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PROPERLY INCENTIVIZING LAND DEVELOPMENT

(THE BIG BANG THEORY – OR, HOW DO YOU GET THE MOST BANG FOR YOUR BUCK)

PRESENTED BY:

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PRESENTED AT:

Olson & Olson

16th Annual Local Government Seminar

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Questions We Start With A Client

- Is the land in the City's corporate limits, ETJ or outside both ("planning area")? If it is in the ETJ, how close to the corporate limits? Is it contiguous to the City limits?
- How many acres? 12 acres – 2,000
- Do you own the land or is it under contract to purchase? If under contract, how long is the "free look period"?
- Proposed use of the property:
  - Single family residential
    - Price range of homes
  - Commercial/Retail
    - Any sales tax
- When is it ripe for development? Now, or do we have years to wrestle through the entitlement process?

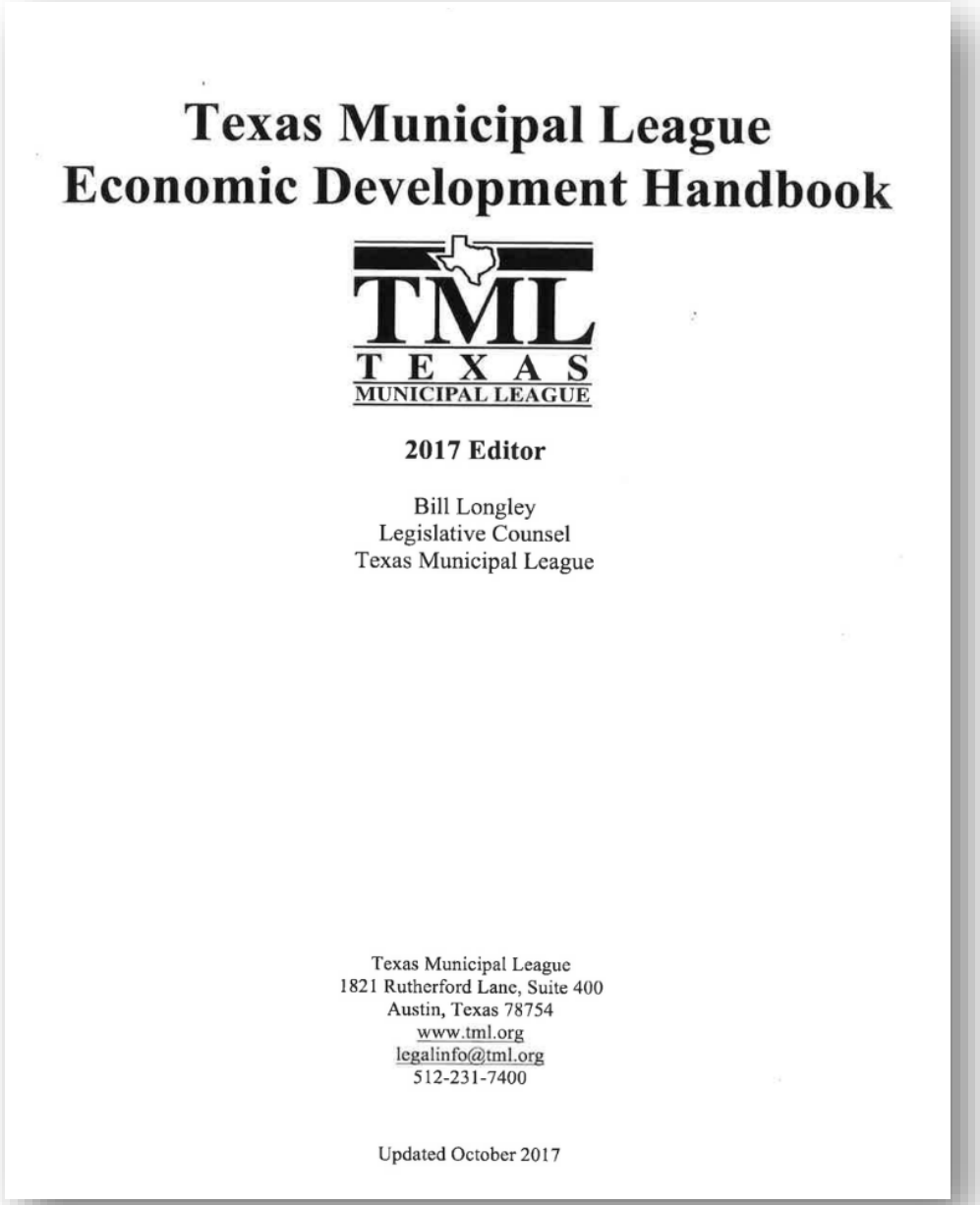
What Are We Looking For?

