

Public Improvement Districts (PIDs): An Introduction

About Us



- Financing public improvements
- Reducing public infrastructure costs
- Mitigating Risk
- Enhancing project profitability
- Quantifying fiscal and economic impact
- Related entities: Urban Design, Construction Management, Business Advisory, Capital Placement
- 25 Year Track Record
 - Established 2,200 special taxing districts
 - Facilitated \$15 billion in bond financing
 - Completed over 100 redevelopment projects
 - Performed over 600 project feasibility analysis
- National footprint:
 - 60 employees
 - 11 Offices
 - 8 States (AZ, CA, CO, FL, ID, NC, NV, TX)

PID Basics

Definition

- An economic development **tool** created by State of Texas to **finance** the construction of **public improvements**
- Not a separate political subdivision

Purpose

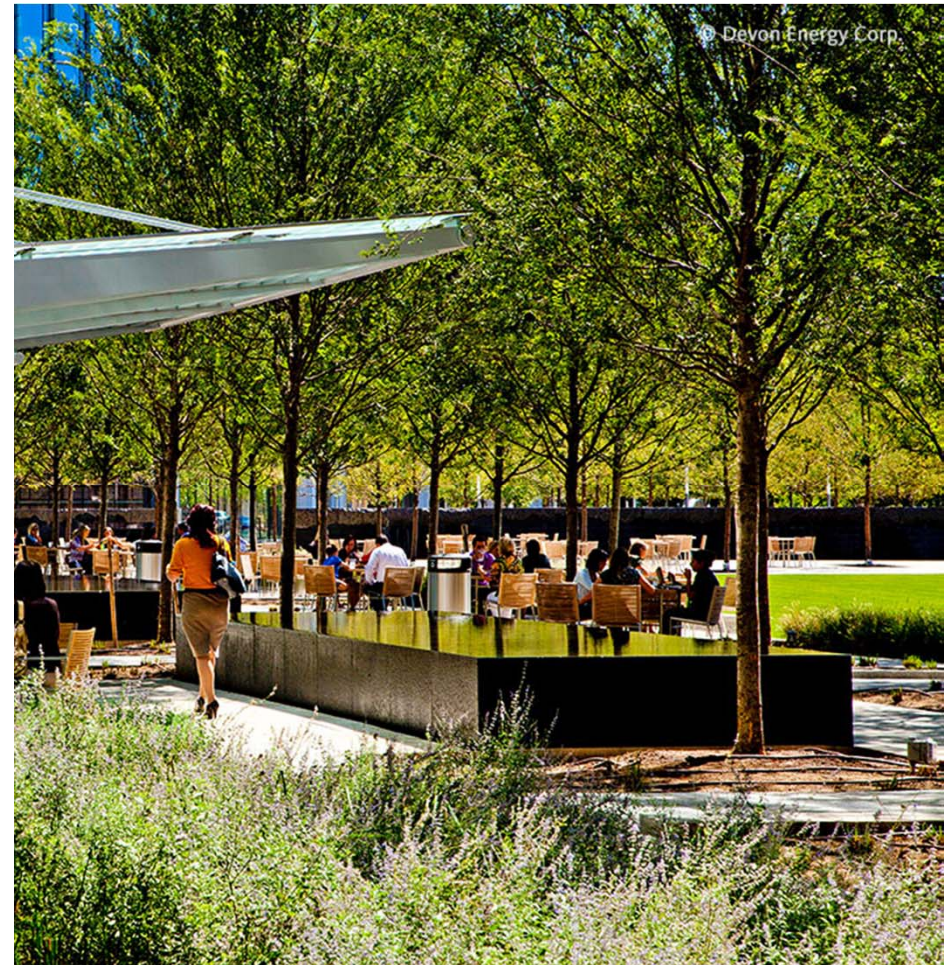
- **Facilitates** attracting **private investment** to finance **public improvements**.
- **All costs responsibility of PID**
- **No cost or risk to the City, or residents living outside of the PID**

Funding Method

- **PID bonds** – provide up front financing capability; secured by a lien on the benefitted land
- **Pay-As-You-Go** – provides an on-going revenue source for recurring reimbursement and/or operation and maintenance needs

Authorized and Eligible Improvements

- Streets and sidewalks;
- Public safety and security services;
- Water, wastewater, health and sanitation, and drainage facilities
- Acquisition of rights of way;
- Art;
- Creation of pedestrian malls;
- Erection of fountains;
- Landscaping and other aesthetics;
- Library facilities;
- Mass transit;
- Park, recreation and cultural facilities;
- Parking facilities; and,
- Acquisition, renovation and/or construction of affordable housing.



