GLEN ROSE

Somervell County, Texas

PID &

TIRZ 101

City of Glen Rose Introduction to Public Improvement Districts and Tax Increment Reinvestment Zones

SEPTEMBER 8, 2026

Why Now? Growth Is Reaching Glen Rose

+11.5%

Somervell County population, 2020–2025

9,205 → 10,261

+14.5%

Hood County population, 2020–2025

61,598 → 70,501

~3,200

Glen Rose residents today

Up roughly 20% since the 2020 Census (est.)

$4B+

Texas PID bonds sold since 2019

Roughly 400 special assessment issues statewide

539

Active TIRZs across 224 Texas cities

Texas Comptroller Ch. 311 reports, 2025

2023–25

The rules changed

ETJ release, tighter tax caps, PID disclosure — see notes

Shifting Legislative Landscape

Texas cities have faced steady erosion of local control over land use, annexation, and development.

- Recent legislative changes have significantly curtailed city authority:
  - Reduction in reduced ability to annex new territory
  - ETJ opt-outs – property owners can now remove themselves from ETJ
  - Reduced control over subdivision platting standards and requirements
- **The result: Cities have fewer tools to shape how development happens around them**
- PIDs, negotiated assessment districts, and TIRZs are some of the most powerful remaining tools cities have to:
  - Finance horizontal infrastructure without increasing or burdening city-wide taxes
  - Negotiate the quality, design, and amenities of new development
  - Accelerate projects advancing the city’s comprehensive plan and capacity for serving water and sewer

PID Legal Foundation

Chapter 372, Texas Local Government Code – Authorized by state law

- **A PID (Public Improvement District) is a defined area in which the property owners fund public improvements through special assessments**
  - Assessments are levied ONLY against the property within the PID based on the benefit received – NOT a general tax
  - The assessment is a lien on the property and runs with the land
  - Can be formed in a city's corporate limits or ETJ
  - Managed by the Administrator, overseen by City legal and financial consultants and staff

- **What a PID can fund:**
  - Roadways, water, wastewater, drainage, landscaping, parks and trails, etc.
  - Establishment, administration, and operation expenses
    - Designed to stay self-supporting
  - Special revenue bonds (non-recourse to the city)

- **What a PID is NOT:**
  - Not a direct city debt – bonds are backed only by assessments, not city tax revenues
  - Not a tax – it is a benefit-based special assessment
  - Not a guarantee – the city's obligation is limited to assessment enforcement

LOCAL GOVERNMENT CODE

TITLE 12. PLANNING AND DEVELOPMENT

SUBTITLE A. MUNICIPAL PLANNING AND DEVELOPMENT

CHAPTER 372. IMPROVEMENT DISTRICTS IN MUNICIPALITIES AND COUNTIES

SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS

Also governing and influenced by Federal Tax Law, State Bond Law, Attorney General Opinions, and guidelines and directions from Public Finance Division of AG

Big Picture Considerations

- PIDs are *NOT* separate political subdivisions. The City Council is the de facto board
- Allows Cities to extend public infrastructure without burdening existing rate-payers and tax-payers
- Highly lucrative economic development tool can be useful when negotiating with developers (annexation, oversizing, amenities, etc.)
- Grows the City’s tax base without directly obligating City revenues (TIRZ, 380 Agreements, etc.)
- PIDs can be used to promote desired growth and can be a tool to work with developers in forwarding the City’s Comprehensive Plan

Why Utilize a PID?

