



Public Infrastructure Districts

Introduction to Senate Bill 228



Codified as Title 17D, Chapter 4



This bill grants cities and counties (Creating Entity) the power to create Public Infrastructure Districts (PIDs) to finance public infrastructure for new development and redevelopment



PIDs can issue debt repayable from property taxes or assessments on the property owners within its boundaries



PIDs can be an effective tool to the interests of both municipalities and property owners when potentially competing interests are balanced

Economic Development Tools

- Historically, there have been two key economic development financing tools used by cities and counties:
 - ✓ Tax Increment Financing (TIF)
 - ✓ Assessment Areas & Bonds
- Public Infrastructure Districts are intended to compliment these tools as well as address some of their shortcomings



PID Features

- Governed under the Local district Act, Title 17B
- Independent political subdivision
 - PID debt is not a liability or a balance sheet item of the Creating Entity
 - Defaults by PID taxpayers not enforced by municipality
- Governed by own board
- Creates new tax revenue stream rather than reallocation of existing taxes

PID Creation and Powers

PID Creation

- At the discretion of the Creating Entity
- Requires consent of 100% of property owners and voters within the PID boundaries
- Costs of Creating Entity counsel in evaluating PID to be paid by the property owner

PID Powers

- Broad powers to finance public infrastructure of many types, generally including any improvement that will be owned by a state or local government, including the PID
- Powers may be limited by the Creating Entity in the governing document entered into at creation

PID Governance

- PIDs are governed by a board with members initially appointed by the Creating Entity
- Initial board comprised of property owners or their designated representatives
- Board will transition to an elected board as electors reside in the PID, as provided in the Governing Document
- Board authority constrained by the limitations established in the Governing Document





Potential Uses of PIDs

- Incentivize commercial development
- Facilitate master planned communities
- Incentivize multi-family and/or low-income housing
- Enhanced infrastructure, such as increased capacity
- Backbone and regional infrastructure

Medical School Campus PID – Provo, Utah

- Provo City and Noorda College had been working together for years to bring new medical school to the City
- Noorda purchased a portion of the East Bay Golf Course from the City to construct the campus, but infrastructure costs were very high (\$37,500,000) because it was the site of a former landfill
- Provo City and Noorda worked together to form the Medical School Campus PID
- The PID was able to issue \$42,754,000 in 30-year tax-exempt limited tax bonds



