



Public Hearing and Resolution  
Item 5A: RES-0721  
Lakeside Meadows Public Improvement District  
Creation



# Lakeside Meadows







# Lakeside Meadows Public Improvement District (PID)

The purpose of a Public Improvement District (PID) is to create a funding source for a defined geographic area in support of identified improvements.

## Lakeside Meadows PID Improvements:

### Major Infrastructure (Design and Construction):

- Collector Roadways (Spine Roadways within the development)
- Wastewater Improvements (Continuance of the wastewater infrastructure from Carmel)
- Parks and Trails Improvements
- Regional Detention

Estimated cost = Approx. \$20,000,000

Reimbursement PID – Developer Pays upfront construction costs and is reimbursed once improvements are completed.



# Big Picture Considerations

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- PIDs are NOT separate political subdivisions. The City Council is the de facto board.
- Allows Cities to extend public infrastructure without burdening 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 obligating City revenues (TIRZ, 380 Agreements, etc.).
- PIDs can be used to forward the City's Comprehensive Plan, Thoroughfare Plan and Parks Plan

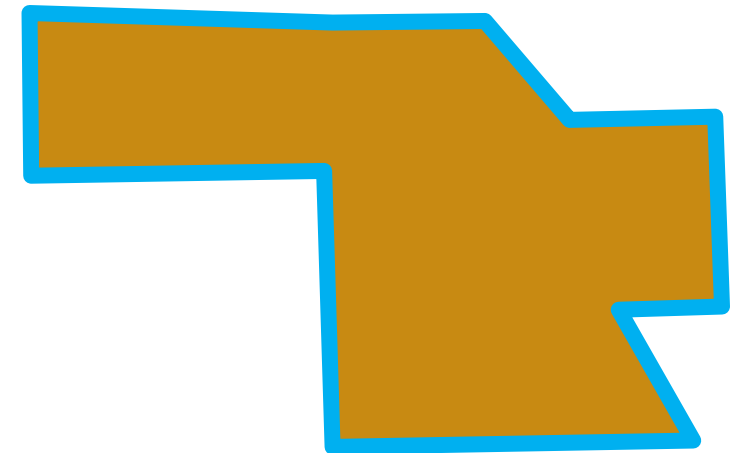
# Why utilize a PID?

- Use PIDs as an economic development incentive tool to promote annexation
- Incentivizes amenities provided by the developer but for the creation of the PID
  - 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
    - Pools
    - Playgrounds
    - Fitness Centers
    - Enhanced Trails
- Accelerate construction of improvements described in City's Comprehensive Plan, Thoroughfare Plan and Parks Plan
- City can require cash contribution from developer (non PID funds) to fund City projects



# 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 Boundary  
(area must be contiguous)

# How Is a PID Created?

- PID Petition submitted by developer
- Professional Services Agreement executed and developer funds deposited with City
- 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 are 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





# Types of PIDs

- Pay-As-You-Go: allows future long-term reimbursements from assessments to developer
  - Interest rates predetermined; 2-5% above bond index
  
- Reimbursement Bonds: allows reimbursement soon after infrastructure is installed
  - Appraisal to establish market value
  - Contracts with 3<sup>rd</sup> party builders
  - Less perceived market risk = lower interest rates = lower annual installments to homeowners
  - Interest rates lower since infrastructure construction is complete and homes beginning construction
  - The further the project is in the development cycle the less perceived risk
  
- Construction Bonds: up front funds to construct infrastructure
  - Appraisal to establish market value
  - Contracts with 3<sup>rd</sup> party builders
  - More perceived market risk as land is undeveloped = higher interest rates
  - Generally one owner; single assessment payer





# Developer Benefit

## ■ Pay-As-You-Go

- Developer funds all infrastructure
- Developer receives annual installments for life of PID
- Developer may sell/assign revenue stream to 3<sup>rd</sup> party

## ■ Reimbursement Bonds

- Developer funds all infrastructure
- Developer receives reimbursement shortly after completion of infrastructure
- Developer passes obligation to repay bonds to homebuilders/homeowners

## ■ Construction Bonds

- Bond proceeds are used to construct infrastructure
- Off balance sheet financing
- Developer passes obligation to repay bonds to homebuilders/homeowners



# City Obligations for PIDs

- Inspect public improvements
- Hire and oversee PID Administrator

## 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 (via County contract)
- Prepare and adopt annual SAP Update

Blue bullet denotes activities for all PIDs

Gold bullets denote activities for bonded PIDs

# Financial Implications for the City

## PID DEBT

- PID debt is non-recourse to the City
  - Bonds or Reimbursement Agreements are backed only by the assessments on the property within the PID
- Issuance of PID debt by the City does not reduce the City's bonding capacity
- City keeps all of its ad valorem and sales tax revenues
- Counts against Bank Qualified Debt limit

## PID CREATION AND ADMINISTRATION

- All City costs incurred as a result of creating the PID should be paid by the developer via a cash escrow deposit with the City
- Administration is typically contracted to a third party, overseen by the City and paid for by PID assessments



# Weighing PID Benefits/Challenges

## BENEFITS

- Annexation
- Increased/accelerated tax base
- Enhanced projects and amenities
- Advancing City master plans
- Cash contribution to City

## POTENTIAL CHALLENGES

- Public perception
- Headline risk
- Market (Bonds)
- Administrative burden
- Covenant to foreclose







# Lakeside Meadows Public Improvement District (PID)

Staff recommends approval of the Lakeside Meadows Public Improvement District.

