

CITY OF SANGER, TEXAS

MINUTES: CITY COUNCIL WORK SESSION

July 2, 2018 - 6:00 PM

502 Elm Street, Sanger, Texas

COUNCIL MEMBERS PRESENT: Mayor Thomas Muir, Councilman Bill Boutwell, Councilman Lee Allison, Councilman David Clark, Councilman Gary Bilyeu, Councilman Allen Chick

COUNCIL MEMBERS ABSENT: None

The Mayor and all Council Members were present constituting a quorum.

STAFF MEMBERS PRESENT: Alina Ciocan, City Manager; Ramie Hammonds; Muzaiab Ruiz, Planner; Cheryl Price, City Secretary.

1. Call Meeting to Order

Mayor Muir called the Work Session to order at 6:03 PM on July 2, 2018.

2. Informational Presentation by Ted Christensen, President of Government Capital Securities, on Public Utility Districts (PID) and Tax Increment Reinvestment Zones (TIRZ).

Ted Christensen, President of Government Capital Securities provided a summary/power point presentation regarding Public Utility Districts (PID) and Tax Increment Reinvestment Zones (TIRZ). He advised that PIDs and TIRZ are kind of similar. He noted that Public Improvement Districts (PID) are basically a geographic boundary that allow development to happen and fees are assessed within that district that are used to pay the debt service for the bonds which are used to put the infrastructure in. It is a tool for developers to get the infrastructure in up front and be reimbursed from the fees from the developments. The fees are paid for by the property owners within the district through taxes. They are a good tool and are created by cities and done by a petition. He noted the list of improvements that can be done which include public improvements such as roads, water, wastewater, etc. They can be done a couple of different ways. The City can basically keep control which is the typical way it is done or the City would have a PID administrator that would handle the day to day items or there could be an advisory body. He noted in his research with attorneys, they do not recommend an advisory body. That an Administrator would be a better way for the City to maintain control. The City gets to decide what improvements can be done. No one can make the City do a PID. The monies from the PID would be collected by the Denton County Appraisal District. The money goes into an account that is used solely for administrating a PID, predominately that money is used for debt service. He explained the steps that are required to create a PID. He noted that any property owner, developer, homeowners' association, etc., can initiate the PID establishment process. It is a petition submitted to the City. He summarized the list of things it would include such as the estimated cost of improvement, the size requirement within the PID. It has the boundaries, how the assessments are going to work, whether there is a portion that the city might pay for, it all is a choice of the governing body. The petition must

be signed by 50% or more of the individual owners or people that own more than 50% of the development. The Petition is brought to the City Secretary for filing. Public meetings will be held to decide if the City wants to do this and the City will have 6 months to decide if they want to approve it. If a PID is established he summarized how it would function. The developer and engineer provide a service plan that would be approved by the city. It would have to be at least 5 years. Yearly assessments are assessed to the property owners and collected by Denton County Tax Appraisal District. New owners have to acknowledge up front that they are buying into a PID and are going to be paying this fee. When they get their property tax bill it will say Public Improvement District (PID). He suggested that the City manage the PID instead of an advisory board. He noted that the City or Advisory Board is responsible for managing the improvements and noted that once they are in they are given over to the city. One thing to watch out for is that there needs to be a warranty with them for the improvements for year or so. He noted that PIDs have become more common in this area lately. He noted in South Texas, MUDs are more dominant. He summarized TIRZ he noted they are not paid for with fees and are more commercial oriented. You can have any government agency such as the school district, county also involved. You could go in and do all of the roads within downtown and improve the sidewalks and issue debt and as the property value increases incremental tax revenue would be used to pay for that debt. Southlake used TIRZ for their Town Center. There was discussion regarding the fact that there needed to be significant development in an area to pay back the taxes on a TIRZ. He noted several cities who use these tools for development. Mayor Muir asked if multi-unit was considered residential. Mr. Christensen stated he believed it was any residential. He noted that Council is the final authority and it is up to the Council – no one can make the city do a PID. If a PID is done correctly that it could be a win/win situation, if the pre-development items are done correctly up front. He noted that the Tomlin project was done 10-11 years ago and never came to fruition because of the real estate crash, but they did learn some valuable things. A pre-development professional services agreement in which the developer would pay costs and for the professionals to negotiate the development agreement, etc. The City should not have to pay anything. Tomlin had in their agreement they would pay up to \$50,000 and at some point they may have went to \$100,000 and paid all of the fees up front. Making sure that you have a significant developer. Also be mindful of the cost to the property owners. The financing on these are expensive to do because you are basically financing dirt. The underwriters are more, the lawyers are more, he even charges more because they are more expensive to do. It doesn't cost the city more, ultimately it would cost the property owners in the district. They are a very good deal for the developer. The goal is to make sure that a good deal is negotiated for the city. He noted that it will have an impact on Sanger ISD and there possibly needs to be a school, etc. Take a look at other city improvements that would be necessary. In summary, the city can ask for what is wanted or needed and controls this from A to Z, if it happens at all. Bottom line, a PID is in a set area/district and the properties in the area/district are assessed fees and those fees are used to pay the debt service for all of the improvements. Mayor Muir asked if this would affect the City's bond rating and Mr. Christensen said it would not. Mayor Muir asked, what if the bonds were issued on the Tomlin deal and the roads were put in and the project went bankrupt or something happened and it was incomplete and it was just sitting empty. Mayor Muir asked what happens to those bonds when there is not enough property tax valuation to pay them. Mr. Christensen stated that they

