



Policy for Capital Public Improvement Districts

I. OVERVIEW

This Policy outlines conditions that must be met for the City of Fort Worth (“City”) to consider the creation of a public improvement district for the purpose of funding capital improvements (a “Capital PID” or “C-PID”) and sets forth guidelines for how the City will utilize and administer C-PIDs once they are created.

Capital PIDs are development financing tools authorized pursuant to Chapter 372 of the Texas Local Government Code (“Act”), which allow for the costs of certain public improvements in a designated area to be allocated to and paid for by the owners of the parcels that actually benefit from such improvements. A C-PID can, therefore, provide a means to fund improvements that meet community needs and that might not otherwise be constructed as quickly or at all by assessing charges to owners of the property that directly benefits from the improvements.

The purpose of this Policy is to outline the considerations that will need to be addressed before the City Council can support the establishment or continuation of a Capital PID. Such considerations include, but are not limited to, whether petition requirements have been met; whether a uniform assessment methodology is proposed; whether and how mandatory information disclosures to property owners in a potential C-PID are provided; whether a C-PID’s initial and updated service and assessment plan and budget comply with state law and this Policy; and whether any proposed C-PID debt obligations meet the restrictions identified in state law and this Policy. This Policy also addresses C-PID administration requirements, which may exceed requirements of the Act and other state laws. This Policy shall serve to supplement all other applicable City rules, regulations, and policies.

This Policy has been prepared and approved to guide the operations and management of a C-PID, and the guidelines set forth herein are not intended to be an all-inclusive list. C-PIDs created before the adoption of this Policy are not subject to strict compliance with this Policy. PIDs created for the purpose of funding on-going operations and supplemental services are governed by a separate policy.

The Act, Policy, and City staff are the primary sources of information regarding C-PIDs in the City.

II. MINIMUM REQUIREMENTS FOR CONSIDERATION OF CREATION

1. A proposed C-PID must be located entirely within City limits. The City will not consider creation of a C-PID where any portion of the property is located in the City's extra-territorial jurisdiction.
2. A proposed C-PID must consist of at least 1,500 acres in developable total land area.
3. A proposed C-PID must consist of land owned by either (i) a single entity or (ii) multiple entities that are under Common Ownership. As used herein Common Ownership refers to a situation in which more than 50% of each entity is subject to the same ownership and control structure.
4. Creation of the proposed C-PID must be supported by 100% of the property owners as evidenced by (i) submission of a current tax roll identifying each owner of property liable for assessment and (ii) the signature of each owner affirming his support of the petition.
5. To avoid over-proliferation of special districts, a petition must demonstrate an extraordinary benefit and public purpose.
6. C-PID-funded improvements will be restricted to Major Infrastructure that is built to City standards and specifications. As used herein, "Major Infrastructure" means (i) streets that would be classified as arterials as outlined in the City's Master Thoroughfare Plan, and (ii) sewer mains that are at least 18-inches in diameter and water mains that are at least 16-inches in diameter.
7. If it is proposed that debt obligations secured by and payable from C-PID assessments are to be issued to reimburse for Major Infrastructure that a developer would ordinarily fund at its own costs, the petition must demonstrate how creation of the C-PID and financing of the infrastructure provides an extraordinary benefit to the City as a whole and to the property in the C-PID, such as accelerated development or furtherance of a major City policy objective. The City will not create a C-PID to finance the costs of construction of infrastructure.
8. A petition must identify all methods to be deployed to ensure that sales of assessable property in the C-PID will include disclosure of the existence or proposal of special assessments on the property. Petitioners must acknowledge and agree that, at a minimum, (i) all initial sales by home builders or developers will include a "title encumbrance" notifying any prospective buyers of the assessment; (ii) all closing statements will specify who is responsible for payment of the PID assessment or a pro rata share thereof; and (iii) all marketing and sales materials will include notice of the assessment and its estimated amount.
9. All estimated costs must be identified within a financing plan before a decision is reached on a request to establish a C-PID. Costs to be identified include costs related to establishing the C-PID; costs for maintenance, operation, and administration; and costs for future revision, repair or replacement of any improvements.

III. PETITION REQUIREMENTS

1. In addition to the requirements set forth in the Act, all petitions requesting establishment of a C-PID shall include the following:
 - a. Assurances of long-term backing and support.
 - b. Evidence that the petition's signatures meet the requirements of the Act and this Policy. If the petitioner fails to provide sufficient evidence, then the petitioner will be required to pay the City a reasonable fee to cover the City's costs of signature verification.
 - c. If a proposed C-PID is an expansion of an existing public improvement district, then the petition will be treated as a new C-PID and such petition shall be subject to this Policy.
 - d. Contingency plans to address how, if a C-PID is dissolved, C-PID improvements and property that have not been dedicated to the public will be maintained or disposed of.
 - e. Map of the area, legal description of the boundaries of the C-PID and a commonly known description of the area to be included in the C-PID.
 - f. A section that clearly identifies the benefit of the C-PID to the affected property owners (for use in public hearings) and to the City as a whole (i.e., public purpose).
 - g. Identification of all land within the proposed C-PID that is or will be publicly owned (e.g., sites for public schools).
 - h. Description of all City-owned land within the C-PID as well as its proposed share of project costs.
 - i. A budget, including the C-PID's revenue in addition to the assessments, and how all funds will be managed.
 - j. Specified procedure for eventual termination of the C-PID.
 - k. Statement that the applicant understands that the annual budget for the C-PID is subject to review by City staff with final approval by the City Council.
 - l. A professional management plan detailing who will be responsible for addressing problems and corrective actions to be taken.
2. In addition, the following issues must be addressed before the City Council will take action on a petition:
 - a. Applicant shall pay a non-refundable application fee of \$35,000.00, in full, at the time the petition is submitted to the City for evaluation. The application fee is