Bond Issuance

Example:

- **Land** as collateral (assessment lien)
- **Land appraised** value as vacant entitled plus cost of improvements to be constructed unless contracts in place
- **Value-to-Lien** at least 3:1 (market standard)
- **PID Debt Service**
 - PID debt paid only by property owners within the PID boundaries
 - PID debt is non-recourse to City

PID Bond Sizing Example	
Line Item	Amount
Property Value at Bond Issuance:	
Unfinished Land Value	\$ 12,000,000
Public Improvements	\$ 6,000,000
Appraised Value before Bond Issuance	\$ 18,000,000
Required Value to Lien Ratio	3.00
Projected PID Gross Bond Amount/Assessment	\$ 6,000,000

Pay As You Go

- No bonds issued and no capitalized interest
- Cash stream for reimbursement of capital costs
- Cash flows may be monetized through private transactions
- Often used for operations & maintenance PIDs

PID Creation Process – Key Steps

Key PID Creation Steps	Responsible Party
<ul style="list-style-type: none">• Submit PID Petition to City	<ul style="list-style-type: none">• Property Owner/Developer
<ul style="list-style-type: none">• Resolution Accepting PID Petition and Calling a Public Hearing	<ul style="list-style-type: none">• City
<ul style="list-style-type: none">• Notice of Public Hearing to Establish PID	<ul style="list-style-type: none">• City
<ul style="list-style-type: none">• Public Hearing and Resolution Establishing the PID	<ul style="list-style-type: none">• City
<ul style="list-style-type: none">• Published Notice of PID Resolution	<ul style="list-style-type: none">• City

New Braunfels, TX Benefits

Without PID



With PID/TIRZ



PID Benefits

- Development “pays for itself”
- Accelerates the timing of development
- PID debt is non-recourse to City
- Ability to reimburse cost of administration
- City controls ultimate authority over the bonds
- City retains 100% of sales tax revenue
- No City pledge needed to enhance the bonds/
No impact on City’s bonding capacity
- No costs to the City

Property Owner Benefits

- Cost certainty through fixed nature of assessments – even if property price increases
- Finite life of obligations due to fixed term of PID
- Ultimate flexibility as assessment can be prepaid at any time
- No impact on “my property” by actions of others
- Enhanced amenities for a higher quality project



Developer Benefits

- Funding “up front” when needed
- Broader range of qualified costs than other financing structures
- Long-term fixed rate financing lowers total cost of capital
- No TCEQ regulatory oversight
- Non-recourse debt structure
- No public bidding required



Select Counties/Cities Utilizing PID Financing

More Than \$500 Million Texas PID Bonds Issued

(* - DPFG served as Developer Consultant)

Dallas / Fort Worth

- Celina*
- Rowlett*
- Waxahachie*
- McClendon-Chisolm
- Aubrey
- Trophy Club
- Hackberry
- Lewisville
- Irving
- Lavon
- Westlake
- Oak Point
- Little Elm
- Fate
- The Colony

Austin

- Hays County*
- Austin*
- Leander*
- Lago Vista*
- Liberty Hill*

Houston

- Galveston*

Select Counties/Cities Planning PID Financing

(* - DPFG serving as Developer Consultant)

Dallas / Fort Worth

- Denton*
- Royse City*
- Forney*
- Fort Worth*
- Argyle*
- Haslet*
- Princeton*

Austin/San Antonio

- Kyle*
- Dripping Springs*
- Hutto*
- Travis County*
- Jonestown*
- San Marcos*
- Bexar County*
- Bastrop*
- Uvalde County*
- Manor*
- Caldwell County*
- Marble Falls*
- Georgetown*

Houston

- Shenandoah*

Select Developers Utilizing PID Financing

(* - DPFG serving as Developer Consultant)

Dallas / Fort Worth

- Bayside*
- Berkshire Hathaway
- Bright Realty
- Cambridge
- Centurion American*
- Crescent*
- DR Horton*
- Hat Creek Development*
- Hillwood*
- Hines*
- John Houston Homes*
- Lennar
- RED Development*
- Republic Property*
- Sterling One
- Stratford Land*
- Walton Development*

