

TCAA PID Summit

Irving Case Study PID/TIF for subdivision infrastructure

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Overview



● Developer Request

- Public Infrastructure Financing
- Establish Public Improvement District (PID)
- Establish Tax Increment Financing District (TIF)

● Financing Options

- Revenue Bond
- CO Analysis

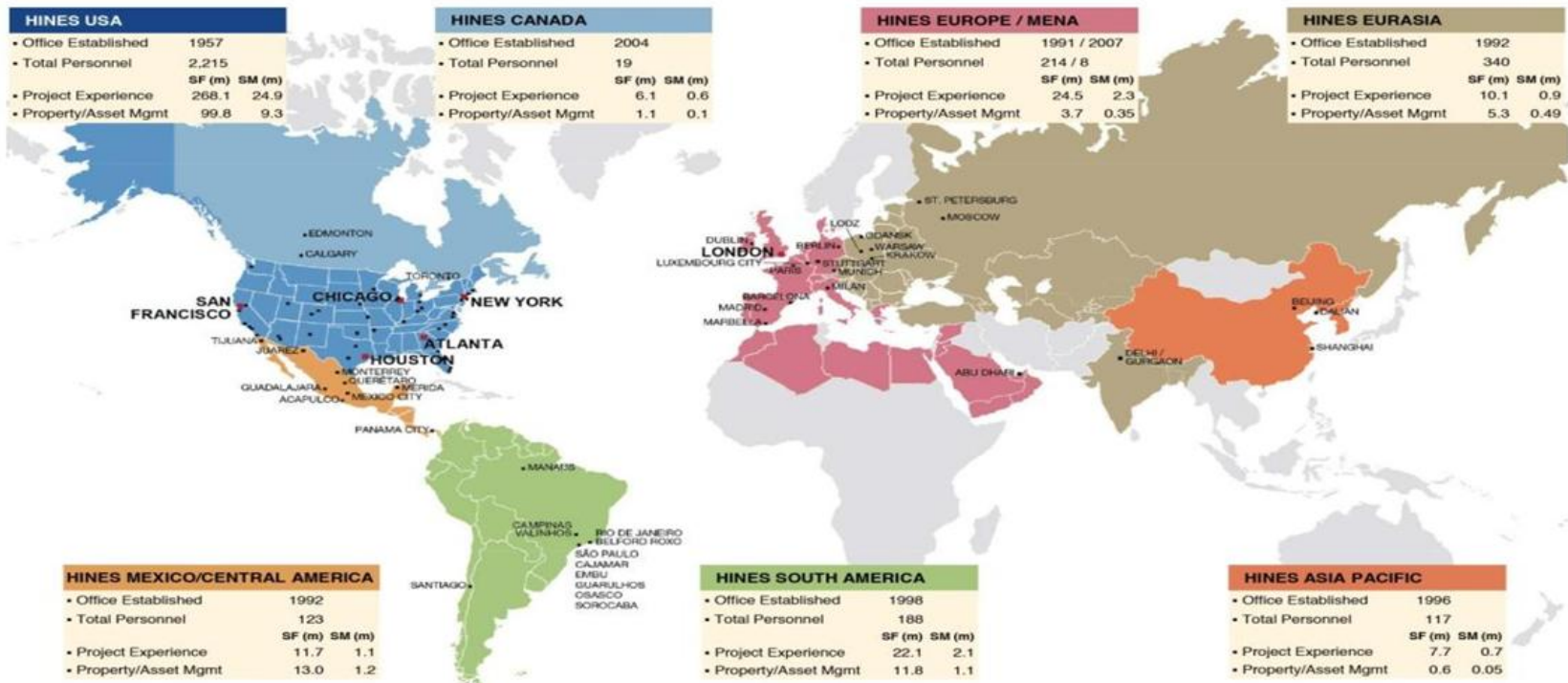
● Projects

- The Bridges at Las Colinas
- Ranchview
- Parkside

● Conclusions

Developer

- Founded in 1957, and continues today as a privately held firm headquartered in Houston Texas.
- Active in 100 cities in 17 countries worldwide with over 3,200 employees.
- Portfolio of projects consists of over 1,100 projects representing 450M square feet of real estate in nearly every product type.
- Local capability through entrepreneurial business units



The Bridges at Las Colinas



Public Infrastructure



Promenade



Decorative lighting features



Signature bridge



Upgraded park improvements

Developer Request



- Lack of availability of debt for horizontal development projects nationally [Nov. 2012]
- TIF reimbursement structure are no longer feasible due to lack of available capital to fund up front infrastructure
- Developer requests creation of a TIF/PID to publicly finance public infrastructure improvements
- Fund \$8.2MM of typical city public infrastructure (i.e. bridges, park improvements/trail system/rest areas, flood control)

Developer Request



● Tax Increment Financing (TIF)

- Tool to fund needed improvement within a reinvestment zone;
- Taxing entities contribute ad valorem taxes received from incremental value increases on property within the zone.

