

CITY OF BURLESON

PUBLIC IMPROVEMENT DISTRICT POLICY

OVERVIEW

Pursuant to the Texas Local Government Code Chapter 372 (the “PID Act”), Public Improvement Districts (“PIDs”) provide the City of Burleson (the “City”) an economic development tool that permits the financing of qualified public improvement costs that confer a special benefit on a definable part of the City, including both its corporate limits and its extra-territorial jurisdiction (ETJ). A PID can finance capital costs and fund supplemental services to meet community needs which could not otherwise be constructed or provided. The costs of the capital improvements and/or supplemental services are paid entirely by property owners within the Public Improvement District that receive special benefits from the capital improvements or services. A PID may only be used to pay for qualified public improvements under the PID Act.

A PID is a defined area of properties, whose owners have petitioned the City to form a PID. The City Council establishes a PID by adoption of a resolution after a public hearing. The public hearing is publicized per the PID Act and written notification of the hearing is mailed to all property owners in the proposed PID. By petition, the owners pledge to pay an assessment in order to receive a special benefit, enhanced services and/or improvements within the PID.

PURPOSE AND INTENT

The purpose and intent of this Policy is to provide the policy guidelines for establishment and use of PIDs within the City or its ETJ. The City Council supports the use of PIDs to create sustainable developments with a higher level of public amenities and improvements than exists in a development that meets the City’s minimum standards. Within the City, PIDs should be self-supporting, should not place administrative burdens on the City nor involve management or oversight by the City for their daily activities. This Policy is intended to provide guidance to developers and City Staff in the creation of a PID and outline pertinent matters including but not limited to petition requirements, qualified costs, financing criteria, information disclosures to property owners, and the determination of annual plans of services, budgets and assessments. The City Council, upon City Staff recommendation, shall have the authority to establish PIDs that vary from this policy as long as they are in accordance with State law.

PID OBJECTIVES

The Texas Local Government Code allows for PID funds to be used, among others, in the construction of roadways, water, wastewater, drainage, landscaping, parks, and expenses incurred in the establishment, administration and operation of the PID. Generally, PID amenities are public in nature, however PIDs can potentially be used to offset the cost of public infrastructure if it results in a development that meets one or more of the components below.:

1. Meet or preferably enhance the City’s master plan, thoroughfare plan, water and wastewater plans;
2. Advance the City’s trail and park plans;
3. Meet the City’s requirements for design, building standards, amenities and landscaping;
4. May be of mixed residential and commercial use;

5. Accomplish a particular housing objective or goal established by City Council;
6. Are master-planned residential communities;
7. Are within the ETJ that meet the above qualifications provided the property owners agree to submit a petition for voluntary annexation into the City, if the City desires such annexation.

The City Council, upon City Staff recommendation, shall have the authority to consider other projects that may be different from those listed above in accordance with the applicable State law.

GENERAL

1. A PID may be created and utilized to construct qualified public improvements and/or reimburse a developer's actual, documented costs above and beyond the costs for standard infrastructure required to serve the development. Such incremental costs shall be associated with the construction of qualified public improvements.
2. PIDs must be self-sufficient and not require the City to incur any costs associated with the formation of the PID, bond issuance costs, PID administration or the construction of PID improvements.
3. PID petition signatures should reflect that a reasonable attempt was made to obtain the full support of the PID by the majority of the property owners located within the proposed PID. Priority will be given to PIDs with the support of 100% of the landowners within a PID.
4. Priority will be given to developments seeking the creation of a PID:
 - a. In support of development that will generate greater economic development benefits to the City beyond the project;
 - b. That provide enhanced aesthetic features (e.g., entryways, landscaping, fountains, specialty lighting, art, decorative and landscaped streets and sidewalks, bike lanes, multi-use trails, signage); and,
 - c. That provide enhanced amenities for the public and/or residents of the development .
5. A PID's budget shall include sufficient funds to pay for all additional costs incurred by the City above its normal operational costs, including additional administrative and/or operational costs.
6. If it is proposed that debt obligations secured by and payable from assessments are to be issued to reimburse for authorized improvements that a developer would ordinarily fund at its own costs, the petition must demonstrate how creation of the PID and financing of the infrastructure provides a special benefit to the property that, but for the PID, would not occur. Examples of "special benefits" under which the City is willing to consider a PID include, but are not limited to, the following: accelerated development of neighborhood amenities, high quality development (i.e. amenities, sustainability, etc.) or furtherance of a major City Policy objective.

