



Public Improvement Districts (PID)

WildHorse Ranch PID Petition

Financial Services Department

Audit and Finance Committee

May 27, 2015

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Agenda

- Public Improvement District (PID) Overview
- Austin's Policy Objectives
- PID Process – Creation, Bonds, Annual Actions
- Texas PID Experience
- Austin's PID Experience
- WildHorse Ranch Petition
- Next Steps





Economic Development

Many tools available to promote economic development:

- Chapter 380 Agreement
- Tax Increment Financing (TIF)
- **Public Improvement District (PID)**
- Municipal Management District (MMD)
- Municipal Hotel Occupancy Taxes (e.g., Convention Center, Cultural Arts)
- Venue Project (e.g., Butler Park)
- Tax supported debt
- Density Bonus

This presentation focuses on the **Public Improvement District (PID)** tool.



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 is a **discretionary act** of City Council

Types of PIDs

Operating/ Maintenance

- Special assessments pay for **services** that supplement City services in PID

Capital Improvement

- Special assessments pay for **public improvements** related to PID land development
 - “*Pay as you go*” basis
 - Debt issued by city or county





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)
- WildHorse Ranch PID – [Petition Pending Approval](#)

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



Austin's Resolution - PID Policy

Resolution 20081218-069 approved December 18, 2008 set policy and criteria for considering requests to create Public Improvement Districts (PIDs)

1. Support superior development in Desired Development Zone
2. Outlines basic requirements for PID creation
3. Weigh value of benefits against cost of improvements
4. Lists range of services and improvements allowed (State law)
5. Benefits to include when considering whether PID provides sufficient public benefits
6. Criteria to include when considering issuance of bonds supported by pledge of PID assessments



PID - Allowable Public Improvements

LOCAL GOVERNMENT CODE - TITLE 12. PLANNING AND DEVELOPMENT - SUBTITLE A. MUNICIPAL PLANNING AND DEVELOPMENT - CHAPTER 372. IMPROVEMENT DISTRICTS IN MUNICIPALITIES AND COUNTIES – SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS. (Originally effective September 1, 1987; last amended 2011.)

1. landscaping;
2. erection of fountains, distinctive lighting, and signs;
3. acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of-way;
4. construction or improvement of pedestrian malls;
5. acquisition and installation of pieces of art;
6. acquisition, construction, or improvement of libraries;
7. acquisition, construction, or improvement of off-street parking facilities;
8. acquisition, construction, improvement, or rerouting of mass transportation facilities;
9. acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
10. establishment or improvement of parks;
11. projects similar to those listed in (1)-(10);
12. acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
13. special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement;
14. payment of expenses incurred in the establishment, administration, and operation of the district; and
15. development, rehabilitation, or expansion of affordable housing.

City of Austin Financial Policy

- Financial Policy approved in FY 1996; remains unchanged
- Policy addresses Capital & Debt Management
 - Covers Tax Increment Financing (TIFs) and Public Improvement Districts (PIDs)
 - All projects carefully evaluated for credit worthiness
 - TIF/PID approved debt issues subject to criteria for debt service coverage, additional bonds test, debt service reserves
 - TIF/PID bonds must mature on or before district's termination date
 - Use TIF/PID bonds only after considering other options





Why Developer needs a PID

- Significant development costs incurred before a single lot or home is sold or a business is occupied
- Since Great Recession, more difficult to obtain bank funding for land development projects
 - Commercial banks less willing to provide upfront funding
 - Developers must rely more on private equity and/or asset-based loans; more expensive than commercial bank loans (*if available*)
- PIDs are tool for funding public infrastructure costs to get land ready to develop at advantageous tax-exempt rates
 - Reduces developer's financing costs