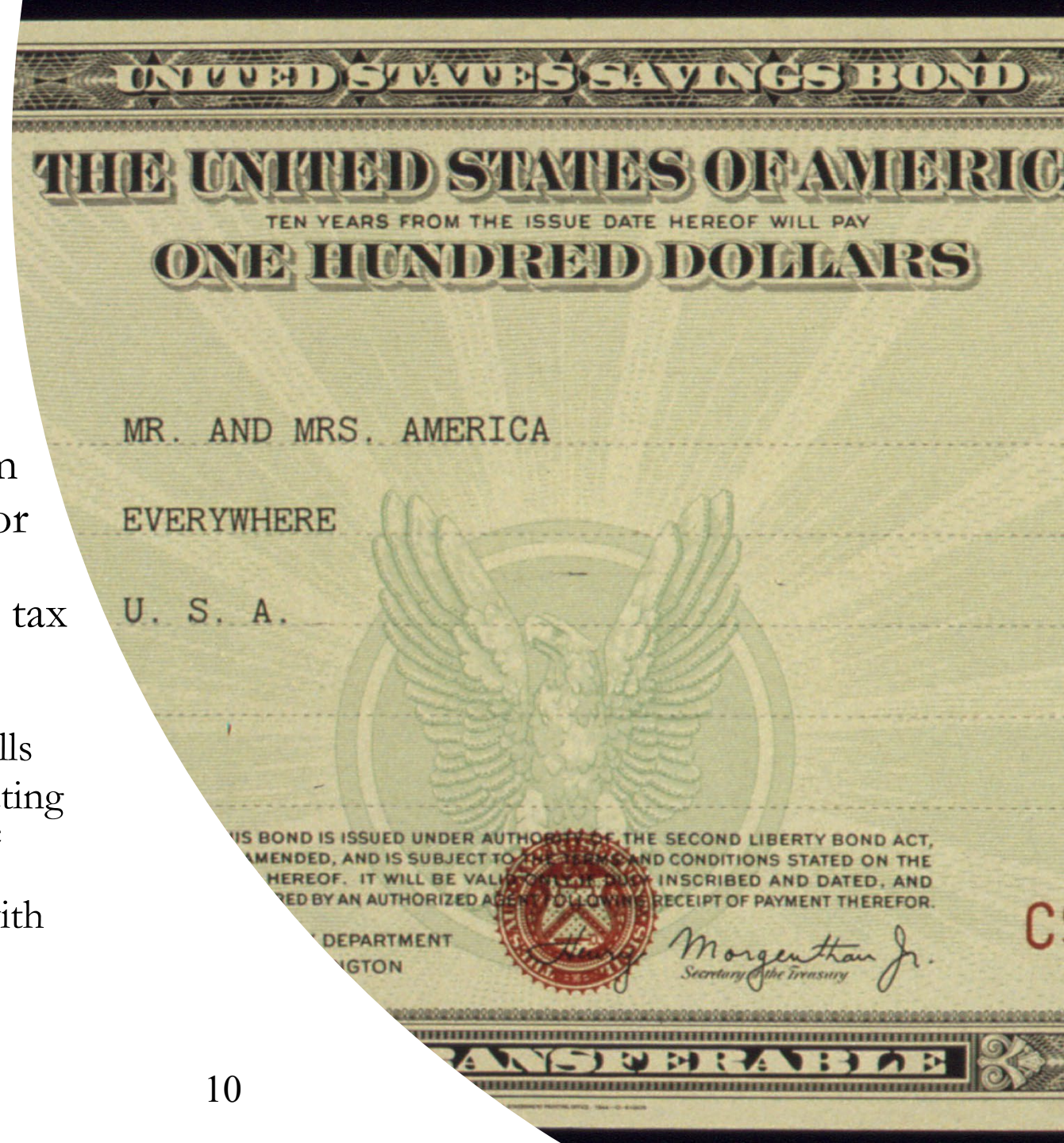


- PIDs may issue:
 - ✓ Special Assessment Bonds
 - ✓ General Obligation Bonds
 - ✓ Limited Tax Bonds
- In addition, TIF revenues may be pledged to repay PID Bonds

Bonds, PID Bonds

Limited Tax Bonds

- ✓ Fixed rate bonds, generally for 30-year term
- ✓ Not subject to a fair market value ratio prior to issuance
- ✓ Repaid from a limited ad valorem property tax
 - ✓ Tax payment pegged to taxable value of property
 - ✓ Statutorily, this rate may not to exceed 15 mills
 - ✓ A lower limit may be established by the Creating Entity in the Governing Document or in the bond documents
 - ✓ New revenue source, no need to negotiate with school district, RDA, etc.



Limited Tax Bonds, *continued*

- In the event the proceeds of the limited tax are insufficient to meet annual debt service as it comes due:
 - ✓ Not an event of default
 - ✓ Bondholder has no statutory remedy to require additional taxes or fees of the PID
 - ✓ No statutory recourse to the property or the property owner
- Because of these unique features, the statute limits sale of limited tax bonds to qualified institutional buyers or to be sold in denominations of \$500,000



