


# GFOAT – FALL 2024 CONFERENCE

An aerial photograph of a large residential development, likely a new housing tract. The houses are arranged in neat rows and blocks, with some still under construction. The surrounding area includes fields, trees, and a road. A semi-transparent dark grey overlay covers the bottom half of the image, containing white text.

**PUBLIC IMPROVEMENT DISTRICTS  
AND TAX INCREMENT  
REINVESTMENT ZONES - COMING  
TO A CITY NEAR YOU**



# WHY DOES THIS MATTER?

Local governments are facing continued pressure from Austin. New laws passed in recent Legislative Sessions continue to constrain local governments' ability to raise funds through taxes, their ability to annex land, and their ability to regulate certain development standards (such as building materials).

Local governments need to be able to creatively utilize other tools to fund infrastructure, encourage the addition of development to their tax base, and leverage their ability to contractually manage what they cannot regulate.

# PUBLIC IMPROVEMENT DISTRICT PURPOSE

Public financing mechanism that allows for public improvements to be funded through assessments, the issuance of bonds and other debt obligations by the local municipality.

**Financing tool available to accelerate access to capital to:**

- Encourage new development
- Redevelop urban renewal areas
- Rebuild public infrastructure
- Finance new public infrastructure

# FACT SHEET – 2022 vs. 2024

- First publicly issued PID bond: **1992**
- Number of PID public bond issuances: **230** **388+**
- Total par amount of outstanding bond issuances through 2022: **Over \$1.018 Billion**
- Through October 2024: **Over \$2.338 Billion**

# FACT SHEET - 2022

## Cities utilizing PIDs

Anna	Fort Worth	Lewisville	Round Rock	Crandall	New Braunfels
Argyle	Galveston	Liberty Hill	Rowlett	Kaufman	Bastrop
Aubrey	Haslet	Little Elm	Royse City	Venus	Ponder
Austin	Hackberry	Lubbock	Sachse	Tomball	Wolfforth
Carrollton	Hickory Creek	Magnolia	Sanger	Sinton	Boyd
Celina	Kyle	Manor	San Marcos	Santa Fe	Georgetown
Dallas	Justin	Marble Falls	Shenandoah	Pilot Point	Cross Roads
El Paso	Horseshoe Bay	McLendon-Chisholm	North Richland Hills	Ponder	Red Oak
Fate	Lago Vista	Mesquite	Waco	Georgetown	
Farmers Branch	Houston	Montgomery	Waxahachie	Elmendorf	
Pflugerville	Hutto	New Fairview	Westlake	Hutto	
Flower Mound	Lavon	Trophy Club	Waxahachie	Bee Cave	
Ferris	Leander	Oak Point	Westlake	DeSoto	

