

TEXAS INFRASTRUCTURE FINANCING OPPORTUNITIES



PUBLIC INFRASTRUCTURE DISTRICTS

Background

Public Improvement Districts (“PID”) are allowed pursuant to the Public Improvement District Assessment Act found in Chapter 372 of the Texas Local Government Code.

The PID allows a city to create a PID within its boundaries or its extraterritorial jurisdiction (“ETJ”). A county may also establish a PID however, it must obtain approval from the city, if the proposed PID is within the city’s ETJ.

PIDs are allowed to issue long-term, tax-exempt bonds secured by special assessment liens levied against all benefiting property within the PID. As PIDs are typically issued assuming a value to lien ratio of 3 to 1, and assuming that the public facilities for which the PID bonds are being issued are in place. PID bonds are used to construct public facilities out of bond proceeds or reimburse developer much sooner in the development process than that of municipal utility districts (“MUD”).

The professionals at Launch Development Finance Advisors were instrumental in assisting with the passing of legislation in the early 2000’s that allowed PIDs to be used in the fashion that they are currently being utilized.





Market Driven Bond Sizing Analysis™

Description	PID Only	PID + TIRZ Subsidy
Gross Bond Amount (1)	\$ 23,920,000	\$ 30,805,000
Cost of Issuance (2)	\$ (1,435,060)	\$ (1,848,173)
Underwriter Discount (3%)	\$ (717,530)	\$ (924,087)
Capitalized Interest (12 Months)	\$ (1,435,060)	\$ (1,848,173)
Reserve Fund (Maximum annual debt service)	\$ (1,759,852)	\$ (2,266,464)
Administrative Fund (\$35,000 per Issue)	\$ (140,000)	\$ (140,000)
Est. Net Bond Proceeds	\$ 18,432,498	\$ 23,778,103
Avg. Lien Per Living Unit Equiv. (Over Analysis Period)	\$ 25,179	\$ 32,426
Net Proceeds Per LUE (Over Analysis Period)	\$ 19,403	\$ 25,030
Living Unit Equivalents (LUE)		
Single-Family Residential LUEs	950	950
Total LUEs	950	950
Property Tax Rate Payment		
Current Property Tax Rate (3)	\$ 2.517	\$ 2.517
Administration Tax Rate Equivalent (4)	\$ 0.009	\$ 0.009
Additional Interest Tax Rate Equivalent (5)	\$ 0.035	\$ 0.035
Debt Service Property Tax Rate Equivalent (6)	\$ 0.489	\$ 0.629
TIRZ Tax Rate Equivalent Credit (7)(8)	NA	\$ (0.141)
Est. Total Equivalent Property Tax Rate	\$ 3.05	\$ 3.05
Home Owner Property Tax Payment		
Weighted Average Unit Price (9)	\$ 388,680	\$ 388,680
Current Property Tax Annual Payment	\$ 9,784	\$ 9,784
Est. Homeowner Annual District Payment	\$ 2,071	\$ 2,617
Est. Annual TIRZ Credit (7)(8)	NA	\$ (547)
Est. Net Homeowner Annual Property Tax Payment	\$ 11,855	\$ 11,855

Footnotes:

- (1) Assumes a 29 year bond term, 12 months of capitalized interest, and a 6% interest rate.
- (2) Net bond proceeds est. 2% fee for Financial Advisor; 2% fee for Bond Counsel; 1% fee for City Attorney; and 1% fee for other professional fees.
- (3) Per County Appraisal District 20XX Property Tax Rates.
- (4) Tax rate equivalent for the annual \$30,000 PID administration fee.
- (5) Tax rate equivalent for the additional 0.50% interest component.
- (6) Derived from the Special District target tax rate of \$3.05.
- (7) Assumes 40% of county property tax revenue created from the development will be made available for TIRZ reimbursement.
- (8) Assumes 40% of city property tax revenue created from the development will be made available for TIRZ reimbursement.
- (9) Assumes an annual home price appreciation of 2%.

