



# Policy and Guidelines for Public Improvement Districts

## POLICY

### OVERVIEW

Public Improvement Districts (“PIDs”) provide a development tool that allocates costs according to the benefits received. A PID can provide a means to fund supplemental services and improvements to meet community needs which could not otherwise be constructed or provided and be paid by those who most benefit from them.

The purpose of the PID policy is to outline the issues to be addressed before the City Council can support the establishment and continuation of a public improvement district. The policy outlines such things as petition requirements, information to property owners, and determination of annual plan of services, budget and assessments. It addresses City administration issues, which are in addition to the requirements of state law.

### I. GENERAL

1. PIDs must be self-sufficient and not adversely impact the ordinary service delivery of the City, except where City Council elects to participate in the project's costs.
2. PIDs must be established carefully and only when related to a public purpose to avoid a proliferation of special districts.
3. PID petition signatures should reflect that a reasonable attempt was made to obtain full support of the PID by the majority of the property owners.
4. Priority will be given to PIDs for:
  - (a) Improvements in the public right-of-way (e.g., entryways, landscaping, fountains, specialty lighting, streets and sidewalks);
  - (b) Improvements which meet community needs (e.g., drainage improvements, parks and off-street parking facilities); and
  - (c) Improvements related to operations and maintenance expense (e.g., sidewalk and street cleaning).



5. Secondary consideration will be given for other "supplemental services". Very careful consideration must be given before City Council will support a PID for improvements, which require bond financing.

Use of assessments for partial recovery of a developer's capital costs will be allowed only in special cases where extraordinary public benefit is shown. Only those capital costs associated with continuing district services will be considered for partial recovery.

6. A PID's budget shall include sufficient funds 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.
7. The petition should include the notation that it is the City's right to maintain the project, with input from the existing advisory body, and assess the property owners of their appropriate share of the costs if the management firm's work is unsatisfactory.
8. Anyone selling land in a public improvement district

must include a "title encumbrance" which notifies any prospective property owner of the existence or proposal of special assessments on the property. All closing statements must specify who is responsible for payment of the PID assessment on a pro rata share thereof.

## **II. PETITION REQUIREMENTS**

For a district to be established, a petition shall include the following:

1. Assurance of long-term backing and support.
2. Sunset clause or procedures outlined for public review of the success of the PID and a determination of property owners whether to continue with the district or dissolve it.
3. Evidence that the petition's signatures meet the state law requirements or the petition will be accompanied by a reasonable fee to cover the city costs of signature verification. If the proposed district is an expansion of an existing district, a petition for the new portion of the district must identify each subdivision, or portion thereof, within the proposed boundaries of the new district, and each subdivision or portion thereof, that is not currently in an existing PID shall individually satisfy the requirements for a petition under Section 372.005 of the Texas Local Government Code. Subdivision has the meaning assigned by Section 232.021 of the Texas Local Government Code.
4. Contingency plan to address the maintenance or disposition of PID improvements and or property that has not been dedicated to the public if a PID is dissolved.
5. Map of the area, description of the boundaries of the district for the legal notices and a "commonly known" description of the area to be included in the district.



6. A section, which clearly identifies the benefit of the PID to the affected property owners (for use in benefit hearings) and to the city as a whole (i.e., public purpose).
7. Description of all city-owned land within the district as well as its proposed share of project costs.
8. Types of activities the District organization will undertake and who will determine those activities.
9. A Budget, including District's revenue in addition to the assessments, and how all funds will be managed.
10. Staffing needs.
11. Documentation of adequate liability insurance.
12. Specified procedure for eventual termination of the district.
13. Specified assurances to the City that the construction of improvements in the public right-of-way will be maintained by the PID and in no way obligates the City to future maintenance or operational costs, unless otherwise stated in a subsequent agreement.
14. Statement that the petitioners understand that the annual budget for the district is subject to review by city staff with final approval by the City Council.

