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# 2024 ULCT FALL CONFERENCE: FINANCING TOOLS SUMMARY (PIDS, IFDs, CRA, HTRZS, HOPZ, FHIZ, anything else?!)


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# Historically, there have been four key financing tools for local governments:

1. **General Obligation Bonds** (election to create new property taxes across entire jurisdiction)
2. **Revenue Bonds** (monetizing government wide existing revenues such as sales taxes, net revenues from enterprise systems (utilities), lease revenue bonds (LBAs))
3. Applying increased tax revenues from a project area to an approved project—**Tax Increment Financing** (TIF)
4. New growth pays for itself with fees/revenues imposed on a subset area of the local government (**Assessment Areas & Bonds**)

# PUBLIC INFRASTRCUTURE DISTRICTS (PIDs)

- Governed by separate board and are intentionally an independent political subdivision

- PID debt is not a liability or a balance sheet item of the Creating Entity.

- Defaults not enforced by Creating Entity.

- No land use authority, solely a capital financing tool (also no O&M revenues).

- No collateralization of, nor lien permitted on, the financed public improvements.

# PID Creation

- Created at the discretion of the Creating Entity (only cities, counties or state land development authorities).
- Requires consent of 100% of property owners and voters within the PID boundaries. Cannot be forced upon any unwilling property owner.
- Costs of Creating Entity (e.g., counsel) in evaluating PID to be paid by the property owner

# PID Powers and Bonds

## PID Powers

- 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
- Solely a capital financing tool (Bonds) for public infrastructure.
- Bonds and CPACE financing conduit

## Creation Consent includes the imposition of a new revenue stream (new growth financing itself):

- Limited property tax (up to 1.5%), and/or
- Assessment fee (minimum 3x appraised value coverage)
- Can include pledge of TIF or other revenues

# PID Bonds

## Creation Consent includes the imposition of a new revenue stream (new growth financing itself):

**PIDs may issue:**

- Special Assessment Bonds
- Limited Tax Bonds
- Bonds repayable through fees
- CPACE

In addition, other revenues from public or private sources (TIF, public Infrastructure Fee (PIF), etc.,) may be pledged to repay PID Bonds

# PID Governance

- PIDs are governed by a board with members initially appointed by the Creating Entity (initially comprised of property owners or their agents)
- Board must transition to an elected board
- Board authority constrained by the limitations established in the Governing Document (create comfortable sandbox)
- Again, solely a capital financing tool for public infrastructure.

# Black Desert PID – Ivins, UT

- 447 hotel rooms, 46,000 sq. ft. restaurant and retail, 751 condos, 32 single family homes
- Will host PGA and LPGA tour tournaments
- Reduced Environmental Impact, used to finance underground parking structure, desert boardwalk feature, pedestrian bridge, roads, utilities
- PID was able to issue 30-year tax-exempt $106,000,000 in limited tax bonds in 2021 and $180,000,000 in special assessment bonds in 2024

