Public Improvement Districts (PID) frequently asked questions

What are Public Improvement Districts (PIDs)?

A Public Improvement District (PID) is a special assessment area created at the request of the developer in the district to fund higher quality or special improvements and services within a designated area. Property owners pay a supplemental assessment in addition to their taxes, which is used to pay off the public funds provided to the developer for project costs associated with the property development, such as water, sewer, drainage, roads, parks, police, fire, libraries and other development enhancements.

What is the benefit of a PID?

A PID allows for improvements and a higher degree of maintenance within the PID area which enhances the property values. With the establishment of an advisory body, the property owners within the PID have control over the types of improvements, level of maintenance, and amount of assessments to be levied against the property owners.

Assessments are collected by the city's tax collecting agent and are deposited into a specific PID fund. Revenue collection is simple since a homeowner's association does not have to perform fee collection. This ensures a dependable revenue source for the PID. In most instances, mortgage companies pay PID assessments at the same time that ad valorem taxes are paid, as the assessment is included on the tax statement.

How is a PID created?

A PID is a special district created by a City or County under the authority of Chapter 372 of the Texas Local Code. It requires a petition of at least 50% of land owners of taxable real property in the district liable for assessment under the proposed petition. Next, the City Council must call for a public hearing and hold such a hearing. A Service and Assessment Plan (SAP) is also required that indicates the project plan, maintenance and administration plan, allocation, and levy of assessments based on the benefit and capital funding process and timing. Lastly, PID Debt is issued by the City through 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.

What are PID Assessments?

PID Assessments are payments made to cover the costs associated with improvements and services in the District and are implemented on a per lot, per square foot, or per front foot basis. The Assessments include a capital plan—public improvements and a maintenance and operations plan-ongoing maintenance and required administration.

Who is responsible for the administration of the PID?

The City is responsible for administration of the PID including creation, initial assessment levy, and reporting (IRS, SEC disclosures).

What happens if the project does not come to fruition? Will the city be at risk?

The City is not responsible for any costs, as the authorized improvements will be paid solely from assessments levied against the PID property and from the proceeds of PID special revenue bonds issued by the City and secured solely by the assessments.

No other City funds, revenue, taxes or income of any kind shall be used to pay the costs of the authorized improvements unless approved by the City Council. The City will handle the administrative responsibilities for the creation of the PID and issuance of PID special revenue bonds along with the annual administration and reporting. Costs associated with handling this administrative role are reimbursable expenses to the City as part of the PID, which are currently estimated at $30,000 annually increasing at 2.0 percent per year. Because of the nature of this type of debt, it will not have an impact on the City’s bond rating or bonding capacity.