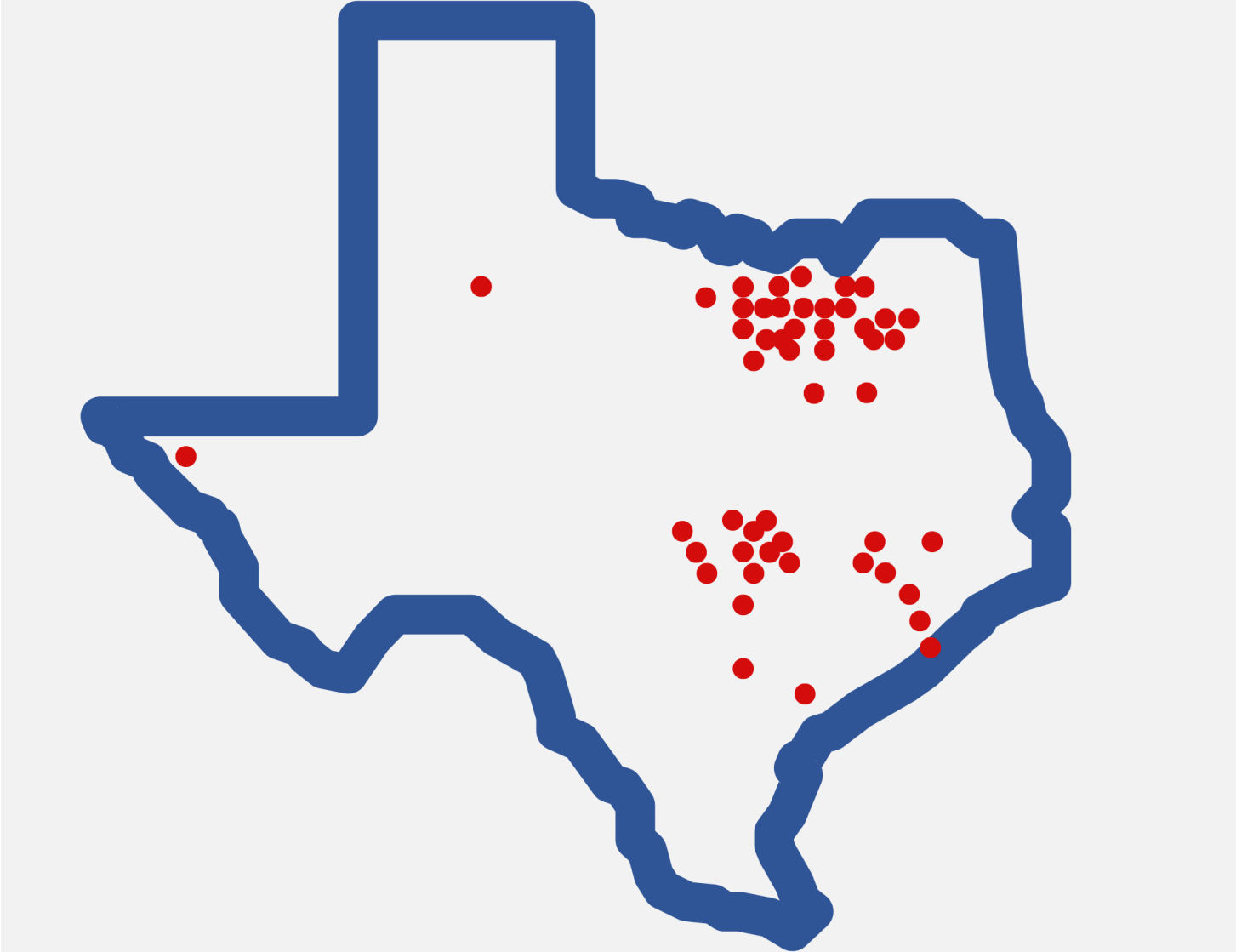
# NEW FACT SHEET - 2024

## Cities utilizing PIDs

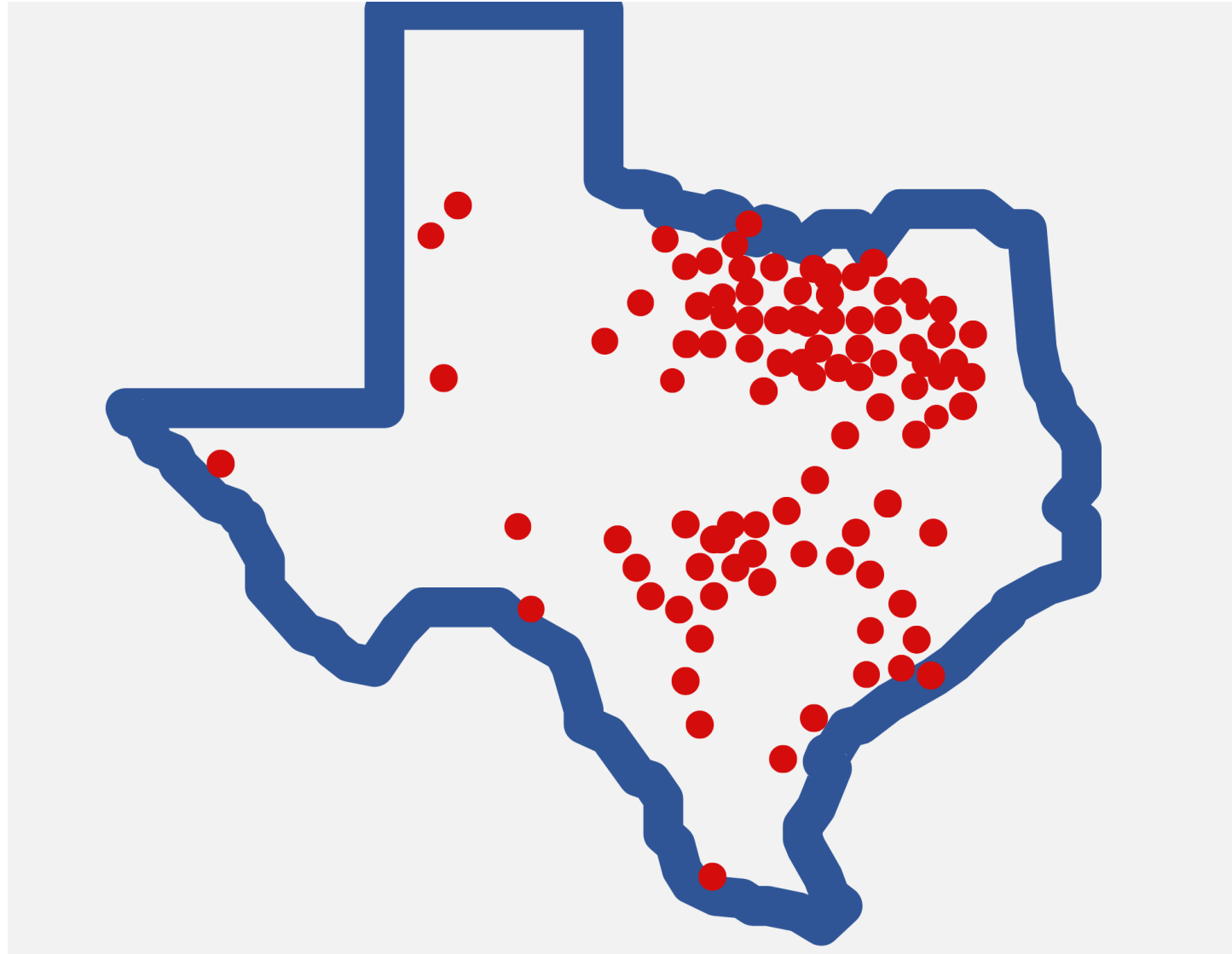
Anna	Fort Worth	Lewisville	Round Rock	Crandall	Lowry Crossing	Midlothian	Saginaw
Argyle	Galveston	Liberty Hill	Rowlett	Kaufman	Eagle Pass	Mustang Ridge	Dunson Oaks
Aubrey	Haslet	Little Elm	Royse City	Venus	Cedar Hill	New Braunfels	Gainesville
Austin	Hackberry	Lubbock	Sachse	Tomball	Boyd	Odessa	Terrell
Carrollton	Hickory Creek	Magnolia	Sanger	Sinton	Coppell	Plano	Bay City
Celina	Horseshoe Bay	Manor	San Marcos	Santa Fe	Dripping Springs	Providence Village	Wolfforth
Dallas	Justin	Marble Falls	Shenandoah	Pilot Point	Decatur	Red Oak	Ponder
El Paso	Kyle	McLendon-Chisholm	Trophy Club	Ponder	DeSoto	Rockdale	Bastrop
Fate	Lago Vista	Mesquite	Waco	Georgetown	Dorchester	Salado	Boyd
Farmers Branch	Houston	Montgomery	Waxahachie	Elmendorf	Forney	Seagoville	Hitchcock
Trenton	Hutto	New Fairview	Westlake	Dayton	Hutto	Uhland	
Ferris	Lavon	North Richland Hills	Waxahachie	Bee Cave	Irving	Corpus Christi	
Flower Mound	Leander	Oak Point	Granbury	Ennis	Lakewood Village	Huntsville	
Brownsville	Weatherford	Willow Park	Gunter	Cross Roads	Angleton	Pflugerville	