ESTABLISHMENT OF PID

Following is a summary of the major steps involved in the establishment of a PID. Detailed steps are included in Attachment A.

Professional Services Reimbursement Agreement

If the City determines it is in its best interest to establish a PID, a Professional Services Agreement (PSA) will be entered into with the developer (template attached as Attachment B). The PSA will require the developer to initially deposit funds to pay for third-party consultants including, but not limited to, Bond Counsel, Financial Advisor, PID Administrator, Appraiser, and Market Study Analysis. Additional deposits will be required when the deposit balance meets a minimum threshold as described below. Funds that have been expended for payment to the City's consultants are non-refundable. The unused balance will be rolled into the PID admin costs for the creation of the PID, or refunded to Developer depending on circumstances.

- Initial Amount is \$7,500 with additional \$10,000 increments when deposit balance reaches \$2,500.

Assessment

The Council should weigh the cost of the proposed assessment against the amenities being provided to the residents of the development and the city overall.

Disclosure to Homeowners

To satisfy disclosure to homeowners, the City will require the petitioner to comply with the following:

- Landowner's Agreement to be recorded in the Official Public Records of the applicable County.
- Signage at major entryways and exits as approved by City Staff. All signage shall be clearly visible to all motorists entering and exiting the PID.
- Signage and information flyers for use at sales offices and model homes as provided by City's PID Administrator.
- Homebuyer disclosure documents in accordance with Section 5.014 of the Texas Property Code to be signed both at contract signing and at closing with such agreements maintained on file by each homebuilder and available for inspection by the City.
- Requirement to provide notice of the PID to builders in addendum to contracts and to disclose the PID on any MLS listing.

PID Administration

1. The City may contract with a qualified third-party company to manage and administer the PID, subject to oversight by City Staff.
2. The PID Administrator will coordinate the annual development of the budget, which will be submitted to the City Council for consideration in accordance with the PID Act.

Collection of Assessments

The City will enter into an agreement, as applicable, with the appropriate tax collecting entity (i.e. the entity collecting the City ad valorem taxes) to include the annual assessments on the appropriate property tax bill. If such agreement is not feasible, the City will pursue other available alternatives for collecting the assessments and annual installments.

Other Financing Considerations

1. PID Bonds may be issued in advance of construction as a whole or on a phase-by-phase basis subject to compliance with the applicable standards.
2. General Obligation or Certificates of Obligation will not be utilized by the City to fund or support the PID Bonds.
3. All proposed initial and subsequent PID Bond issues for a project, if any, will be subject to approval by the City Council.
4. The City shall not be obligated to provide funds for any improvement except from the proceeds of the PID Bonds and assessments.
5. Each PID Bond Indenture will contain language explicitly precluding the City from making any debt service payments for the PID Bonds other than from available assessment revenues. There will be no tax pledge from the City to support PID Bonds.

Developer Reimbursement

1. The Developer will submit expenses for reimbursements in accordance with the requirements of the applicable financing agreement.
2. The City's appointed designee(s) will verify the eligibility and validity of such reimbursement requests in accordance with the applicable agreements and/or PID documents.
3. Once expenses have been verified, payment will be processed within the timeframe stipulated in the applicable agreements and/or PID documents.

Assessment Term/Bond Term

The maximum term of a Capital PID assessment is not to exceed 30 years and the assessment term must equal the bond term. This does not apply to O&M PIDs.