● Public Improvement Districts (PID)

- PIDs are a development tool that allocates costs according to the benefits received;
- Through petition of the property owners, the PID Act enables any city to levy and collect special assessments on property; and
- PID assessments are:
 - a first and prior lien against the property;
 - superior to all other liens and claims, except ad valorem taxes; and
 - a personal liability of and charge against the owner of the property.

Developer Request



- An overlapping PID and TIF would be formed over the entire Project.
- Bonds would be sold in Q1 2013 to fund project infrastructure.
- The PID assessments would be capable of paying 100% of the annual debt service on the bonds.
- Incremental property taxes generated within the TIF would be used to reduce the annual PID assessment obligation.
- A maintenance and operations PID will be formed to maintain parks and amenities in the Project.

PID Assessment

- Property owners will be responsible for 100% of annual debt service in the event that there is no TIF revenue in any given year.
- TIF revenue is used to reduce the PID assessment annually.
- Property owners are responsible for remaining annual debt service net of any TIF revenue.
- $(A-B) + C = \text{Debt Service}$
 - A = Annual Debt Service of Bonds
 - B = TIF Revenue
 - C = PID Assessment Net of TIF Revenue

Option A – PID/TIRZ Revenue Bonds

- Option A - 30 Year PID/TIF Revenue Bonds
 - Contribute 75% of City's O&M increment
 - Provides **\$8,281,683** in project costs. Bond issuance expenses and underwriter's discount. Assumes capitalized interest for 24 months and fully funded DSRF @ 100% annual debt service.
 - Revenue bond repayment is tied to TIF and PID performance and backed by tax lien on the property results in higher interest rate than traditional City debt.

Source: First Southwest [City's FA]

Option B – CO Bond with PID/TIRZ

- Option B - 20 Year City of Irving CO Bonds with PID/TIF
 - Contribute 50% of City's O&M increment
 - Provides **\$8,281,683** in project costs. Bond issuance expenses and underwriter's discount. Assumes capitalized interest for 24 months.
 - AV pledge results in lower interest rate and shortens the term to 20 years.

Source: First Southwest [City's FA]

