



Contact:

Boyd London

Managing Director

325 North Saint Paul Street

Suite 800

Dallas, Texas 75201

214.953.4013

boyd.london@firstsw.com

Jim Sabonis

Managing Director

325 North Saint Paul Street

Suite 800

Dallas, Texas 75201

214.953.4195

jim.sabonis@firstsw.com

## Overview of Public Improvement Districts (PIDs)



# PID – Overview

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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 an economic development tools used to promote higher quality “special” developments (becoming common in North Texas – larger developments, higher quality amenity packages, development of “special places”, competitive nature of development.)
- ✓ 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 - home, apartment, commercial, retail property owners
- ✓ Higher tax equivalent cost to future property owners is justified and offset by the higher quality or special nature of developments / projects. Helps preserve future value.
- ✓ 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 City to properties outside of the PID

# PID - Definition and Creation

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- A Public Improvement District (“PID”) is a defined area within a City or its Extra Territorial Jurisdiction
  - Created and governed by the City Council
  - Initiated by submission of landowner petition
  - District is not a separate political subdivision, but a designated area that has an assessment levy justified by and to pay special benefit
  - Assessments are not taxes, and are a PID’s 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 purpose 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

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- Service and Assessment Plan is required
  - Indicates project plan, maintenance and administration plan, allocation and levy of assessments based on benefit and capital funding process and timing
- PID revenues 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 as to property taxes
  - Senior as to mortgage or other financing
- Assessments must be paid whether property remains vacant or is built on
- Capital assessments and interests may be payable in installments over a specified period of time

# PID - Assessments

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## ➤ 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 flow

## ➤ 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

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- PID Debt is issued by the City - “Special and Limited Revenue Bonds”
  
- Credit and repayment are solely from the assessments on and the ability 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, IRS tax exemption

# PID - Summary

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- PIDs are an economic development tool that enables an assessment to be placed on property that is used to fund / reimburse capital costs to facilitate higher quality project with better and more amenities
- The City creates the PID, levies the assessments on the property, issues debt, forecloses on property for non payment and collects cash assessments to pay bondholders
- PID “Special and Limited Revenue Debt” does not pledge or encumber any City funds or assets, but the City is responsible for administration and reporting
- The City is responsible to and has to consider the impact on citizens, PID landowners, PID Bond investors and other developers