but will be junior to the senior bonds. These bonds will be secured by an additional source of funding, the estimated proceeds of cost reimbursement agreements between the developer and the City related to the water/wastewater infrastructure.
- The PID bonds will be tax exempt. The senior PID bonds will have a term of 30 years, but the subordinate bonds will have an early call provision and a shorter term so that the bonds can be paid down as the City reimbursements become available.

Additional project controls will be in place, including City control over disbursement of the bond proceeds, as well as payment of the reimbursement agreements, to help ensure that the improvements are completed as planned. City PID guidelines recommend that no city taxes are imposed until PID bonds are retired to help ensure that financing is structured so that undue burden is not placed on future homeowners/landowners by paying both City taxes and PID assessments. As a result, only City services related to the construction and maintenance of the infrastructure that is being financed will be provided to the encumbered land until the PID obligations are retired and City taxes begin to be paid. For example, public safety services will continue to the responsibility of Travis County during this time period. As buildout is completed, preliminary estimates at this time indicate that the maximum annual assessment on a home valued at $200,000 would approximate $840 per year, or 42 cents per $100 of assessed valuation. The first assessment for Whisper Valley will become due on January 31, 2012, and will be paid by the developer in an estimated amount of $51,280. The annual assessment amounts will be finalized as soon as the bonds are priced, which is scheduled to occur on November 2, 2011. An updated service and assessment plan will then be provided to Council. The final assessment amounts are not expected to substantially differ from the estimated amounts in the attached service and assessment plan.

In addition to the appraisal discussed above, we have taken a number of steps that will help assure the financial viability associated with the Whisper Valley and Indian Hills projects, as outlined below.

- Conducted a lien search and verified that the property is free and clear of any encumbrances.
- Researched the financial background and "credit worthiness" of the developer, similar to the due diligence completed for City redevelopment projects.
- Used the services of Economic & Planning Systems to provide analysis, quality assurance and risk mitigation throughout the financing and appraisal process.