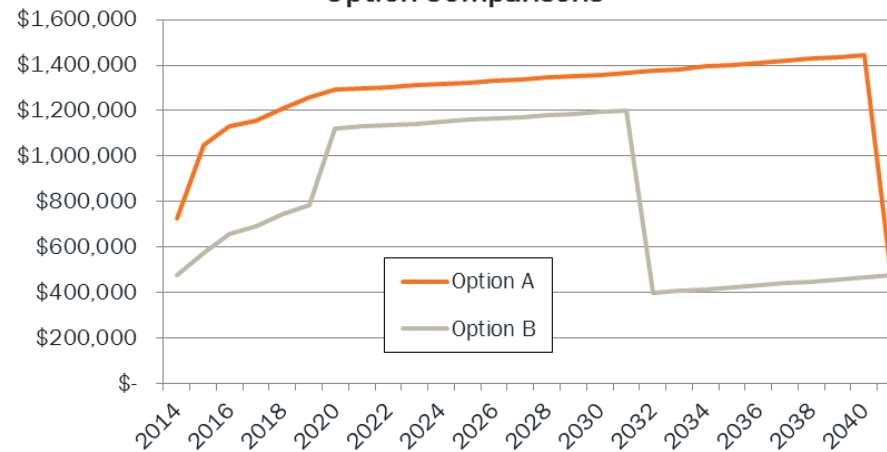
Options Snapshot

	Option A 30 Year Revenue Bond 75% Participation		Option B 20 Year CO Bond 50% Participation		Net Difference	
	City Contributions	Property Owner Contributions	City Contributions	Property Owner Contributions	City Contributions	Property Owner Contributions
2015	\$ 55,364	\$ 670,774	\$ 36,910	\$ 437,962	(\$18,455)	(\$232,812)
2016	\$ 197,651	\$ 853,181	\$ 131,768	\$ 441,004	(\$65,884)	(\$412,177)
2017	\$ 374,408	\$ 757,124	\$ 249,605	\$ 408,065	(\$124,803)	(\$349,058)
2018	\$ 502,187	\$ 656,033	\$ 334,791	\$ 356,293	(\$167,396)	(\$299,740)
2019	\$ 543,615	\$ 665,035	\$ 362,410	\$ 381,604	(\$181,205)	(\$283,431)
2020	\$ 554,487	\$ 701,961	\$ 369,658	\$ 416,404	(\$184,829)	(\$285,557)
2021	\$ 565,577	\$ 726,041	\$ 377,051	\$ 745,381	(\$188,526)	\$19,340
2022	\$ 576,888	\$ 722,822	\$ 384,592	\$ 746,913	(\$192,296)	\$24,091
2023	\$ 588,426	\$ 713,678	\$ 392,284	\$ 742,365	(\$196,142)	\$28,687
2024	\$ 600,195	\$ 711,232	\$ 400,130	\$ 743,066	(\$200,065)	\$31,835
2025	\$ 612,198	\$ 707,381	\$ 408,132	\$ 743,142	(\$204,066)	\$35,761
2026	\$ 624,442	\$ 697,123	\$ 416,295	\$ 742,591	(\$208,147)	\$45,467
2027	\$ 636,931	\$ 695,782	\$ 424,621	\$ 741,412	(\$212,310)	\$45,630
2028	\$ 649,670	\$ 687,705	\$ 433,113	\$ 739,607	(\$216,557)	\$51,902
2029	\$ 662,663	\$ 683,215	\$ 441,776	\$ 737,173	(\$220,888)	\$53,958
2030	\$ 675,917	\$ 676,985	\$ 450,611	\$ 734,110	(\$225,306)	\$57,126
2031	\$ 689,435	\$ 669,012	\$ 459,623	\$ 735,418	(\$229,812)	\$66,407
2032	\$ 703,224	\$ 664,294	\$ 468,816	\$ 730,947	(\$234,408)	\$66,653
2033	\$ 717,288	\$ 657,504	\$ -	\$ 399,037	(\$717,288)	(\$258,467)
2034	\$ 731,634	\$ 651,639	\$ -	\$ 407,018	(\$731,634)	(\$244,621)
2035	\$ 746,266	\$ 648,231	\$ -	\$ 415,158	(\$746,266)	(\$233,074)
2036	\$ 761,192	\$ 636,934	\$ -	\$ 423,461	(\$761,192)	(\$213,473)
2037	\$ 776,416	\$ 633,090	\$ -	\$ 431,930	(\$776,416)	(\$201,159)
2038	\$ 791,944	\$ 626,005	\$ -	\$ 440,569	(\$791,944)	(\$185,436)
2039	\$ 807,783	\$ 620,677	\$ -	\$ 449,380	(\$807,783)	(\$171,297)
2040	\$ 823,938	\$ 611,759	\$ -	\$ 458,368	(\$823,938)	(\$153,392)
2041	\$ 840,417	\$ 604,248	\$ -	\$ 467,535	(\$840,417)	(\$136,713)
2042	\$ -	\$ 476,886	\$ -	\$ 476,886	\$0	\$0
	\$ 16,810,156	\$18,826,352	\$ 6,542,185	\$15,692,800	(\$10,267,971)	(\$3,133,552)
	\$35,636,508		\$22,234,985		(\$13,401,523)	

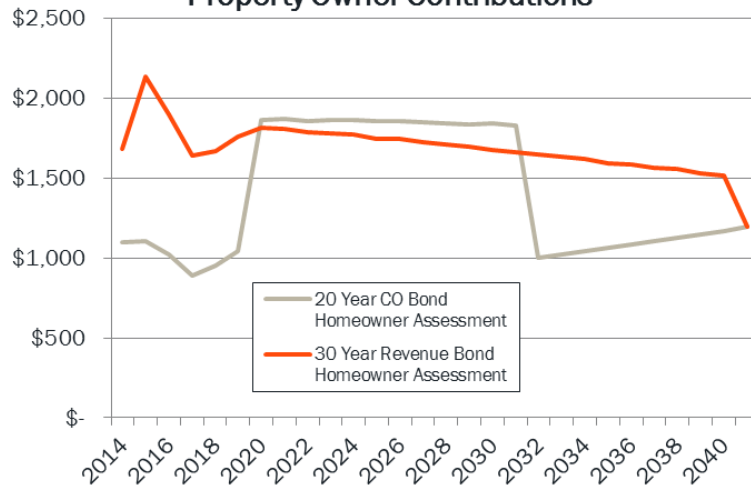
Options Snapshot



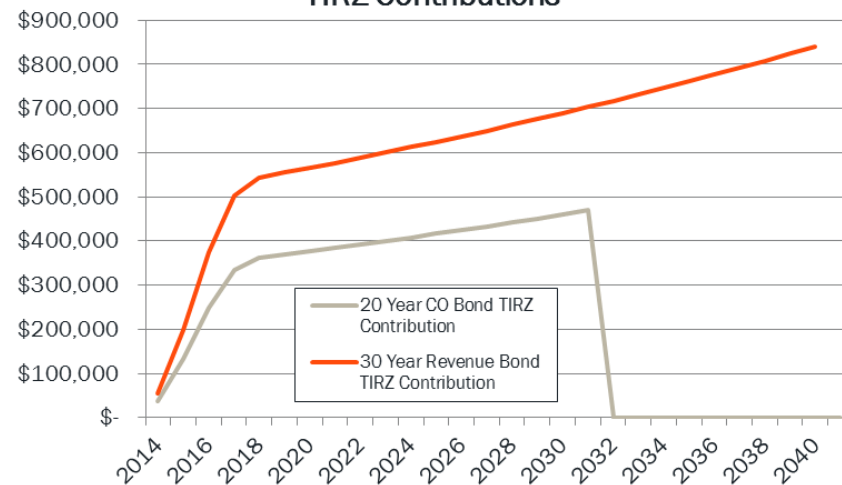
Option Comparisons



Property Owner Contributions



TIRZ Contributions



Conclusions



- CO for typical city public infrastructure (i.e. bridges, park improvements/trail system/rest areas, flood control);
- CO yields same amount of public infrastructure as Option A;
- Infrastructure has a dedicated and binding (tax lien) revenue stream for 100% repayment (PID);
- Infrastructure (parks improvements/trail system/rest areas) is maintained through on-going PID maintenance assessment;
- Infrastructure (flood control) is maintained by DCURD;
- Infrastructure generates immediate economic impact through new taxable value (new homes);
- TIF at 50% of M&O is the City's contribution to the infrastructure (\$6,542,185);
- Infrastructure will have an overriding completion guarantee from Hines