Benefits of PID Financing

- As PIDs are sized on the fair market value of the property to be developed as opposed to its assessed valuation; PID bonds may be issued early in the development process and actually be used to construct public facilities using PID bond proceeds.
- Unlike a MUD, Water Control and Improvement District or a Fresh Water Supply District; PIDs do not require TCEQ approval and are governed by the governing body of the city or county.
- If the city decides to annex property into its boundaries that include a PID, the city is not forced to pay off the assessment bonds.
- PID assessment bonds do not impact the city's statutory debt capacity or credit rating.
- PID assessments may be prepaid in whole or in part at any point in time.
- A Tax Increment Reinvestment Zone (TIRZ) may be established over a PID to subsidize annual PID assessment payments and to increase the bonding capacity of the PID (See Market Driven Bond Sizing Analysis™).

Eligible Public Facilities

- Rights of way and real property interests
- Streets and sidewalks
- Water, wastewater, health and sanitation and drainage.
- Park, recreation, and cultural
- Pedestrian malls
- Parking
- Mass transit
- Library
- Public safety and security
- Public art
- Landscaping and other aesthetics
- Supplemental business-related services
- Projects similar to those above



Professional Services

A. The Planning Phase

- Discuss and understand client's financing goals and objectives using The Project DOS Conversation™.
- Prepare the Eligible Cost and Fee Analysis™.
- Obtain property tax rates of competitive projects.
- Identify all taxes and assessments that are anticipated to be included on the subject property's tax bill.
- Determine appropriate tax rates and apportionment methodology.
- Estimate the project's PID bonding capacity given the client's financing goals and objectives using The Market Driven Bond Sizing Analysis™.
- Identify land to be included with the PID proposed boundaries.
- Perform The RED Analysis™ (Reduce, Eliminate, Defer).
- Create cashflow and proforma analysis illustrating the impact of PID financing.
- Make suggestions related to PID bond phasing.
- Estimate the date on which PID bonds are expected to be issued in order to comply with issuer's value to lien requirements.
- Resolve value to lien constraints.
- Estimate PID carrying costs of PID special assessments on master developer and merchant builders.
- Outline The Project Path & Plan™.
- Prepare The Finance Plan™ outlining the client's proposed relevant financing information for presentation to the jurisdiction.

B. The Implementation Phase

- Prepare and utilize The Project Financing Checklist™.
- Prepare and/or comment on PID criteria for inclusion in development agreements and/or purchase and sales agreements.
- Prepare PID Service and Assessment Plan package as may be required by the jurisdiction.
- Assist with filing reports with the Department of Real Estate related to the proposed PID.
- Prepare PID Boundary Map.
- Prepare or review assessment methodology consistent with client's financing goals and objectives.
- Prepare timelines and assign roles and responsibilities for PID formation and/or bond issue.
- Review Deposit and Reimbursement Agreement (if required).
- Review and edit PID Financing Agreement and/or PID Reimbursement Agreement.
- Estimate development impact fee credits as the result of PID financing of certain public facilities that may be contained within the jurisdiction's impact fee program.
- Determine financial impact of negotiation issues.
- Assist in negotiating PID related issues.
- Assist in assembling information for the appraiser and/or market consultant.
- Review and critique appraisals and market reports.
- Compile information necessary for the Preliminary Official Statement.
- Review bond documents for clarity of financial matters.

C. The Administrative Phase

- Assist in preparation of bid packages.
- Assist in establishment of record keeping system.
- Track and assemble information necessary for the processing reimbursement requests utilizing The Launch Reimbursement System™ (LRS).
- Monitor status of all company special districts through The Launch Control Matrix™.
- Process reimbursement requests utilizing the LRS.
- Verify accuracy of property tax bills and assessment billings.
- Perform developer continuing disclosure obligation.
- Assist in establishment of record keeping systems.

Office Locations



Other Real Estate Consulting Services

- Land Secured Public Financing
- Fiscal Impact Analysis
- Development Impact Fees/Credit Analysis
- Cash Flow Feasibility Analysis
- Entitlement Analysis
- Capital Markets (A/D/C)
- Litigation Support
- Reimbursement Tracking and Processing
- Special District Administration

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