



City of Austin

Public Improvement District

Policy

Financial Services Department
Economic Development Department
November 20, 2019



Presentation Topics

- Public Improvement District (“PID”) Overview
- Development PIDs
- Maintenance and Operations PIDs



Overview - Public Improvement District

- A PID is an economic development tool to fund public improvements and/or supplemental services in defined geographic area
- Texas Local Government Code Chapter 372 allows creation of special purpose districts by a city or county
- The creation of the PID can only be considered at the request of property owners via petition of more than 50% of owners of taxable real property liable for assessment under proposed petition



Overview - PID Special Assessments

- Special assessments are a source of funding for the PID
 - Costs apportioned and paid by property owners that benefit from public improvements and/or services
- In addition to ad valorem tax
- Authorized for a specific period of time for a certain geographic area
- Liens against assessed property
 - Superior to all liens, except those for ad valorem taxes
 - Delinquent installments incur interest, penalties, attorney's fees – similar to delinquent ad valorem taxes
 - Property foreclosure

Development PIDs

- One or few property owners (raw, undeveloped land)
- Special assessments pay for public improvements related to PID land development
 - Debt (special assessment revenue tax-exempt bonds) issued by city or county
- City of Austin's three authorized Development PIDs
 - Whisper Valley PID (*Creation Resolution 20100826-026*)
 - Indian Hills PID (*Creation Resolution 20100826-023*)
 - Estancia Hill Country PID (*Creation Resolution 20130613-054*)

Overview - Types of PIDs



Maintenance & Operations (M&O) PIDs

- Multiple property owners (developed land)
- Special assessments pay for ongoing services that supplement City services in the PID
- City of Austin's three authorized M&O 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*)



Overview – City Council action for each PID

- Approve resolution for creation of the PID
- Set and conduct a public hearing on levying the PID assessments
- Approve ordinance authorizing assessment rate/roll and levying special assessments
- Approve resolution adopting initial PID service and assessment plan
- Approve resolution adopting PID service and assessment plan updates
- Approve PID budget as part of the annual budget process
- Approve ordinance authorizing the issuance of Special Assessment Revenue Bonds, if applicable
- Reauthorization of PIDs – every 5 to 10 Years for M&O
 - Set and conduct a public hearing approve a resolution reauthorizing the PID upon receiving a certified petition from property owners
 - Authorize negotiation and execution of a contract with the Management Entity to administer the PID service plan
- Expansion of PIDs
 - Set and conduct public hearing and approve a resolution to expand the PID boundaries upon receipt of a certified petition from property owners



Overview - PID Policy Development

- Original PID Policy approved by City Council Resolution 20081218-069
- Proposed Policy includes statutory requirements, best practices, lessons learned, and financial requirements to ensure protection for the City and its citizens
- Review of other Texas city/county PID Policies
- External stakeholder input
- Cross-departmental collaboration



Overview - PID Policy Working Group

- Austin Water
- Development Services
- Economic Development
- Financial Services
 - Budget Office
 - Controller's Office
 - Treasury Office
- Law
- Neighborhood Housing and Development
- Parks and Recreation
- Planning and Zoning
- Public Works
- Transportation
- Watershed Protection



Development Public Improvement Districts

Development PIDs – Minimum Requirements



- Meet all requirements of Texas Local Government Code Chapter 372
- Shall not overlap the boundaries of another Development PID
- Shall be located within the City's full purpose jurisdiction
- Improvements shall be superior to the City's development standards
- Shall promote development in accordance with the City's Comprehensive Plan
- Austin Water shall be the water and wastewater utility provider

Development PIDs – Special Benefits



Projects/Services:

- Generate primary employment or other long-term economic development benefits to the City
- Increase Affordable Housing opportunities
- Create or enhance parks, hike and bike trails, and open spaces
- Improve environmental protection, storm water quality, and flood control benefits
- Increase or enhance multi-modal options with an overall goal to decrease single-occupancy vehicle trip rates
- Enhance or extend existing infrastructure
- Provide benefits to improve public roadway network
- Provide or improve public education or health programs and/or facilities
- Featuring excellence in community design, including well connected streets, public planning and the development, construction, management and maintenance of PID improvements

Development PIDs – Notice and Disclosure



- Landowner's agreement shall be recorded in the Official Public Records of Travis County notifying owner of PID assessment levied and recorded on the property
- All closing statements and sales contracts for property in the PID are required to disclose responsibility for payment of PID assessments and PID assessment amount
- Conveyance of property requirements
- Signage is required along main entries and exits of the PID boundaries
- Promotional material is required to include the financial and other impacts of being in the PID
- Property Owner Associations, if applicable, are required to provide annual disclosure of the PID and financial obligations of the property owners
- The City will provide public notice for City Council action items, including creation, levying of assessment, and approval of service and assessment plan

Development PIDs – Reporting/Transparency



- Continuing Disclosure requirements pertaining to bond issuances
 - Quarterly reporting
 - Annual reporting
- Service and Assessment Plan Update
 - Annually approved by City Council resolution
 - Project level construction status
 - Status of lot sales and price
 - Subdivision of parcels
 - Updates to assessment roll

Development PIDs – Financial Requirements



- City's full faith, credit, or taxing power will not be pledged to bonds
- Minimum of 3:1 appraised value-to-lien ratio
 - The value of the land is the backstop on bonds if development doesn't occur
- Maximum maturity of bonds – 20 years
- Minimum amount of each bond issuance - \$7.5 million
- Maximum assessment limitation
 - Annual PID installment and ad valorem tax burden will not exceed \$3.00 per \$100 assessed property value and, in no circumstance, exceed the City's equivalent tax rate at the time the assessments are levied