Benefits



- CO savings **\$13,401,523**
- Total Taxable Value Added at Year 5* **\$162,442,759**
- Lower cost debt accelerates benefits to the City
 - TIF at 50% for 20 years vs. TIF at 75% for 30 years
 - Year 20 City of Irving General Fund Net Benefit **\$6,542,185**
 - Year 20 City of Irving I & S Net Benefit **\$4,770,419**
- Projection includes value reduction from Homestead Tax Exemption

This slide ends the Developer Request portion.

Process



- Identify total public improvements, City contribution
- Land owner Petition to create PID
 - Public hearing on PID
- Create TIF
 - Public hearing
- Preliminary Service & Assessment Plan
 - For levy of assessment for public improvements
- Approve TIF Project & Financing Plan
 - Project plan for public infrastructure improvements
- Dedication of Tax Increment Revenue to repayment of Certificates of Obligation for public improvement

Process



- Development Agreement
 - Developer pay City costs of process
- Accept Service and Assessment Plan, Approve Assessment Roll
- Issuance of Certificates of Obligation
- Annual Service Plan Update, Annual Assessment Plan, Assessment Roll

Development Agreement

- What will City pay for
 - Must be permanent public improvement for CO proceeds
 - Must be public improvement for PID
 - Must be in the TIF Plan
- Other governments, utility district
- Developer performance guarantee for total public work
- Developer guarantee of private improvements
- Developer design & construct per City spec
- Developer deposit its share prior to issue Certificates
- Proceeds of CO held by City
- Monthly payments in proportionate share

Development Agreement



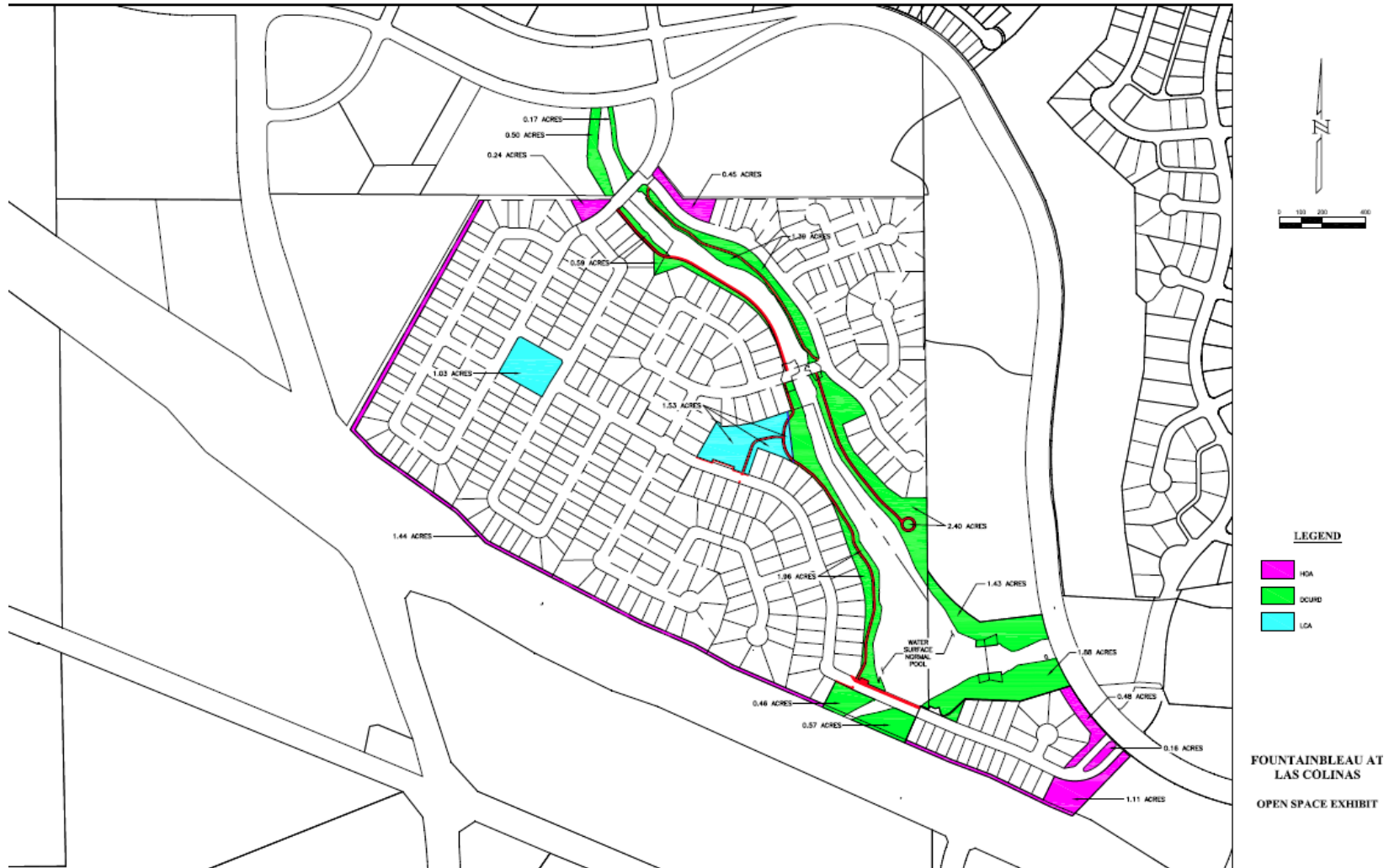
- Construction Contract Administration
 - Exempt from Competitive bidding LGC 252.022(a)(9)
 - Still a City public works project
 - City Approval of GC and subs
 - Method for obtaining competitive pricing
 - 100% Performance and Payment bonds; Gov Code 2253.021
 - Prevailing Wage; Gov Code 2258.021
- Land transactions
 - Plats, deeds
- Maintenance by whom of what