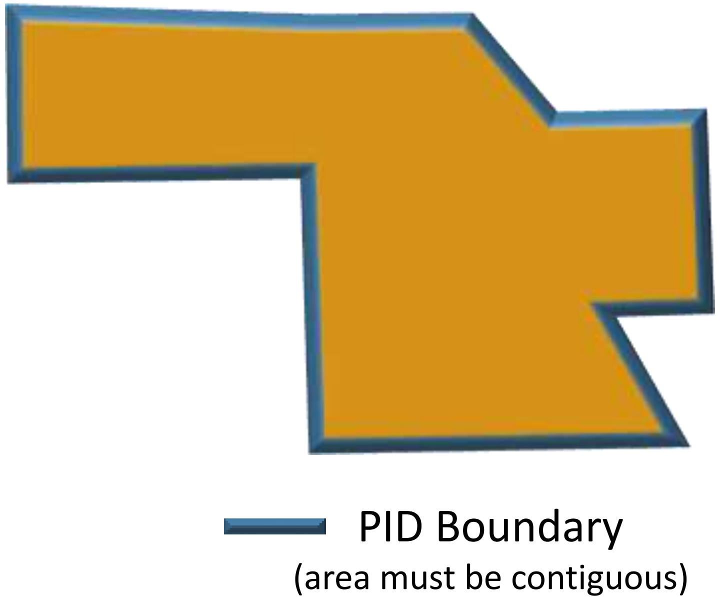
- Use PIDs as an economic development incentive tool to promote the goals of the City

- Incentivizes amenities and/or annexation by the developer, but for the creation of the PID would not normally occur
  - Superior plan, design, architecture and building materials that exceed subdivision building standards
  - Lot and residential unit size that align with the City's goal for economic growth
  - Private amenities tailored to the community

- Accelerate construction of improvements described in City's Comprehensive Plan, Thoroughfare Plan and Parks Plan

How does a PID work?

- PID is formed over a defined area in the corporate limits of the City or the City's ETJ
- Assessments are levied on property within the PID based on the benefit received from PID improvements
- Assessments can be paid in full or paid in annual installments
- The assessments are a lien that run with the land
- The Assessments are used to pay
  - Debt service on tax exempt bonds issued to fund PID improvements, or
  - Reimbursement agreement with developer, including interest
- Administrative expenses are included in the annual installment



PID Creation and Levy Overview

- Often created in accordance with a negotiated Development Agreement
  - Professional Services Agreement executed, and developer funds deposited with City to cover costs of negotiating the Development Agreement
- PID Petition submitted by property owner
- Public hearing on advisability of creating PID
- PID creation resolution approved by City Council
- Preparation of Service and Assessment Plan, PID Finance Agreement, Landowner Agreement, and bond documents (if bonds contemplated)
- Public hearing on levy of assessment
- Assessment Ordinance, Service and Assessment Plan, PID Finance Agreement, Landowner Agreement, and bond documents approved by City Council
- Typically, a 6-month process
  - If bonds are contemplated, can be longer to allow for other teams to participate
  - If a TIRZ offset is contemplated, TIRZ must be created during this timeframe.

