

UT Law CLE – 2016 Land Use Fundamentals and Conference *Public Improvement Districts*



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What are Public Improvement Districts?

Public Improvement Districts (PID) are economic tools available to cities / counties to fund public improvements that benefit the area within the PID boundaries. Landowners within the PID are assessed for the benefits, instead of burdening the general tax base or having to consent to the formation of an independent political subdivision.

Creation: Landowners can petition a city or county to establish a PID. Thereafter, PIDs are created by cities or counties.

Resources: The financial resources of PIDs are assessments levied on property owners within the PID. The assessments are based on a percentage of benefited property. Additional revenues can be pledged to the project, thereby mitigating assessments. Other revenues include: tax increment, parking, fees, appropriations, etc.

Financings: A PID (City or County) sells assessment revenue bonds and / or can generate annual revenues.

Governance: Appointed by the city council or commissioner's court (dependent district).

Eligible Costs: PIDs can finance a wide array of public infrastructure and development items, including:

- landscaping; erection of fountains, distinctive lighting, and signs;
- acquiring, constructing, improving, widening, narrowing, or rerouting sidewalks, streets/roadways or rights-of-way;
- construction or improvement of pedestrian malls;
- acquisition, construction or improvement of libraries;
- acquisition, construction or improvement of off-street parking facilities;
- acquisition, construction, improvement or rerouting of mass transportation facilities;
- acquisition, construction, or improvements of water, wastewater or drainage improvements;
- the establishment or improvement of parks;
- acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
- special supplemental services for improvement and promotion of the district; and
- payment of expenses incurred in the establishment, administration, and operation of the district.

Public Improvement Districts

Development Using Public Improvement Districts

Who uses Public Improvement Districts?

As previously stated, Public Improvement Districts (PID) are economic tools available to cities and counties to fund public improvements that benefit the area within the PID boundaries. PIDs have been used by cities and counties for residential (and commercial) development in lieu of other Special Districts (MUDs, FWSDs, WCIDs) to fund roads, water, sewer, and other eligible costs.

The following is a partial list of Texas cities that have issued debt* using special assessments includes:

City of Celina	Town of Trophy Club	City of Roanoke
City of Aubrey	Town of Northlake	City of Forney
City of McLendon Chisholm	City of Lavon	City of Fate
City of Hackberry	City of Westlake	Town of Flower Mound
City of Leander	City of Round Rock	City of Horseshoe Bay
City of Lago Vista	City of Euless	City of McAllen
City of Coppell	City of El Paso	City of Irving
City of Lewisville	City of Little Elm	City of Lubbock
City of Georgetown	City of Bastrop	City of Waxahachie
City of Irving	The Colony	City of San Antonio

* Special assessment revenue have been pledged to Special Assessment Revenue Bonds or other bond structures

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Public Improvement Districts

Summary

Why Public Improvement Districts now? – Positive Features

While the statute has been around since the 1980s, PIDs are increasingly being utilized by cities and counties to fund and maintain public infrastructure. The increased uses are due to numerous factors, including but not limited to:

- Revisions to the statute in the 81st/82nd Legislative Sessions, providing for a more advantageous law for both cities / counties and developers
- Increased population pressuring smaller communities with limited resources
- Public policy concerns with proliferation of developer driven ad valorem special districts surrounding cities
- **The City / County has “control” of development and process – they have ability to negotiate reasonable development standards**
- The sponsoring entity gets to select the professionals they engage for financing and assessment management
- Lower overall cost of capital for developers, thereby facilitating greater amenities and higher valued project
- The districts allocate costs to the citizens being benefitted, therefore the general tax base does not subsidize development
- City / County may require a maintenance PID to mitigate ongoing costs associated with the development
- PIDs allow for the City / County to negotiate a **win – win** scenario and maintain control
- Development is typically enhance by PID bonds, thereby providing for higher tax revenues benefitting the general tax base
- Allows for a City to control its ETJ and the development standards associated with PID projects

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"PID/TIRZ in the City"