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Overview of Public Improvement Districts (PIDs)

PID – Overview

PID's are created to fund higher quality or special public improvements and services within a designated area and repaid by incremental assessment collected on the annual ad valorem tax bill

- ✓ Public improvement districts are economic development tools used to promote higher quality "special" developments (typically larger developments, higher quality amenity packages)
- ✓ Special Benefits - water, sewer, drainage, roads, police, fire, parks, libraries, and other development enhancements
- ✓ Additional Costs - assessments justified by benefit are placed on property to fund or reimburse the landowner / developer for capital costs
- ✓ Repaid by future land owners who receive the benefit- home, apartment, commercial, retail property owners
- ✓ Higher tax equivalent cost to future property owners is justified and offset by the <u>higher quality</u> or special nature of developments / projects
- ✓ Isolate higher benefits and costs - only the landowners that are benefitting pay costs of the capital used to fund the "special benefit" - no financial cost or liability to the properties outside of the PID

PID - Definition and Creation

- A Public Improvement District ("PID") is a defined area within a City or its ETJ
  - Initiated by submission of landowner petition
  - Created and governed by the City Council
  - District is not a separate political subdivision, but a designated area that has an assessment levied to pay a special benefit
  - Property assessments, not taxes, are its only available revenue
- PID's are created to fund public improvements and services within the PID
  - Including water, sewer, drainage, roads, police, fire, parks, libraries, and other development enhancements
- The objective of a PID is to provide these types of services and/or improvements without the obligation or financial support of the community as a whole

PID – Service and Assessment Plan

- Service and Assessment Plan is required
  - Indicates project plan, maintenance and administration plan, allocated and levies assessments based on benefit and capital funding process and timing
- Assessments are generated solely through assessments levied against property in the PID
  - Assessments can be implemented on a per lot, per square foot, or per front foot basis
- Creates a lien on property (to be valid, must be before a homestead is established)
  - Assessments are Junior to property taxes
  - Senior to mortgage or other financing
- Assessments must be paid whether property remains vacant or is built on
- Assessments may be payable in installments over a specified period of time or, unlike property taxes, can be paid in full

PID - Assessments

- Capital Assessments
  - Assessments are levied to pay for project capital costs
    - To monetize projected assessment cash flow to allow for the issuance of bonds to fund project costs
    - To reimbursement for project costs from actual assessment cash

- Maintenance Assessments
  - Assessments are levied for annual costs
    - Cost of required administration, collection and reporting
    - Ongoing Maintenance of project costs

PID – City Debt, Financial Responsibility and Liability

- PID Debt is issued by the City - "Special and Limited Revenue Bonds"
- Credit and repayment is based solely on the assessments and the ability of the City to foreclose on the assessed property
- PID debt does not pledge or encumber any other City revenue or asset
- The City is responsible and liable for administrative responsibilities (just as it is in any other City debt – GOs, Water and Sewer Revenue Bonds, etc.)
  - ✓ Creation
  - ✓ Initial assessment levy, annual cash assessment collection and property foreclosure due to non payment of assessment (similar to process for non payment ad valorem taxes)
  - ✓ Administration and Reporting – Audit, SEC disclosure, continuing disclosure, IRS tax exemption