# FACT SHEET - 2022

Cities utilizing PIDs



## Cities utilizing PIDs





# PUBLIC IMPROVEMENT DISTRICT OVERVIEW

## Typical City Team Involved in PID or PID/TIRZ Financing

- City staff
- City attorney
- Engineer
- PID consultant
- Mayor or councilpersons
- Bond counsel
- City financial advisor
- Underwriter

## PID Features

- Governance by City Council
- Ease of creation process
- Low cost to create and manage (makes PIDs particularly beneficial to develop relatively small tracts)
  - City often executes “professional services agreement” for developer payment of city costs
- Bonds secured solely by assessments
- Administrative burden can be offloaded to a third party administrator
- Fixed term on assessments
- No cross-collateralization among parcels (limited and preset obligations)

# PUBLIC IMPROVEMENT DISTRICT OVERVIEW (CONT'D)

## Public Improvement District: Authorized Improvements

- |   |  |
|---|--|
| (1) landscaping   | (11) projects similar to (1)-(10)  |
| (2) erection of fountains, distinctive lighting, and signs              | (12) Acquisition of real property in connection with an authorized improvement             |
| (3) sidewalks or of streets, any other roadways, or their rights-of-way | (13) special supplemental services (ex, Uptown PID, Deep Ellum PID)                        |
| (4) pedestrian malls  | (14) expenses incurred in the establishment, administration, and operation of the district |
| (5) pieces of art   | (15) the development, rehabilitation, or expansion of affordable housing                   |
| (6) libraries   | (16) expenses related to the operation and maintenance of mass transportation facilities.  |
| (7) off-street parking facilities                                       |  |
| (8) mass transportation facilities                                      |  |
| (9) water, wastewater, or drainage facilities or improvements           |  |
| (10) the establishment or improvement of parks                          |  |

- **PID creation and assessment levy:**

- Petition from owners of more than 50% of the appraised value of taxable property in the PID
- Mailing and publication of notices of public hearings to: (1) create PID, and (2) and levy assessments within PID
- Service and Assessment Plan (SAP)
- Can be created in City corporate limits or ETJ
- Boundaries must be contiguous



# PID STRUCTURES

- Operation & Maintenance PIDs (debt not issued)
- Capital PIDs (debt issued):
  - Market issued bonds
  - Privately placed bonds
  - Developer held bonds
  - Drawdown bonds
  - Reimbursement agreements

# PID STRUCTURES (CONT'D)

- **Capital PIDs**
  - Sachse PID No. 1: public entry monuments and signage; public art and statues; Heritage Park (fountains, trails, landscaping, lighting)
  - Solana PID: public parking garage
  - Friendswood City Center PID: portion of City fire station
- **Operation and Maintenance PIDs**
  - Arboretum Estates Maintenance PID: Maximum \$0.03 per \$100 annual assessment levy to maintain lake and drainage facilities, including stocking fish and installing butterfly and bird habitats; maintain parks; maintain Arboretum; acquire and maintain security equipment for Terrell Police Department
- **Tourism PIDs**
  - Dallas Tourism PID: Hotels in Dallas city limits with 100+ rooms may pay 2% assessment on occupied rooms to market and promote Dallas as a tourism destination

# PID & MUD COMPARISON– IMPLEMENTATION

	Public Improvement District	Special District
Creation Process	Created by resolution adopted by the local municipality (at the pace of the municipality)	<p>“General Law”: a district that is created by the TCEQ or the local county commissioners court</p> <p>OR:</p> <p>“Special Law”: a district that has either been created or altered by the Legislature</p>
Management	Geographic district that continues to be managed by the municipality	Independent district (separate of a municipality) that is managed by a board created for the oversight of the district
Governing Statutes/Regulation	<p>Governed by Chapter 372 of the Texas Local Government Code</p> <p>Oversight at City Level</p>	Regulated by the Texas Commission of Environmental Quality (TCEQ), Governed by Water Code
Improvements Financed	Those allowable under Chapter 372	Can be broader, but depends on type of district (e.g., some don’t have road powers)

