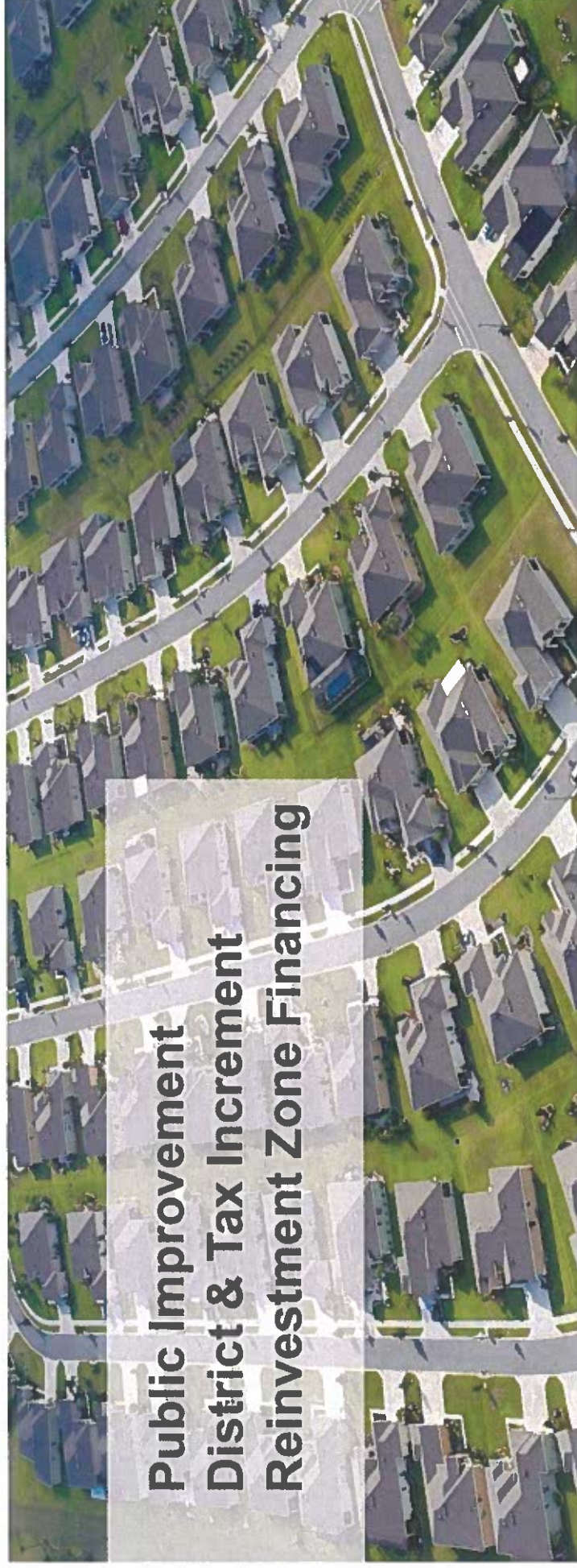


Prairie Point – Rhome, Texas



**Public Improvement
District & Tax Increment
Reinvestment Zone Financing**

PID Overview

Details

- A public financing mechanism that allows public improvements that benefit the District to be funded through assessments, the issuance of bonds, and other debt obligations by a local municipality
- Chapter 372 of the Texas Local Government Code governs the creation and operation of PIDs in Texas
- PIDs only apply to those land owners within a contiguous area
- PIDs facilitate both affordability and quality of development
- All costs of the PID are the responsibility of the Land Owner
- No cost or financial risk to the City, or residents living outside of the PID
- Collaboration between Developer and various City departments and Consultants such as management, finance, counsel, financial advisor, PID Consultant, Public Works, etc.
- Provide up front and/or reimbursement financing capability; secured by a lien on the land
- Provides an on-going revenue source for recurring reimbursement and/or operation and maintenance needs

Benefits to the City

- City governs the PID through an administrator
- The Development “pays for itself”
- Accelerates the timing of development
- PID debt is non-recourse to jurisdiction
- City retains 100% of sales tax revenues created from online purchases in the development
- Can generate funds for additional community benefits
- Ability to reimburse cost of administration
- No costs to the jurisdiction
- No impact on bond rating or bonding capacity



PID Benefits to the Property Owner

- Cost certainty through fixed nature of assessments – even if property values increase
- Finite life of obligations due to fixed term of PID
- Ultimate flexibility as assessment can be prepaid without penalty at any time
- No impact on “my property” by actions of others
- Enhanced amenities for a higher quality community



Proper PID Disclosure Ensures Success

- Texas law requires minimal disclosure of PIDs to property owners
- Project success is enhanced by “above and beyond” PID disclosure
- Utilize the PID disclosure process as a marketing benefit
- Recommended PID Disclosure Requirements:
 - Buyers acknowledge PID at contract execution, not just closing
 - Provide FAQs and other easy to understand explanations to all prospective buyers
 - Require that mortgage escrows include PID annual installments
 - Provide visible PID signage at all project entrances and in sales centers/model homes
 - Require that all MLS listings include presence of PID
 - Include PID information in all property tax estimates provided to buyers
 - Provide for PID Administrator to review ongoing PID disclosure process

Tax Increment Reinvestment Zone Overview

Details

- A TIRZ redirects ad valorem taxes created from the new development on the Property; it is *NOT* a new tax
- Governed by 311 of the Texas Tax Code
- This allows a City to designate an area as a Tax Increment Reinvestment Zone in which ad valorem taxes are dedicated to the payment of certain items, including infrastructure
- TIRZ can provide for additional public improvements to be financed
- Tax increment revenues from TIRZ can act as a credit against the special assessment
- TIRZ can increase bonding capacity of the PID bond issuance
- TIRZ increment can also be used to fund 380 grants for other projects generally

PID-TIRZ Eligible Improvements

Examples

- Streets, sidewalks, and street lights;
- Water, wastewater, health and sanitation, and drainage facilities;
- Public safety and security services;
- Acquisition of rights of way;
- Art and Sculptures;
- Installation of fountains;
- Landscaping and other aesthetics;
- Park, recreation and cultural facilities;
- Parking facilities;
- Formation expenses



Typical PID-TIRZ Incentive Team

- City staff
- City attorney
- Engineer
- Other PID consultants (Administrator, external City consultants)
- Mayor and council members
- Bond counsel
- City financial advisor
- Underwriter

Project Financial Overview

- **Prairie Point is a Currently Approved 361-acre Master-Planned Development**
- **+/- 276 acres of Single Family Homes and Open Space Amenities**
- **+/- 85 acres of Mixed Use Commercial**
- **Approximately 1086 Single Family detached residential lots**
- **Estimated Average Phase 1 Home Price - \$356,000**
- **Estimated annual ad valorem taxes value at buildout of over \$425M**
- **Estimated PID Eligible SF Authorized Improvements of \$68M**
- **PID Eligible Comm/MF Authorized Improvements \$TBD with Use**
- **Incentive Package to include a PID, TIRZ, and Impact Fees Credits**