TO: Mayor and Council Members

FROM: Greg Canally, Interim Chief Financial Officer gdc

DATE: December 15, 2016

SUBJECT: Status of Update to City's Public Improvement District (PID) Policy

---

The City's Public Improvement District (PID) policy has not been updated since it was initially approved in 2008. As discussed in August during City Council's action on Travis County's proposed Wild Horse PID, staff's recommendation was to conduct a review, update the current policy, and bring any recommended policy revisions back to Council for consideration.

The Financial Services Department (FSD) has created a PID Policy Working Group – a multi-departmental team comprised of staff from:

- FSD
- Austin Water Utility
- Planning & Zoning
- Development Services
- Austin Transportation
- Public Works
- Neighborhood Housing & Community Development, and
- Law Department

This team has been meeting to re-examine PIDs in a comprehensive manner – from land planning, to infrastructure and development, to affordable housing, and financing. The group will analyze best practices and engage with a variety of stakeholders.

We will also continue to collaborate with Travis County staff. As discussed at the October 2016 Regional Affordability Committee meeting, we feel it is essential that our respective PID policies are in sync.

Our policy update will address PID requests that come directly to the City, as well as those for which the County may be acting on and the City has an opportunity to express its opinion. In addition to this policy work, our team will develop related administrative procedures, the purpose of which would be to:

- Ensure City Council's established policy is implemented in a known, consistent, fair, and transparent process;
- Identify the due diligence process prior to creation of a City PID or approval/expression of no objection to the creation of a County PID;
- Identify the process and due diligence required prior to a staff recommendation for issuance of PID bonds by the City;
- Monitor procedures for the duration of the PID;

- Specify disclosure requirements deemed as adequate notification to potential home owners regarding the PID and its estimated annual assessments; and.
- Determine whether the City's PID application fee adequately covers the cost of City services to evaluate new City PIDs.

We expect to have an updated PID policy for Council's consideration by early March 2017.

Based upon our initial discussions as we re-examine the City's PID policy, we believe it is not appropriate for the City to "pre-approve" a PID that has petitioned Travis County for creation. The City would want to review Travis County's due diligence work following the filing of a petition with the County for PID creation. This work can take several months and may include a report from a real estate consultant on current market conditions regarding the feasibility of the PID's development projections.

Finally, there have been requests from the developers of two of the City's existing PIDs – Estancia Hill Country and Whisper Valley – to look at the potential of another round of bond issuances for their respective developments. We have reminded them that the issuance of bonds is complex and technical process, that typically takes five to six months for a routine City of Austin bond transaction, and that a more complex PID bond issuance will necessarily require additional time beyond that.

Please feel free to contact me if you have any questions.

xc: Elaine Hart, Interim City Manager
Assistant City Managers
Greg Guernsey, Director, Planning and Zoning