

An Introduction to
Public Improvement Districts
City of Kyle, Texas
July 1, 2015

An Introduction to Public Improvement Districts

What is a Public Improvement District?

- **Economic development tool** created by State of Texas to finance construction of **public improvements**;
- City uses bond revenue to **immediately fund projects** benefitting property in the PID and assesses PID property owners to repay bonds;
- **Assessments are fixed amount and terminate when bonds are repaid**;
- **Bond proceeds are held by Trustee** selected by the City; and,
- **PIDs are not separate political subdivisions.**

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What Costs are Qualified for a PID?

- Streets and sidewalks;
- Public safety and security services;
- Water, wastewater, health and sanitation, and drainage facilities including both onsite and offsite improvements;
- Landscaping and other aesthetics;
- Park and recreation facilities; and,
- Other Public Improvements.

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How Will New PIDs Affect Existing Neighborhoods/HOAs

- PIDs will only be used to fund infrastructure for **new projects**;
- **Existing subdivisions will not have any assessments** levied on them because of new PIDs; and,
- If a PID is used to fund infrastructure for a new community, **taxes will not need to be raised on residents in existing subdivisions** to pay for such infrastructure.

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How Does Use of a PID Benefit the City of Kyle?

- **Enhances project viability** by assuring infrastructure will be in place when needed thereby increasing assessed valuations;
- **Facilitates private equity investment and debt financing;**
- PID bond issuance and structure are **controlled by City;**
- **“Development pays for itself.”**

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How Does Use of a PID Affect the City of Kyle?

- **PID Bonds will not reduce City's bond rating;**
- **No negative financial or legal impact to the City of Kyle;**
- **No costs to the City of Kyle;**
- **PID bonds are non-recourse to the City of Kyle;**
- **PID bonds will not materially reduce City's bonding capacity;**
- **No reduction of City sales and ad valorem tax; and,**
- **All administrative requirements may be outsourced to third parties with all administrative costs paid by PID.**

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Why Are PID Bonds Non-Recourse to the City?

Page 1 of the PID Bond Offering Statement will state (***bolding added***):

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM PLEDGED REVENUES AND ANY OTHER FUNDS HELD UNDER THE INDENTURE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY AND ARE NOT PAYABLE EXCEPT AS PROVIDED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND ANY OTHER FUNDS HELD UNDER THE INDENTURE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES.

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Additional Risk Protection for the City

The Bond Indenture can include the following provision:

No provision of this Indenture, the Bonds, the Assessment Ordinance, or any agreement, document, instrument, or certificate executed delivered or approved in connection with the issuance, sale, delivery, or administration of the Bonds, ***shall require the City to expend or risk its own general funds or otherwise incur any financial liability*** (other than with respect to the Pledged Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if in the judgment of the City there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it.

Source: **INDENTURE OF TRUST** By and Between **CITY OF LAGO VISTA, TEXAS** and **U.S. BANK NATIONAL ASSOCIATION, As Trustee - CITY OF LAGO VISTA, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2012 (TESSERA ON LAKE TRAVIS PUBLIC IMPROVEMENT DISTRICT MAJOR IMPROVEMENT AREA PROJECT)**

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How Does a PID Financing Benefit Homeowners?

- **Cost certainty** over life of property ownership through fixed nature of assessments
- Assessments **cannot be increased without consent of homeowners or after homestead exemption is claimed**
- **Finite life of obligations** due to fixed term of PID
- **Ultimate flexibility** as assessment can be prepaid without penalty at any time
- **Increase in property values** do not increase assessment costs
- Homeowners **only has obligation to pay assessment on his/her property**
- **No impact on “my home” or “my property” by actions of others**
- **Developer always has to pay assessments on land it owns**

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Homeowner Obligations in Public Improvement District