Miscellaneous

1. Severability: If any section, subsection, sentence, clause, phrase, or word of this Policy is declared unconstitutional or invalid for any purpose, the remainder of this Policy shall not be affected.
2. Any exceptions or waivers to this Policy must be approved by the City Council.
3. The City shall, upon reasonable prior written notice to the Developer and during normal business hours, have the right to audit and inspect the Developer's records, books, and all other relevant records related to reimbursements through the PID. All parties agree to maintain the appropriate

confidentiality of such records, unless disclosure of such records and information shall be required by a court order, a lawfully issued subpoena, State Law, municipal ordinance, or at the direction of the Office of the Texas Attorney General.

ATTACHMENT A
Public Improvement District (PID)
Process

TASK	PARTY RESPONSIBLE
PRELIMINARY PHASE	
Developer to meet with City staff to discuss proposed development and PID elements	CS/DEV/DE potential
City staff will coordinate with PID Administrator to determine PID	CS/MC feasibility
Developer executes Professional Services Agreement	CS/MC/DEV
Developer pays initial PID Administration costs to the City	CS/DEV
PHASE I PLAN OF FINANCE	
Preparation of PID bond projections and feasibility analysis:	
Prepare and distribute draft PID projections	MC
Conference call to discuss projections	MC/DEV
Prepare and distribute updated PID projections	MC
Conference call to discuss projections	MC/DEV
Revise and distribute final PID projections	MC
Preparation of Preliminary Service and Assessment Plan (SAP):	
Draft assessment methodology	MC
Conference call to discuss assessment methodology	MC/DEV
Revise assessment methodology and prepare assessment roll	MC
Conference call to finalize content of Preliminary SAP	MC/DEV
PHASE II GOVERNMENT APPROVAL¹	
Public Improvement District (PID)	
Draft Development Agreement	DC
Conference call to discuss Development Agreement	DC/CA
Finalize Development Agreement	DC/CA

Adopt Development Agreement	CS/City Council
Draft PID creation petition	DC/MC
File PID creation petition	Developer
Hold public hearing on PID creation	City Council
Draft resolution creating PID	DC/CA
Adopt resolution creating PID	City Council
Generate Opinion of Probable Costs	DEV/DE
Draft Service and Assessment Plan (SAP) and prepare assessment roll	MC
Public hearing on resolution determining Opinion of Probable Costs with Preliminary SAP & sets levy and assessments hearing date	CS/City Council
Filing of proposed Assessment Roll	DC/City Secretary
Publish Notice of Levy and Assessment Hearing in newspaper	City
Mail Notice of Levy and Assessment Hearing to all property owners in the proposed PID	City
Considers adoption of resolution approving the distribution of the Preliminary Official Statement	CS/City Council/CA/BC
Public hearing on proposed Levy and Assessment	CS/City Council
Discussion on, and adoption of, the Construction, Funding and Acquisition Agreements	CS/City Council/CA/BC
Discussion of, and adoption of, Bond Ordinances and Final Offering Statements	CS/City Council/CA/BC
Posting of Final Official Statements	UW

Tax Increment Reinvestment Zone (TIRZ) (as applicable)

Draft resolution setting public hearing to create a TIRZ	CA
Adopt resolution setting public hearing to create a TIRZ to encompass the PID property	City Council
Publish Notice for Hearing on TIRZ creation in newspaper	City
Public hearing on advisability of TIRZ creation	City Council
Draft TIRZ Preliminary Project and Finance Plan	MC
Draft ordinance creating TIRZ	CA/CS
Adopt ordinance creating TIRZ	City Council

PHASE III ISSUANCE OF BONDS

Prepare first draft of market study	MA
Meeting to discuss market study	MA, DD

Prepare second draft of market study	MA
Conference call to discuss second draft of market study	MA, DD
Prepare final market study	MA

Opinion of Probable Cost

Prepare opinion of probable cost	DE
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Appraisal²

Select appraiser	DEV/UW
Send letter of instructions to appraiser	UW
Prepare first draft of appraisal	APP
Meeting to discuss appraisal	APP, DD
Prepare second draft of appraisal	APP
Conference call to discuss second draft of appraisal	APP, DD
Prepare final appraisal	APP

Assessed Value and Tax Increment Report

Start preparation of report on assessed value and tax increment projections	MC
Prepare first draft of report	MC
Meeting to discuss report	MC, DD
Prepare second draft of report	MC
Conference call to discuss second draft of report	MC, DD
Prepare final report on assessed value and tax increment revenues	MC

