

Policy No. 5000-25
Adopted 01/28/2025
Effective 01/28/2025

RESOLUTION NO. 25-10

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUGAR LAND, TEXAS, ADOPTING A POLICY REGARDING THE CREATION OF PUBLIC IMPROVEMENT DISTRICTS (PIDs) AND RELATED MATTERS IN CONNECTION THEREWITH.

WHEREAS, Chapter 372 of the Texas Local Government Code authorizes the governing body of a municipality to undertake improvement projects that confer a special benefit on a definable part of the municipality or its extraterritorial jurisdiction; and

WHEREAS, a Public Improvement District (PID) is a special purpose district designed to spur economic development by financing infrastructure improvements that promote development and benefit a definable part of the City, with such costs borne by the property owners within the PID boundaries who benefit from the improvements; and

WHEREAS, the City Council finds it in the best interest of the City to adopt a policy to facilitate the creation and implementation of Public Improvement Districts (PIDs); NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUGAR LAND, TEXAS:

Section 1. That the City Council adopts the following policy:

**CITY COUNCIL POLICY
FOR THE CREATION OF
PUBLIC IMPROVEMENT DISTRICTS (PIDs)**

A. PURPOSE

Public Improvement Districts (“PIDs”) are special purpose districts designed to spur economic development by financing infrastructure improvements and supplemental services that promote development and provide a special conferred benefit on a definable part of the City, with such costs borne by the property owners within the District boundaries who benefit from the improvements. The City Council supports the use of PIDs to create developments with a higher level of public improvements and maintenance and which confer Special Benefits upon the property within the District.

This Policy outlines application requirements that must be satisfied by a Petitioner and other conditions such as application requirements, exempt property, qualified costs, financing criteria, information disclosures to property owners, service plans, budgets and assessments. It is not intended to be an all-inclusive list and may exceed the requirements contained in the PID Act and other statutes.

B. DEFINITIONS

Administrator means the City or third-party designee of the City who shall have the responsibilities provided in the Service and Assessment Plan, an indenture, or any other agreement or document approved by the City related to the duties and responsibilities of the administration of the District.

Assessed Property means each parcel of land located within the District against which an Assessment is levied based on the special conferred benefit.

Assessment means an assessment levied annually against a parcel in the District to fund the Authorized Improvements.

Authorized Improvements means public improvements authorized by the PID Act and does not include improvements within a gated community or a development in which PID improvements would not be accessible to the general public.

Developer means the party that intends to develop the property in the District for the ultimate purpose of transferring title to end users.

District means the area and parcels of land outlined by the PID Petition.

Infrastructure PID means a PID that is established to construct infrastructure within a development. There are generally two types of Infrastructure PIDs:

Cash PIDs utilize the annual PID assessments collected to fund amounts owed under a reimbursement agreement with a developer, including interest to reimburse the developer for the costs of the PID improvements; and

Bonded PIDs issue tax exempt bonds to fund PID improvements or amounts owed under a reimbursement agreement with a developer, including interest to reimburse the developer for the costs of the PID improvements. The debt service on the tax exempt bonds is paid by the annual PID assessments collected.

Operations and Maintenance PID ("O&M PIDs") means a PID that is established to fund special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement; payment of expenses incurred in the establishment, administration, and operation of the district, which may also include expenses related to the operation and maintenance of mass transportation facilities.

Petition means the request submitted by the Petitioner seeking establishment of a public improvement district. The Petition must meet the requirements of the PID Act and this Policy.

Petitioner means 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 property is located.

PID Act means Chapter 372, Texas Local Government Code, as amended.

Service Plan means the plan required by the PID Act. The Service Plan is a component of the Service and Assessment Plan.

Service and Assessment Plan describes the special benefit received by the property within the District, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of Assessments and provides for the annual indebtedness and the projected costs for improvements and includes a copy of the notice form required by Section 5.014, Property Code.

Special Benefit means the value of an improvement or service conferred to the Assessed Property.