Year 1

Estimated Home Assessed Value \$ 300,000

Tax Jurisdiction	Equivalent Tax Rate	Annual Payment Due
Hays County ESD #5	0.1000	\$ 300
Hays County	0.4252	\$ 1,276
Plum Creek Conservation	0.0220	\$ 66
Special Road	0.0438	\$ 131
Hays CISD	1.5377	\$ 4,613
Plum Creek Groundwater	0.0220	\$ 66
Austin Community College	0.0949	\$ 285
Plus: Proposed PID #1	0.8322	\$ 2,497
Total	3.0778	\$ 9,234

Year 10

Estimated Home Assessed Value \$ 400,000

Tax Jurisdiction	Equivalent Tax Rate	Annual Payment Due
Hays County ESD #5	0.1000	\$ 400
Hays County	0.4252	\$ 1,701
Plum Creek Conservation	0.0220	\$ 88
Special Road	0.0438	\$ 175
Hays CISD	1.5377	\$ 6,151
Plum Creek Groundwater	0.0220	\$ 88
Austin Community College	0.0949	\$ 380
Plus: Proposed PID #1	0.6242	\$ 2,497
Total	2.8698	\$ 11,479

Homeowner Obligations in Municipal Utility District

Year 1

Estimated Home Assessed Value \$ 300,000

Tax Jurisdiction	Equivalent Tax Rate	Annual Payment Due
Hays County ESD #5	0.1000	\$ 300
Hays County	0.4252	\$ 1,276
Plum Creek Conservation	0.0220	\$ 66
Special Road	0.0438	\$ 131
Hays CISD	1.5377	\$ 4,613
Plum Creek Groundwater	0.0220	\$ 66
Austin Community College	0.0949	\$ 285
Plus: MUD Tax	0.8322	\$ 2,497
Total	3.0778	\$ 9,234

Year 10

Estimated Home Assessed Value \$ 400,000

Tax Jurisdiction	Equivalent Tax Rate	Annual Payment Due
Hays County ESD #5	0.1000	\$ 400
Hays County	0.4252	\$ 1,701
Plum Creek Conservation	0.0220	\$ 88
Special Road	0.0438	\$ 175
Hays CISD	1.5377	\$ 6,151
Plum Creek Groundwater	0.0220	\$ 88
Austin Community College	0.0949	\$ 380
Plus: MUD Tax	0.8322	\$ 3,329
Total	3.0778	\$ 12,311

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What is the PID Repayment Mechanism?

- Assessments placed on each individual parcel or lot;
- Assessments are due **only** for life of PID;
- Assessments are **paid annually**;
- **Landowner is only responsible** for assessment payment on his/her property; and,
- All homeowner obligations are **known and certain** at time of purchase.

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What is the PID Bond Collateral?

- **City, County and ISD Tax Liens remain in first payment priority position;**
- **The PID debt is secured by a Special Assessment Lien on the PID Land;**
- **Project appraised value (land “as is” plus value of improvements to be constructed with bond funds) is primary factor in determining bond capacity (typical bond size is 1/3 of appraised value); and,**
- **Does not rely upon future development to create value to support bond issue and debt payment.**

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Typical Chronology of PID Bond Issues