Project Summaries

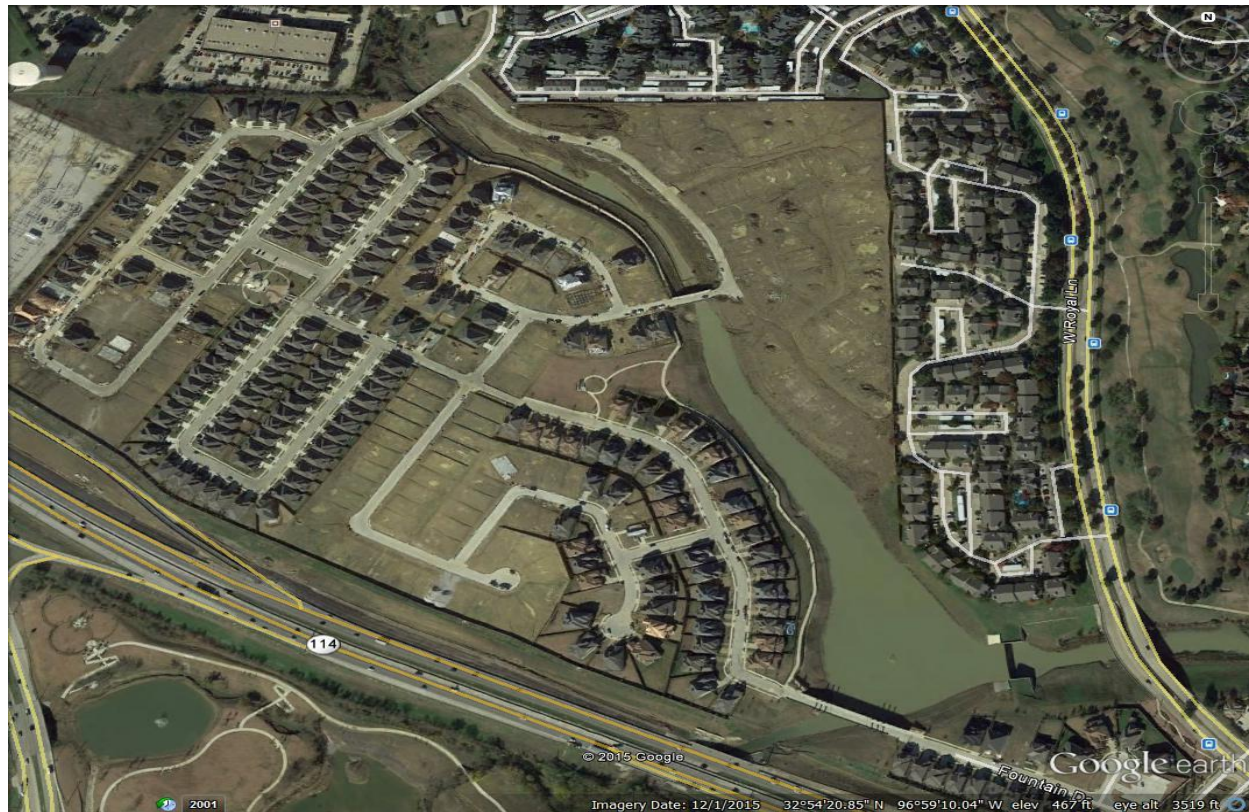


- The Bridges at Las Colinas, 122 acres
 - 399 lots
 - 198 50' lots
 - 201 60' lots
 - Priced at \$450,000 and \$490,000
 - Value of approximately \$203 million when completed
- Combined Tax and Revenue Certificate of Obligation \$9,000,000 [2013]
- 50% O&M tax rate for 20 years
- No PID maintenance
- 2 HOAs