# Medical School Campus PID – Provo, Utah

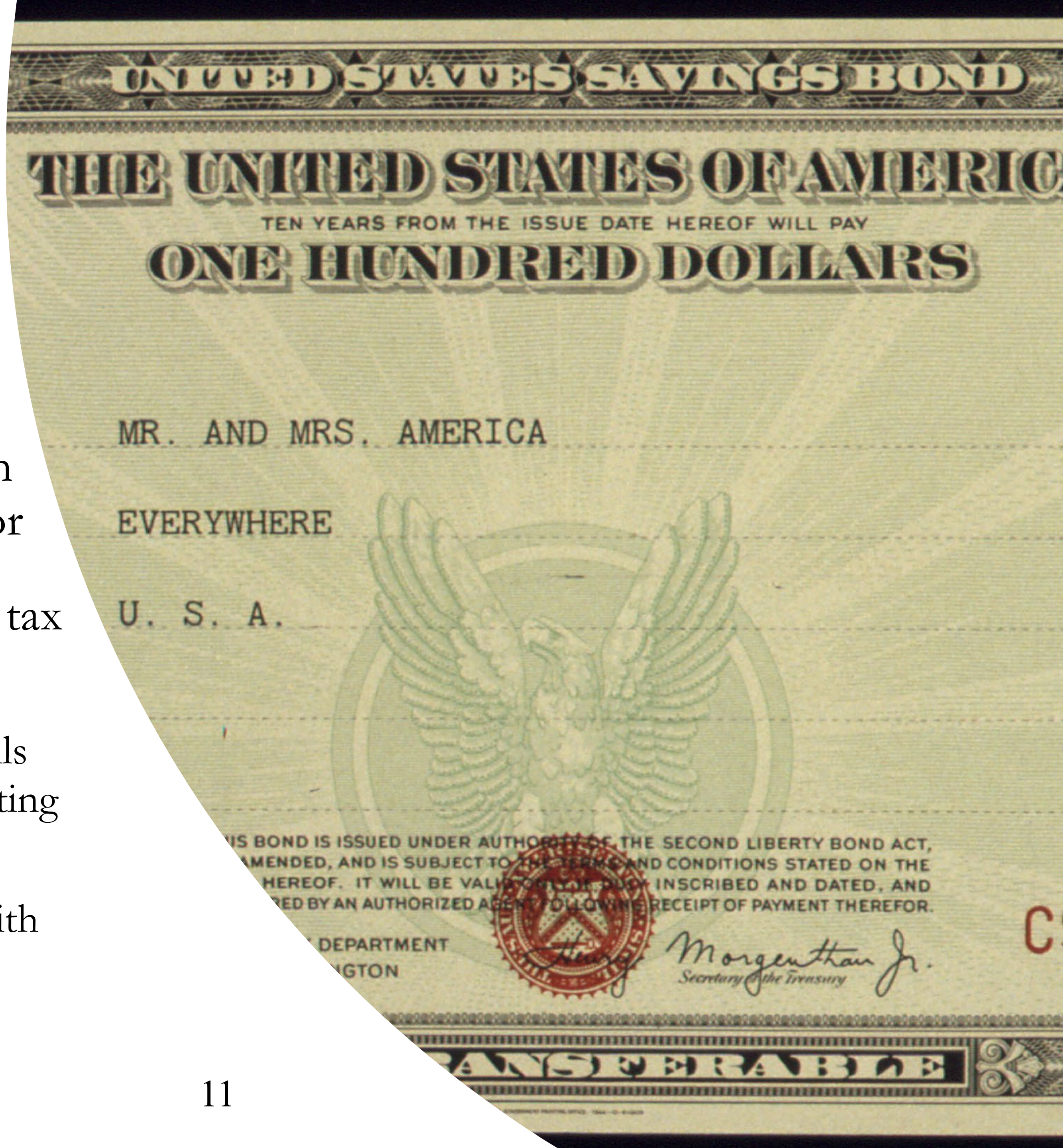
- Provo City and Noorda College had been working together for years to bring new medical school to the City
- Noorda purchased a portion of the East Bay Golf Course from the City to construct the campus, but infrastructure costs were very high ($37,500,000) because it was the site of a former landfill
- 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

# Downtown East Streetcar Sewer PID – South Salt Lake

- South Salt Lake City lacked sewer capacity along S-Line area, halted issuance of building permits
- Collection of 15 developers representing 3,500 apartment units and 30k commercial SF worked with the City to form a PID
- PID issued approximately $33,000,000 of bonds to finance sewer improvements
- City will now begin issuing building permits to PID property owners
- Future property owners wishing to connect must either annex into PID or pay impact fee to City that will be remitted to PID