C. PID CREATION

Generally, the City will follow the process below for the creation of a new or expansion of an existing PID:

1. Petitioner must request a preapplication meeting, submit a complete application, and pay a nonrefundable application fee per the City's Fee Ordinance.
2. City and Petitioner confer on application, existing and proposed land use regulations, and Petition requirements, including any necessary land use or entitlement changes.
3. Petitioner submits a completed Petition in accordance with the PID Act, requirements set forth in this Policy, and as further described in **Exhibit A**.
4. 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 Petitioner.
5. For an Infrastructure PID, City and Developer execute a Development Agreement. The City Council will not take any action to commence the creation of a PID prior to the approval of a final development agreement governing the development in question.
6. City and Developer work together to complete all other required steps as set forth in the PID Act and this PID Policy to create the PID, including holding public hearings.

D. PID OBJECTIVES

In order to consent to the creation of a PID, City Council must determine that the PID will achieve one or more of the following objectives and promote the interests of the City. City Council will evaluate whether the PID's projects, services or improvements:

1. Advance the City's Comprehensive Plan, Master Plans, or other City or regional plans and initiatives;
2. Generate primary employment or other long-term economic development benefits to the City;
3. Create opportunities to redevelop aging or underutilized areas of the City;
4. Offer a mix of residential options within a variety of configurations in a walkable environment through proximity to daily retail and commercial needs;
5. Provide for enhanced recreation and public open spaces, low impact development (LID), green building rating system features, increased native landscaping or xeriscaping, land and infrastructure for re-irrigation of treated stormwater; or protects or restores natural amenities and environmental assets such as the lakes, trees, creeks, ponds, floodplains, and wildlife habitats;
6. Create new or enhance existing multimodal transportation options such as complete streets, parks, promenades, hike and bike trails, off-street public parking facilities, and integrated open spaces with an overall goal to decrease single-occupancy vehicle trip rates to/from the PID;
7. Create new or improve existing infrastructure such as enhanced drainage improvements, underground utilities, storm water quality, flood control benefits;
8. Exceed the City's development requirements through enhanced architectural standards, building materials and/or finishes;
9. Protect and preserve existing historical buildings, structures, features or places or which establish a unified architectural or design theme throughout the development that complements the community's character and heritage; and/or
10. Include placemaking features such as decorative entryways, ornamental gateways, fountains, specialty lighting, art, signage, terminating vistas, decorative pedestrian or street lighting, pedestrian safety elements, etc.

E. ASSESSMENT

1. In order to minimize undue financial burden on property owners, no PIDs shall be created that overlap the boundaries of another PID of the same type.
2. The initial PID Assessment combined with the ad valorem tax burden should not exceed a total of \$3.00 per \$100 of taxable property value at the time the assessments are levied. The total annual assessment burden per \$100 of taxable property value is inclusive of all taxing jurisdictions assessing the property, PID assessment (as an equivalent tax rate) and any other special assessment secured by a lien calculated as an equivalent property tax assessment rate.
3. Property owned by the City or that is intended to be conveyed or dedicated to the City and located within the boundaries of the PID is considered Non-Assessed Property and shall not be subject to any Assessment by the PID. Other Non-Assessed Property not subject to PID Assessments shall be determined at the establishment of the PID.
4. Property in the PID owned by another governmental entity may be assessed only pursuant to an interlocal agreement or contract between the entity and the City.