Public Infrastructure



Bridges PID 1/TIF 3



Bridges PID 1/TIF 3



- 2013 Base value \$8,548,240
- 2014 Tax year (FY15) \$6,857,240
- Captured Appraised Value 0
- Increment Revenue 0

- $(A-B) + C = \text{Debt Service}$
- $A - B = C$; Debt – 0 = assessment per SF 0.069905
- Assessment 7200 sf lot \$ 510

Project Summaries



- Ranchview, 37 acres
 - 122 lots
 - Priced at \$400,000
 - Value of approximately \$50 million when completed
- Combined Tax and Revenue Certificate of Obligation \$3,500,000 (2013)
- 50% O&M tax rate for 20 years
- No PID maintenance
- 2 HOAs

Ranchview



VICINITY MAP



SITE DATA INFORMATION

RESIDENTIAL LOT BREAKDOWN

- PH 1 = 65 LOTS
- PH 2 = 51 LOTS
- TOTAL = 116 LOTS

ACREAGE BREAKDOWN

- PH 1 = 14.5641 ACRES
- PH 2 = 15.3468 ACRES
- TOTAL = 29.9129 ACRES

PROPOSED LANDSCAPE AREA

ISSUED FOR PRELIMINARY PRICING PURPOSES ONLY
(SUBJECT TO REVIEW PRIOR TO CONSTRUCTION)

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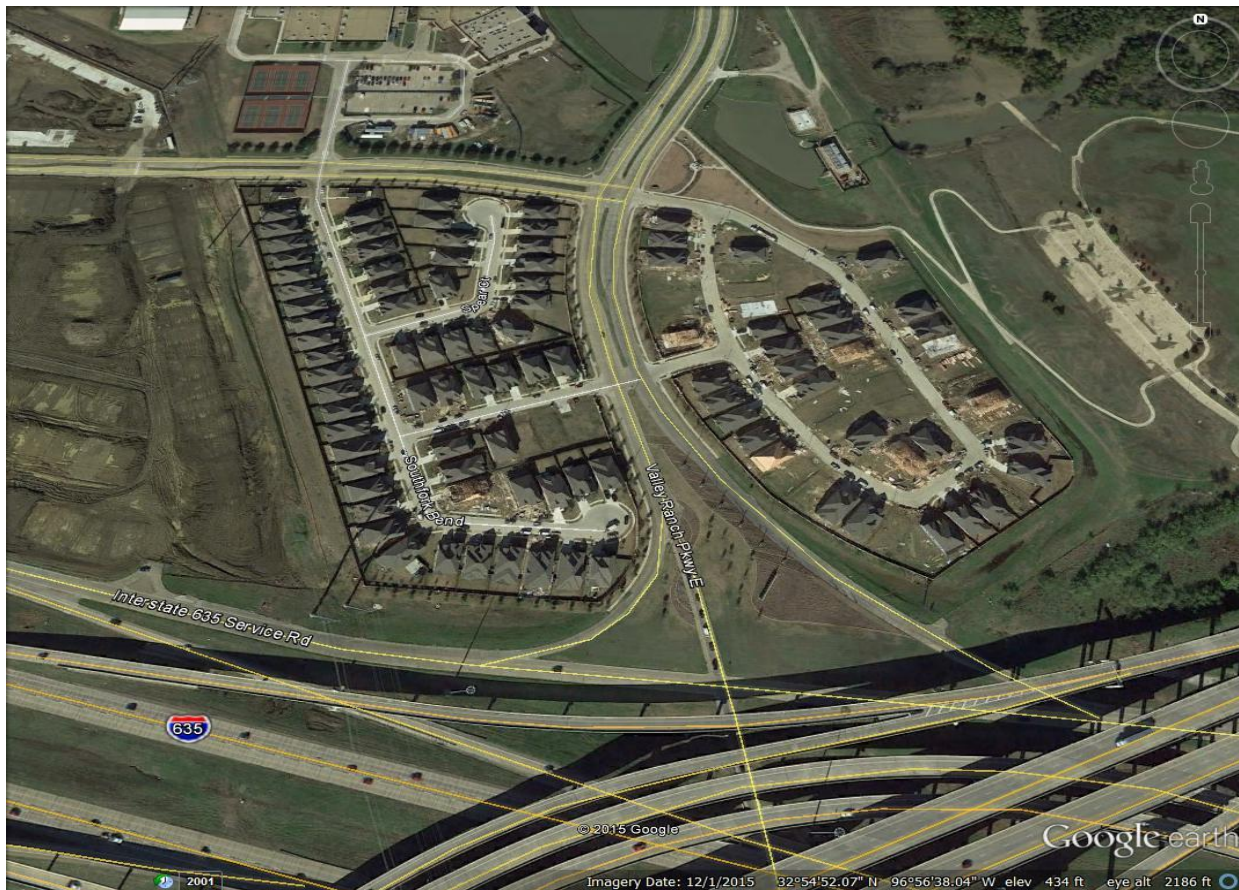
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Pacheco Koch ENGINEERING & ARCHITECTURE 1000 N. CENTRAL EXPRESSWAY, SUITE 1000 DALLAS, TEXAS 75208 TEL: 214.298.8000 FAX: 214.298.8001 WWW.PACHECO-KOCH.COM		
CONCEPT LAND PLAN RANCHVIEW SITES VALLEY RANCH II & III 14.564 & 12.348 ACRES CITY OF IRVING, DALLAS COUNTY, TEXAS		
DESIGN	DRAWN	DATE
KFM	GHM	JULY 2012
SCALE	AS SHOWN	FILE
		NO.
		EX.1