# 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.



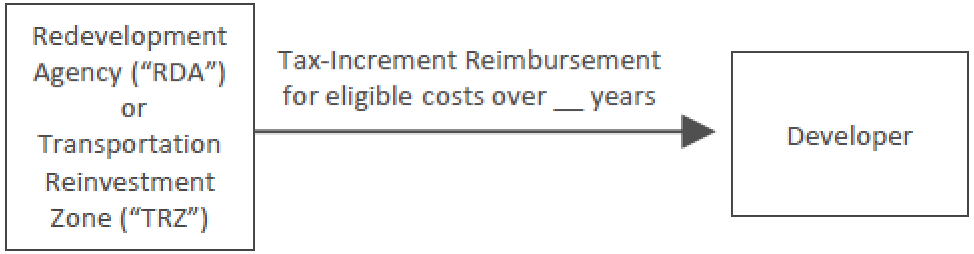
# **Limited Tax Bonds**, *continued*

- 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

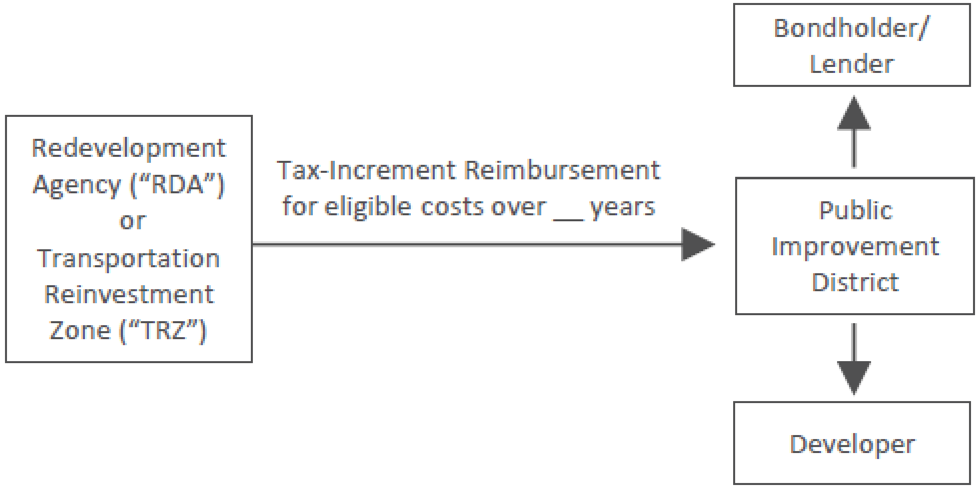
# PID Interaction with Tax Increment Finance

- 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:
  - ✓ Procurement
  - ✓ Transition to elected Board
  - ✓ PID lifespan and dissolution
  - ✓ Transparency and Notice to future property owners

# INFRASTRCUTURE FINANCING DISTRICTS (IFDs)

IFDs are a legislative compromise--cousin financing tool to PIDs for public infrastructure and improvements without requiring city or county consent.

An IFD is authorized to impose an assessment on property within the district and to issue assessment bonds to finance infrastructure benefitting the district.

# Components of the Compromise

1. Only authorized to issue assessment bonds (no property tax authorization).
2. The assessments on any residential properties must be paid in full before a certificate of occupancy can be issued (no burden remaining on residential properties).

Some Collateral Benefits:

1. New benefit of 30 year amortization (instead of 20 year max) for 100% consent assessment areas (like IFDs)
2. CPACE authority can similarly be granted to IFDs
3. Private utilities such as natural gas and electricity are ok

# COMMUNITY REINVESTMENT AREAS (CRAS)

A Tax Increment Financing (TIF) tool—redistribution of increase in existing tax revenues related to the Project/Development

Depending upon creation, also called Redevelopment Agencies (RDAs) or Community Development and Renewal Agencies (CDRAs)

CRAs are political subdivisions of the state, created by the legislative body of a county or municipality for the purpose of stimulating redevelopment (usually with TIF).

- The governing board of a CRA is the current members of the legislative body that created the CRA—alter ego of the City

- CRAs create project areas to stimulate targeted economic growth/development with TIF revenues

- CRAs can partner with PIDs or IFDs to increase revenues available to a project.

- **TIF typically approved by each taxing entity (School District, County, etc.)**

# OTHER TIF Economic Development Tools for Targeted Development Objectives

- HTRZ Transit Oriented Development
- FHIZ  (Affordable Housing)
- HOPZ (Affordable Housing)

# Housing and Transit Reinvestment Zones (HTRZs)

- Cousin to CRAs, allow use of TIF around Transit Oriented Developments (TODs) to enhance affordable housing and targeted development—in practice often multi-family rental housing focus

- Limited resource, competitive application program

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# HTRZ Updates

- Updated HTRZ statute to provide for affordable housing component
- 12% of residential use in zone to be affordable
    - 9% at 80% AMI
    - 3% at 60% AMI
- Affordability requirement runs through the life of the HTRZ
- Requires an HTRZ to be a minimum of 10 acres
- Increases admin expense from 1% to 2%
- Adds two more members to the HTRZ committee, appointed by House Speaker and Senate President
- Updates and enhances the “but for” analysis
- Five-year TIF period start dates

# First Home Investment Zone (FHIZ) and Home Ownership Opportunity Zones (HOPZ)

FHIZ

The First Home Investment Act allows a municipality to create a zone ("FHIZ") to:

- provide affordable, owner-occupied housing;
- encourage mixed use development;
- encourage strategic and efficient land use planning;
- improve access to opportunities; and
- increase opportunities for home ownership;

HOPZ

Gives City ability to upzone an area of 10 acres or less and to collect 60% of the TIF to pay for infrastructure for a term of 15 years

- Affordability = 80% or less of median county home price for 60% of proposed housing units
- Must be an area originally less than six units per acre and re-zoned for at least six units per acre
- Deed restricted to require owner occupation for at least five years

Much, much more details avaialble upon request!

Questions?

# THANK YOU

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