Council Meeting Date: **October 21, 2025**

AGENDA ITEM COVER SHEET

SUBJECT:

1. Public hearing, consideration and possible action with respect to an "Ordinance Levying Special Assessments For, And Apportioning the Costs of, Certain Improvements to Property in and for The Heritage Public Improvement District Improvement Area #3A and Improvement Area #3B; Fixing a Charge and Lien Against All Properties Within Improvement Area #3A and Improvement Area #3B of the District, and the Owners Thereof; Providing for the Manner and Method of Collection of such Assessments; Providing for Penalties and Interest on Delinquent Assessments; Making a Finding of Special Benefit to Property in the District and the Real and True Owners Thereof; Approving a Service and Assessment Plan; Providing a Severability Clause; and Providing an Effective Date"
2. Consideration and possible action with respect to an "An Ordinance Authorizing the Issuance of the "City of Dripping Springs, Texas Special Assessment Revenue Bonds, Series 2025 (Heritage Public Improvement District Improvement Area #3A and Improvement Area #3B Project)"; Approving and Authorizing an Indenture of Trust, a Bond Purchase Agreement, an Offering Memorandum, a Continuing Disclosure Agreement and Other Agreements and Documents in Connection Therewith; Making Findings with Respect to the Issuance of Such Bonds; and Providing an Effective Date"

ITEM SUMMARY/SPECIAL CONSIDERATIONS:

On November 14, 2017, the Council adopted Resolution No. 2017-74 authorizing the creation of the Heritage Public Improvement District (the "PID") after a public hearing in accordance with Chapter 372, Texas Local Government Code, as amended (the "PID Act"). The PID is expected to be developed in phases. The area designated as "Improvement Area #3" within the District ("Improvement Area #3") is the next phase of development in the PID. The PID consists of approximately 188.943 acres and Improvement Area #3 includes approximately 29.78 total acres. Improvement Area #3 consists of Improvement Area #3A and Improvement Area #3B. Improvement Area #3A is expected to include approximately 97 single-family lots and Improvement Area #3B is expected to include approximately 67 single-family lots. The future improvement areas are expected to include approximately 113 single-family lots and approximately 105 multifamily units. The City is authorized by the PID Act to issue revenue bonds payable from the Assessments levied within Improvement Area #3A and Improvement Area #3B (the "Improvement Area #3A Assessments" and the "Improvement Area #3B Assessments," respectively, and collectively, the "Assessments") for the purpose of paying a portion of the actual costs of the authorized improvements constructed for the benefit of property within Improvement Area #3A and Improvement Area #3B of the PID.

On October 7, 2025, the City approved Resolution No. 2025-R-37 as well as the Preliminary Service and Assessment Plan (the "PSAP") prepared, on behalf of the City, by P3 Works, LLC ("P3"). The PSAP included a description of the proposed Authorized Improvements, determined the cost of those improvements, and included a proposed Improvement Area #3A Assessment Roll and Improvement Area #3A Assessment Roll. Pursuant to the PID Act, the proposed Improvement Area #3A Assessment Roll and Improvement Area #3A Assessment Roll and service and assessment plan were filed with the City Secretary and the statutory notice of the public hearing to be held by the City Council on October 21, 2025 was published on October 8, 2025, advising that the City Council would consider the levy of the Improvement Area #3A Assessments and the Improvement Area #3B Assessments, on real property within Improvement Area #3 of the PID. The City Secretary, pursuant to the PID Act, additionally mailed notice of the public hearing to consider the proposed Improvement Area #3A Assessment Roll and Improvement Area #3A Assessment Roll and the Amended and Restated Service and Assessment Plan ("SAP") and the levy of the Assessments on property within Improvement Area #3 of the District to the owners of the property liable for the Assessments.

Prior to Council's approval of the attached Assessment Ordinance, the Council will hold a public hearing to consider the levy of assessments on property within Improvement Area #3A and Improvement Area #3B within the PID, at which any and all persons may appear and be given the opportunity to contend for or contest the Improvement Area #3A Assessment Roll, the Improvement Area #3B Assessment Roll, and the proposed Assessments. If the Council finds and determines that the SAP, which includes the Improvement Area #3A Assessment Roll and the Improvement Area #3B Assessment Roll, should be approved and that the Assessments should be levied, the Council may close the public hearing and proceed with the adoption of the Assessment Ordinance in conformity with the PID Act.

The attached Assessment Ordinance approves the SAP (attached as Exhibit A) and adopts the SAP as the service plan and assessment plan for Improvement Area #3 and the District, includes certain findings of the Council with respect to the Improvement Area #3 Projects and the Assessments, and levies the Assessments against property within Improvement Area #3 as shown in the SAP, all in accordance with the PID Act. The Assessment Ordinance also directs the City Secretary to file the Assessment Ordinance and SAP with the Hays County Clerk, as required under the PID Act.

The attached ordinance (the "Bond Ordinance") authorizes the issuance and sale of the PID Bonds and approves the attached Indenture of Trust, Bond Purchase Agreement, and Continuing Disclosure Agreement of the City. The Indenture of Trust will be entered into by and between the City and Wilmington Trust, National Association (the "Trustee") whereby the City will pledge and grant to the Trustee for the benefit of the bondholders a security interest in the Trust Estate, which consists primarily of the Assessments. The PID Bonds are special, limited obligations of the City that are payable only from Assessments and related funds as described in the Indenture of Trust, and the City has no obligation to pay the PID Bonds out of any other sources. The Indenture of Trust additionally creates the Pledged Revenue Fund, Project Collection Fund, Bond Fund, Project Fund, Reserve Fund, and Administrative Fund, all of which will be held by the Trustee. The Bond Purchase Agreement will be entered into by and between the City and the Underwriter, whereby the Underwriter agrees to purchase the PID Bonds from the City, and the City agrees to sell and deliver the PID Bonds to the Underwriter subject to the terms and conditions set forth in the Bond Purchase Agreement. The Continuing Disclosure Agreement of the City will be executed by and between the City, P3Works, LLC (the "PID Administrator"), and Wilmington Trust, National Association, as the dissemination agent, for the benefit of the bondholders. The Continuing Disclosure Agreement requires the City to provide certain financial and operating data to the Municipal Securities Rulemaking Board on an annual basis.

Attached to the Bond Ordinance is a copy of the Indenture of Trust, the Bond Purchase Agreement, and the City's Continuing Disclosure Agreement related to the issuance of the PID Bonds. The attachments will be completed and finalized after the sale is finalized. The form and substance of the final Limited Offering Memorandum (the "Offering Memorandum"), which is substantially similar to the form and substance of the PLOM and will be finalized after the sale of the PID Bonds, is also approved and adopted pursuant to the Bond Ordinance.

The PID Bonds will be utilized to reimburse M/I Homes of Austin, LLC (the "Developer") for eligible improvements within Improvement Area #3 of the PID. The PID Bonds will never constitute an indebtedness or general obligation of the City but are special obligations of the City payable solely from the Assessments on property within Improvement Area #3 of the PID. Repayment of the PID Bonds is contingent on owners of land within Improvement Area #3 of the PID making the annual installment payments to generate assessment revenue. The City has no legal or moral obligation to repay the PID Bonds from any other source other than the pledged revenues, as set forth in the Indenture of Trust.

COMMENTS

The PID Bonds are currently anticipated to close on November 18, 2025.

ATTACHMENTS:
Assessment Ordinance
Bond Ordinance