F. PID ADMINISTRATION

1. PIDs should be financially self-supporting including any costs associated with the formation of the PID, bond issuance costs, PID administration or the construction of Authorized Improvements. In accordance with the PID Act, City Council may appoint an advisory body with the responsibility of developing and recommending an improvement plan to the governing body.
2. If the City Council determines it is in the City's best interest to establish a PID, the City will enter into a Professional Services Agreement ("PSA") with the Petitioner. The PSA will require the Petitioner to initially deposit and periodically replenish funds to pay for the City's third-party consultants including, but not limited to, Bond Counsel, Financial Advisor, PID Administrator, Appraiser, and Market Study Analysis.
3. The City may contract with a qualified third-party company to manage and administer the PID, subject to appropriate oversight by City staff. Alternatively, the City may provide for the administration of the PID through in-house resources. Provision for the costs associated with administration, whether the services are provided by third parties or the City, shall be included in any budget proposed by the Petitioner. The City may request an independent audit at any time.
4. For Cash PIDs, any reimbursement of construction costs will occur after the execution of a Reimbursement Agreement as approved by the City Council and construction of the Authorized Improvements has been completed and the Authorized Improvements have been inspected and accepted.
5. The PID Administrator, whether the City or a third-party, shall:
 - a. Prepare and submit in a form appropriate for consideration and adoption by the City Council each year an annual Service and Assessment Plan Update (SAP Update). The SAP Update shall include a budget and five-year Service plan. The budget shall provide for sufficient funding to pay for all costs above and beyond the City's ordinary costs, including additional administrative and/or operational costs as well as additional maintenance costs resulting from the PID.
 - b. Provide for the calculation of the assessment and allocation to the respective parcels in the PID and shall provide for the billing of the assessments to the property owners or provide information to the appropriate County tax office. The PID Administrator and Petitioner will coordinate to ensure that the billing/assessment information provided to the tax office includes all pertinent properties.
 - c. Ensure timely filing of annual Service and Assessment Plan updates with County as required by the PID Act.
 - d. Review submission of drawings submitted by the Developer.

- e. Prepare summary annual reports, based on data received from the County, that reflect the imposition and collection of the assessments.
- f. Include in the Annual SAP Update the property buyer disclosure form(s) consistent with the appropriate statute.

G. DISCLOSURE TO PROPERTY BUYERS

To satisfy disclosure requirements to property buyers within a PID, the City will require the Developer and assigns to comply with the following:

1. A landowner's agreement must be recorded in the official public records of the County in which the PID is located which, among other things, will notify any prospective owner of the existence or proposal of Assessments on the property. All closing statements and sales contracts for lots must specify who is responsible for payment of any existing Assessment or a pro rata share thereof until such time as the PID Assessment is paid in full.
2. A PID must be identified as a PID with use of signage approved by the City along the main entry/exits located at the boundaries of the PID. All signage shall be clearly visible to all motorists entering and exiting the PID.
3. PID disclosure documents in accordance with Section 5.014 of the Texas Property Code must be signed both at contract signing and at closing with such agreements maintained on file and available for inspection by the City.
4. Developer and assigns must comply with any property buyer disclosure program designed and implemented by the PID Administrator.
5. In addition, for Infrastructure PIDs:
 - a. Developer and assigns must provide notice of the PID to builders in addendum to contracts and to disclose the PID on any listing.
 - b. Developer and assigns must provide signage and information flyers for use at sales offices and model homes as approved by the PID Administrator.

H. DISSOLUTION

Dissolution of a PID shall follow the procedures set by the PID Act. Infrastructure PIDs will have a dissolution date of either the maturity of the bonds for Bonded PIDs, including refunding bonds, or full repayment of the reimbursement obligation for Cash PIDs. O&M PIDs will have no dissolution date until City Council decides otherwise.

I. POLICY VARIATIONS

The City Council, upon City Staff recommendation, shall have the authority to establish PIDs that vary from this PID Policy as long as they are in accordance with state or federal law. Even if all conditions of this PID Policy are satisfied, the City Council, in its sole discretion, may choose to approve, modify, or deny a Petitioner's proposed PID upon submission and receipt of a PID petition.

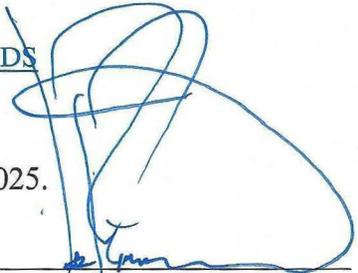
Any requested adjustments or deviations from the terms of this PID Policy for a proposed PID shall be clearly requested and explained prior to submitting the PID Petition. Any adjustments or deviations granted are at the sole discretion of the City. Any aspect not specifically addressed by this policy will be considered on an individual project basis. Any requirements waived may be noted in the resolution approving the PID Petition.