Sample Property Tax Mill Levy – 12.5 Mill Base

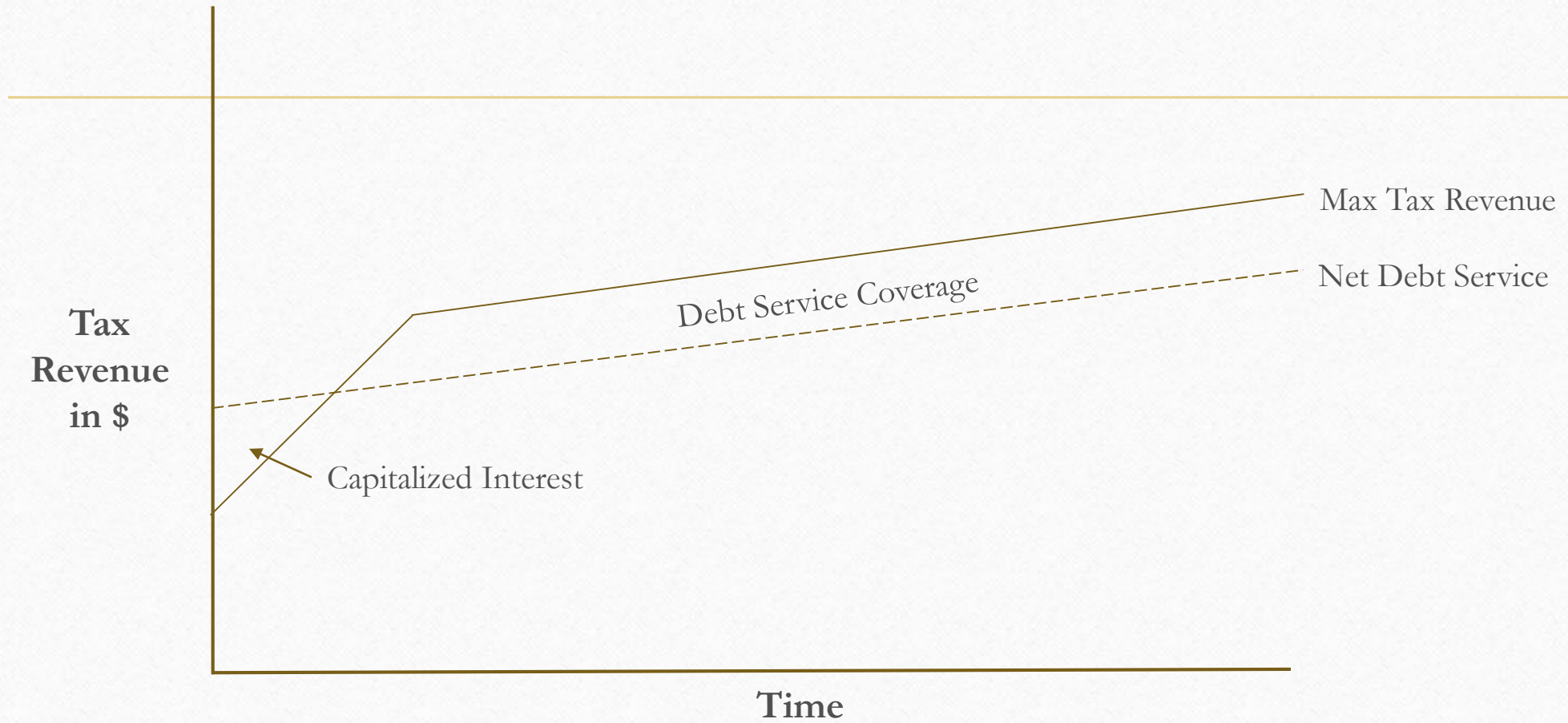
The property tax calculation for a residential owner is:

Market Value x Taxable Value (@55%, primary home exemption) x Mill Rate (1/1,000th) = Annual Taxes

Generally, property taxes are deductible from federal income taxes.