How PIDs Work: Financing Mechanics

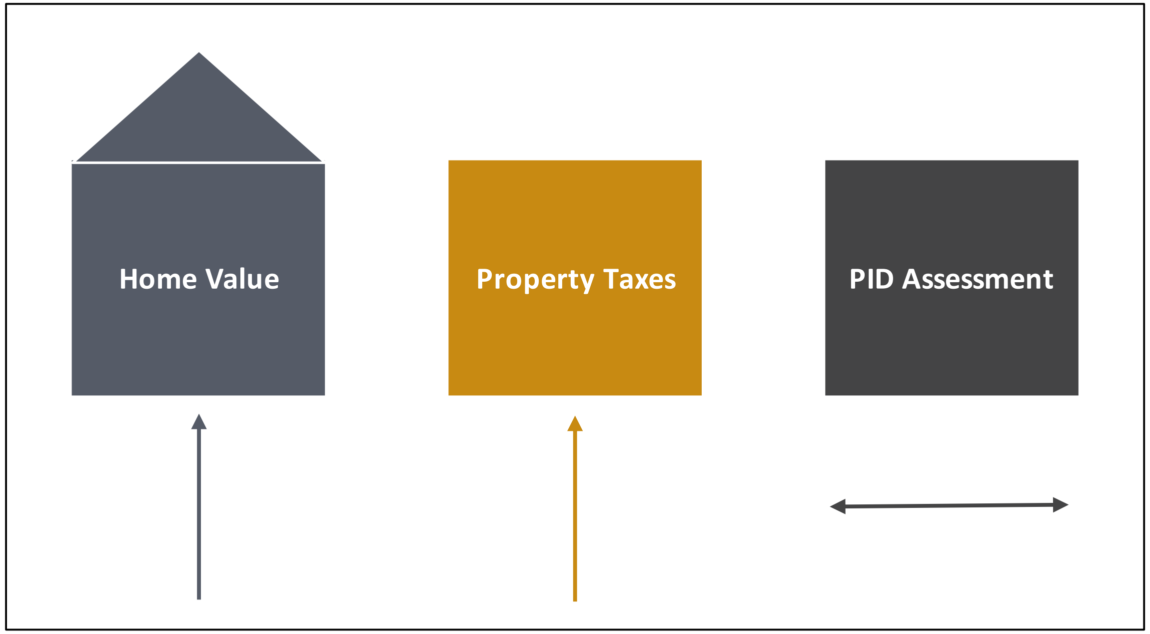
- **Key financial metrics the team will assess and discuss for ALL transactions:**
  - Tax Rate Equivalent (TRE): converts assessment to rate for market-testing
  - Value-to-Lien: measures debt load relative to property value – a primary underwriting metric

- **Three primary PID financing structures:**
  - Pay-As-You-Go (PAYGO): Developer funds construction; city reimburses over time from assessments collected.
    - Interest rate set at levy (typically 2-5% above bond index).
  - Reimbursement Bonds: City issues bonds to reimburse developer after infrastructure is accepted.
    - Lower risk = lower interest rates = lower homeowner costs.
  - Construction Bonds: City issues bonds upfront to fund construction.
    - Higher risk (undeveloped land) = higher rates, but developer gets capital immediately.

Assessments versus Taxes

ASSESSMENT STRUCTURE: NOT A TAX

- Assessments levied on property based on benefit received – not tied to appraised value fluctuations
- Homeowners can pay in full at closing or in annual installments (shown as a line item on tax bill)
- Value increases in the home does not increase the assessment as the preferred method of financing



City Obligations for PIDs

- Inspect public improvements with engineer
  - If City owns improvements, maintain improvements
- Hire and oversee PID Administrator and team
  - Can be funded using developer fronted PSA and/or Annual Collection Costs

CITY IN CONJUNCTION WITH PID ADMINISTRATOR

- Review request for draws by developer
  - Verify infrastructure costs against SAP
  - Certify compliance with the terms of the certificate of payment prior to the release of bond proceeds
  - Verify appropriate release of lien and all bill paid affidavit prior to release of payments to developer
- Maintain database of all property within PID, update assessment roll, allocate assessments upon subdivision, track payment history
- Send assessment roll to County for collection with property taxes
- Prepare delinquency reports
- Account for dollars withdrawn from trust estate against approved draws/debt service payments (account reconciliation)
- Review developer quarter disclosure to ensure accuracy with construction and ownership/platting status
- File annual continue disclosure reports as issuer/obligated party
- Pursue and enforce collection of delinquencies/foreclosure (via County contract)
  - This is last resort and very rarely, if ever, used
- Prepare and adopt annual SAP Update

Blue bullet denotes activities for all PIDs
Gold bullets denote activities for bonded PIDs

Ways the Team Protects the City

City is NOT alone in these transactions:

- ❑ City team usually includes a number of 3rd party consultants
  - City Attorney, Engineer, Financial Advisor, Bond Counsel, PID Administrator, Underwriter, etc.