Section 2. That the following Exhibits are attached hereto and incorporated into this Policy:

EXHIBIT A – PETITION REQUIREMENTS

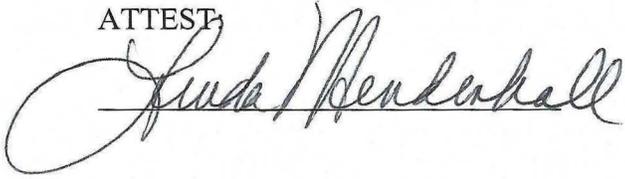
EXHIBIT B – ADDITIONAL REQUIREMENTS FOR BONDED PIDS

APPROVED on January 28, 2025.



Joe R. Zimmerman, Mayor

ATTEST:



Linda Mendenhall

APPROVED AS TO FORM:



Meredith Rieder

EXHIBIT A - PETITION REQUIREMENTS

The Petition must include the following:

1. A statement of the general nature of the proposed improvements;
2. Good faith estimates cost of the improvements;
3. The boundaries of the proposed District;
4. The proposed Assessment methodology, which may specify included or excluded classes of property;
5. The proposed apportionment of costs between the PID and the municipality, as required by the PID Act;
6. Whether the PID is proposed to be managed by the municipality, the private sector, or a partnership of the two;
7. Statement that an advisory body may be established to develop or recommend an improvement plan to the City Council;
8. Statement that the persons signing the petition request or concur with the establishment of the PID;
9. Evidence that the Petition's signatures meet the ownership requirements of the PID Act and this PID Policy. If the Petitioner fails to provide sufficient evidence, the Petitioner shall reimburse all City's costs of signature verification. Petition signatures will reflect that a reasonable attempt was made to obtain the full support of the PID by all the property owners, who will be responsible for the payment of Assessments;
10. Demonstration of long-term financial capital for the PID development in the form of a cash deposit, proof of financing and/or equity capital from an investment grade financial institution, or letter of credit in favor of the City with an amount confirmed by an engineer's opinion of probable costs, or other commitments from verified funding sources which funding sources are subject to approval by the City;
11. A section that clearly, and in detail, identifies the Special Benefit of the PID to the affected property owners (for use in public hearings) and to the City (i.e., PID objectives);
12. Specified procedure for eventual termination of the PID, if applicable;
13. Contingency plans to address how, if a PID is dissolved, the PID improvements and any property belonging to the PID that have not been dedicated to the public will be maintained or disposed of upon such dissolution. A PID cannot be dissolved as long as debt obligations secured by the PID's Assessments remain outstanding.
14. Identification of all land within the proposed PID that is, or will be, publicly owned including, but not limited to, sites for public schools, fire stations, police stations, etc.
15. Description of all City-owned and City-maintained land within the PID as well as any project costs for which the City is expected to be responsible.
16. A budget, including the PID's revenues in addition to the Assessments, and how all funds will be managed.
17. Statement that the Developer understands the annual budget for the PID is subject to review by City staff with final approval by the City Council.
18. A current tax roll, or other acceptable evidence of ownership, with notations indicating the owners registering support for the Petition.
19. A copy of the Preliminary PID Finance Plan shall be submitted with the Petition. This Finance Plan shall include at a description and estimated costs of the proposed public improvements to be financed.
 - In addition, for an Infrastructure PID, the Finance Plan shall include the following:
 - a. Description of the proposed development;
 - b. Proposed timetable of the development including anticipated construction timelines;
 - c. Detailed development financing plan showing breakdown of proposed private (loan and equity) and public financing structure, and targeted gross Assessment amount;
 - d. Estimated ad valorem revenue generated and projected Annual Installment per unit;
 - e. Estimated number of bond issuances, proposed maturity dates for bonds and PID Assessments; and
 - f. Any other such supporting information related to the success of the PID.
20. For an Infrastructure PID, a copy of a Project Feasibility Report which demonstrates the economic feasibility of the proposed development project and includes the following information:
 - a. An assessment revenue pro forma for the proposed development project;
 - b. A financial review of the development projections and absorption schedule;
 - c. Analysis of above describing the timing and amount of assessment revenue which will be generated based upon varying levels of assessments; and
 - d. Comparison of the development project with other similar projects in the area that will not have an assessment.