PL. FILE: 2012-10-1000
SHP. FILE: 2012-10-1000-000

Ranchview



Ranchview PID 2/TIF 4



- 2013 Base value \$2,799,930
- 2014 Tax year (FY15) \$2,796,453
- Captured Appraised Value 0
- Increment Revenue 0

- $A - B = C$; Debt - 0 = assessment per SF 0.125991
- Assessment 7200 sf lot \$ 910

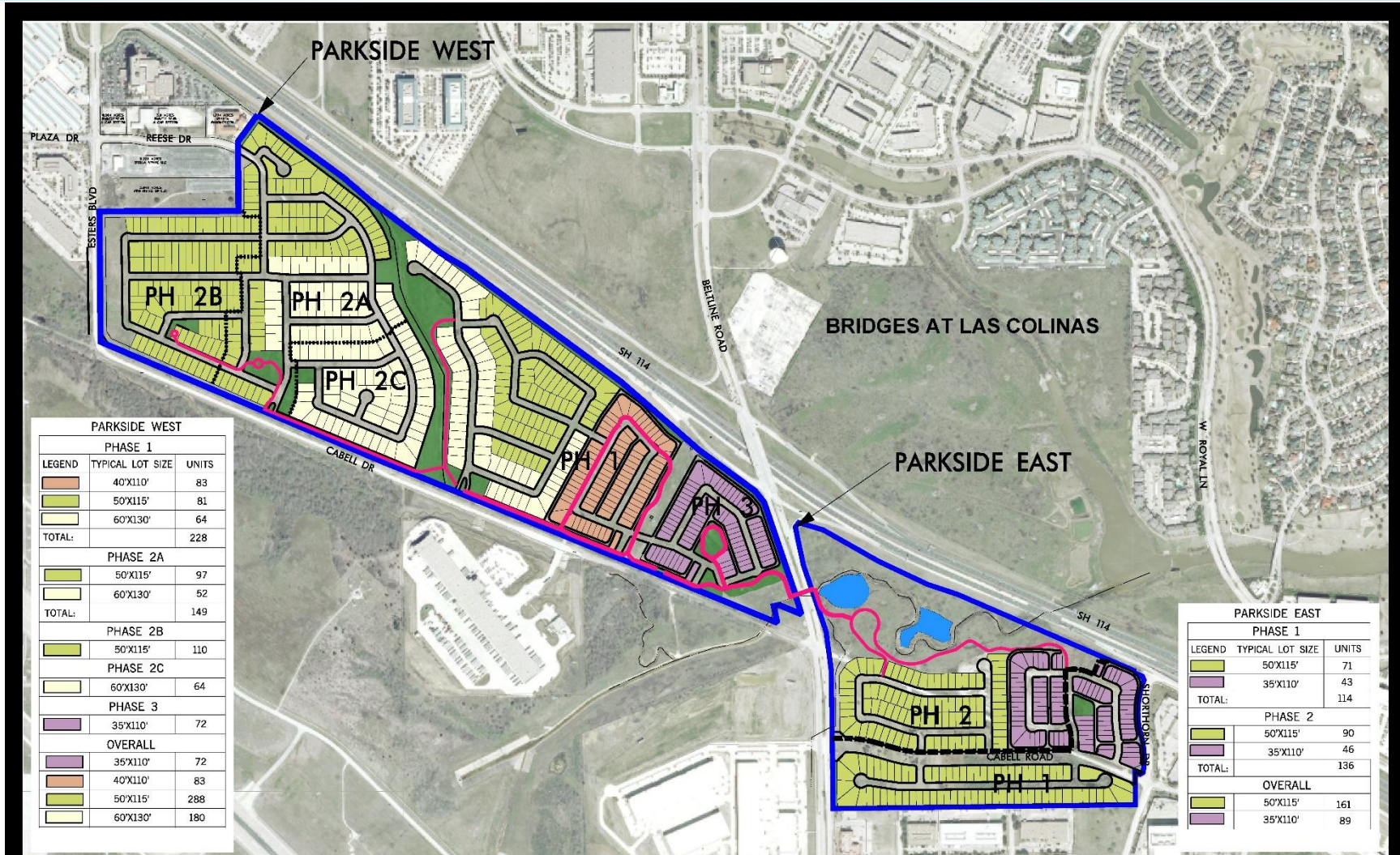
Project Summaries



- Parkside, 275 acres
 - 869 single family lots
 - Priced at \$450,000 and \$700,000
 - Value of approximately \$340 million when completed
- Combined Tax and Revenue Certificate of Obligation \$21,700,000 [2014]
- 50% O&M tax rate for 20 years
- No PID maintenance
- 1 HOA