# PID & MUD COMPARISON – REVENUE MECHANISMS

	PID	MUD
Revenue Mechanism	Assessment	Ad valorem tax
Timing of collection	Annually	Annually
Cross collateralization	No	Yes
Ability to prepay	Yes	No
Annual payment	Fixed (mostly)	Variable
Term	Defined	Undefined



# PID DEBT DETAILS AND OBLIGATIONS

- Bonds are issued by the city
- PID bonds include the following characteristics:
  - Tax exempt
  - Non-rated
  - **Not** general obligation that is backed by the full, faith, and credit of the city
  - Special revenue obligations secured only by the special assessments from the property
    - Special assessment is a lien second in priority only to real property taxes
- The city will be responsible for statutory and bond related compliance
- Approval of Texas Attorney General required

# PID BOND CREDIT CONSIDERATIONS

- Value to lien
- Public permitting and approval status
- Homebuilder deposit and lot sale status
- Supply and demand for property types
- Sales price and rents within reason of market
- Socioeconomic, workforce, and migration trends
- Macroeconomic drivers
- Developer's financial ability to pay special assessment should development not occur at projected pace

# PID/TIRZ OVERLAY OVERVIEW

- Tax increment reinvestment zone (“TIRZ”) projects under Chapter 311, Tax Code include PID authorized improvements under Chapter 372, Texas Local Government Code
  - Public improvements located inside or outside of PID above PID boundary requirement
- Revenues from TIRZ can provide an annual credit against the annual installment of PID assessments
- TIRZ increases bonding capacity of the PID bond issuance
- PID bonds allow TIRZ projects to be financed before TIRZ increment is generated

# HOW CAN A TIRZ INFLUENCE PIDs?

- Estimates for illustrative purposes:
  - Estimated base year (2020) taxable value (raw land) = \$1,000
  - Estimated current year (Yr 1) taxable value = \$300,000
  - Estimated current year (Yr 1) incremental value = \$299,000
  - Estimated current year (Yr 1) City tax rate per \$100 of taxable value = \$0.645
  - City pledge of incremental ad valorem property tax = 34.2%
  - Estimated PID current (Yr 1) annual installment of Assessment = \$2,900
  - Estimated PID next (Yr 2) annual installment of Assessment = \$2,950



# HOW CAN A TIRZ INFLUENCE A PID?

	PID	PID + TIRZ
Annual Installment Year 1 (TIRZ Credit lags one year)	\$2,900	\$2,900
Annual Installment Year 2 (prior to credit)	\$2,950	\$2,950
City TIRZ Contribution	---	34.2% Ad Valorem Tax (Assume \$0.645 tax rate)
City taxes generated after \$300,000 house built [(\$299,000 - 100) x \$0.645]	\$1,929	\$1,929
City Increment to dedicate after \$300,000 house built	\$0	[\$1,929 x 0.342] \$659
Annual Installment billed to homeowner, Year 2	<b>\$2,950</b>	<b>\$2,291</b>

# PIDS AS P3

- **Public private partnership:**
  - City administers all activities of the PID
  - City is the issuer of the bonds:
    - Special obligation
    - Non-rated
    - Tax-exempt
  - Developer delivering improvements upfront
  - Developer completed public improvements and conveys to the City for ownership and maintenance upon completion
  - Developer is delivering a highly amenitized community
  - Developer is providing for an increased tax base of the City
  - City is leveraging private dollars to finance public infrastructure that would be financed:
    - By the General Fund
    - According to Capital Improvement Plan (later in time)



# WHAT CAN A CITY “GET OUT OF” A PID?

Generally negotiated through a development agreement:

- Enhanced amenities/more “timely” completion of amenities
- More hike/bike trails
- Additional parks or dedication of park land
- Donation of land for City facilities (e.g., new City Hall)
- Agreement to annexation into City
  - 2019 HB 347: Limits on involuntary annexation
- Different lot size mixes
- Agreement to building materials “standards”
  - 2019 HB 2439: Prevents City regulation of building materials
- “Affordable Housing”
- Control (versus MUD)