EXHIBIT B - ADDITIONAL REQUIREMENTS FOR BONDED PIDS

The City retains the right, at its sole discretion, to make final determination as to the acceptable structure of any PID bond to be issued by the City. The following shall apply to all PID bonds issued by the City:

1. **No General Obligation:** PID bonds that may be issued by the City shall never constitute an indebtedness or general obligation of the City, the state or any other political subdivision of the state, within the meaning of any constitutional provision or statutory limitation whatsoever, but the PID bonds will be limited and special obligations of the City payable solely from the PID special assessments to be collected. PID bonds will constitute a special obligation of the City, secured by and payable solely from the PID's special assessment revenues. Neither the faith, credit, general revenue nor the taxing power of the City, the state or any other political subdivision of the state will be pledged to the payment of PID bonds.
2. **Limitations on Bond Proceeds:** PID bond project proceeds for professional services rendered to or on behalf of the Petitioner, including attorney fees and consultant and/or advisory fees, shall be limited to 6.5% of the par value of the bond issuance to ensure the maximum amount of PID bond proceeds are spent on Authorized Improvements.
3. **Value-to-Lien:** The minimum appraised value-to-lien ratio for each PID bond shall be 3:1. The appraised value of the real property collateralizing the PID bond will be determined by an appraisal to be delivered in a form and methodology acceptable to the City. The City will evaluate the value-to-lien ratio requirements on a case-by-case basis and may increase or reduce the required value-to-lien ratio for the issuance of PID Bonds based on proposed project profile, Petitioner profile, proposed public and private financing structure of the development, prevailing market and industry trends and other relevant factors. In no case shall the total value-to-lien ratio be less than 2:1.
4. **Debt Service Structure:** The City's preference is to issue bonds with a level overall debt service structure.
5. **Term:** The maximum maturity for each series of bonds shall not exceed 30 years. The average life of the PID bonds shall not be extended if refunded. The maximum term for PID Assessments to be levied for a single-phase development shall not exceed 30 years. The maximum term for PID Assessments to be levied for a multiple-phase development shall not exceed 30 years for each phase of development requiring a separate PID Assessment levy.
6. **Minimum issuance:** In recognition of the significant amount of City time and resources required to support the issuance of PID bonds, the City requires a minimum par amount of \$1,500,000 financed for each bond issuance.
7. **Debt Service Reserve Fund:** Each new money PID bond will be secured by a debt service reserve fund to be funded in an amount equal to the lesser of:
 - a. Maximum annual debt service on the bonds as of the date of issuance;
 - b. 125% of average annual debt service on the bonds as of the date of issuance; or
 - c. 10% of the principal amount of bondsIn the event of issuance of PID refunding bonds, a lower debt service reserve fund may be allowed on a case-by-case basis.
8. **Permitted Issuance Uses:** The aggregate principal amount of bonds required to be issued shall not exceed an amount sufficient to fund:
 - a. Actual costs of the Authorized Improvements
 - b. Required reserve accounts
 - c. Capitalized interest, in amount not-to-exceed the interest costs during the construction period and 12-months after the completion of construction, and in no event for a period greater than three years from the date of initial delivery of the bonds and;
 - d. Any costs of issuance

9. **Continuing Disclosure:** The City will be required to undertake continuing disclosure obligations associated with the issuance of PID bonds in accordance with the provisions of a regulatory agreement which meets the requirements of federal securities law. The PID Administrator will notify the City of any material event that would require filing a material event notice with the Electronic Municipal Market Access (EMMA). The Developer will be required to undertake specific continuing disclosure obligations as prescribed in the relevant bond indenture.
10. **Construction:** Per the PID Act, construction of Infrastructure PID improvements shall not begin until the later of the twenty-first (21) day after the date of the City Council's approval or the final resolution of any written protest.
11. **Completion of Preliminary Studies:** To the extent feasible, preliminary design and engineering work for Authorized Improvements to be funded with PID Bonds shall be completed prior to the levy of Assessment.
12. **Make-Whole Provision:** If the issuance of the PID Bonds in any calendar year precludes the City from issuing bank qualified debt for that calendar year, then the Developer shall pay to the City a fee (the "PID Bond Fee") to compensate the City for the interest savings the City would have achieved had the debt issued by the City been bank qualified. The City's financial advisor shall calculate the PID Bond Fee based on the planned debt issuances for the City in the year in which each series of PID Bonds are issued, and shall notify the Developer of the total amount due prior to the issuance of the applicable series of PID Bonds. The Developer agrees to pay the PID Bond Fee to the City within ten (10) business days after receiving notice from the City of the amount of PID Bond Fee due to the City. The PID Bond Fee shall be held in a separate account of the City and if the total amount of the debt obligations sold or entered into by the City in the calendar year in which the applicable series of PID Bonds are issued are less than the bank qualification limits, then the PID Bond Fee shall be returned to the Developer. If, at the time of the City's notification to the Developer as set forth above, there are additional bonds to be issued by the City in that year that will be issued to accommodate additional developers within the City, the PID Bond Fee shall be shared by all parties in a pro-rata amount based upon the estimated par amounts of each series of bonds issued for the benefit of each, as determined by the City and its financial advisor.



