

Financing Public Infrastructure via Special Districts: The Domino Effect

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1

AT THE BEGINNING..

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- As part of a proposed development, the Developer requests the City approve a special district to assist with the financing of the cost of the development.
 - Developer considers it a straightforward request and simply another method of financing the development.
 - But from the City point of view, is the request simple or straightforward?
 - City should consider:
 - Overall vision for growth
 - Coordination of land entitlements and other processes in City
 - Impact on city-wide finances
 - Proper tool for proposed development

2

VISION FOR GROWTH

- Establish development goals

- Some potential examples:
 - More workforce housing
 - Growth within City limits
 - Increased commercial development with residential
 - Mixed residential uses
 - Increased estate housing

Policy Adoption



- Adopt special district policies that include the following:
 - General criteria for consideration of a special district
 - Development goals prioritized by the City
 - Special benefits necessary for approval of a special district
 - Application requirements for a special district
 - Bond size limitations and financing criteria

- Establishing policies in advance of application helps both City and Developer by:
 - Establishing review criteria in advance
 - Providing for application process (timeline, steps expected, etc)
 - Clarifying expectations of City Council

- Adopted policies can help create incentive to encourage certain development in the City—special districts are a desirable form of public infrastructure financing for most developers

Coordination of Land Entitlements and Annexation

- Special district requests often contemplate a rezoning or development agreement for the same property.
 - Thought should be given to the timing—do the two approvals need to be done at the same time? Are staff handling the requests coordinating with each other?
- If annexation is desired, should be done prior to the approval of the special district

5

City-wide Financial Implications

➤ Operation and maintenance of public improvements



- Special districts may only include financing for the original construction cost of the public improvements.
- If the ongoing operation and maintenance of the public improvements will be the responsibility of the City, careful analysis should be done to verify that there will be enough revenue to provide for the services required.
- Other options include providing for ongoing operation and maintenance costs to be covered by the special district if allowable by law or for the creation of an HOA to be responsible for ongoing maintenance costs.

➤ Public Safety



- Always keep in mind that if the area is going to be in the City limits or certain City services will be extended to a property in the ETJ, there must be enough money available for the City to actually provide those services.

6

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