

RESOLUTION NO. R2014-011

A RESOLUTION AMENDING GUIDELINES FOR PUBLIC IMPROVEMENT DISTRICTS;  
AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council seeks to amend the guidelines for public improvement districts established on July 24, 2007; and

WHEREAS, the Public Improvement District ("PID") Assessment Act (the "Act") allows a city to levy and collect special assessments on property that is located within the city or within the city's extraterritorial jurisdiction ("ETJ"); and

WHEREAS, the funds from the assessment can be used to make certain improvements as authorized by the Act to the infrastructure to facilitate economic growth within an area; and

WHEREAS, these guidelines are intended to aid the City Council in determining if the creation of a PID is financially feasible, practical, and in the best interest of the citizens of the City of Denton; and

WHEREAS, these guidelines do not require the City Council to participate in PIDs, nor do they prevent the City Council from establishing PIDs with elements that vary from these guidelines; and

WHEREAS, the City agrees with the recommendation of the Economic Development Partnership Board to establish these guidelines; and

WHEREAS, this Resolution is in the public interest of the residents of the City of Denton; NOW, THEREFORE,

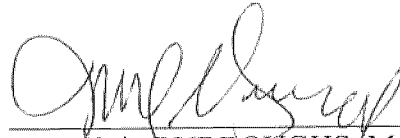
THE CITY COUNCIL OF THE CITY OF DENTON HEREBY RESOLVES:

SECTION 1. The City Council of the City of Denton, Texas, hereby authorizes the adoption of the PID Guidelines, which are attached hereto and made a part hereof by reference.

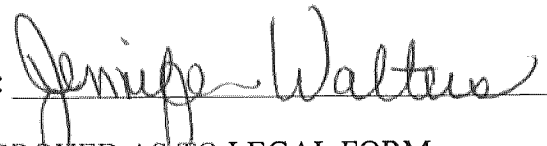
SECTION 2. The City Council may, from time-to-time consider changes to these guidelines as will be reflected by their future action.

SECTION 3. This Resolution shall become effective immediately upon its passage and approval.

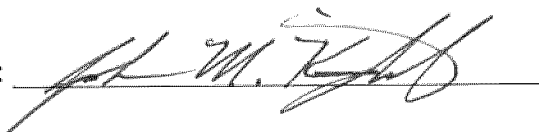
PASSED AND APPROVED this the 1<sup>st</sup> day of April, 2014.

  
\_\_\_\_\_  
MARK A. BURROUGHS, MAYOR

ATTEST:  
JENNIFER WALTERS, CITY SECRETARY

BY:   
\_\_\_\_\_  
APPROVED AS TO LEGAL FORM:

ANITA BURGESS, CITY ATTORNEY

BY:   
\_\_\_\_\_

## **Public Improvement District (PID) Guidelines Mixed-Use or Residential PIDs**

The Public Improvement District (PID) Assessment Act (the “Act”) allows a city to levy and collect special assessments on property that is within the city or within the city’s extraterritorial jurisdiction (ETJ) to make certain improvements as authorized by the Act to the infrastructure to facilitate economic growth within an area. The following guidelines are intended to aid the City Council in determining if the creation of a PID is financially feasible, practical and in the best interest of the citizens of Denton. This document does not require the City Council to participate in PIDs, nor does it prevent the City Council from establishing PIDs with elements that vary from these guidelines.

### **Section I - Policy Statement**

The City Council reserves the right to consider PID applications on a case-by-case basis. Projects that bring a unique, high quality *desired product* to the City of Denton, and such uniqueness or high quality could not be created unless PID funding is available, may be considered. Consideration will be given to developments that provide the types of development that diversify and enhance the tax base.

*Desired product* is defined as a high quality mixed-use development that does not exist within the City of Denton (or is limited) at the time the PID application is presented. The development must promote the policy of the Denton Plan. Elements of the development may include:

- The development should exceed Denton Development Code standards in a combination of areas. Examples might be:
  - Park land/development
  - Architectural design
  - A high quality in building materials not seen in other developments
  - Lot sizes that exceed the average lot size in Denton
  - A higher quality of amenities not provided in other developments in Denton
- The development provides a significant impact in the quality of residential units on the community. PIDs may also be considered for redevelopment areas such as downtown.
- Developments of significant size should have a commercial component that provides services and products that serve the needs of the neighborhood, i.e., cleaners, pharmacy, bank, etc.
- The development must have a cohesive theme throughout that identifies the unique nature of the project.
- Amenities or characteristics that describe the project as unique must be clearly definable and measurable as the developer will be required to demonstrate the project has been completed as proposed.
- Ongoing operation and maintenance costs for amenities or public facilities where the costs are borne by the City of Denton (i.e., library, dedicated parks) may eliminate a project from consideration.

## **Section 2 - Eligible expenditures**

Public amenities and facilities must be available to all City of Denton citizens. Some or all of the following list of improvements may be financed through PID funds; however, the City Council reserves the right to consider each project on a case-by-case basis and will determine the appropriate improvements applicable to any project.

