

WEST GALVESTON ISLAND PROPERTY OWNER'S ASSOCIATION

PUBLIC IMPROVEMENT DISTRICT MEETING

November 5, 2004

Meeting 11/5/04

Galveston Country Club 3:30 – 5:00 PM

PID (Public Improvement District)

Sue Darcy – Knudson & Associates

Sue Darcy began the presentation to qualify she is an urban planner, not an engineer or a financial advisor. She advised a PID is a financial mechanism that the City can use to build public improvements that the City could otherwise do. Areas of a City do this by describing a geographic area where public improvements could be added.

The City will engage in a two step process in establishing a PID. First, more than 50% of the ad valorem value based on the last certified role of the tax district, and, secondly, 50% of the area have to petition the City to request the creation of a PID. The hearing goes before City Council for approval. Once the PID is created, you petition the City to levy the assessment with a public hearing. The assessment would include all costs associated with the project plus what anticipated costs are necessary to maintain the integrity of the device such as maintenance, repairs, etc. Then determine the time period to pay off the loan or bond. The bond rate could be ½ percent over the City's general fund borrowing rate. Everyone involved in the PID area is notified and you hold a public hearing. An ordinance creates and adopts a PID that is passed by City Council. A PID usually will take 90 days to form – the fastest in 60 days with a normal time of 120 to 150 days. To dissolve a PID, you go through the same process and file a petition.

15 days are required for a published and written notice – it is better to allow a 30 day window. Once the district is created, you have 6 months for City Council to adopt the service plan. Once the petition is ready, you can call City Council; for a hearing with 10 day notice.

Build as much financial structure as possible to take care of any major storm damage with in the duration of the PID. If you run out of funds, the PID can add a supplemental annual assessment.

Sue mentioned if the 50% of the advalorem area is 51/49, City Council will most likely deny the PID because of the close vote. The City will not have a Board to oversee the PID but an advisory board.

The service and assessment plan is usually a minimum of 5 years and cannot be changed except with a petition process. A PID is not like a tax but a levy; it benefits each and every property owner and every property owner that benefits gets assessed.

If the service area finds into the fifth year of the plan it needs more funds, the group again petitions the City.

Once the PID is formed and the assessment is levied, it is a lien against the property. It will be superior to a first lien on a mortgage. For example, if a house washes away, there will still be the indebtedness on the property. A lien is not distinguishable by a bankruptcy and it is subordinate to taxes.

The bonds are not marketable unless reviewed and commented on by a financial advisor.

The question was asked if in the formation of the PID a lot is on the beach and not marketable but after years with the new shoreline restoration project, the value of the lot increases, then the rates can be adjusted to bring in the new assessments. The service plan can be visited anytime after the formation to see if the benefits have changed.

Once the service plan is approved and the PID is created, it cannot be changed without a petition. If a new area would like to come into the PID, a petition is necessary but the costs would be far greater and really not worth it.

For those areas interested in pursuing the PID, the costs estimates and the vote from the homeowners is necessary.

Please note, the WGIPOA neither supports nor is against a PID. The WGIPOA will assist member associations in searching for a financing vehicle for shoreline restoration projects and a PID is a viable alternative but it is up to the subdivisions and member associations to pursue the matter.

Respectfully submitted,

Jerry Mohn

West Galveston Island Property Owners Association