In addition, the following issues must be addressed before the City Council will take action on a petition:

1. An "application fee" will be paid by the applicant to reimburse the city for the cost of evaluating the petition. Any unexpended portion of the fee shall be reimbursed to the PID or applicant when the evaluation is complete.
2. A petition will be viewed more favorably if it has attached a current tax roll with the signatures of the owners registering support of the petition next to the account for the owner's property on the tax rolls.
3. All estimated costs must be identified before a decision is reached on a request to establish a PID. Costs to be identified include costs related to establishing the district; costs for maintenance, operations and administration; and costs for later revision, repair or replacement of any improvements.
4. A professional management plan must be submitted for review and approval before the petition is submitted (e.g., who will address issues as they arise and how they will be addressed).
5. For a residential PID, the City Council will look more favorably on a petition where the developer of a new subdivision has put in place an active homeowners organization.



6. Any management firm for the PID shall be required to hold a public meeting for property owners in the PID to review and comment on the Budget and Plan of Services, and to attend the annual public hearing before the City Council takes action.

## **GUIDELINES**

### **OVERVIEW**

These guidelines are written to assist in the operations and management of a Public Improvement District (“PID”), and are not intended to be an all-inclusive list. Of primary consideration, are the statutes outlined in Chapter 372 of the Texas Local Government Code, (<http://tlo2.tlc.state.tx.us/statutes/lg.toc.htm>) and the City of Fort Worth Public Improvement District Policy, as amended on March 23, 1999.

### **I. ESTABLISHMENT**

A Public Improvement District (PID) is a defined area of properties, whose owners have petitioned the City to form a PID. City Council establishes a PID by adoption of a resolution after a public hearing. The public hearing is publicized and written notification of the hearing is mailed to all property owners in the proposed PID. By petition, the owners pledge to pay an assessment in order to receive enhanced services and/or improvements within the District. The PID must demonstrate that it confers a benefit, not only to the properties within the District, but also to the “public” which includes the entire City.

The establishment of an Advisory Body should be addressed in the petition. Statutes allow the City Council to appoint the Advisory Body. However, City Staff can elect that an existing organization with direct ties to the PID serve as the advisory body. Such organizations may be Homeowners Associations, Business Associations, Historical Associations, etc. On an annual basis the criteria for the Advisory Body will be reviewed by the City Attorney and if necessary changes will be implemented.

### **II. GOVERNANCE**

City staff shall administer all PIDs in accordance with the City’s PID Policy.

### **III. PID MANAGEMENT**

1. The City may contract with a management company to manage the PID, subject to administrative oversight by City staff.
2. The management company will coordinate development of the Budget and Five Year Service Plan with the advisory body selected by the City Council for such purpose (or any other group that is representative of the property owners), which will be submitted to the City Council for consideration following a public hearing conducted in accordance with State law.
  - a. The management company seeks input from the designated advisory body and/or the property owners regarding the needs of the District.

- b. The management company communicates to all property owners within the District, regarding events, activities, or other news in the District.
    - c. Minutes must be submitted to the City within forty five days following each Board meeting.
  3. The management company either performs the work or subcontracts the work to be performed in the District.
    - a. Coordinates between the City and the Advisory Body to effectively accomplish the work in the District according to the adopted Service Plan and within State law.
    - b. Attends all PID Advisory Body meetings and other PID committee meetings, as necessary.
  4. The City's PID Administrator should be notified of the time and place of all PID membership and advisory board meetings.
  5. A member of a PID advisory board appointed by the City Council in accordance with Section 372.008 of the Texas Local Government Code cannot have a financial interest, either directly or indirectly, with the entity under contract to manage the PID or in any contract or other expenditure for improvements or services in the PID.

#### **IV. ASSESSMENTS**

1. By ordinance, the City annually levies the assessments on the properties in the District in accordance with the petition.
2. The City has contracted with Tarrant County Tax Office for billing and collecting the PID assessments.
3. The PID assessment is billed on the property owner's annual ad valorem tax statement.
4. The City provides the PID funding on a reimbursement basis, based on invoices submitted by the Management Company.