Texas - Use of PIDs

- Texas Legislation approved Public Improvement District Assessment Act effective September 1, 1987; last amended 2011
- 1988 – 2007, funding maintenance of Home Owner Association facilities and “pay-as-you-go” capital costs
- 2007 – City of Trophy Club issued first PID bonds
- Since 2007, several Texas PID projects funded
 - 2007 City of Trophy Club \$27.5 million (7.75%, 30 year)
 - 2008 Horseshoe Bay \$5,475,000 (7.25%, 25 year)
 - 2011 Whisper Valley \$15,500,000 (7.875-8.75%, 15 year) – [Austin](#)
 - 2011 Indian Hills \$2,860,000 (7.875-8.75%, 15 year) – [Austin](#)
 - 2012 Lago Vista \$4,800,000 (5.0-6.0%, 30 year)
 - 2013 Estancia Hill Country \$12,590,000 (4.5 – 6.0%, 15 year) – [Austin](#)

City of Austin PIDs



Project	Austin Whisper Valley PID	Austin Indian Hills PID	Austin Estancia Hill Country PID	Austin WildHorse Ranch PID Proposed
PID Created	Resolution # 20100826-026	Resolution # 20100826-023	Resolution # 20130606-	PENDING
Size of District	2,066 acres	240 acres	254 acres	1,400 acres
Current Zoning	PUD approved	PUD approved	PUD approved	PUD approved
Annex Status upon PID Creation	Limited Purpose in the City's extraterritorial jurisdiction.	Limited Purpose in the City's extraterritorial jurisdiction.	Limited Purpose in the City's extraterritorial jurisdiction. Full purpose annexation at end of 15 years (term of first bond issue)	Full Purpose
Description of Development	700 acres of parks and open space, 7,500 housing units and over 2,000,000 square feet of retail and commercial uses	Over 1,200 multifamily units and just under 2,000,000 square feet of high quality industrial, commercial and retail uses.	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.	Master planned mixed use development with 2,000 single family homes, 250 condos, 1,200 multi-family units, 1.7 million square feet commercial and retail uses
Description of Public Infrastructure	Extension of Braker Lane Water/Wastewater utility extensions and facilities 600 acres public park	Extension of Braker Lane Water/Wastewater utility extensions	Roads, water and wastewater improvements, drainage improvements, landscape, trails	Roads including WildHorse Connector, water and wastewater improvements, parks, trails, swim centers
Bonds Issued	\$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.	\$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.	\$12,590,000 Special Assessment Revenue Bonds, Series 2013 with 15 year term	Maximum Special Assessment Revenue Bonds to be issued \$42,000,000
Term of Bonds	15 years (Senior Bonds) and 5 years (Subordinate Bonds)	15 years (Senior Bonds) and 5 years (Subordinate Bonds)	15 years	Request 30 years
Capitalized Interest	First 3 years	First 3 years	First 3 years	Request First 2 years
Interest rate on Bonds	7.875% - 8.500%	7.875% - 8.500%	4.500% - 6.000%	PENDING

- Key facts about Austin's three existing PIDs and Proposed WildHorse Ranch PID



Process to Create PID

Petition Submitted

- Petition submitted to City Clerk signed by owners of taxable real property representing more than 50% of appraised property within proposed PID
 - And either more than 50% of the property owners, or
 - Owners representing more than 50% of the land area within PID

City Staff Review

- City staff review petition to determine compliance with State statutes and prepare feasibility report

Council Action

- Public notice, then City Council holds public hearing on advisability of public improvements by proposed PID
- Within six months after public hearing, City Council may authorize PID creation by adopting a resolution consistent with its findings on advisability of proposed public improvements



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

- 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

City's Ongoing Responsibility

- Texas Attorney General
 - Authority
 - Debt issuance review and approval
- Securities and Exchange Commission
 - Ongoing financial disclosure
- Internal Revenue Service compliance
 - Tax exemption
 - Arbitrage rebate compliance
- PID implementation, administration, notice and collection of special assessments, debt payments
 - Annual Council actions and City staff functions
- Foreclosure on property, if necessary





Public Improvement Districts (PID)

