

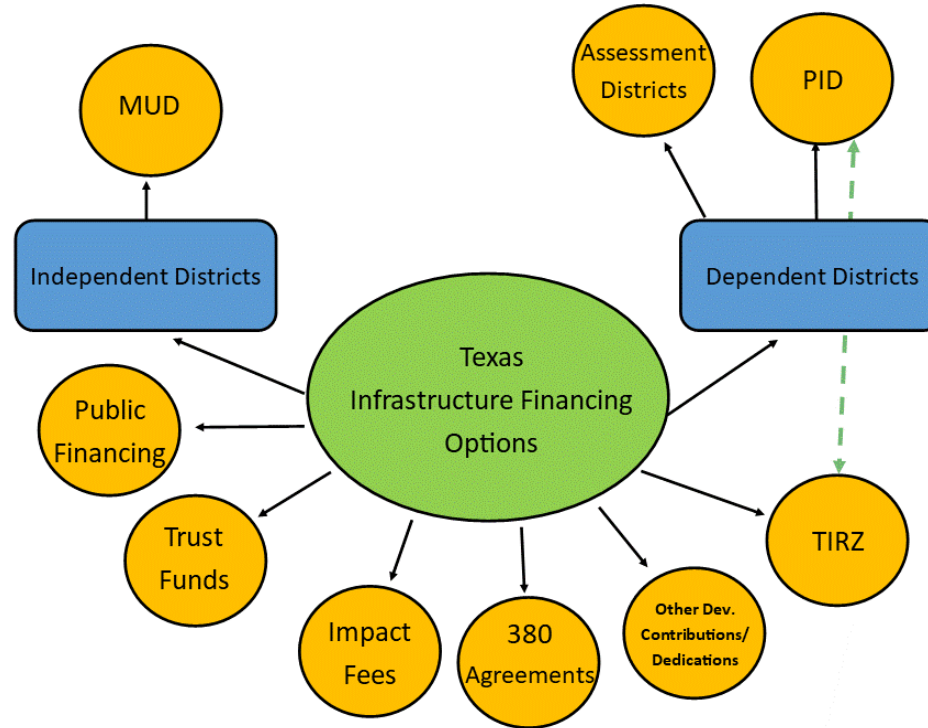
Public Improvement Districts and Municipal Utility Districts Briefing



**City Council
May 14, 2019**



Texas Infrastructure Financing Options





PID and MUD Comparison

	Public Improvement Districts (PIDs)	Municipal Utility Districts (MUDs)
Legislative Authority	LOCAL GOVERNMENT CHAPTER 372. SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS.	WATER CODE - TITLE 4. GENERAL LAW DISTRICTS. CHAPTER 54. MUNICIPAL UTILITY DISTRICTS.
Creation	City or County.	Texas Commission on Environmental Quality.
Governance	Elected officials of creating body serve as governing Board.	Separate political subdivision with independent elected Board.
Taxing authority?	None.	Yes. Legally separate taxing entity.
Issue tax-exempt debt?	May issue Special Assessment Revenue Bonds before development occurs.	May issue Municipal Utility District Unlimited Tax and Revenue Bonds two years after development.
Revenue source?	Special assessments - generally fixed amount or rate which provides certainty to PID landowners.	Ad valorem tax based on property's assessed value; both may vary each year
Prepayment Allowed?	Yes, at any time without penalty.	No.
Public bidding?	Not required.	Required.
Annexation	Usually defined in Development Agreement. Full purpose annexation when bonds are fully paid.	Upon full purpose annexation, City must assume responsibility for MUD assets and debt.
Improvements that may be financed?	Every type of public improvement including water, sewer, and flood control facilities, streets, sidewalks, street lighting, mass transit facilities, right of ways, libraries, recreational amenities (public parks and landscaping), etc.	Water, sewer, and flood control facilities unless granted road district powers.

Source: Austin Financial Service Department, Public Improvement Districts Presentation. May 27, 2015.