Things to Stay Aware of:

- ❑ Public perception – homebuyers may not fully understand the assessment obligation at purchase
- ❑ Headline risk – media coverage of foreclosures or defaults can create political friction
- ❑ Administrative burden – annual SAP updates, council action, continuing disclosure
- ❑ Covenant to foreclose – the city must act when property owners don't pay
- ❑ Bond market risk – non-rated bonds sold to limited investors; market depth matters

Introduction to TIRZs

- Chapter 311 of Texas Tax Code, the Tax Increment Financing Act, provides a legal and regulatory framework that governs the process

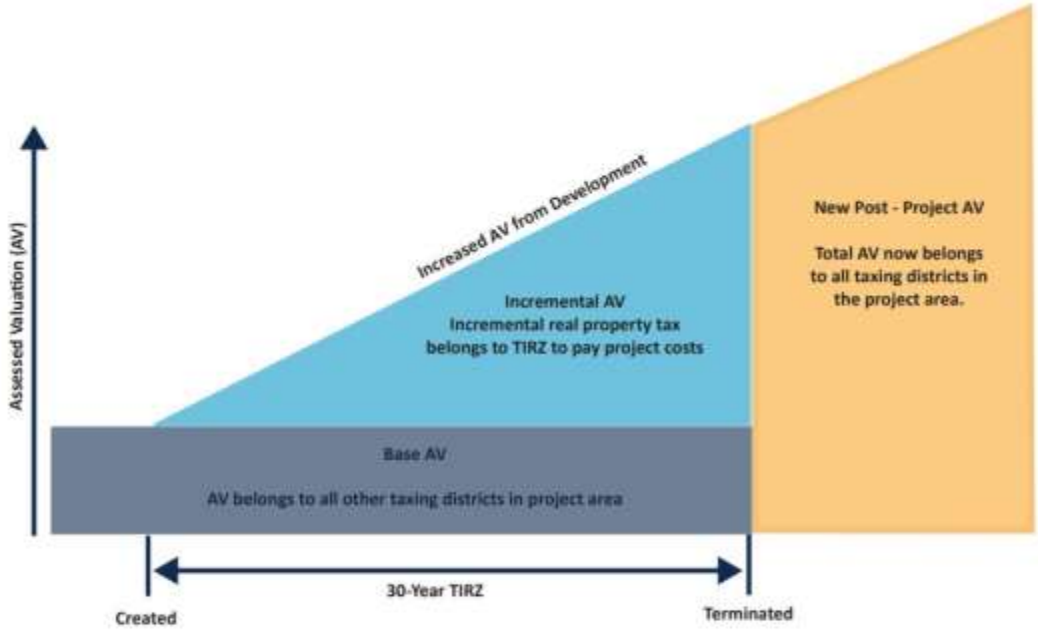
TAX CODE

TITLE 3. LOCAL TAXATION

SUBTITLE B. SPECIAL PROPERTY TAX PROVISIONS

CHAPTER 311. TAX INCREMENT FINANCING ACT

Big Picture Considerations



- A TIRZ is a tool that Cities can use to finance infrastructure in a defined area
- The TIRZ Board of Directors make recommendations to the governing body of the City or County on the implementation of the tax increment financing
- Each taxing unit can choose what percentage, if any, it will contribute
- A TIRZ obligates future tax revenues from each participating taxing unit to pay for project costs
- A TIRZ works with or without a PID — one common pairing is using increment to offset PID annual installments

How the Increment Works

Scenario 1 — Appreciation

Base value at creation	$1,000,000
Value next year (+3%)	$1,030,000
Increment to the TIRZ fund	**taxes on $30,000**

Scenario 2 — New Development

Base value (vacant tract)	$100,000
Value after construction	$1,100,000
Increment to the TIRZ fund	**taxes on $1,000,000**

Base value keeps flowing to the General Fund. The City never gives up a dollar it collects today.

Only the growth is captured. Each participating taxing unit picks its own share of the increment — 0% to 100% — and the term.

No new tax, no rate change. Property owners inside the zone pay exactly what they would pay anyway.

Base year is set at creation. Value added before the zone exists is never captured — timing matters.