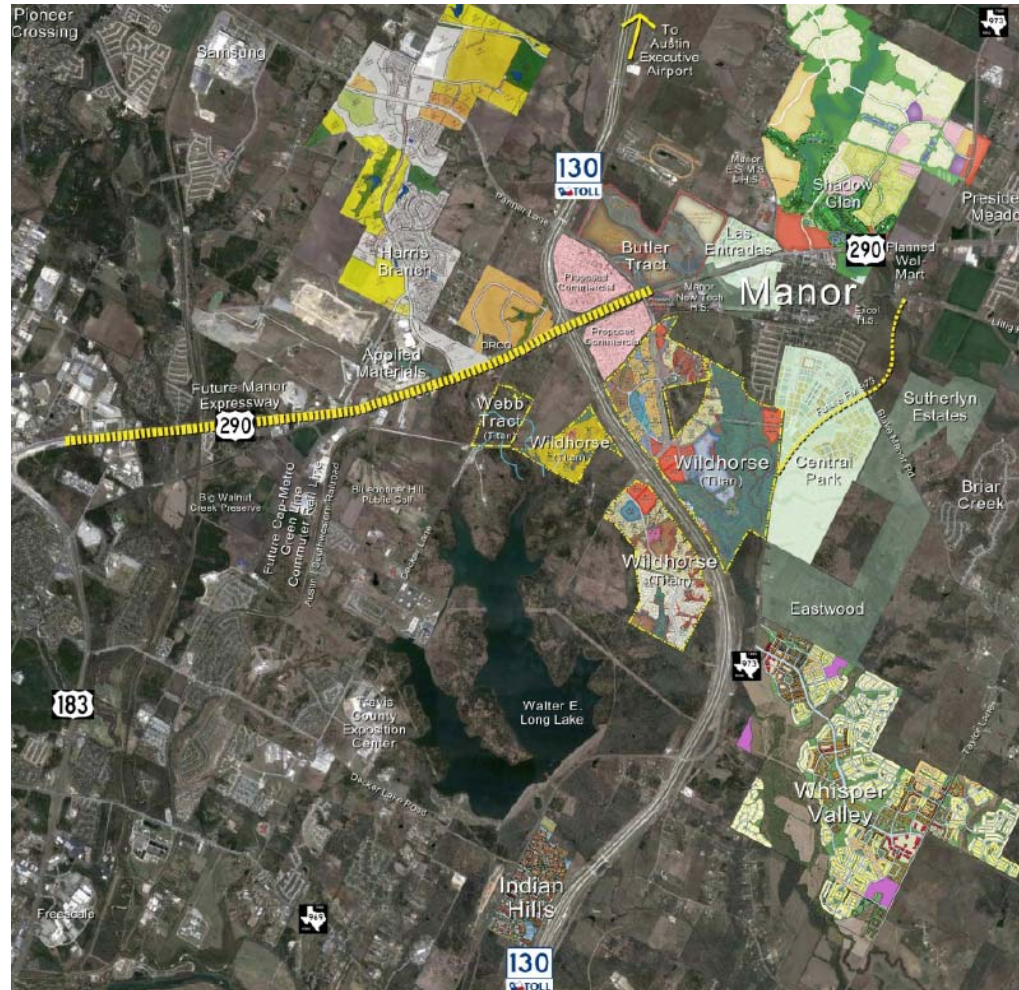
WildHorse Ranch PID Petition

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WildHorse Ranch Development

- 1,400+ acre master planned mixed-use community with Planned Unit Development (PUD) zoning
- Full purpose annexed by City of Austin
- Located in Desired Development Zone and on SH 130 Corridor





WildHorse PID Petition

- Original dated May 30, 2014; amended dated April 30, 2015
- PID Term Sheet for Financing
 - \$42,000,000 Maximum authorized improvements to be constructed and funded with special assessment bonds
 - \$50,000,000 Maximum total special assessment bonds
 - Minimum appraised value to lien ratio of 3:1
 - Maximum years of capitalized interest of 2 years
 - Maximum term for each series of bonds of 30 years
 - Maximum equivalent tax rate for PID assessments of \$0.25 per \$100 of assessed value upon final build out
- Travis County funding participation commitment on WildHorse Connector (1/3 cost share)



