

**Date:** August 20, 2013  
**To:** Bruce D. Glasscock, City Manager  
**From:** Frank F. Turner, Deputy City Manager  
**Subject:** Public Improvement Districts

Chapter 372, Texas Local Government Code provides for the establishment of Public Improvement Districts (PIDs) <http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.372.htm>. A PID provides cities and counties a means for collecting a special assessment within a defined geographic area for the purposes of making certain public improvements and conducting supplemental services to benefit the area. Examples of improvements and programs include: landscaping, amenities, streets, sidewalks, pedestrian malls and plazas, public art, recreation and cultural facilities, sanitation services, common area maintenance, public safety and security, advertising and marketing, events and promotions.

Chapter 372, Texas Local Government Code, specifies the procedures for the establishment, administration and termination of a PID. Establishment of a PID is initiated by a petition of the property owners within the proposed district. At a minimum, property owners representing more than 50% of the district's assessed tax value; and more than 50% of the owners, or owners representing more than 50% of the land area must sign the petition. The city or county governing body may then appoint an advisory committee to formulate an improvement plan/program and recommend the means and amount of assessment. Following required notice and hearings, the governing body may approve the PID.

Public improvement districts have been created throughout the state, most often in support of downtown improvements and programs. PIDs permit the delivery of special improvements and programs to benefit an area with the cost borne by the benefiting area.

Staff believes one or more PIDs may be created in Plano in areas such as downtown and other urban mixed-use centers. Although state law provides a detail set of requirements and procedures for establishing PIDs, staff recommends the adoption of additional policies to guide the establishment of PIDs. The following ten policies are offered for council's consideration.

## Public Improvement District (PID) Proposed Policy

Plano PID Policy – The following policies are supplemental to the requirements contained in Chapter 372 of the Texas Local Government Code. Further explanation of each policy is provided in red.

1. A Pubic Improvement District (PID) may only be established for an area zoned for commercial or mixed use development.

**Staff recommends the use of PIDs be limited to commercial and mixed-use development because of the administrative costs where there is a large number of property owners, such as with single-family subdivisions.**

2. A PID may not be initiated or renewed without a petition from property owners in accordance with Section 372.005(b) LGC, The City will require that owners representing at least 60% of the value and 60% of all record owners or 60% of land area support the creation of a new or renewing PID.

State law only requires a petition to establish a PID to require that owners representing at least 50% of the value and 50% of all record owners or 50% of land area support the creation of a new or renewing PID. Staff believes a higher threshold would give property owners greater confidence in requesting establishment of a PID.

3. The maximum PID assessment shall be \$0.15 per \$100 valuation.

State law does not establish a maximum assessment. Staff believes setting a limit would make property owners more likely to support creating a PID.

4. Administrative expenses, including costs for day-to-day City staff administration, for a PID shall not exceed 15% of the total budget in any year.

Establishing a cap on administrative costs will give property owner's greater assurance that assessment revenue is directed to services and improvements. Administrative cost will likely exceed 15% of assessment revenue for smaller PIDs and would need to come from other sources.

5. A PID shall terminate 5 years after the date of its establishment provided that the district does not have any outstanding debt or unpaid financial obligation and subject to the provisions of Sec. 372.011 LGC.

Property owners are more likely to support establishment of a PID if there is an automatic termination provision. This gives all parties opportunity to judge the effectiveness of the district before extending its duration.

6. A PID shall be extended or reinstated by the same process by which it was initially established.

This policy assures property owners that the same petition process will be used for extending or reinstating a PID.

7. A PID application for creating or renewing a PID shall include a section that clearly identifies the special benefit of the PID to the affected property owners.

This policy provides both the city and property owners assurance that the PID provides a benefit that applies to their property and is not normally enjoyed by properties outside the district.

8. Property designated in the PID petition, including City owned property, shall not be subject to assessment if the City Council determines that the benefit of the proposed improvements to the property are of incidental value pursuant to Section 372.015 of the Texas Local Government Code.

City Council will need to determine if its properties also receives benefit from the PID. It may elect or not elect to be subject to the assessment, or it may also decide to grant other revenue to the district.

9. Any management firm for a PID shall be required to submit quarterly reports of all activities and expenditures; an annual independent audit of all PID expenditures; and shall hold an annual meeting open to all property owners and held in a public meeting space with written notice to all property owners in the PID at least two (2) weeks prior to this meeting to provide an opportunity for property owner questions, comments and input to be considered during the PID Budget and Service Plan approval process.

Management of some or all PID services and improvements may be conducted by contract to an outside entity. The policy provides for additional oversight.

10. Council shall appoint an oversight and advisory board the majority of whose membership consisting represents owners of at least 60% of the value; and 60% of all record owners or 60% of land area.

This policy ensures property owners maintain ongoing oversight of the PID.