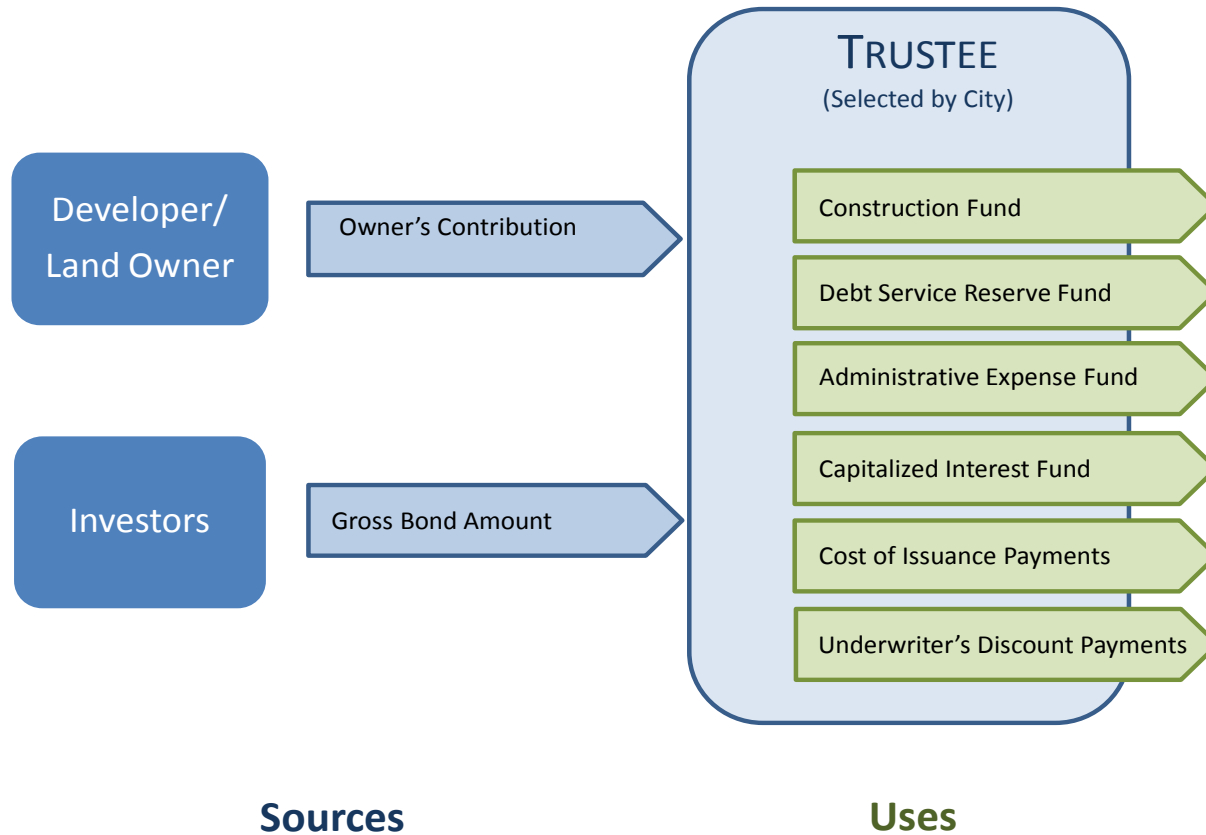
<p>Major Improvement Bonds</p> <ul style="list-style-type: none">• Funds Costs Benefitting Entire Project• Lien on Entire Project• Assessment Owed by Land Owner	<p>Improvement Area #1</p> <ul style="list-style-type: none">• Funds Area #1 Specific Costs• Lien on Area #1 Only• Additional Assessment applies only to Land Owners within Area #1• Any Additional Assessment will be in place before lot is purchased by homeowner
	<p>Improvement Area #2</p> <ul style="list-style-type: none">• Funds Area #2 Specific Costs• Lien on Area #2 Only• Additional Assessment applies only to Land Owners within Area #2• Any Additional Assessment will be in place before lot is purchased by homeowner