PID Petitioners

- Heart of Manor, L.P., a Texas limited partnership
 - By MANOR GP, LLC, a Texas limited liability company, as General Partner
 - By Titan Capital Investment Group, LLC, a Delaware limited liability company, its Manager
- Titan HOM, LLC, a Delaware limited liability company
 - By Titan Loan Investment Fund, LP, a Delaware limited partnership, Sole Member
 - By Titan I, LP, a Delaware limited partnership, its Sole General Partner
 - By Titan Capital Investment Group, LLC, a Delaware limited liability company, its Sole General Partner
- Texas WH 200, LP, a Delaware limited partnership
 - By Texas WH 200 GP, LLC, a Delaware limited liability company, its General Partner
 - By Titan Capital Investment Group, LLC, a Delaware limited liability company, as Manager

WildHorse Public Improvements

- Estimated \$42,000,000 public improvements including roads, water and wastewater improvements, parks, trails, swim centers

WILDHORSE RANCH ESTIMATED PUBLIC IMPROVEMENT COSTS 2/20/2015		
Cost Category	Description	Total
Major Improvements		
Wildhorse Connector Road	5,500 LF	\$ 4,187,966
Swim Centers	Three	\$ 7,020,000
Lift Stations + FMs	4 Lift Stations & 4,460 LF of Force Main	\$ 5,071,365
Wastewater Extensions	32,040 LF	\$ 3,934,687
Water Quality & Detention	1 WQ and Detention and 1 Wet Pond Retrofit	\$ 2,248,740
Road Improvements	9,440 LF and SH130 Exit (4,170 LF)	\$ 10,374,273
Waterline Improvements	17,695 LF	\$ 2,883,465
WW Bores	1,550 LF	\$ 1,088,100
Parks	4 Pocket Parks	\$ 1,100,774
Trails	71,295 LF	\$ 3,566,382
Total Major Improvements		\$ 41,475,752
Parcel Improvements		
Streets		\$ 16,181,378
Drainage		\$ 5,933,172
Water		\$ 5,933,172
Wastewater		\$ 8,630,068
Water Quality / Detention		\$ 17,260,136
Total Parcel Improvements		\$ 53,937,926
Total Estimated Public Improvements		\$ 95,413,678

Source:

Murfee Engineering Company



WildHorse Ranch PID Petition

Next Steps

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Next Steps

- City staff to complete review of petition and prepare feasibility report
- June 24 Audit and Finance Committee
 - City staff to present feasibility report on advisability of public improvements planned by proposed PID
 - Committee recommendation to City Council
- July/August 2015 Public notice
- August 2015 City Council holds public hearing on advisability of public improvements by proposed PID; followed by City Council deliberation on resolution to create PID



Appendix

Petition for PID Requirements

LOCAL GOVERNMENT CODE_TITLE 12. PLANNING AND DEVELOPMENT_SUBTITLE A. MUNICIPAL PLANNING AND DEVELOPMENT_CHAPTER 372.
IMPROVEMENT DISTRICTS IN MUNICIPALITIES AND COUNTIES_SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS

- Sec. 372.005. PETITION. (a) A petition for the establishment of a public improvement district **must state**:
 - (1) the general nature of the proposed improvement;
 - (2) the estimated cost of the improvement;
 - (3) the boundaries of the proposed assessment district;
 - (4) the proposed method of assessment, which may specify included or excluded classes of assessable property;
 - (5) the proposed apportionment of cost between the public improvement district and the municipality or county as a whole;
 - (6) whether the management of the district is to be by the municipality or county, the private sector, or a partnership between the municipality or county and the private sector;
 - (7) that the persons signing the petition request or concur with the establishment of the district; and
 - (8) that an advisory body may be established to develop and recommend an improvement plan to the governing body of the municipality or county.



Petition for PID Requirements

LOCAL GOVERNMENT CODE_TITLE 12. PLANNING AND DEVELOPMENT_SUBTITLE A. MUNICIPAL PLANNING AND DEVELOPMENT_CHAPTER 372.
IMPROVEMENT DISTRICTS IN MUNICIPALITIES AND COUNTIES_SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS

- Sec. 372.005. PETITION. (b) The petition is sufficient if signed by:
 - (1) owners of taxable real property representing more than 50 percent of the appraised value of taxable real property liable for assessment under the proposal, as determined by the current roll of the appraisal district in which the property is located; and
 - (2) record owners of real property liable for assessment under the proposal who:
 - (A) constitute more than 50 percent of all record owners of property that is liable for assessment under the proposal; or
 - (B) own taxable real property that constitutes more than 50 percent of the area of all taxable real property that is liable for assessment under the proposal.
 - (c) The petition may be filed with the municipal secretary or other officer performing the functions of the municipal secretary.