- Scale
- In-City/ETJ
- Residential – price point
- Commercial/sales tax
- Commercial/low demand for public services (Police, Fire, EMS)
- Do you own it or looking at it? Can you walk away? How much time do you have to work things out?
- Any unusual costs to develop? Water available? Sewer available?
- Does this property constitute something of particular importance to the City?
- Entryway to the City? Solve drainage problem

What Tools Are Available

See Texas Municipal League Website for “2017 Economic Development Handbook”

https://www.tml.org/DocumentCenter/View/65/2017-Economic-Development-Handbook-PDF



Texas Municipal League
Economic Development Handbook

TML
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MUNICIPAL LEAGUE

2017 Editor

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Source: https://www.tml.org/DocumentCenter/View/65/2017-Economic-Development-Handbook-PDF

Land Is In ETJ

Principal Tool of Choice:

a conservation and reclamation district(s)

(MUD, WCID, FWSD, MMD)

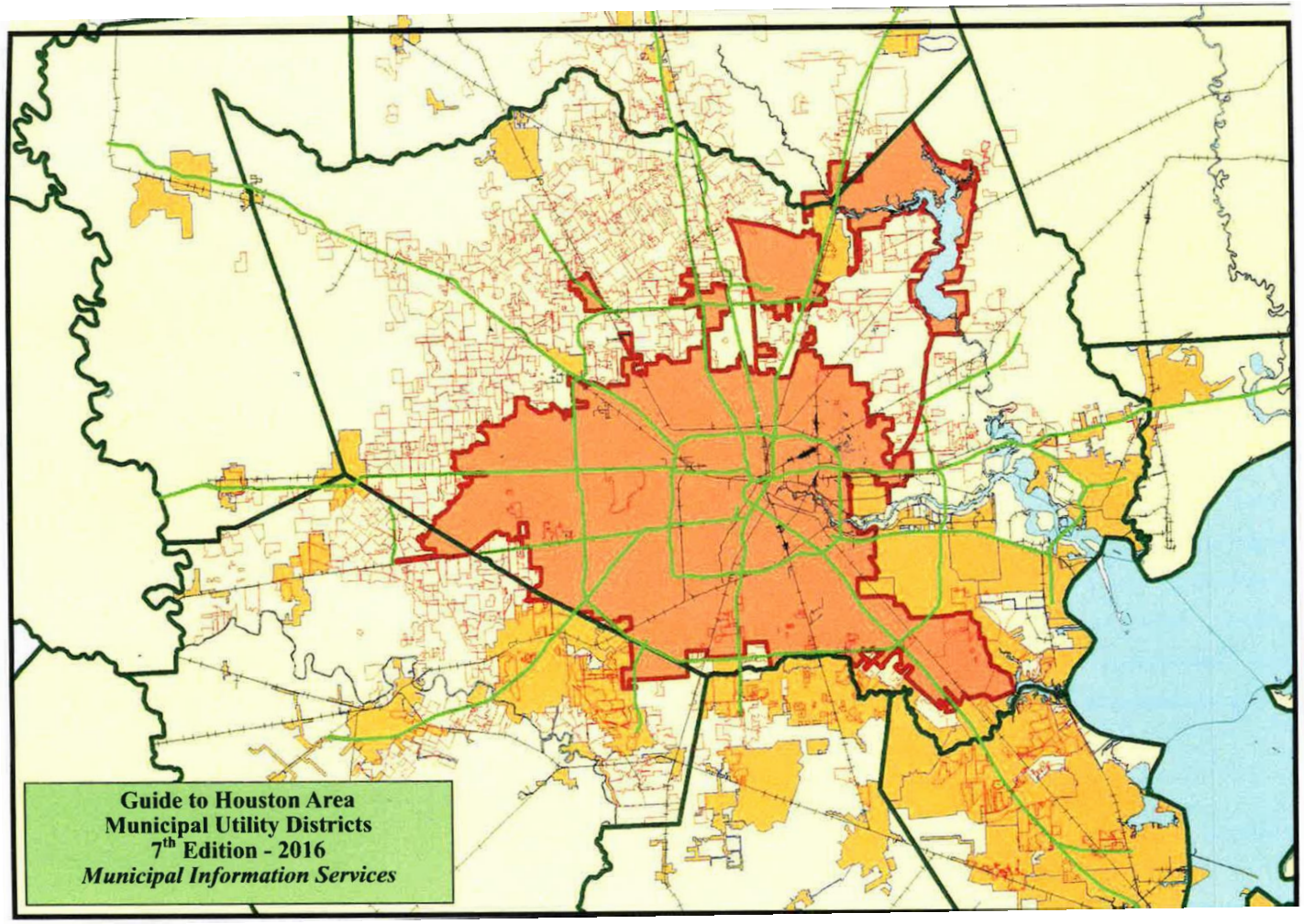


Image courtesy of Municipal Information Services

Land Is In ETJ

Create PID

- Small tract
- Or you want to get particularly aggressive

Land Is In The City Corporate Limits

- Create a MUD or MMD
- Create a PID
- Create a Tax Increment Reinvestment Zone
- Create a MUD/MMD/PID with overlaying TIRZ
- Enter into a 380 Agreement instead of a TIRZ

Our Thought Process

Land is in ETJ → A MUD is the primary tool

- Under current law, landowner can create a MUD or WCID even if City objects. Essentially, all you need is a source of water and sewer and enough time to create MUD/WCID and obtain waste discharge permit over anyone's objection. All it takes is time and money.
- TLGC 212.172 Development Agreement
- TLGC 43.751 Strategic Partnership Agreement which, on its face, says City/Developer/MUD can annex at an agreed upon time.
- Typically, we can agree upon some land use restrictions, but City's leverage is minimal.
    - Time/Money
    - SPA/Sales Tax share