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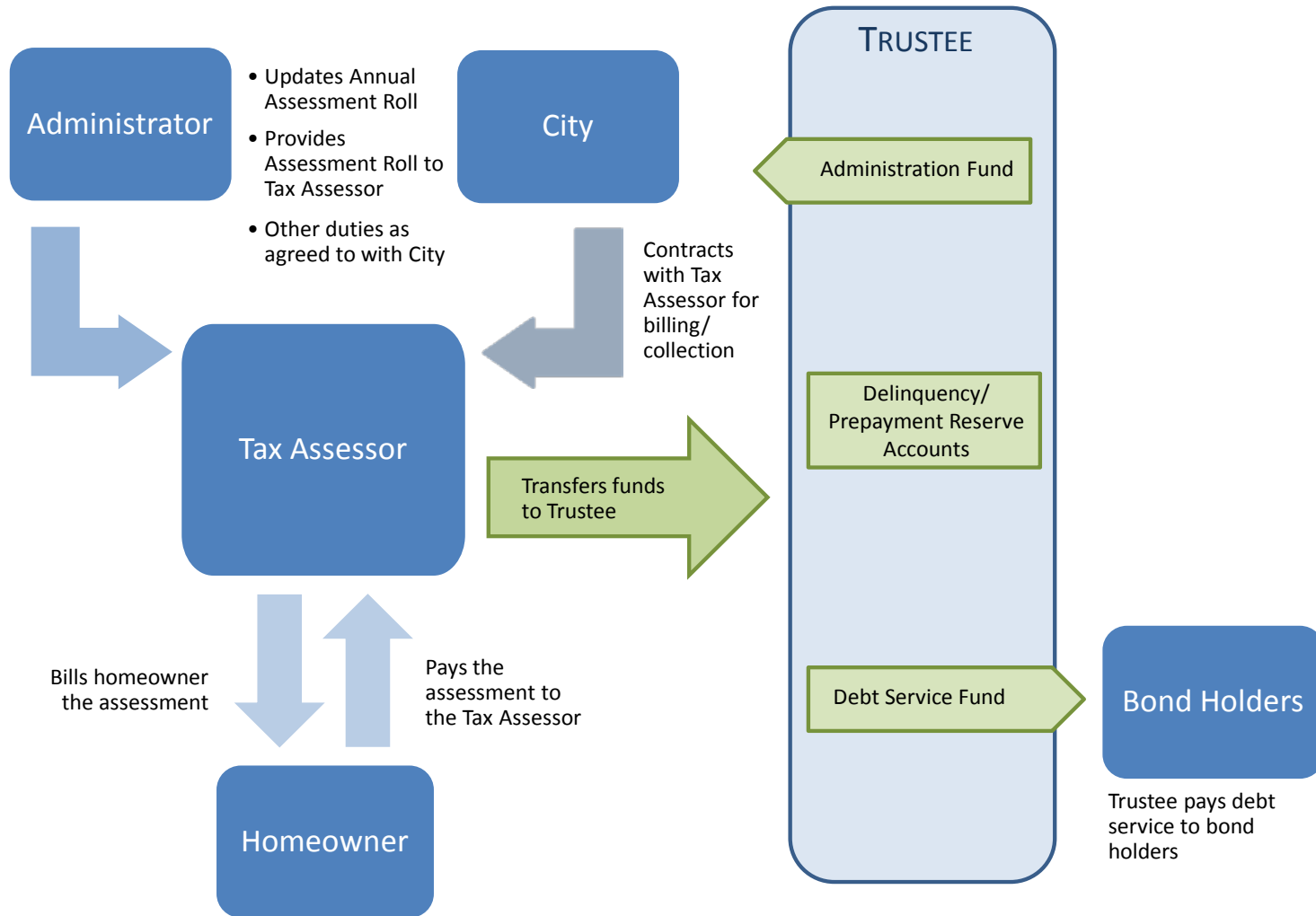
What is the Typical Sequence of Events for an Initial Project PID Bond Issue?

- Introduction of PID to City
- Preparation of PID Petition by developer
- City Council Meeting to Accept PID Petition
- Initiate Property Appraisal
- Public Hearing to Approve Formation of PID
- Preparation of Project and Finance Plan
- Public Hearing to Approve Project and Finance Plan and Levy Assessments
- Initiate Preparation of Bond Documentation
- City Council Review and Approval of Bond Issue
- Complete Bond Issue
- Initiate Construction of infrastructure improvements

PID Bond Issuance Process



PID Bond Debt Payment Process



For Additional Information:

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QUESTIONS FOR DISCUSSION