Preparation of bond documents

Prepare first draft of trust indenture	BC
Conference call to review trust indenture	Team
Prepare second draft of trust indenture	BC
Prepare first draft of construction, acquisition, and funding agreement	DC/BC/CA
Meeting to review documents	Team
Select trustee	City/BC/UW
Prepare third draft of trust indenture and second draft of funding agreement	Team
Conference call to review documents	Team

Receive comments from trustee on trust indenture	Team
Prepare fourth draft of trust indenture and third draft of funding agreement	BC/DC
Prepare form of legal opinions and other documents	DC/BC/CA
Conference call to review documents	Team
Final revisions to documents	BC/DC

Marketing and closing of bond issue

Prepare first draft of preliminary offering statement (POS)	UC
Conference call to review first draft of POS	Team
Prepare second draft of POS and first draft of bond purchase agreement	UC (BPA)
Conference call to review second draft of POS and BPA	Team
Send term sheet to potential investors and prepare short list of target investors	UW
Preparation of final POS and BPA	UC
Print POS	UW
Mail POS to potential investors	UW
Site visit with potential investors	Team/INV
Price bonds	UW
Levy Assessment	City Council
Prepare final offering statement	Team
Bond closing	Team

¹PID and TIRZ governmental approval process can progress concurrently.

²Depending on quality of market section and underwriter, a market study may need to be prepared in addition to the appraisal.

BC - Bond counsel

CA - City attorney

CS - City staff

DC - Developer's counsel

DEV - Developer

DE - Developer Engineer

DD - Due diligence sub-committee includes the underwriter, underwriter's counsel and others as needed.

ENG - Developer's engineer

INV - Investor

MA - Market consultant

MC - MuniCap

UW - Underwriter

UC - Underwriter's counsel

ATTACHMENT B
PROFESSIONAL SERVICES AGREEMENT (PSA)
[COMPANY LOGO]

[Date]

[CONTACT]

[DEVELOPER ENTITY]

[STREET NUMBER & NAME]

[SUITE]

[CITY] [STATE] [ZIP]

RE: Payment Structure for [CONSULTANT NAME] [CONSULTANT'S SERVICES]

Dear [CONTACT]:

[CONSULTANT NAME] is the PID Administrator for the City of Burleson (the "City") for special assessment and tax increment reinvestment zone financing. The City has requested [CONSULTANT NAME] provide _____ (the "Developer") with assistance in preparing [CONSULTANT'S SERVICES] for a proposed Public Improvement District (PID) [*and/or Tax Increment Reinvestment Zone (TIRZ)**] for evaluation by the City.

[CONSULTANT NAME] will not be able to work under contract with or represent the Developer, as it is already under contract with the City. The [CONSULTANT'S SERVICES] to be prepared by [CONSULTANT NAME] will evaluate the potential use of a PID [*and TIRZ**] in conformance with the City's guidelines for special assessment and tax increment reinvestment zone financing.

The City's guidelines for special assessment [*and tax increment reinvestment zone**] financing require that developers directly cover the costs of efforts related to a PID and TIRZ prior to the approval of the PID [*and TIRZ**] by the City Council. Accordingly, the costs of [CONSULTANT NAME] efforts as provided for in this letter are to be paid by the Developer by providing the City with an initial deposit of \$7,500 to be held in an account and used to pay [CONSULTANT NAME] for services described in this letter. Funds will be replenished in accordance with the City's PID Policy as follows:

- Capital PIDs: additional \$10,000 increments will be deposited whenever the balance reaches \$2,500
- O&M PIDs: additional \$5,000 will be deposited whenever the balance reaches \$1,500

The City will pay [CONSULTANT NAME] for work provided in accordance with the Agreement for Administrative Services. All funds are non-refundable. In addition to the funds being used to pay [CONSULTANT NAME], they will also be used to pay any other city costs associated with the PID including, but not limited to, the City's Bond Counsel, Financial Advisor, PID Administrator, Appraiser, and Market Study Analysis. The funds may also be used to pay city staff time in excess of time which would be considered customary and usual for a typical development.