Parkside



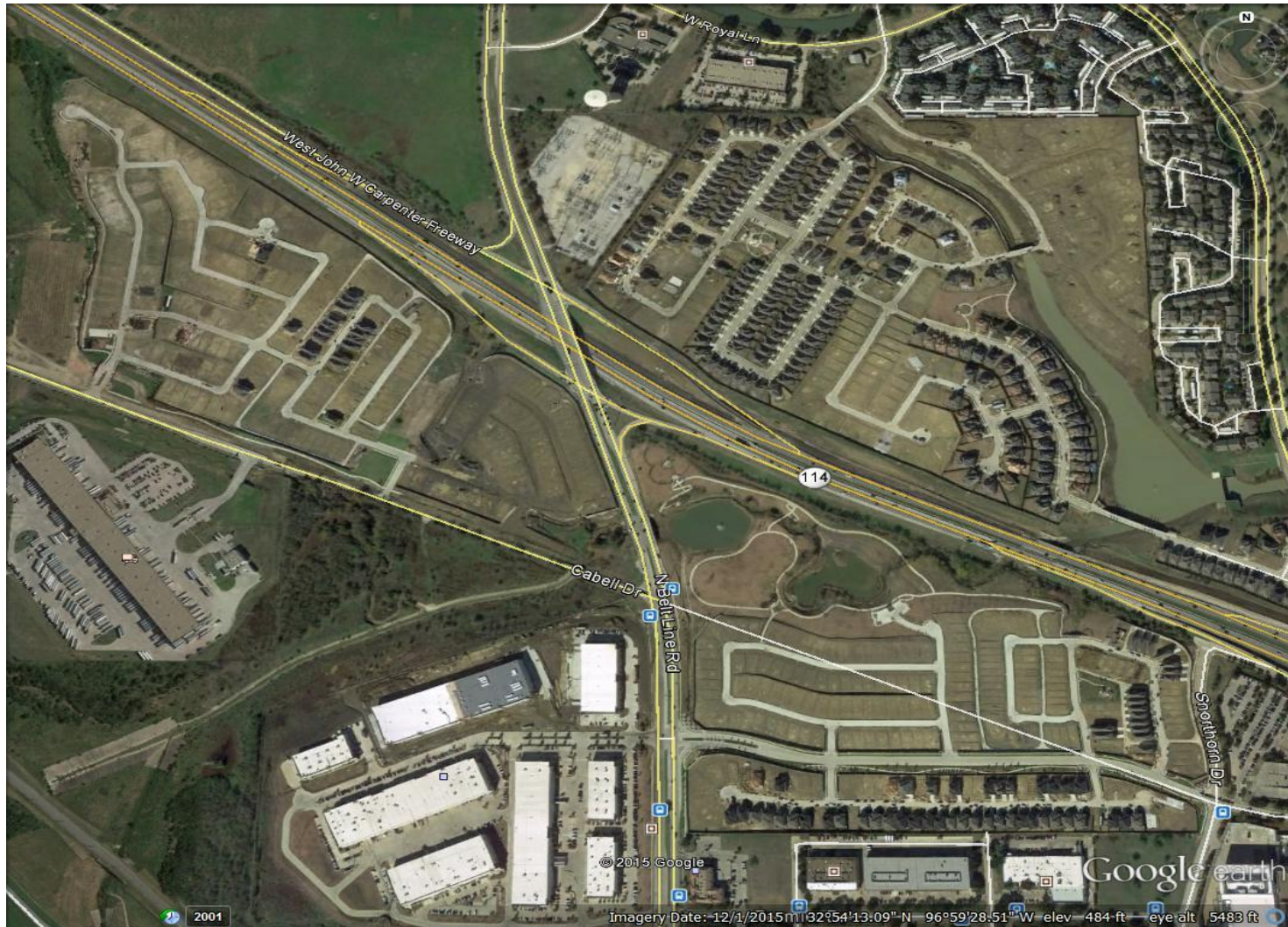
HINES RESIDENTIAL DEVELOPMENT

PARKSIDE

CITY OF IRVING

AUGUST 28, 2013

Parkside



Parkside PID 3/TIF 6



- 2013 Base value \$17,833,766
- 2014 Tax year (FY15) \$17,833,766
- Captured Appraised Value 0
- Increment Revenue 0

- $A - B = C$; Debt – 0 = assessment per SF 0.088496
- Assessment 7200 sf lot \$640

Lessons



- Public Policy discussion; community benefit
- Snap Shot lacks flexibility developer expects
 - Proposed development plan at original assessment.
 - PI stands for Public Improvement
- “Major administrative nightmare”
 - Collection Method, get it on tax bill
- Communication with home builders, buyers
- Maintenance

Thanks



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