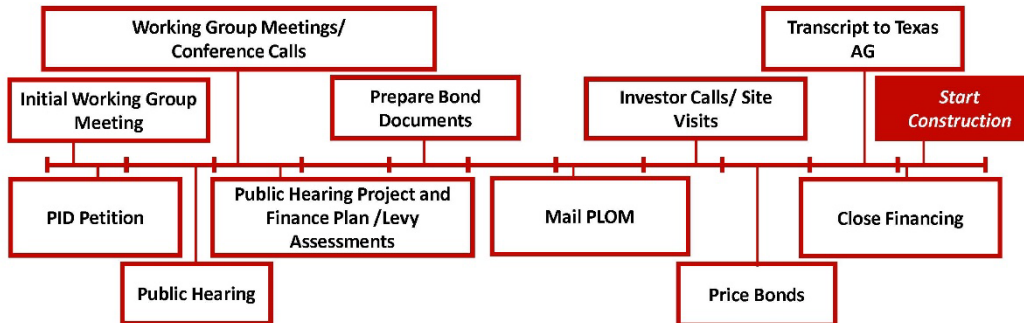
PID Process

Possible Transaction Participants / Process

Representing Issuer	Developer / Landowner	Investors
City Staff	Developer's Counsel	Underwriter
Financial Advisor	Assessment Consultant / FA	Underwriter's Counsel
Bond Counsel	Engineer	Trustee
Assessment Administrator (Post-Issue)	Market Feasibility	Trustee's Counsel
Appraiser*	Dissemination Agent	Appraiser*
Dissemination Agent		Dissemination Agent

* Appraiser will prepare a report for the benefit of the underwriter and issuer

Process may take 9 – 12 Months from introduction of project through close



“Process may take 9-12 months from introduction of project through close”

Source: R.R. “Tripp” Davenport, III, fms bonds, “Public Improvement Districts” presentation. February 2016.



PID Risks

What are some of the risks associated with PIDs?

Step(s)	Risk	Issue	Mitigation
Pre-Formation	Administrative (on-going)	Some landowners / developers may not be qualified to execute a project of the size and scope requested.	City may establish guidelines, minimum requirements, or a fee prior to negotiating a developer's agreement.
Formation	Political	There is a required public process. Some City officials and citizens may view the project unfavorably.	Provide as much information on the project and be as transparent as possible. Let the project stand on its own.
Financing	Perception	PIDs are relatively new to Texas market place; therefore, new to City's and City professionals.	Be pro-active, transparent and educate the City's staff / professionals. Work with, not against the financing group.
	Obligation	While PID debt is non-recourse, the team should be cognizant of overlapping debt and rating agency views.	Thorough review of overlapping debt and responsible financing structure will minimize the possible risks.
	Market	PID debt is non-rated and there is a limited universe of buyers.	Know the market and provide an attractive financing structure to market to investors.
Post-Issuance	Development	Once bonds are issued, Trustee is responsible for release of funds to developer after City approval.	Detail the minimum requirements for developer payment / reimbursement in the developer's agreement.
	Administration	Assessments must be tracked / collected for payment of debt and maintenance.	Engage assessment professional to administer process / provide ongoing disclosure.
	Enforcement	Non-payment of assessments.	Work with 3 rd party professional and jurisdiction to collect assessments.
Worst-case	Foreclosure	Inability of landowner to pay assessments	Ultimately a bond-holder risk; however, the jurisdiction will need to work with interested parties on foreclosure process.

Source: R.R. "Tripp" Davenport, III, fms bonds, "Public Improvement Districts" presentation. February 2016.