# “CITY ASKS”



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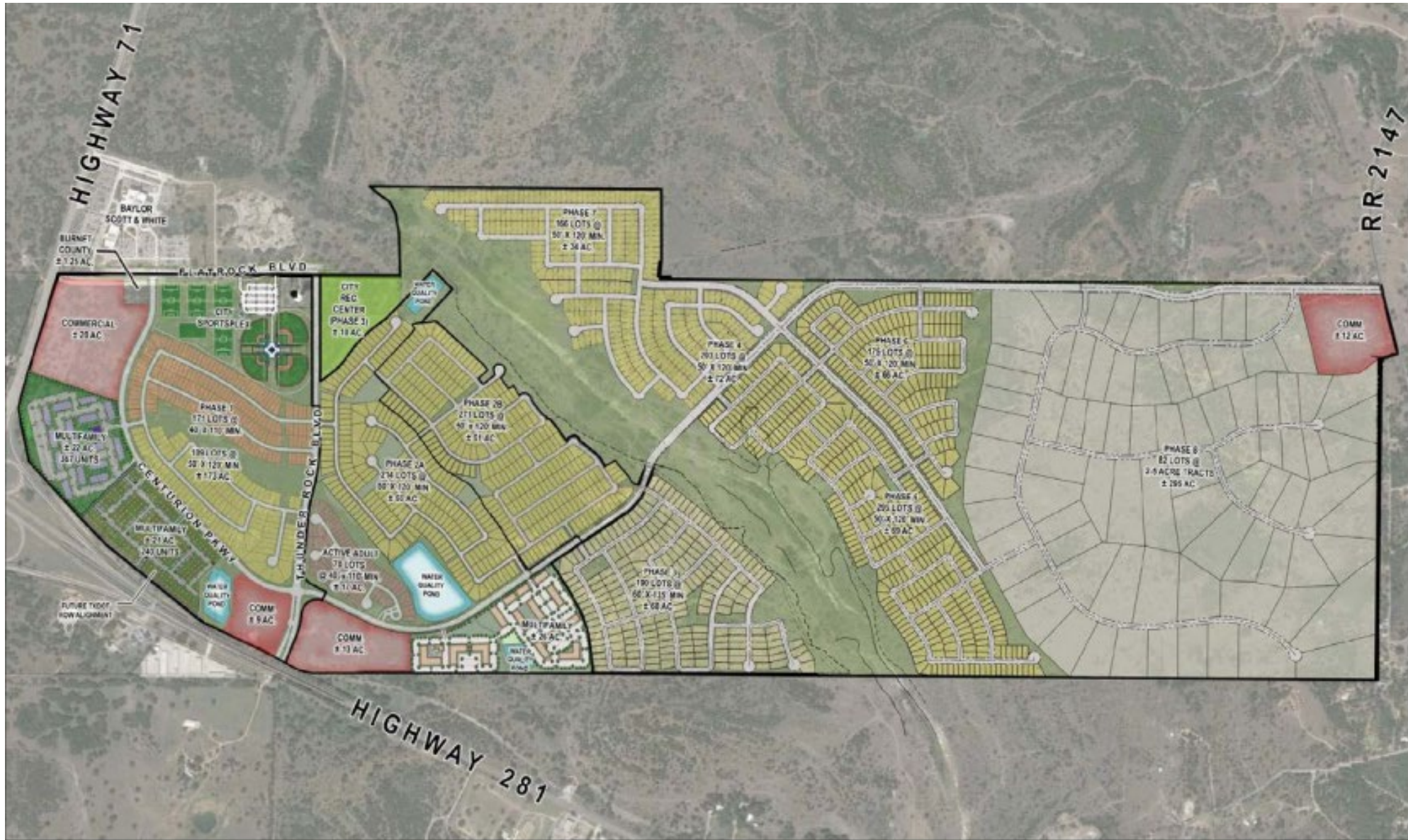
- Rowlett
  - Bayside/Sapphire Bay
- Anna
  - Hurricane Creek
    - City requested 70’ lots, project was challenging to market to homebuilders, creating a perceived higher development risk for bondholders

