



**Introduction to Assessment District
Infrastructure Financing**
*Texas Public Improvement Districts
2010*

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DTA

Firm History and Capabilities

- DTA was started in 1983
- Leading financial consultant for assessment district infrastructure tax exempt bond financing
- Initiated over 1500 special assessment bond districts with a total improvement authorization in excess of \$40 Billion
- Professional staff numbers in excess of 40 with bond activities national in scope
- Corporate Office in Newport Beach, CA, additional CA offices in Riverside and Walnut Creek and a Texas office in Plano, TX

National Scope

- Special Assessment Bonds are currently issued by approximately 20 states
- National market is \$3.5 billion annually with CA and FL representing 60% of total market
- Six (6) major underwriters consisting of Piper Jaffray, Prager, Stone & Youngberg, B of A, RBC and Southwest Securities place bonds with institutional buyers and sophisticated investors
- Outstanding track record of bond success and underwriting standards

Public Improvement District Basics

- Special Purpose District:
 - Not a political subdivision of the state, county or municipality
 - No separate taxing authority
 - Property owners submit a petition requesting their property be designated as a PID and request local government action to form the district by resolution
 - Establishes an assessment to be levied on benefited property and request local government action to levy assessments only on PID owner's property
 - Only property in the PID impacted. No other property effected

Public Improvement District Basics

- Created to Construct or Acquire Improvements
 - Must “specially benefit” the development
 - Public agency must own when completed
 - Primarily used to fund and construct improvements
 - Can acquire improvements already completed

Public Improvement District Basics

- Characteristics of the Assessments
 - Fixed dollar amount
 - Not cross-collateralized with other properties or other assessments
 - Default by one property or parcel won't increase assessment on another
 - Lien on property
 - Can be foreclosed for non-payment
 - Can be pre-paid at par at any time
 - Assigned in proportion to special benefit
 - Currently subordinated to property taxes but current amendment legislation will position assessment co-equal with property tax

Public Improvement District Basics

- Apportionment by benefit:
 - Equally per front foot, square foot or value
 - In relation to use, traffic or per capita
 - Evenly to classes equally benefiting
- Annual Assessment Revenue can be used to :
 - Pay debt service on bonds
 - Fund infrastructure on a pay-as-you-go basis
 - Provide for certain services and operating costs
 - Cover PID administrative costs

Public Improvement District Basics

- Bonds structured with:
 - Maximum 30-year term
 - Fixed or floating rates
 - 10-year interest only fixed or floating rate payments
 - Capitalized interest and debt service during construction can be funded not to exceed three years in reserve
 - Debt Service Reserve to protect against default

Types of Public Facilities

- Water, Sewer & Storm Drain Facilities
- Parks, Landscaping, Hiking, Bike Trails & Art
- Streets, Sidewalks, and “Streetscaping”
- Parking, Transit & Transportation Systems
- Libraries, Recreational Amenities & Cultural Facilities
- Purchase of easements, greenbelts or wetlands
- Offsite requirements for road access, sewer line extensions, water distribution systems
- Services, including Public Safety, Public Health, Recreation & Cultural Enhancements
- More inclusive than MUDs without joint party risk

Benefits of PID Finance: Public Agency

- Non-recourse to governmental entity
- Facilitates construction of infrastructure, recreational amenities & cultural facilities without general tax dollars
- Development makes less impact on neighboring communities because infrastructure built earlier in development process
- Generates economic development resulting in construction-related jobs
- Promotes new housing availability or mixed-use facilities
- Increases and accelerates property tax base or sales tax revenues from mixed-use projects
- Creates funding mechanism to operate and/or maintain public facilities
- District formation and bond issuance costs may be paid/reimbursed from bond proceeds and/or the property developer
- Bond Buyers clearly understand no recourse to issuer and no claim on general tax fund
- No impact on issuer bond cap nor effect on agency ratings

Developer Benefits of PID Finance

- Allows for better, more extensive improvement and amenities, earlier in development
- Enables Buyers/Tenants to assume and participate in assessment assumption
- Lower Cost of Infrastructure Financing
- Off balance sheet
- Enables Equity Commitment
- Bonds Structured to Reduce Carrying Costs during development
- No Personal Guarantees on debt service