ATTACHMENT B
PROFESSIONAL SERVICES AGREEMENT (PSA)
[COMPANY LOGO]

Work under this letter will only be performed at the request of and with the direction of the Developer. [CONSULTANT NAME] is providing these services under contract with the City of Burleson and, by contract, is obligated to serve the City's best interests. By signing below, Developer recognizes that the formation of the PID [*and/or TIRZ**] is at the City's discretion. The payment of the deposit for administrative services or any other preliminary documentation does not obligate the City to the formation of a PID [*and/or TIRZ**]. Developer is encouraged to read the City's PID Policy and Chapter 372 of the Texas Local Government Code (the "PID" Act) to become familiar with the policies, laws and procedures that will be used in the evaluation and creation of a PID [*and/or TIRZ**].

[CONSULTANT NAME]

By:_____

[NAME]

[TITLE]

[DEVELOPER ENTITY]

By:_____

[CONTACT]

[TITLE]

*Inclusion of TIRZ funding in the project will be evaluated and included at the discretion of the City.

ATTACHMENT B
PROFESSIONAL SERVICES AGREEMENT (PSA)
[COMPANY LOGO]

City of Burleson

By: _____

Mandy Clark

Development Services Director

Attachment: Exhibit A

ATTACHMENT C
PETITION REQUIREMENTS

In accordance with the PID Act, the petition must state:

1. The general nature of the proposed improvements;
2. The estimated cost of the improvements;
3. The boundaries of the proposed assessment district;
4. The proposed method of assessment, which may specify included or excluded classes of assessable property;
5. The proposed apportionment of costs between the PID and the municipality or county as a whole;
6. Whether the PID will be managed by the municipality or county, by the private sector, or by a partnership of the two;
7. That the persons signing the petition request or concur with the establishment of the PID; and
8. That an advisory body may be established to develop and recommend an improvement plan to the governing body of the municipality or county.

Additional requirements include:

1. PID petitions shall include this additional note: "With respect to community property, the City may accept the signature of a spouse as a representation of both spouses that they support the creation or renewal of the PID absent a separate property agreement. However, if City staff is made aware of any disagreement among owners of community property, those petitions will not be counted."
2. Signatures for PID petitions must be gathered not more than six months preceding submittal of the PID Application.

For a PID to be established, a petition shall include the following:

1. Evidence that the petition's signatures meet the state law requirements, or the petition must be accompanied by a reasonable fee to cover the City's costs of signature verification. If the proposed district is an expansion of an existing district, a petition for the new portion of the district must identify each subdivision, or portion thereof, within the proposed boundaries of the new district, and each subdivision or portion thereof, that is not currently in an existing PID shall individually satisfy the requirements for a petition under Section 372.005 of the PID Act. Subdivision has the meaning assigned by Section 232.021 of the Texas Local Government Code.
2. Map of the area, a legal description of the boundaries of the district for the legal notices and a "commonly known" description of the area to be included in the district.

3. Statement that the petitioners understand that the annual budget for the PID is subject to review by City staff with final approval by the City Council.

ATTACHMENT D
PETITION TEMPLATE

**PETITION FOR THE CREATION OF A PUBLIC IMPROVEMENT DISTRICT WITHIN
THE CITY OF _____, TEXAS FOR THE _____ PUBLIC
IMPROVEMENT DISTRICT**

This petition ("Petition") is submitted and filed with the City Secretary of the City of _____, Texas ("City"), by _____, a _____, owner of a majority of the real property (the "Petitioner") located within the proposed boundaries of the District, as hereinafter defined. Acting pursuant to the provisions of Chapter 372, Texas Local Government Code, as amended (the "Act"), the Petitioner requests that the City create a public improvement district (the "District"), to include property located within the City limits of the City (the "Property"), more particularly described by a metes and bounds description in **Exhibit A** and depicted in **Exhibit B**. In support of this Petition, the Petitioner would present the following:

Section 1. General Nature of the Authorized Improvements. The general nature of the proposed public improvements (collectively, the "Authorized Improvements") may include: (i) street and roadway improvements, including related sidewalks, drainage, utility relocation, signalization, landscaping, lighting, signage, off-street parking and right-of-way; (ii) establishment or improvement of parks and open space, together with the design, construction and maintenance of any ancillary structures, features or amenities such as trails, playgrounds, walkways, lighting and any similar items located therein; (iii) sidewalks and landscaping, including entry monuments and features, fountains, lighting and signage; (iv) acquisition, construction, and improvement of water, wastewater and drainage improvements and facilities; (v) projects similar to those listed in subsections (i) - (iv) above authorized by the Act, including similar off-site projects that provide a benefit to the property within the District; (vi) special supplemental services for improvement and promotion of the District; (vii) payment of costs associated with operating and maintaining the public improvements listed in subparagraphs (i) - (vii) above; and (viii) payment of costs associated with developing and financing the public improvements listed in subparagraphs (i) - (vii) above, and costs of establishing, administering and operating the District. These Authorized Improvements shall promote the interests of the City and confer a special benefit upon the Property.

Section 2. Estimated Cost of the Authorized Improvements. The estimated cost to design, acquire, and construct the Authorized Improvements, together with bond issuance costs, eligible legal and financial fees, eligible credit enhancement costs and eligible costs incurred in the establishment, administration, and operation of the District is \$_____.00. The City will pay none of the costs of the proposed improvements from funds other than such assessments. The remaining costs of the proposed improvements will be paid from sources other than the City or assessments of property owners.

Section 3. Boundaries of the Proposed District. The District is proposed to include the Property as shown in Attachment A.

Section 4. Proposed Method of Assessment. The City shall levy assessments on each parcel within the District in a manner that results in imposing equal shares of the costs on property similarly benefited. All assessments may be paid in full at any time (including interest and principal), and certain assessments may be paid in annual installments {including interest and principal). If an assessment is allowed to be paid in installments, then the installments must be paid in amounts necessary to meet annual costs for those Authorized Improvements financed by the assessment, and must continue for a period necessary to retire the indebtedness of those Authorized Improvements (including interest).

Section 5. Proposed Apportionment of Costs between the District and the City. The City will not be obligated to provide any funds to finance the Authorized Improvements, other than from assessments levied on the District, and possible tax increment reinvestment zone revenue. No municipal property in the public improvement district shall be assessed. The Petitioner may also pay certain costs of the improvements from other funds available to the Petitioner.

Section 6. Management of the District. The Petitioner proposes that the District be managed by the City, with the assistance of a consultant, who shall, from time to time, advise the City regarding certain operations of the District.

Section 7. The Petitioner Requests Establishment of the District. The person signing this Petition requests the establishment of the District, is duly authorized, and has the corporate authority to execute and deliver the Petition.

Section 8. Advisory Board. The Petitioner proposes that the District be established and managed without the creation of an advisory board. If an advisory board is created, the Petitioner requests that a representative of the Petitioner be appointed to the advisory board.

Section 9. Landowner(s). This Petition has been signed by (1) the owners of taxable real property representing more than 50 percent of the appraised value of taxable real property liable for assessment under the proposal, as determined by the current roll of the appraisal district in which the property is located; and (2) record owners of real property liable for assessment under the proposal who: (A) constitute more than 50 percent of all record owners of property that is liable for assessment under the proposal; or (B) own taxable real property that constitutes more than 50 percent of the area of all taxable real property that is liable for assessment under the proposal.

This Petition is hereby filed with the City Secretary of the City, or other officer performing the functions of the municipal secretary, in support of the creation of the District by the City Council of the City as herein provided. The undersigned request that the City Council of the City call a public hearing on the advisability of the Authorized Improvements, give notice thereof as provided by law and grant all matters requested in this Petition and grant such other relief, in law or in equity, to which Petitioner may show itself to be entitled.

RESPECTFULLY SUBMITTED, on this _____day of November, 2017.

OWNER:

, a Texas _____

By: Company Name

By

Name:

Its:

**EXHIBIT A Metes
and Bounds**

EXHIBIT B

Property Depiction