Our Thought Process

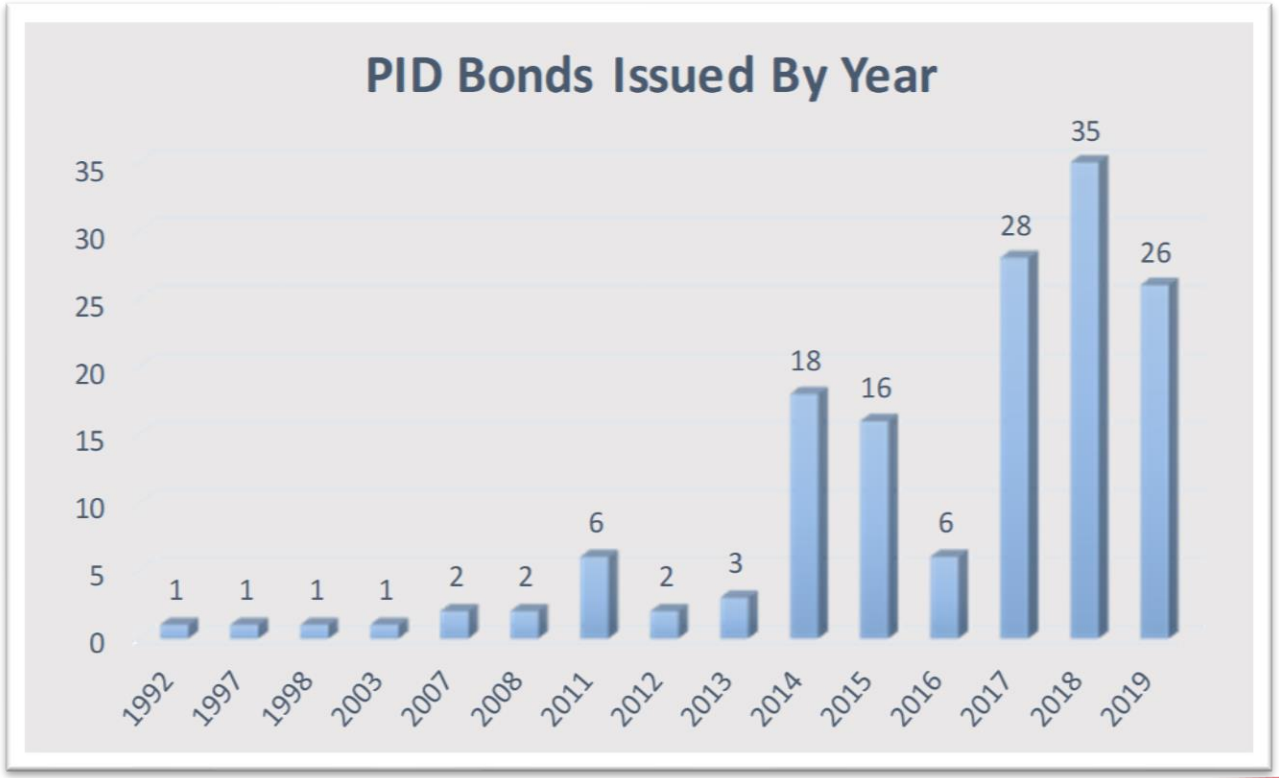
Land Is In City's Corporate Limits

Now, the City has significant leverage and various tools to bring to the table:

- City can withhold, deny creation of any tool at its sole discretion
- MUD/MMD
- PIDs
- TIRZ/380 Agreement
- MUD/MMD/PID with TIRZ overlay
    - (when the City tax rate is particularly high, or to fund additional projects for the City)