intended to offset costs incurred for internal evaluation of the petition that are associated with establishing the C-PID, including, but not limited to, salaries for City staff and all other reasonable and appropriate expenses.

- b. Applicant shall pay an additional \$150,000.00 to reimburse the City for the costs incurred for external evaluation of the petition. This application fee must be paid in full when the petition is submitted to the City for evaluation and review.
 - i. Payment of this fee is considered a pre-payment for costs associated with C-PID consultant fees, bond attorney fees, independent appraisal fees, engineering costs, and all other reasonable and appropriate expenses associated with the creation of the C-PID.
 - ii. In the event the funds are depleted during the evaluation phase, the applicant will be required to contribute an additional amount to continue the evaluation of the C-PID. Such additional amount will be calculated solely by City staff and represent the estimate of expenses to complete the evaluation. In the event that there are insufficient funds to cover the City's external expenses, the City reserves the right to hold the petition indefinitely until all required fees are paid.
 - iii. The City will refund to the Applicant any unused fee balance.
 - iv. Costs incurred for these services will be allowed to be reimbursed from a debt issuance, if said debt issuance occurs, to the extent allowable by state and federal laws and within the restrictions defined within this Policy.
3. City staff will review all petitions for sufficiency.

IV. ESTABLISHMENT

1. The Act provides the City Council with the authority to undertake an improvement project that confers a special benefit on a definable area of land if certain procedures in the Act are met. In establishing a C-PID, the City will comply with all mandatory procedural requirements set forth in the Act; provided, however, that the City reserves the right to invoke any permissive procedural requirement as it may deem necessary on a case-by-case basis.
2. The applicant must submit a proposed service and assessment plan to the City. The City reserves the right to have its own C-PID consultant finalize the service and assessment plan should the City decide to move forward with the C-PID, the cost of finalization shall be included in the C-PID budget.
3. There shall be no requirement to establish a statutory advisory body to oversee the development and recommendation of a service and assessment plan.

V. ASSESSMENTS

1. The City Council shall apportion the costs of capital improvements to be assessed against property in a C-PID. The apportionment shall be made on the basis of special benefits accruing to the property because of the capital improvements. The costs of the capital improvements will be assessed in accordance with the Act and this Policy.
2. By ordinance, the City shall levy the assessments on the properties in the C-PID in accordance with the petition.

3. The City has contracted with the Tarrant County Tax Office for billing and collecting of C-PID assessments.
4. The City will have the final authority regarding assessment methodology.
5. The C-PID assessment is billed on each property owner's annual ad valorem tax statement.
6. C-PID assessments shall only be allowed to be levied for a period of 20 years.
7. Through approval of this policy, City staff has been delegated authority from the City Council to collect assessments in any manner authorized by the Act, which provides that assessments may be collected in the same manner as the collection of ad valorem taxes. Such authorized collection efforts include the initiation of foreclosure proceedings on any delinquent property for failure to pay the special assessment associated with the C-PID.

VI. GENERAL ON-GOING REQUIREMENTS

1. Each C-PID must be financially self-sufficient and not adversely impact the ordinary service delivery of the City.
2. A C-PID's budget shall include sufficient funds to pay for all C-PID related costs that exceed the City's ordinary operating costs. Examples of costs that must be offset are those associated with on-going administrative and operational oversight of the C-PID and with integration of C-PID funded infrastructure into the City's operating and administrative systems
3. C-PIDs shall not be managed by developers.
4. If a C-PID is being managed by a management firm and that entity's performance is determined by the City to be unsatisfactory, the City may exercise its right to assume control, maintain the project, and assess the property owners of their appropriate share of the costs.