Mill Rate	Market Value	Taxable Value with primary home exemption	Mill Rate	Annual Taxes
Base Overlapping Mills	\$400,000	\$220,000	12.5	\$2,750
+ 7 PID mills	\$400,000	\$220,000	19.5	\$4,290
+ 10 PID mills	\$400,000	\$220,000	22.5	\$4,950
+ 15 PID mills	\$400,000	\$220,000	27.5	\$6,050

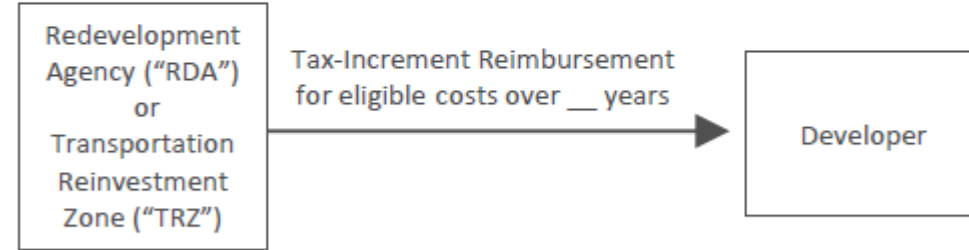
Limited Tax Bonds – Debt Service Coverage



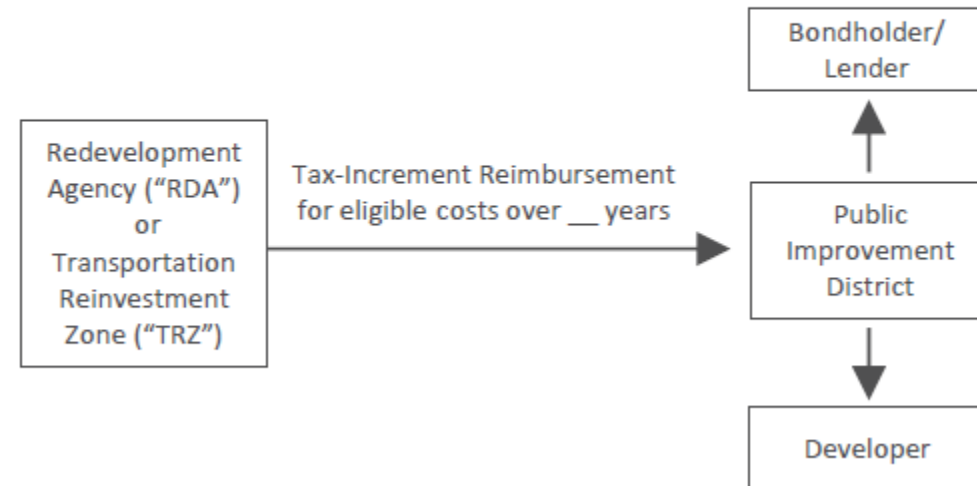
PID Interaction with Tax Increment Finance

- PIDs can act as the counterparty to RDA revenues, thereby creating a tax-exempt borrower to capitalize the increment without having 3rd party debt on RDA balance sheet
- PIDs bring additional revenues to the project from benefitted property owners whereas TIF involves reallocating tax revenue from other entities

Current/Traditional Plan



Public Infrastructure District involvement in Tax-Increment Finance





Considerations for the Creating Entity in Drafting the Governing Document

- The statute only establishes the outer limits of what a PID can do, greater limitations or requirements may be imposed by the Creating Entity
- Engage bond counsel to ensure proper legal and tax analysis over negotiations to ensure:
 - ✓ eligibility for tax-exempt financing
 - ✓ that the PID will constitute a “separate political subdivision” for tax purposes
- Creating Entity will want to adopt standard policies for evaluating all PID requests in light of its objectives

Considerations for the Creating Entity in Drafting the Governing Document, *continued*

- Consider what types of infrastructure the Creating Entity wants to allow the PID to finance
- Establish a mill rate limit appropriate to accomplish financing of approved improvements
- Establish Standards for:
 - ✓ Any general obligation bonding
 - ✓ Procurement
 - ✓ Transition to elected Board
 - ✓ PID lifespan and dissolution
 - ✓ Notice to future property owners



Questions?



THANK YOU



RANDALL LARSEN

Direct: 801.258.2722 /

Mobile: 801.541.1108

rlarsen@gilmorebell.com

AARON WADE

Direct: 801.258.2730

awade@gilmorebell.com