



## ABCs of Development Infrastructure Finance

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UT Law CLE 51st Annual William W. Gibson, Jr. Mortgage Lending Institute  
September 29, 2017

**SHUPE VENTURA, PLLC**  
ATTORNEYS & COUNSELORS

Corey Admire | [corey.admire@svlandlaw.com](mailto:corey.admire@svlandlaw.com) | [www.svlandlaw.com](http://www.svlandlaw.com)

## New Project Infrastructure Financing

- » Traditional Bank Financing
- » Private Equity
- » Builder Deposits
- » Lot Sales
- » *Economic Development Incentives* -
  - » tax bonds, revenue bonds, certificates of obligation
  - » Reimbursements (impact fees, TIRZ revenues, EDCs ...)
- » ***Special Districts ...***

# What is a Special Purpose District?

- » Areas of the state, county, municipality, or other political subdivision that have been divided for judicial, political, electoral, or administrative purposes
- » Originally created due to urban sprawl and the desire of suburban residents to create entities that could provide their own infrastructure and levy taxes for limited purposes, such as firefighting, road construction, and water and sewage treatment
- » Limited purpose (road, water, sewer, drainage infrastructure; specific authorized improvements; emergency, hospital, public safety, utility services)

Source: Langham, Laura and Corey Roy and Austin Valentine. "Invisible Government: Special Purpose Districts in Texas." Senate Research Center Publication. October 2008 (available at <http://www.senate.texas.gov/assets/srcpub/SL-SpPurposeDistricts.pdf>)

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## Types of Special Districts in Texas

Groundwater Management Area (GMA)	County Development District (CDD)
Sports and Community Venue District (SCVD)	Library District (LD)
Noxious Weed Control District (NWCD)	Levee Improvement District (LID)
Groundwater Conservation District (GCD)	County Assistance District (CAD)
Multijurisdictional Library District (MJLD)	Independent School District (ISD)
Road District (RdD)	Irrigation District (ID)
Water Control and Improvement District (WCID)	Hospital District (HD)
Public Improvement District (PID)	Regional District (RD)
Road Utility District (RUD)	Health Services District (HSD)
Fresh Water Supply District (FWSD)	Navigation District (ND)
Homestead Preservation District & Reinvestment Zone (HPD)	Mosquito Control District (MCD)
Wind Erosion District (WED)	Self-Liquidating Navigation District (SLND)
Municipal Utility District (MUD)	Emergency Services District (ESD)
Municipal Management District (MMD)	Special Utility District (SUD)
Arts and Entertainment District (A&E)	Jail District (JD)
Water Improvement District (MID)	Stormwater Control District (SCD)
Municipal Development District (MDD)	Crime Control and Prevention District (CCPD)
Sports Facility District (SFD)	Municipal Management District (MMD)
Drainage District (DD)	Agricultural Development District (ADD)

Source: Texas Senate Research Center

- » As of 2014, Texas had more than 3,350 special purpose districts (excluding educational districts)\*

\* Source: Kay, Cicely. "Invisible Government: Special Purpose Districts in Texas" LBJ School of Public Affairs - Texas Water Policy (Dec. 6, 2014) (available at <https://static1.squarespace.com/static/54c15aa8e4b08b9c092063a6/t/54d68b58e4b0136443318e19/1423346520044/RP-Kay.pdf>)

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## Considerations:

WHERE are you building?

advance vs.  
reimbursement

TCEQ

LANDSCAPING

WHAT are you financing?

public bidding

City

Council

WHO are the players?

County  
Commissioner's  
Court

ROADS

School Board

election

PARKS

WHEN do you need \$\$?

meeting dates

TRANSIT

WATER

AFFORDABLE HOUSING

DRAINAGE

statutory requirements

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## Benefits:

- » Accommodate and accelerate desirable growth and tax base expansion without burdening existing residents
- » Tools to drive higher-quality development than what would otherwise occur without special purpose district financing
- » Over time vs. up front funding reduces financing risks and carrying costs that are normally passed on to homebuyers through higher lot prices and home prices
- » Mitigate entitlement risks for Developers
- » Offset city or county costs to extend infrastructure without reducing city or county bonding capacity

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First appeared as part of the conference materials for the  
51<sup>st</sup> Annual William W. Gibson, Jr. Mortgage Lending Institute session  
"ABCs of Development Infrastructure Finance"