- Water, wastewater, health and sanitation, or drainage improvements (including acquisition, construction, or improvements of water, wastewater or drainage improvements);
- Street and sidewalk improvements (acquiring, constructing, improving, widening, narrowing, closing or rerouting sidewalks, streets or any other roadways or their right-of-way);
- Mass transit improvements (acquisition, construction, improvement or rerouting of mass transportation facilities);
- Parking improvements (acquisition, construction or improvement of off-street parking facilities);
- Library improvements (acquisition, construction or improvement of libraries);
- Park, recreation and cultural improvements (the establishment or improvement of parks);
- Landscaping and other aesthetic improvements (erection of fountains, distinctive lighting and signs);
- Art installation (acquisition and installation of pieces of art);
- Creation of pedestrian malls (construction or improvements of pedestrian malls)
- Similar improvements (projects similar to those listed above);
- Supplemental safety services, including public safety and security services;
- Supplemental business-related services for the improvement of the district, including advertising and business recruitment and development.

## **Section 3 - Funding/Reimbursement of Costs**

The City Council may consider one of three options to reimburse public improvement districts for eligible costs. The City Council will review each development on a case-by-case basis to determine the appropriate funding option.

- Funding Option 1 - Pay As You Go. Under this option, the assessed funds are disbursed annually in an amount that does not exceed the expenditures incurred for eligible project costs. No bonds secured by PID assessments shall be sold. Although this option is used most frequently for maintenance projects, the City Council may consider the Pay As You Go Option for any project. The term for Pay As You Go PIDs may not exceed 30 years for capital expenditures. Operation and Maintenance PIDs may be ongoing.
- Reimbursement Option 2 – Revenue Bond Sales After Construction. Under this option, the City Council may approve the sale of bonds secured solely with PID assessments to reimburse eligible costs once a minimum of 50% of the planned residential/commercial construction is at full completed value. If the project is built in phases, bonds may be sold for each phase. The comparative size of each phase must be acceptable to the City. A minimum of 50% of the planned residential/commercial development of each phase must be constructed and accepted by the City of Denton at full completed value before bonds may be sold. Financial security of the developer and feasibility of the project will

be reviewed by the City's financial advisors and bond counsel to ensure viability of the project and that PID assessment funds are sufficient to retire the bond debt. The minimum percentage of completion may be reduced if the City believes the financial feasibility report justifies the reduction in completion percentage. The term may not exceed 30 years for capital expenditures. Operation and Maintenance PIDs may be ongoing.

- C. Financing Option 3 – Revenue Bond Sale for Construction Financing. Under this option, the City Council may approve the sale of bonds secured solely with PID assessments to finance construction with a maximum appraised value to lien ratio of 3:1 at each bond issue. If the project is built in phases, bonds may be sold for each phase. Financial security of the developer and feasibility of the project will be reviewed by the City's financial advisors and bond counsel to ensure viability of the project and that PID assessment funds are sufficient to retire bond debt. The term may not exceed 30 years for capital expenditures, and the maximum number of years of capitalized interest will not exceed two years for each bond issue.

#### **Section 4 - Assessment Cap**

The City Council must consider an assessment amount at the time a PID is created. Assessments should not exceed \$0.40 per \$100 valuation regardless of whether the project is within the City limits or the City's ETJ. The assessment may be less than \$0.40, and the City Council may even consider an amount higher than the recommended \$0.40 cap if they believe it is in the best interest of the community.

#### **Section 5 - PID Petition/Documentation**

Developers requesting a PID are required to submit a completed PID petition/application to the Economic Development Partnership Board (EDPB). The EDPB will review the proposal and make recommendation to City Council. The application will provide the following:

- A. Description of the development that clearly defines the elements of the project that exceed the Denton Development Code and how those elements of the project will be measured.
- B. Documentation that the project provides a desired product that is not available or is limited within the city limits or the ETJ.
- C. Detailed project financials and developer financial information to ensure the viability of the company. If the developer has participated in previous PIDs, success of previous PIDs must be demonstrated.
- D. Developers must declare whether they will hold ownership of the residential property within the development or sell sections/lots to builders, and the proposed timing of the sale of such sections/lots.
- E. Sample documentation to be provided at the time of sale that clearly discloses the existence of the PID, the amount of the assessment, options for payment, and liability to owner should assessment become delinquent.
- F. Project financial documents must include payment for City of Denton administrative costs.
- G. Project financial documents must declare the party responsible for maintenance of the improvements and describe how maintenance will be funded. If an element of the PID

funds operation and maintenance, a list of improvements supported by PID funds must be provided.

- H. Project financial documents must include payment for administrative and reasonable legal costs that may be incurred by the City to foreclose on any property within the project for non-payment of PID assessment.

#### **Section 6 – Administrative Costs**

The PID documentation must provide for the reimbursement of the City's on-going administrative and legal costs relative to reviewing, preparing, auditing the feasibility report, preliminary costs estimates, five-year service and assessment plan and assessment roll, and costs relating to foreclosures, etc.

A \$2,500 deposit must accompany all PID applications to be applied toward administrative costs related to the processing and review of the application, which may include staff time, public notices, etc. The City will track costs and refund any excess monies once the PID has been established or denied. The applicant will be required to cover all related costs; therefore, it may be necessary for applicants to provide additional funds.