#### **V. SERVICE PLAN**

State law specifically outlines the improvements and special supplemental services that may be adopted in the Five Year Service Plan and provided for in the District's annual Budget.

1. The City of Fort Worth utilizes PIDs for operations and maintenance projects which may include:
  - Landscaping;
  - Erection of fountains, distinctive lighting, and signs;



- Construction or improvement of pedestrian trails;
  - Acquisition and installation of pieces of art;
  - Acquisition, construction, or improvement of off-street parking facilities;
  - The establishment or improvement of parks;
  - Acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
  - Special supplemental services for improvement and promotion of the District, including services relating to advertising, promotion, health and sanitation, public safety, security, business recruitment, development, recreation, and cultural enhancement; and
  - Payment of expenses incurred in the establishment, administration, and operation of the District.
2. Budgets should be developed with the concept that the entire PID will benefit.
  3. Annual budgets should be supplemented by a detailed line item explanation of the various components and how the amount was derived.

## **VI. EXPENDITURE REIMBURSEMENTS**

1. The Management Company will periodically, but not more frequently than monthly, present to the City an invoice with the following information:
  - a. Report of services rendered and documents evidencing payments made for District services for the reporting period;
  - b. The City shall reimburse the Management Company within fifteen (15) business days for District services within the limit of assessments actually collected.
  - c. Management payments for administration of a PID should not exceed 20% of current year assessment. Administrative costs consist of, but are not limited to, rent, office supplies, salaries, and other expenses necessary for the oversight of PID projects. Management payments under this provision are for the payment of oversight and expenses incurred in the establishment, administration, and operation of the District under Section 372.003(b)(14) of the Texas Local Government Code and are separate from payment for special supplemental services that may be authorized for the improvement and promotion of the District under Section 372.003(b)(13) of the Texas Local Government Code.
2. The Management Company must follow State Statutes regarding authorized expenditures within a PID.
3. Expenditures must fall in the general category as outlined in the Texas Local Government Code governing Public Improvement Districts, as stated in Section IV above.
4. Any purchases of goods or services or any purchase contract that is subject to annual renewal, that is more than 4% of the total budget in any given year, requires 3 bid



requests by qualified vendors before the purchase may be made. Exceptions are emergency situations, long-term contracts (negotiated for cost management before January 1, 2009), and professional services approved in the budget. This is subject to annual review by City staff.

5. The Management Company shall make a periodic work report, no less than quarterly, detailing the Management Company's significant work activities.

## **VII. FINANCIAL REPORTING**

1. Financial Statements (Balance Sheet, Income Statement, and General Ledger) should be provided to the City's PID Administrator on a monthly basis.
2. Care should be taken to classify expenditures. Routine repairs and maintenance should not be classified as Capital Improvements. Capital Improvements involve the construction, purchase, or renovation of buildings, parks, streets, or other physical structures that will either enhance the property's overall value or increase its useful life. A capital improvement must have a useful life of five or more years.
3. Reserves should be maintained to cover the first three months of the fiscal year, until tax receipts are received, however reserves should not exceed 75% of average yearly assessments.
4. The annual assessment rate should be supported by the required budget. An explanation in writing of the reason for delaying or cancelling a project or expenditures in a given year which results in the increase of fund balance should be provided by the management company to the PID Administrator prior to the submission of the next year's budget.
5. An Income Statement comparing the budget to the projected year end balances should also be prepared on a quarterly basis.
6. CPA firms must change every 5<sup>th</sup> year.
7. The financial records for the PID are subject to review by City of Fort Worth personnel at any time.

## **VIII. DISPUTE RESOLUTION**

1. Any disputes between the Management Company and the PID Advisory Board may be directed to the City of Fort Worth PID City Attorney or Administrator.
2. Either party may appeal the decision of the City's PID Attorney or Administrator to the Director of the Department in which the PID program is assigned.
3. Decisions made by the Director may be appealed to the City Manager.