would be defaulted and the City would not be responsible. That it is only revenues from that improvement district that pays the debt. There would probably be a work out, there are bankruptcies that happen. It can happen. The developer pays the developer fees until the lots are sold. Mr. Kirk Wilson, T. Wilson & Associates (representative for developer considering PID proposal) was recognized and noted after the levy occurs on the land, in the beginning there is only one landowner. What the City Council is going to do is make a finding in a service and assessment plan, and what that finding is going to do is, parcel and divide the entire subdivision. Typically, they will have two years to sell the lots and the commercial parcels it would be a parcel by parcel payment. The city tax would need to be collected. If not then in one year the property would go for sale on the courthouse steps for one year of the taxes. The lender usually will cure the debt and not let it go for a one-year tax payment of PID fees. He noted that all of the engineering and everything is done up front. They will have all of the components such as to donate civic site, school site, etc. Mayor Muir asked if they could get together with other property owners and bring in a bigger area, could it be done. Mr. Wilson stated that the deals he works on the developer comes to him with 100% of the ownership. They would not come forward to petition if they did not represent 100% of the owners. There was various discussion and Mr. Wilson stated that you need to have a good idea of what you are going to build, how you are going to build it, how much things are going to cost, what is the result going to be, and how you are going to back in to do the levy. He gave an example of a project they did in Fate Texas. Councilman Bilyeu noted the Tomlin project and that they will want to see what the project will look like and it was a three-month or more process. We knew what was going on every step of the way. It was very detailed and they spent months working on it. With the 3,800 homes there was a lot of negotiation which included wastewater, water CCN, schools, etc. We knew everything that we were getting and they knew everything that they were getting, it was that detailed. Mayor Muir asked about offsite improvements, wastewater, thoroughfares; for instance, can we build a baseball field on the other side of Town. Mr. Wilson stated it would be all part of the negotiation. He stated that legally, for assessment he would have to prove benefit to the property. Which means water, sewer, drainage and roads is the general levy of assessments. When they get into parks and some of the other things on the list they have to prove the benefit to the people paying the levy. He noted that parks were one of the difficult things to prove specific benefit to the property. He noted that everything is negotiable and they can do that with the development agreement and figure out how to put all of the pieces together. Mayor Muir asked about the time length and does it go away. In general, with a PID, it is a capital levy with 30 years to pay. With a PID assessment it is an individualized debt per parcel and from the beginning you know exactly how much you owe, some will pay off quicker. It is a 30-year levy. Once it is paid it goes away. He noted if the it was done in phases the 30-year clock begins with each phase as the parcels sell. There was discussion regarding the development of the subdivision. Councilman Bilyeu noted his biggest fear was having tract builders that would not come through with promises. Mayor Muir asked what type of standards they see being put in the agreement, outside of our core ordinances. Mr. Wilson noted that the agreement would have to have standards in it, but whoever wants to conform to those standards would be able to perform under it. City Manager, Alina Ciocan noted that some of the criteria can be captured in the Planned Development with requirements such as; architectural standards, minimum dwelling size; and, any other criteria we would want to add and this could be done regardless of us pursuing

a PID or not. In conclusion, Ted Christensen noted that staff has his contact information and if there are any questions, please feel free to call or e-mail him and he would get them the answers.

3. Budget Workshop.

Mayor Muir noted there was no time left for the Budget workshop item. It may mean that we may have to look at a separate budget workshop time to stay on track with the budget deadline.

4. Overview of Items on Regular Agenda.

There was no summary of items on the regular agenda.

5. Adjourn.

There being no further business, Mayor Muir adjourned the Work Session at 6:58 PM.