Creating a TIRZ

1. Prepare a preliminary project and finance plan
2. Publish notice and hold a public hearing
3. Council ordinance designates the zone and sets the base year
4. Appoint the TIRZ Board of Directors
5. Board and Council adopt the final project and finance plan
6. Other taxing units agree (or decline) to contribute
7. Increment flows to the tax increment fund; projects proceed
8. Annual report to the Comptroller and participating units

Reasons a TIRZ fits (Ch. 311 findings)

- Open or undeveloped land whose sound growth is impaired
- Major public improvements needed to support growth
- Lack of capital or debt capacity to front the infrastructure
- Regional benefits that reach beyond the zone
- Area would not develop on its own without the improvements
- Other local taxing units (not schools) may join at their discretion
- Typically 3–4 months to create; no developer required to start

Paying For Development Through a TIRZ

1. Agreement
Reimbursement Agreement, PID Offset, or even an agreement sets the deal

2. Developer builds
Public infrastructure the City needs, at developer's cost

3. City accepts
Inspected, dedicated, costs verified

4. Value grows
New rooftops and buildings raise the increment

5. City reimburses
From TIRZ fund only, as increment is collected

What the agreement should cover

- Eligible costs — only Ch. 311 project costs, verified by the City engineer; If used as a PID offset, will also need to qualify as Ch. 372 eligible
  - Chapter 380 agreements also have additional requirements and restrictions for the use of those funds.
- Cap on reimbursement and whether interest accrues (and at what rate) as well as requirements for the reimbursement process
- Term — reimbursement ends at cap, at zone termination, or at a fixed year
- Performance triggers — phases, minimum value, or completion milestones
- Priority of payment if the City also has TIRZ bonds or a PID offset