Developer Considerations

- Requires Support of the Public Agency Issuer
 - Issuer must approve which facilities/improvements are financed
 - Issuer controls timing of PID formation and bond issuance
 - State Attorney General must also approve issuance
- PID Bond Proceeds are not a Checkbook
 - Bonds can be issued prior to construction
 - All disbursements controlled by Bond Trustee against cost certification
 - Bond proceeds disbursed for specifically identified improvements that have been completed

Developer Considerations

- Formation of PID should commence towards Completion of Entitlements
 - Entitlements, zoning, land use plan necessary to appropriately estimate or price improvements and apportion costs
 - In a position to commence construction immediately upon sale of the bonds
- What level of Assessment is Market Acceptable
 - May want or need to buy down assessments at sale of lot/home to final buyer
 - Can structure bond issue to conform to market conditions
 - Land value with improvements in place must support assessment amount
- PID Bonds are institutionally sold in a Private Placement to sophisticated investors
 - A limited number of large investors
 - Bonds issued in large denominations
 - Buyers generally large non-rated tax exempt bond funds

PID Process

- **Meet with County or City**
 - **Goal is to understand what improvements officials will endorse and if governmental body is interested in assisting with the process**
- **Submit Petition**
 - **Must be signed by owners of either 50% of appraised or land area within proposed district**
 - **We require 100% of ownership to avoid conflicts that only willing parties will be assessed**
- **Hold Public Hearing**
 - **Address advisability of improvements, revenues available to maintain and service improvements, method of assessment, cost reimbursement to issuer, no liability to issuer**
- **Approve Resolution Ordering PID Formation**
 - **Majority consent of governing body**
- **Finalize Service & Assessment Plan**
 - **Final determination of improvements**
 - **Finalize cost estimates with Engineer's Certifications**
 - **Determine bonding amount and structure**
 - **Prepare Service and Assessment Plan**
 - **Assessment attaches liens to property based on "benefited" tax parcels**

PID Process

(continued)

- **Create Financing Documents**
 - **Trust Indenture**
 - **Offering Statement**
 - **Absorption Analysis**
 - **Appraisal**
 - **District Agreements**
- **Approve Resolution Authorizing Issuance**
 - **Issuer approves financing structure**
 - **Agrees to general bond terms**
- **Submit Transcripts to Attorney General**
 - **All municipal financings must be approved by AG**
 - **Has up to 30 days to approve**
- **Finalize Documents, Price & Sell Bonds**
 - **Proceeds deposited with Trustee and available to reimburse for costs of improvements already to to be completed**

Parties to PID Transaction

- Issuer
 - Conducts process to establish PID and serves as conduit issuer for the PID Bonds
- Developer Financial Consultant
 - Prepares financial plan for the PID, economic feasibility of the project, prepares allocation of improvement costs among parcels in district, represents developer in discussions with public agencies and assists in developing bond structure
- Underwriter
 - Advises on bond structure and credit issues during formation, structures the financing, solicits investor interest in bonds, and sells bonds to investors
- District or Independent Engineer
 - Certifies cost estimates and apportions such costs among assessed parcels

Parties to PID Transaction

- Financial Adviser
 - Analyzes compliance of financing structure to issuer's policy guidelines and provides advice to issuer on the structure of the bonds
- Bond Counsel
 - Provides legal advice to issuer on the structure of the bond issue. legal opinion of tax exemption, and provides legal advice on all bond documents
- Disclosure or Underwriter Counsel
 - Prepares Offering Document describing the security and the risks of the bond offering for investors
- Trustee
 - Holds the bond funds in trust on behalf of the bond investors
- PID Administrator
 - Administers the PID, prepares annual assessment rolls for collection, monitors assessment payments, prepayments, and delinquencies, prepares continuing disclosure statements and other necessary reports

CONCLUSION

PID BOND FINANCING PRESENTATION

THANK YOU FOR YOUR
TIME, INTEREST AND SUPPORT