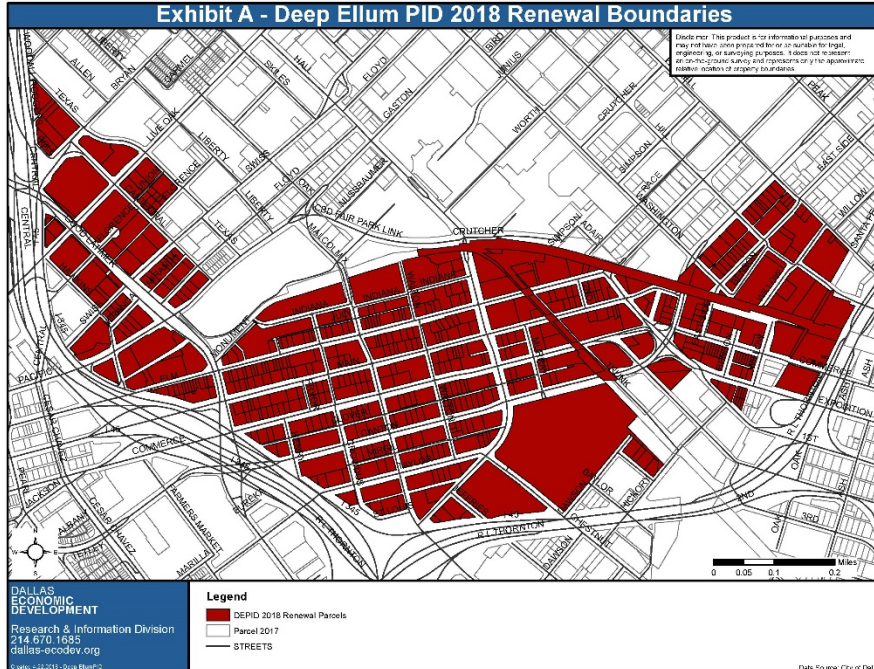


PID Policy Components

- Limitation on the size
 - Ex. Fort Worth: at least 1,500 acres of developable land
- Limitations on the PID assessment
 - Ex. Dallas: max PID assessment set at \$0.15 per \$100 valuation.
- Limitations on tax assessment terms
 - Ex. Sealy: max 25 years for PID assessment
- PID administration (third party paid by PID assessment)
- Financing guidelines (bidding policies/procedures)
- Bond size and Developer interest
 - Ex. Kyle: Min appraised value to lien ratio of 3:1
- Criteria for Projects
 - Ex. Marble Falls: max 80% of costs of public improvement can be funded by the PID
- Application and Review Process (application fee)
- Requirements of TLGC Chapter 372



PID Example: Deep Ellum, Dallas



- Established 1999, renewed 2006 and 2013
- Current PID term runs through 2020
- 700 properties, mix of business, residential, public and light industrial
- PID managed by the Deep Ellum Foundation
- Annual budget and assessment rate subject to a public hearing and City Council Approval
- 2016 Net Assessment Revenue approx. \$400K, \$0.12 per \$100 of appraised value



PID Example: Deep Ellum, Dallas

- Services include:
 - graffiti control,
 - landscaping,
 - park improvements,
 - trash pickup,
 - neighborhood improvements,
 - acquisition,
 - construction,
 - operation & maintenance of mass transit facilities
 - Marketing & promotional activities
 - Distinctive lighting & signage
 - Business development & recruitment

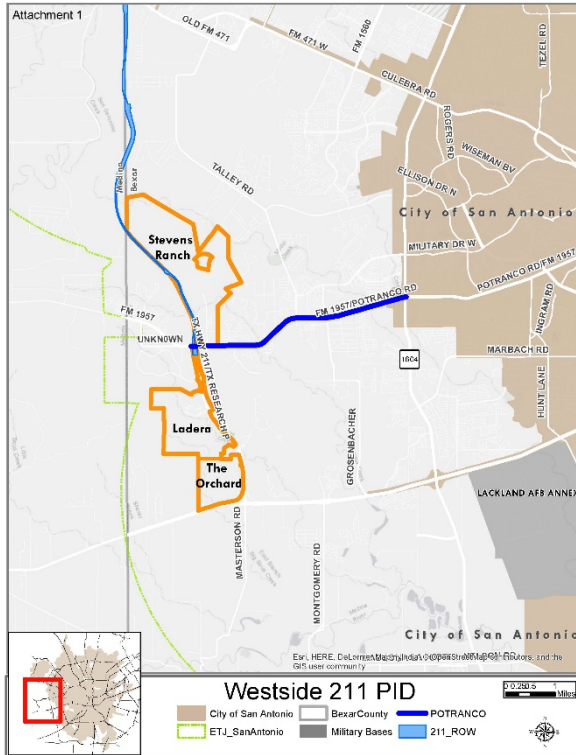


Photo Credit: www.iliveindallas.com

- Promote the area as the Deep Ellum Entertainment District
- And related services and activities approved by the Dallas City Council.



Westside 211PID, Bexar County



- Created in 2007 by the County
- 3,625 acres
 - 9,400 single-family homes,
 - approximately 3,000 apartment units,
 - 1,000 acres of commercial development
- Purpose: to help finance the construction of portion of Highway 211 and to widen portion of Potranco Road
- Non-Annexation Agreement with San Antonio
- Improvement Costs est. \$138.5 M
- District Assessment of 0.558270 per \$100 valuation (plus sales tax and HOT revenues only available to counties with pop. over 1.1 million)



Discussion