Development PIDs – PID Review Committee



- PID Review Committee Composition
 - Financial Services – lead department
 - Multiple other City departments
- PID Notification
 - Completeness of Notification
 - Initial determinations relating to special benefits, consistency with the City's approved plans, goals, policies, etc.
- PID Petition
 - Verification of compliance with the City's PID Policy and Statute
 - Advise City Council on merits and considerations of the creation of the PID and make a recommendation on whether to proceed with creation of the PID

Development PIDs – PIDs Established by County



- County PIDs anticipated within the City's full purpose jurisdiction will provide Notification to the City prior to submitting a Petition to the County
- County shall notify the City at the earliest possible date of a Petitioner's intent to establish a County PID in the City's extraterritorial jurisdiction
- Interlocal Agreement shall be entered into by both the County and City prior to City undertaking work on behalf of the PID
 - Roles/responsibilities of the County and City
 - Applicable fees to be paid to the City for anticipated work on the PID
 - If an interlocal agreement is not entered into prior to the County's PID creation, City staff will recommend objection to creation of the PID by City Council



Maintenance and Operations (M&O) Public Improvement Districts

Maintenance and Operations PIDs – Minimum Requirements



- Meet all requirements of Texas local Government Code Chapter 372
- Located within the City's full purpose jurisdiction
- Improvements shall be superior to the City's development standards
- Promote development in accordance with the City's Comprehensive Plan
- Not overlap the boundaries of another M&O PID
- Be self sustaining and not require the City to incur any costs
- Financing improvements or services outside of PID geographic boundaries is subject to City Council approval
- City owned property within the PID boundaries shall not be subject to M&O assessments; property owned by another governmental entity may be assessed by interlocal agreement or contract
- Improvements funded through special assessment revenues must be fully funded within five years. Extensions beyond the five year is subject to City Council approval

Maintenance and Operations PIDs – Special Benefits



Projects/Services:

- Generate primary employment or other long-term economic development benefits to the City
- Increase Affordable Housing opportunities
- Create or enhance parks, hike and bike trails, and open spaces
- Improve environmental protection, storm water quality, and flood control benefits
- Increase or enhance multi-modal options with an overall goal to decrease single-occupancy vehicle trip rates
- Enhance or extend existing infrastructure
- Provide benefits to improve public roadway network
- Provide or improve public education or health programs and/or facilities
- Featuring excellence in community design, including well connected streets, public planning and the development, construction, management and maintenance of PID improvements.

Maintenance and Operations PIDs – Notice and Disclosure



- Property owner agreement shall be recorded in the Official Public Records of Travis County notifying owner of PID assessment levied and recorded on the property
- All closing statements and sales contracts for property in the PID are required to disclose responsibility for payment of PID assessments and PID assessment amount
- Promotional material is required to include the financial and other impacts of being in the PID
- M&O PID management entity shall mail notices to all property owners and tenants of required annual meeting to share PID activities, financial obligations, and planned projects
- City of Austin to provide public notice for City Council action items, including creation, annual processes of setting assessment rate and approval of service and assessment plan and reauthorization

Maintenance and Operations PIDs – Reporting/Transparency



- An initial 5 year service and assessment plan and budget including detail and maintenance plans for the establishment and ongoing maintenance and operations of the PID is adopted by City Council
- At creation, the City authorizes the negotiation and execution of a five year management agreement from date of PID creation. Every five years an updated five year service and assessment plan and management contract shall be adopted by City Council
- All Service and Assessment Plans are subject to review and approval by City Council and City staff
- Prepare and submit an annual service plan outlining all improvements and special benefits
- Expansions require a petition to add a property to existing PID's boundaries and levying the approved assessment rate to those proposed new properties
- Expansions consisting of multiple contiguous properties require signatures of more than fifty percent of the new property owners

Maintenance and Operations PIDs – Financial Requirements



- City reserves the right to retain a (PID assessment) reserve fund in an amount equal to or lesser than 15% of the annual assessment for refunds and delinquency accounts
- M&O PID Management Entity is required to have a three month or one quarter operating reserve to satisfy contractual obligations should PID dissolution occur. Reserves greater are subject to City Council approval
- Annual PID assessment totals shall be expended in totality, minus three month or one quarter operating reserve unless approved annually City Council.
- Assessment rate shall adjust annually per City Council approval
- No more than 25% of the total annual special assessment revenue including government contributions shall pay for administrative costs. Admin costs exceeding 25% are subject to City Council approval annually. Administrative costs include PID startup costs, insurance, personnel expenditures, equipment, office space inclusive of rent, legal fees and travel
- City will charge applicable fees to each M&O PID for the annual costs associated with administering the M&O PID. This fee will be calculated annually for each M&O PID

Maintenance and Operations PIDs – Financial Requirements (cont.)



- PID will prepare and submit annual budget and assessment plan and must be supplemented by detailed, line-item explanation of how that amount was derived inclusive of maintenance costs
- Proposed method of assessment not to exceed \$0.20 per \$100 of assessed property value
- Evidence of annual assessment value is equal to or greater than \$500,000 annually, subject to City Council approval

Maintenance and Operations PIDs – Key Actions



- Allow E. 6th Street PID to continue operations outside of PID recommendations of satisfying \$500,000 in assessment value
- Allow E. 6th Street PID and Downtown PID to continue operations outside of PID recommendations of no overlapping M&O PIDs
- Removing Reauthorization of PIDs would legally require one of the following to occur:
 - Amend current ordinances to adjust all M&O PID expiration dates
 - Proceed with current reauthorization process, and adjust new ordinances to not include a PID expiration date after reauthorization petitions are satisfied

Questions?