PID Findings

LOCAL GOVERNMENT CODE_TITLE 12. PLANNING AND DEVELOPMENT_SUBTITLE A. MUNICIPAL PLANNING AND DEVELOPMENT_CHAPTER 372. IMPROVEMENT DISTRICTS IN MUNICIPALITIES AND COUNTIES_SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS

- Sec. 372.006. FINDINGS. If PID petition is valid per Sec. 372.005 PETITION , governing body (municipality or county) may make findings by resolution as to:
 - Advisability of proposed improvement
 - Estimated cost of proposed improvement
 - Method of assessment
 - Apportionment of cost between proposed improvement district and municipality or county as a whole



PID Findings

LOCAL GOVERNMENT CODE_TITLE 12. PLANNING AND DEVELOPMENT_SUBTITLE A. MUNICIPAL PLANNING AND DEVELOPMENT_CHAPTER 372.
IMPROVEMENT DISTRICTS IN MUNICIPALITIES AND COUNTIES_SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS

- **Sec. 372.007. FEASIBILITY REPORT.**
 - Before holding the hearing required by Section 372.009, governing body may use employees or consultants to prepare a report to determine whether an improvement should be made as proposed by petition
 - Governing body may also require a preliminary estimated cost of improvement to be made



PID Hearing

LOCAL GOVERNMENT CODE_TITLE 12. PLANNING AND DEVELOPMENT_SUBTITLE A. MUNICIPAL PLANNING AND DEVELOPMENT_CHAPTER 372.
IMPROVEMENT DISTRICTS IN MUNICIPALITIES AND COUNTIES_SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS

Sec. 372.009. HEARING.

- (a) A public improvement district may be established and improvements provided by the district may be financed only after the governing body of the municipality or county holds a public hearing on the advisability of the improvement.
- (b) The hearing may be adjourned from time to time until the governing body makes findings by resolution as to:
 - (1) the advisability of the improvement;
 - (2) the nature of the improvement;
 - (3) the estimated cost of the improvement;
 - (4) the boundaries of the public improvement district;
 - (5) the method of assessment; and
 - (6) the apportionment of costs between the district and the municipality or county as a whole.





Compare PIDs and MUDs

	Public Improvement Districts (PIDs)	Municipal Utility Districts (MUDs)
Legislative Authority	LOCAL GOVERNMENT CHAPTER 372. SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS.	WATER CODE - TITLE 4. GENERAL LAW DISTRICTS. CHAPTER 54. MUNICIPAL UTILITY DISTRICTS.
Creation	City or County.	Texas Commission on Environmental Quality.
Governance	Elected officials of creating body serve as governing Board.	Separate political subdivision with independent elected Board.
Taxing authority?	None.	Yes. Legally separate taxing entity.
Issue tax-exempt debt?	May issue Special Assessment Revenue Bonds before development occurs.	May issue Municipal Utility District Unlimited Tax and Revenue Bonds two years after development.
Revenue source?	Special assessments - generally fixed amount or rate which provides certainty to PID landowners.	Ad valorem tax based on property's assessed value; both may vary each year
Prepayment Allowed?	Yes, at any time without penalty.	No.
Public bidding?	Not required.	Required.
Annexation	Usually defined in Development Agreement. Full purpose annexation when bonds are fully paid.	Upon full purpose annexation, City must assume responsibility for MUD assets and debt.
Improvements that may be financed?	Every type of public improvement including water, sewer, and flood control facilities, streets, sidewalks, street lighting, mass transit facilities, right of ways, libraries, recreational amenities (public parks and landscaping), etc.	Water, sewer, and flood control facilities unless granted road district powers.