Public Improvement Districts (PID)

Financial Services Department
November 17, 2015
Public Improvement District (PID)

- Texas Local Government Code Chapter 372 allows creation of special purpose districts by a city or county

- Economic development tool to fund public improvements and/or municipal services in a defined geographic area

- Created only at request of land owners via petition of more than 50% of owners of taxable real property liable for assessment under proposed petition

- Special assessments are source of funding
  - Costs apportioned and paid by land owners that benefit from public improvements and/or services

- PID creation - discretionary act of City or County governing body
Types of PIDs (Operating)

Operating/Maintenance PID (Operating)
• Special assessments pay for services that supplement City services in PID

• City of Austin’s three authorized operating PIDs
  • Austin Downtown PID (Creation Resolution 19930415-088)
  • East Sixth Street PID (Creation Resolution 20040826-065)
  • South Congress Preservation and Improvement District PID (Creation Resolution 20141016-062)
Types of PIDs (Capital)

**Capital Improvement and Debt PID (Capital)**
- Special assessments pay for *public improvements* related to PID land development
  - “Pay as you go” basis
  - Debt (special assessment revenue tax-exempt bonds) issued by city or county

- City of Austin’s three authorized capital PIDs
  - Whisper Valley PID (Creation Resolution 20100826-026)
  - Indian Hills PID (Creation Resolution 20100826-023)
  - Estancia Hill Country PID (Creation Resolution 20130613-054)
Austin’s Policy Objectives

• Promote economic development

• Support superior development in Desired Development Zone

• Gain land use control in extraterritorial jurisdiction (ETJ) and plan for long-term annexation
  • Limited purpose annexation & planned unit development zoning
  • PID Examples - Whisper Valley, Indian Hills, Estancia Hill Country

• “Growth pays” for public improvements that it benefits from

• Potential to redirect City capital improvement program funds to other high priority needs by using alternative PID financing
Austin’s Policy Objectives

• PID supported development should provide *extraordinary public benefits* in exchange for *use of tax-exempt debt*
  • Public infrastructure extensions or enhancement
  • Environmental improvement
  • Open space
  • Affordable housing
  • Public transportation facilities

• City ultimately takes ownership of PID public improvements
  • Requires construction to City’s specifications coupled with inspections and acceptance by City
# City of Austin PIDs

<table>
<thead>
<tr>
<th>Project</th>
<th>Austin Whisper Valley PID</th>
<th>Austin Indian Hills PID</th>
<th>Austin Estancia Hill Country PID</th>
</tr>
</thead>
<tbody>
<tr>
<td>PID Created</td>
<td>Resolution # 20100826-026</td>
<td>Resolution # 20100826-023</td>
<td>Resolution # 20130606-054</td>
</tr>
<tr>
<td>Size of District</td>
<td>2,066 acres</td>
<td>240 acres</td>
<td>254 acres</td>
</tr>
<tr>
<td>Current Zoning</td>
<td>PUD approved</td>
<td>PUD approved</td>
<td>PUD approved</td>
</tr>
<tr>
<td>Annex Status upon PID Creation</td>
<td>Limited Purpose in the City’s extraterritorial jurisdiction.</td>
<td>Limited Purpose in the City’s extraterritorial jurisdiction.</td>
<td>Limited Purpose in the City’s extraterritorial jurisdiction. Full purpose annexation at end of 15 years (term of first bond issue)</td>
</tr>
<tr>
<td>Description of Development</td>
<td>700 acres of parks and open space, 7,500 housing units and over 2,000,000 square feet of retail and commercial uses</td>
<td>Over 1,200 multifamily units and just under 2,000,000 square feet of high quality industrial, commercial and retail uses.</td>
<td>Phase IA #1 – 216 Acres with 386 detached single family residential units, 26.6 acres of multifamily residential units, 82.6 acres of office and commercial development.</td>
</tr>
<tr>
<td>Description of Public Infrastructure</td>
<td>Extension of Braker Lane Water/Wastewater utility extensions and facilities 600 acres public park</td>
<td>Extension of Decker Lake Road Water/Wastewater utility extensions</td>
<td>Roads, water and wastewater improvements, drainage improvements, landscape, trails</td>
</tr>
<tr>
<td>Bonds Issued</td>
<td>$15,500,000 Special Assessment Revenue Bonds, Senior Series 2011 due September 1, 2026 and $18,485,168.10 Special Assessment Revenue Bonds, Subordinate Series 2011 due December 1, 2016.</td>
<td>$2,860,000 Special Assessment Revenue Bonds, Senior Series 2011 due September 1, 2026 and $2,332,349.75 Special Assessment Revenue Bonds, Subordinate Series 2011 due December 1, 2016.</td>
<td>$12,590,000 Special Assessment Revenue Bonds, Series 2013 with 15 year term</td>
</tr>
<tr>
<td>Term of Bonds</td>
<td>15 years (Senior Bonds) and 5 years (Subordinate Bonds)</td>
<td>15 years (Senior Bonds) and 5 years (Subordinate Bonds)</td>
<td>15 years</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td>First 3 years</td>
<td>First 3 years</td>
<td>First 3 years</td>
</tr>
<tr>
<td>Interest rate on Bonds</td>
<td>7.875% - 8.500%</td>
<td>7.875% - 8.500%</td>
<td>4.500% - 6.000%</td>
</tr>
</tbody>
</table>

- Key facts about Austin’s three existing PIDs (Capital)
Special Assessment Bonds

• Issued by City as Special Assessment Revenue Bonds
• Source or repayment is special assessments
  • Land Owner pays until property is developed and homes are sold, then special assessments billed to homeowner
• Security - pledge of special assessment revenue and land value
  • Not secured by full faith and credit of city
  • Land appraisal and Value to Lien are key bond evaluation factors
  • Foreclosure and/or land sale are sole security in event of default
• Debt service reserve fund required to provide added security for bondholders

$12,590,000
CITY OF AUSTIN, TEXAS,
(Travis, Williamson and Hays Counties)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2013
(ESTANCIA HILL COUNTRY PUBLIC IMPROVEMENT DISTRICT)
PID Special Assessments

• Paid in addition to ad valorem tax
• Authorized for specific period of time to fund public improvements or related debt service
• Method of assessment may be determined by
  • Property value
  • Any other manner that equally assesses property similarly benefited (e.g., flat fee), if the collection entity is in agreement
• Liens against assessed property
  • Superior to all liens, except those for ad valorem taxes
  • Personal liability and charge against owners of assessed property
  • Delinquent installments incur interest, penalties, attorney’s fees similar to delinquent ad valorem taxes
PID Annual Process

- Annual statutory process required of PID’s creator to ensure property owners have an opportunity to speak on PID’s plans

| Council Meeting #1 | • Approve ordinance setting PID’s assessment rate and approving proposed assessment roll  
|                    | • Approve resolution adopting PID’s service plan and budget  
|                    | • Set a public hearing to consider PID assessments and levy |
| Council Meeting #2 | • Conduct public hearing on PID assessment roll and levy  
|                    | • Approve ordinance authorizing assessment roll and levying special assessments |
| Council Meeting #3 | • Amend City’s Operating Budget to incorporate PID’s budget |
Questions