VII. BOND FINANCING FOR C-PIDS

1. All C-PIDs established by the City with the intent to fund capital improvements through bond financing shall be limited by the following restrictions and requirements:
 - a. Bond financing will only be considered for C-PIDs with a qualified project of ten million dollars (\$10,000,000) or more. This amount shall be the minimum amount to be financed, excluding cost of issuance, capitalized interest, and debt service reserves.
 - b. The terms of repayment for any bonds issued for C-PIDs shall specify a maturity date not longer than twenty (20) years from the date of issuance.
 - i. The maturity date for any bond issued shall not exceed the useful life of any assets constructed.
 - ii. The maturity date for any bond issued shall not exceed the initial

- authorization term of the C-PID.
- iii. The debt service payments for the life of the debt shall be level from year-to-year taking into consideration funding of reserves as required by the bond indentures and administrative expenses.
 - iv. Repayment of any debt is limited to the pledge of revenue derived from the C-PID.
2. All debt issuances and bond sales for C-PIDs shall coincide with the City's annual debt financing plan. The City traditionally issues debt in late spring/early summer.
 3. Developers requesting establishment of a C-PID with the intent to issue bonds must identify land to be donated to the respective and appropriate Independent School District(s) ("ISD"). Such land donation shall be equivalent to not less than ten percent (10%) of the total land within the C-PID, unless agreed to otherwise by the respective ISD.
 4. Debt obligations secured by and payable from C-PID assessments used to reimburse for Major Infrastructure in the C-PID shall be limited to a single issuance or tranche, and no more than one year of interest may be capitalized.
 5. The City will ensure that the record of proceedings authorizing any revenue bonds issued for a C-PID (by the City, and any other entity controlled by the City or any other entity authorized to issue bonds) are submitted to the attorney general for examination.
 6. Not more than 80% of the total cost of capital improvements may be included in any debt issuance.
 7. At least 50% of the direct transactional costs of debt issuance shall be paid by the applicant without remuneration or inclusion in the debt financing.
 8. The estimated appraised value to lien ratio with proposed capital improvements, as determined by an independent third party approved by the City, shall be no less than 3:1 on a parcel by parcel basis.
 9. C-PID debt structures will only be done in a manner that allows the City to acquire constructed and completed infrastructure from the applicant on a reimbursement basis. The City will not issue or sell bonds to reimburse applicants for the cost of capital improvements that have been previously acquired by the City.
 10. Excess proceeds, if any, from a debt issuance must be applied to outstanding debt payments.
 11. A Debt Service Reserve Fund shall be established and maintained by the City in an amount no greater than the lesser of:
 - a. 1.25 times the average annual debt service payments,
 - b. 1 times the maximum annual debt service payment, or
 - c. 10% of the proceeds of the bonds.
 12. A Service and Assessment Plan and related agreements for any debt issuance must be submitted and approved by City staff before consideration of debt financing.

13. All costs incurred by the City that are associated with the administration of the C-PID shall be paid out of special assessment revenue levied against property within the C-PID. City administration costs shall include those associated with continuing disclosure, agent fees, staff time, reporting requirements, and any other related expenses.
14. The City may hire its own financing team, including, but not limited to, bond counsel, financial advisors, and underwriters related to bond financing proceedings. Costs associated with the financing team shall be negotiated by the City and paid out of the developer paid deposit and then subsequently reimbursed by bonds or special assessment revenue levied against the property within the C-PID.
15. Applicants requesting establishment of a C-PID with bond financing must participate in the City's continuing annual financial disclosures. The City may assess penalties for non-compliance with continuing disclosure undertakings.
16. In the event of a default on bonds issued for C-PIDs, all associated parties and their affiliates shall be barred indefinitely from submitting a petition to the City requesting establishment of any future C-PID.
17. Unless otherwise approved by the City Council, the City will not refund or refinance any bonds issued for C-PIDs.
18. The City will determine in its sole discretion the credit criteria/quality, market suitability, debt structure, continuing disclosure requirements, and investor suitability requirements of the bonds.

VIII. C-PID MANAGEMENT

1. The City may contract with a private firm to manage the C-PID, subject to administrative oversight by City staff. Management includes, without limitation, the responsibility of continuing disclosure requirements and arbitrage calculations associated with any outstanding debt for the C-PID.
2. The management company will coordinate development of the annual Budget and Five Year Service Plan, which will then be submitted to the City Council for consideration following a public hearing conducted in accordance with the Act.
3. The management company will communicate to all property owners within the C-PID, regarding pertinent information for the C-PID.
4. Costs associated with the management company will be paid from annual assessment revenue.

IX. SERVICE AND ASSESSMENT PLAN

1. Each applicant shall submit an initial Service and Assessment Plan and an annual update shall be completed by the City that complies with the Act and this Policy.

X. EXPENDITURE REIMBURSEMENTS

1. In order to ensure that the C-PIDs continue to operate without cost to the City, the City will charge a fee to each C-PID for the annual costs associated with administering the C-PID. This fee will be calculated annually for each C-PID to be the greater of:
 - a. 2% of the projected externally generated revenue for that year, to include special assessments and any City contributions; or
 - b. \$2,000.
2. Expenditures must fall within the general categories established in the Act and this Policy.

XI. FINANCIAL REPORTING

1. The City will make C-PID financial statements (balance sheet, income statement, and general ledger) available on a monthly basis for the applicant to review and inspect.

XII. DISSOLUTION

1. C-PIDs may be dissolved in accordance with the procedures set forth in the Act. If a C-PID is dissolved, the C-PID shall remain in effect for the purpose of meeting obligations of indebtedness for the major infrastructure improvements.