Austin/San Antonio

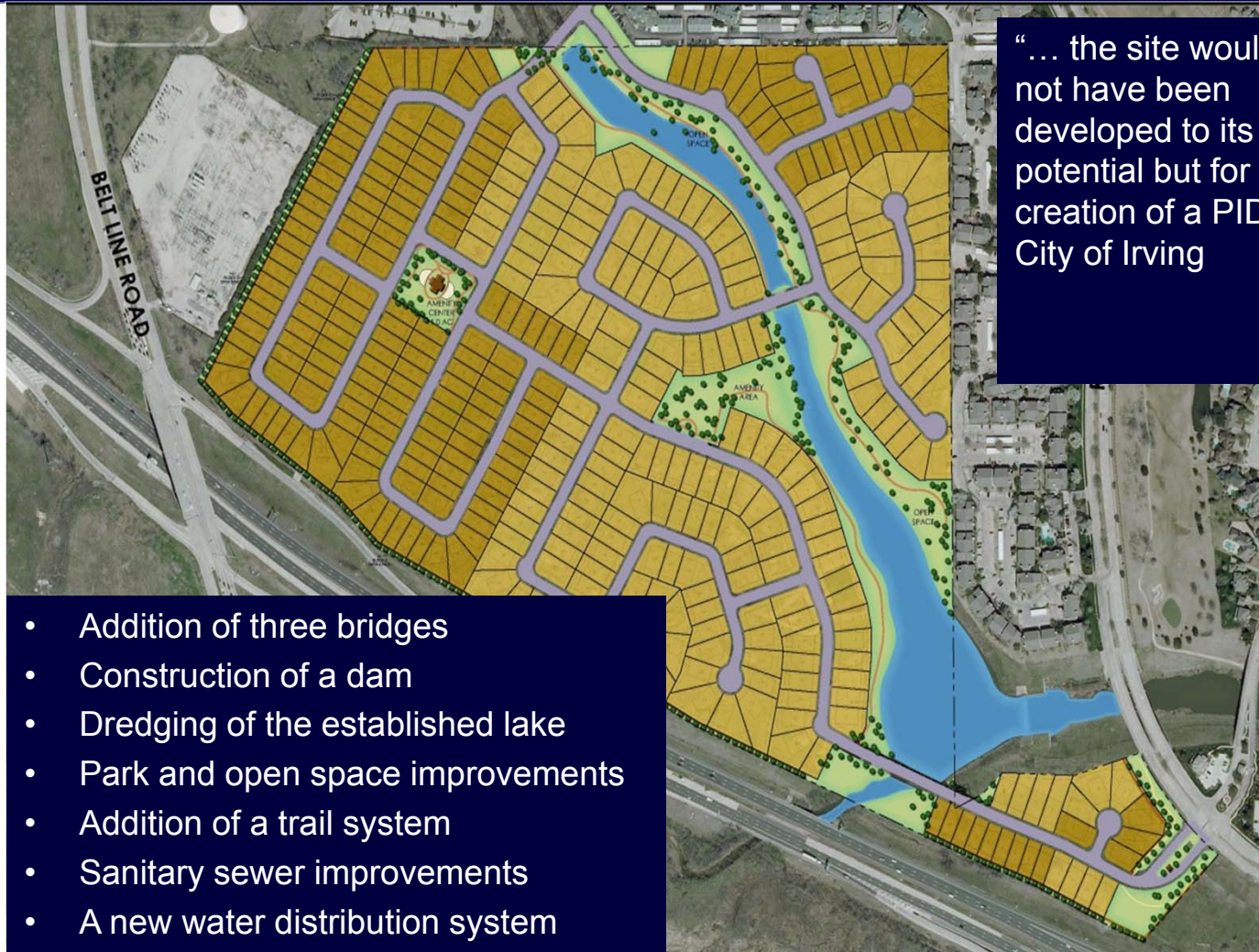
- Argent Management*
- Century Communities*
- Dwyer Realty*
- Highpointe Communities*
- Hines*
- La Cima Partners*
- McDonald Development*
- Randolph Todd*
- Sentinel*
- Southstar Communities*
- Stratford Land*
- Taurus*
- Titan Capital*
- Walton Development*

Houston

- Sam Moon*
- Stonehenge*



Select PID Financings



“... the site would not have been developed to its full potential but for the creation of a PID.” – City of Irving

- Addition of three bridges
- Construction of a dam
- Dredging of the established lake
- Park and open space improvements
- Addition of a trail system
- Sanitary sewer improvements
- A new water distribution system

Select PID Financings



“Council’s approval of the PID financing is truly a defining moment for Westlake as these bonds will allow Westlake Entrada to come to life,” – Westlake Mayor

- Improving and adding streets
- Water and sewer lines
- Drainage system
- Water feature

PFM Comparison

	Public Improvement District (PIDs)	Municipal Utility District (MUDs)	Tax Increment Reinvestment Zone (TIRZs)	Water Control and Improvement District (WCIDs)
Cost Recovery Method	Advance of Construction and/or Reimbursement	Reimbursement Only	Reimbursement Only	Reimbursement Only
Jurisdiction	City, ETJ, or County	City, ETJ, or County	City or County	City, ETJ, or County
Cost Certainty to Property Owners	Yes	No	No	No
Prepayment Option	Yes	No	No	No
Impact of Higher Property Value	None	Increased Payments	Increased Proceeds	Increased Payments
Impact of Defaulting Owner	None	Increased Payments	None	Increased Payments
Source of repayment	Assessments	Taxes	Property & Sales Tax Increment	Taxes
Life of Entity	Finite	Ongoing	Finite	Ongoing
Eligible Improvements	Water, Sewer, Drainage, Streets, Right of Ways, Parks, Landscaping, Sidewalks, Mass Transit, Libraries, Public Recreation Facilities, Street Lights, Off Street Parking, Pedestrian Malls, Affordable Housing, Formation Expenses	Water, Sewer, Drainage, Right of Ways, Arterial Roads (only if granted Road District powers), Recreational Facilities, Formation Expenses	Sewer, Street Lights, Streets, Utilities, Water, Flood and Drainage, Parking, Park,s Pedestrian Malls, Educational Facilities, Financing, Property Assembly, Professional Services, Administrative, Organizational, Operating Costs	Water, Sewer, Drainage, Right of Ways, Formation Expenses

Question & Answer

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