PID Fact Sheet

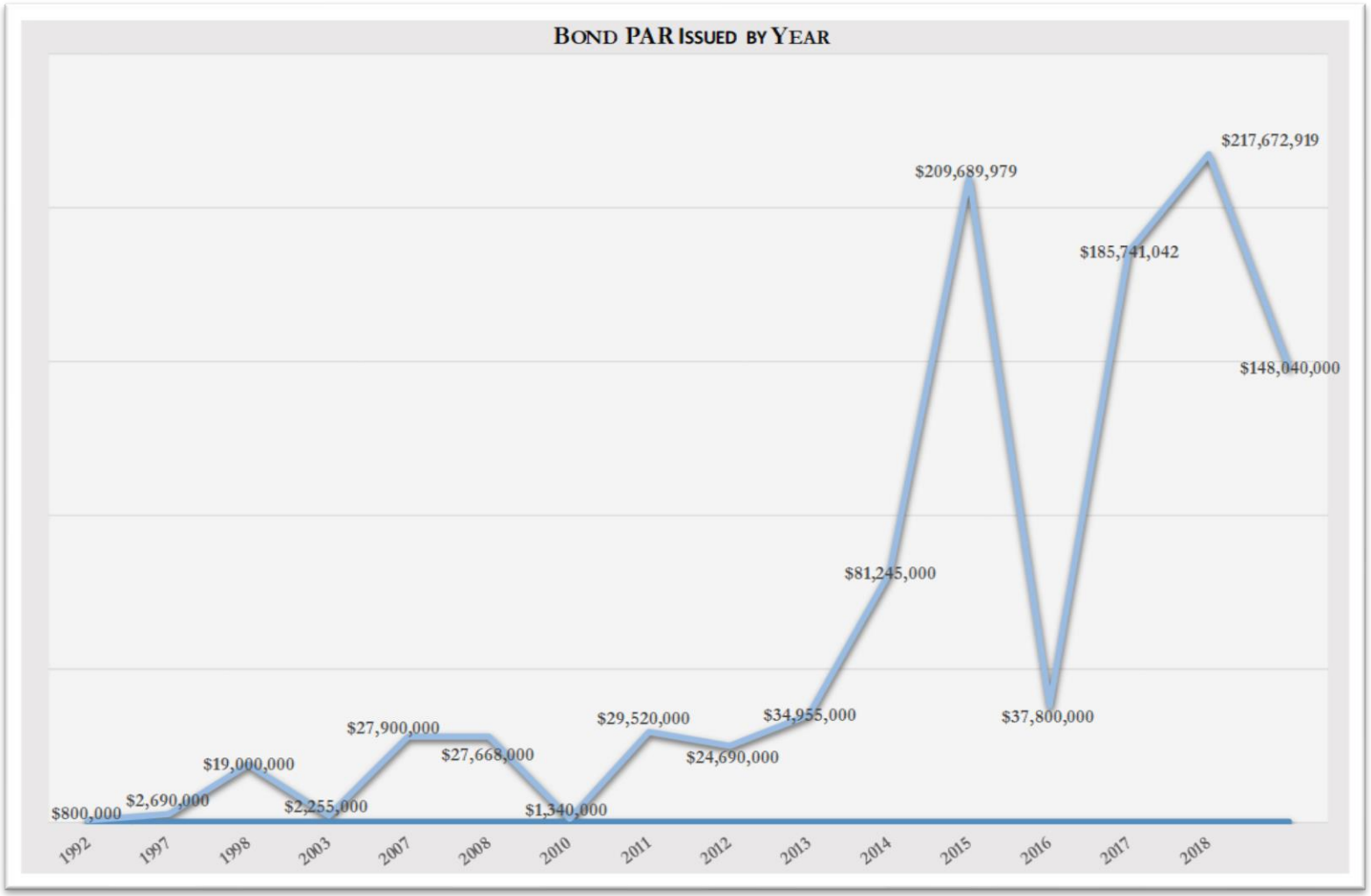
- First Publicly Issued PID: **1992**
- Number of PID Public Bond Issuances: **148**



Number of Cities Currently with Infrastructure PIDs: 45

Argyle	Gregory	Liberty Hill	Royse City
Aubrey	Hackberry	Little Elm	**Shenandoah**
Austin	Haslet	Lubbock	**Tomball**
Burleson	Hickory Creek	Magnolia	Trophy Club
Celina	Horseshoe Bay	Mathis	Waco
El Paso	Justin	McLendon-Chisholm	Waxahachie
Round Rock	Kaufman	Mesquite	Westlake
Fate	Lago Vista	**Missouri City**	
Farmers Branch	**Houston**	**Montgomery**	
Ferris	Lavon	Oak Point	
Flower Mound	Leander	Ponder	
Fort Worth	**League City**	Princeton	
Galveston	Lewisville	Rowlett	

Total Par Amount of Bond Issuances: $1,051,006,940



Expectations

1. We expect a MUD in an ETJ to finance water, sewer, drainage & roads at ad valorem tax rate competitive with surrounding projects ($1.25).
2. MUD/MMD/PID in City corporate limits, the same facilities at same tax rate, including City tax.
3. If City tax rate is $0.60 or above, you may need TIRZ/380 agreement to make the project viable.
4. When TIRZ/380 agreement is requested, we realize a residential development will need additional police, fire, and EMS service and the City will need revenue to provide.
5. When TIRZ/380 agreement is requested, we realize money needs to be generated by the project and then returned to the developer.

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