## “Max tax rate” cap on PID Assessments

- Remember: an assessment is a fixed dollar amount, not a tax based on the assessed value
  - The “effective tax rate” of the annual installment will vary year over year with the value of the home because the dollar amount is fixed.
  - The “effective tax rate” can be a proxy, but care should be applied in determining when it is calculated.
    - Property taxes = Tax Rate x (Assessed Value/\$100)
    - Annual Installment of assessment = Annual portion of amortized principal amount (does not change based on home value)



# CASE STUDY – CITY OF MARBLE FALLS/ THUNDER ROCK



# CASE STUDY – CITY OF MARBLE FALLS/ THUNDER ROCK

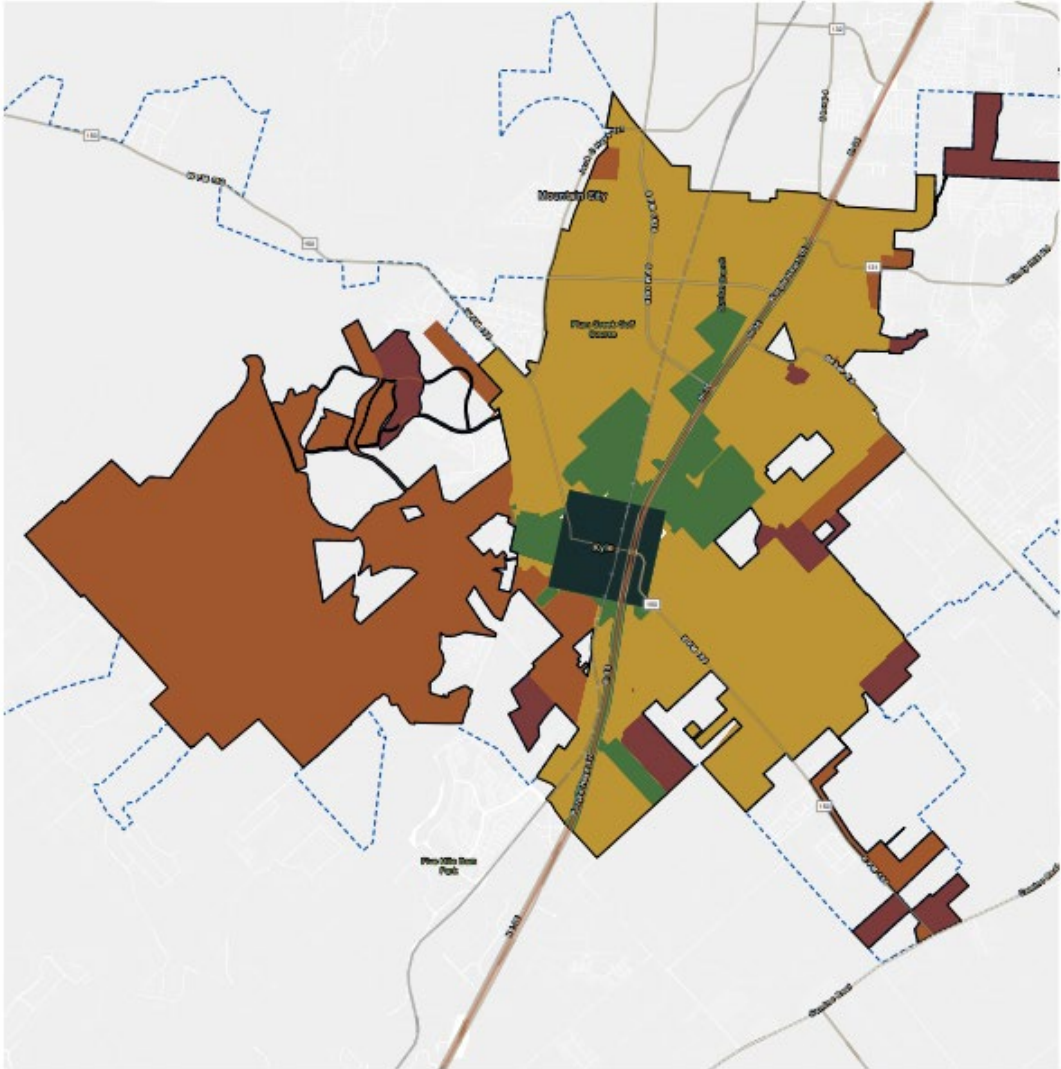
“Thunder Rock Development” to consist of the following elements:

- (i) 2,036 single-family homes (mixture of 40’, 50’, and 60’ lots; 70 homes on 40’ lots marketed as active adult community; 82 estate lots);
  - (ii) 924 multifamily residential units; and
  - (iii) 204,000 square feet of commercial development
- Development Agreement also required completion of:
    - \$8M+ improvements to 26-acre City sports facilities including: 4 baseball fields with dugouts, bleachers, and lighting; 4 soccer fields with goals and lighting; multipurpose field; concession areas with restrooms; parking; and irrigation
    - 20,000 square foot recreation center building with parking, lighting, and landscaping
  - TIRZ Component
    - 50% City ad valorem tax increment for 41 years, or until TIRZ Fund reaches \$124,000,000
    - Can be used to offset PID assessments and provide Chapter 380 grant



# CASE STUDY – CITY OF KYLE

City Limits, Kyle 1906-2022



**LEGEND**

-  1906 City Limits
-  1985 City Limits
-  2010 City Limits
-  2018 City Limits
-  2022 City Limits

Source: City of Kyle 2030 Comprehensive Plan, Ordinance No. 1301 adopted January 16, 2024

# CASE STUDY – CITY OF KYLE

- **City of Kyle, Texas**
  - One of the nation's fastest growing cities (5,000 in 2000 → 62,500 in 2023)
    - Median household income of \$75,752
    - Median home value of \$349,650
  - 2030 Comprehensive Plan
    - \$765 current average levy/ acre
    - \$3,004 future levy/ acre needed to meet future growth demands
- **City of Kyle's Use of PIDs:**
  - City has issued bonds for at least 6 PIDs
    - Limestone Creek; Porter Country; Sage Hollow; 6Creeks; Plum Creek North; Paramount Park
- **City of Kyle's Use of TIRZ:**
  - City has created 6 tax increment reinvestment zones
  - Implementation of TIRZ overlay in TIRZ No. 4 within the City:
    - Finance public infrastructure within Limestone Creek PID
    - Residential and Commercial subzones to pay project costs

# HOW DOES A CITY “LIVE WITH” A PID?

# UNDERSTANDING CITY RESPONSIBILITIES IN PIDs

- Maintenance of facilities (must generally be dedicated to the City upon completion)
- Administration tasks of PIDs (which may be contracted with a third party) after assessments are levied include:
  - Annual service plan updates
  - Assessment collection related matters
    - Data exchange with tax collectors
    - Delinquency enforcement assistance
  - Requisition review
  - Accounting and auditing



## Additional administrative Tasks for PID Bonds:

- Continuing Disclosure:
  - Sent to Bondholders Annually
- Compliance monitoring:
  - Indenture & Development Agreement (as applicable)
  - Bond related accounting and auditing
    - Arbitrage rebate
    - Investment of proceeds

# CITY ADMINISTRATION OF PIDS

- Analysis of impact on residents of the City
- Issuance of bonds and related responsibility and oversight
- Internal administration vs External use of a third party administrator
  - Annual calculation and billing of PID assessments
  - Review and reimbursement of developer costs
  - Website communication to residents
- Accounting for PID activity throughout the year
- Annual Comprehensive Financial Report presentation of PIDs (if required)
- Communication with Auditors
- Overall a great benefit for development within the City – does come with additional workload for Finance staff

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