City Council Agenda Request

JANUARY 28, 2025

AGENDA REQUEST NO: VI.A.

AGENDA OF: City Council Meeting

INITIATED BY: *Kareem Heshmat, Senior Planner*

PRESENTED BY:
Kareem Heshmat, Senior Planner

RESPONSIBLE DEPARTMENT: Community Planning & Redevelopment

AGENDA CAPTION:

Consideration of and action on **CITY OF SUGAR LAND RESOLUTION NO. 25-10**: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUGAR LAND, TEXAS, ADOPTING A POLICY REGARDING THE CREATION OF PUBLIC IMPROVEMENT DISTRICTS (PIDs) AND RELATED MATTERS.

RECOMMENDED ACTION:

Discussion and action on proposed City Council Policy No. 5000-25 for the Creation of Public Improvement Districts (PIDs)

EXECUTIVE SUMMARY:

In anticipation of the complex financing that may be necessary to redevelop areas across the City, staff has drafted City Council Policy No. 5000-25 for the Creation of Public Improvement Districts (PIDs). Resolution No. 25-10 adopting City Council Policy No. 5000-25 is before City Council for approval.

Workshop Recap

City Council held a workshop on the item on December 3, 2024. During the workshop, staff presented a general outline of the proposed PID policy. Council discussion focused on PID mechanics and various development scenarios. The following policy sections were discussed in addition to the proposed application fee structure:

- Section D. PID Objectives
- Section E. Maximum Cumulative Assessment
- Exhibit B. Additional Requirements for Bonded PIDs.

As a result of the workshop discussion, staff revised the draft policy for readability and process clarification.

About the Proposed Policy

The City is pursuing innovative mechanisms that support redevelopment as our community reaches buildout. Chapter 372 of the Texas Local Government Code (the "PID Act") authorizes the governing body of a municipality to undertake improvement projects that confer a special benefit on a definable part of the municipality, or its extraterritorial jurisdiction, known as a Public Improvement District (PID). Staff has drafted City Council Policy 5000-25 for the Creation of Public Improvement Districts (PIDs). The proposed policy establishes PID objectives, standardizes Petitioners' application requirements and other conditions as submittal documents, financing criteria, and disclosures to property owners.

Fee Structure

The proposed policy states that the City will charge a nonrefundable application fee, which will be established through an amendment to the City's Fee Ordinance. After considering staff time and level of effort, staff recommends a PID application fee of \$20,000.

BUDGET**EXPENDITURE REQUIRED:** N/A**CURRENT BUDGET:** N/A**ADDITIONAL FUNDING:** N/A**FUNDING SOURCE:**N/A**ACCOUNT NUMBER (ORG-OBJ-PROJECT):**N/A

ATTACHMENTS:

Description	Type
▫ Resolution No. 25-10	Resolutions

REVIEWERS:

Department	Reviewer
Community Planning & Redevelopment	Lohmer, Ruth
Community Planning & Redevelopment	Rodriguez, Devon
City Secretary	Mendenhall, Linda
City Secretary	Perez, Justin
Legal	Thomas, Angelle
Agenda Coordinator	Perez, Justin
Assistant City Manager	Callaway, Jim
City Manager	Callaway, Jim