Ways Glen Rose Could Use a TIRZ

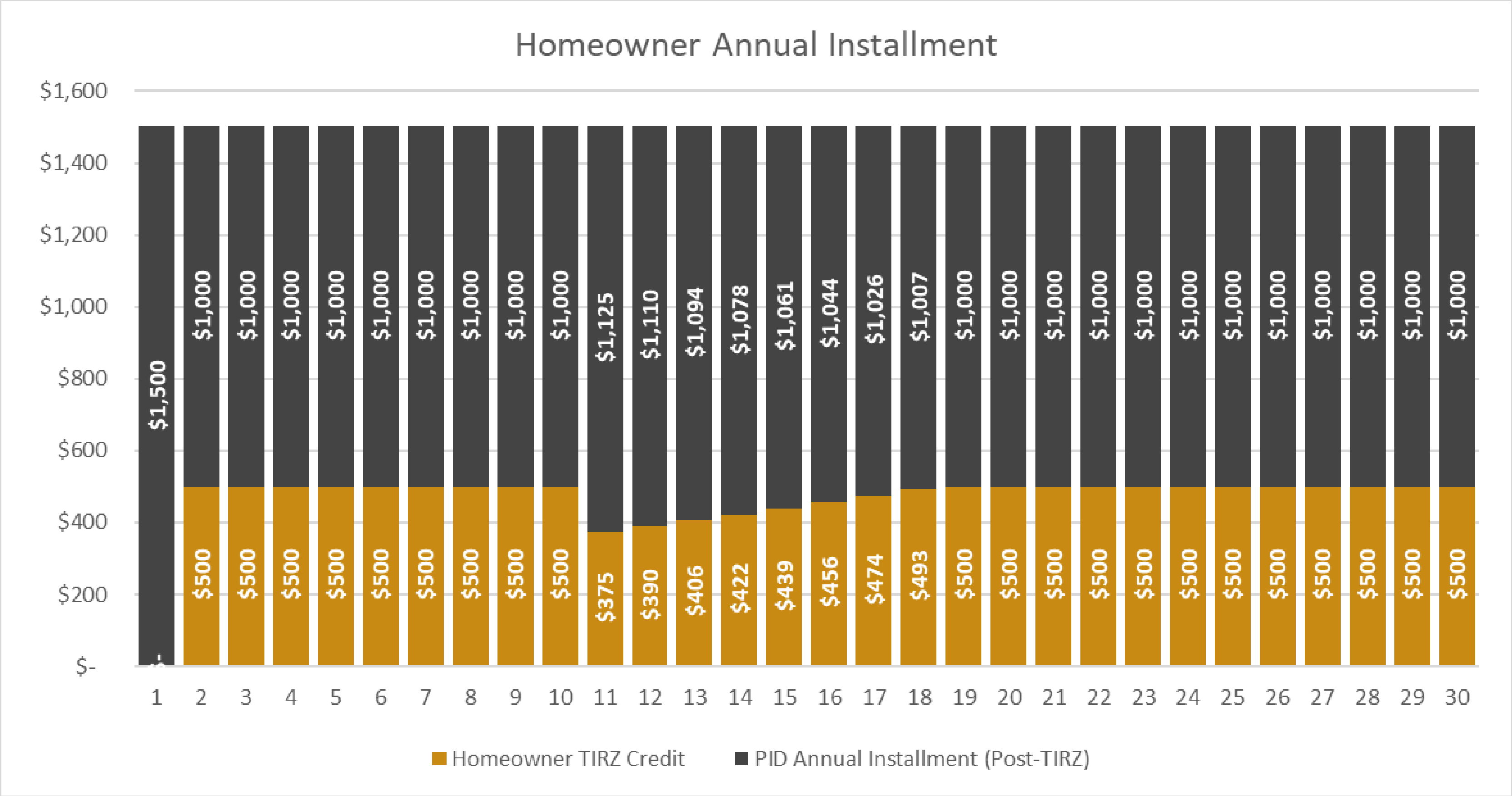
Development Reimbursement

- Developer builds the public infrastructure up front
- City reimburses from increment only — no City debt
- Reimbursement can be tied to a Ch. 380 agreement
- Unlocks land the City could not otherwise serve

PID Offset

- Overlay a TIRZ on a PID
- Increment offsets the homeowner’s annual installment
- Lowers the effective PID burden as values grow
- Shown in the chart that follow

Annual Installment (Post-TIRZ)



The City's Growth Toolbox

PID
Ch. 372 Local Gov't Code

Paid by: assessments on the benefitted property

City control: Council is the board

City credit: non-recourse; no City revenue pledged

Best for: new development infrastructure, amenities, negotiating leverage

TIRZ
Ch. 311 Tax Code

Paid by: share of new (increment) property tax inside the zone

City control: Council + TIRZ board

City credit: only increment revenue committed; no new taxes

Best for: corridor, downtown, and tourism infrastructure; offsetting PID assessments

Ch. 380
Ch. 380 Local Gov't Code

Paid by: City tax rebates (sales/property tax (TIRZ))

City control: contract terms

City credit: obligates City revenue by agreement

Best for: commercial and retail recruitment, job creation

MMD
Water Code Ch. 54 / Ch. 375

Paid by: district ad valorem taxes or special assessment

City control: limited — separate political subdivision, separate board

City credit: none, but the City also gives up control

Best for: If City wants to incentive land development but not exercise ongoing control

Getting Ahead of Growth: Recommended Next Steps

1 Discuss the City's goals for utilizing a PID / TIRZ

Before any petition, list the concessions Glen Rose will ask for — annexation, oversizing, amenities, building standards, park land, a cash contribution — so every negotiation starts from the City's list, not the developer's.

2 Know your numbers

Utility capacity, tax rate, debt capacity, and current ETJ acreage. A city that can say "we have X taps left and Y acres in the ETJ" negotiates differently.

3 Map where growth will land

US-67 and SH-144 corridors, ETJ tracts, and utility service capacity — know which parcels can still be shaped and where growth may focus, so it is captured in a potential TIRZ.

4 Assemble the team early

Bond counsel, financial advisor, and PID administrator on the early calls so the City is never negotiating alone.

Questions