

# Public Finance and Economic Development

(Or How I Learned to Stop Worrying and Love the Negotiation.)

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# The Goals

Stop Worrying  
(Learn the Basics)



Embrace the Negotiation  
(Best Practices)

# The Basic Structures

- Public Improvement District
- Municipal Utility District
- Municipal Management District
- Chapter 380 vs. Chapter 312 Tax “Abatements”

# Public Improvement District

- Chapter 372, Local Government Code
  - Not a Political Subdivision of the State – Creation of City/County
- Originally Conceived for City/County Initiation
  - Originally a redevelopment tool
- Property Assessed on a Per Lot/Parcel Basis
- PID Proceeds Pay for Actual Cost of Construction of Improvements
- Has Morphed Into Developer Tool to Lower Purchase Costs
- Easy to Dissolve; Assessment Must Still Be Paid Out

# Municipal Utility District

- Houston and San Antonio Developer Favorite
- Chapter 54, Water Code
  - Official Subdivision of the State of Texas
- Ad Valorem plus Revenue from Utilities
  - Allows for established stream of revenue for ongoing maintenance
- Evergreening Problem for Dissolution
  - City/County Must Absorb Outstanding Debt

# Municipal Management District

- Chapter 375, Local Government Code
  - Political Subdivision of the State of Texas
- Commercial Property Owner Driven Creation
- May Assess Property Taxes, Impact Fees, Assessments
- Public Improvements and Ongoing Maintenance
- Can Do Economic Development Projects (Advertising)
- Dissolution is Relatively Easy

# Tax Abatement/Rebate

- ❖ Chapter 312 – Standard Tax Abatement
  - ❖ Common Economic Development Tool
  - ❖ More Procedural
  - ❖ Abated Revenue Credited Toward No New Revenue Rate
- ❖ Chapter 380 – Tax Rebate Program
  - ❖ Chapter 380 Allows Cities to Provide Funding With Wide Discretion
  - ❖ Determination of Public Purpose/Good
  - ❖ Abated Revenue Not Credited Toward No New Revenue Rate

# Embrace the Negotiation





# Common Pitfalls

- ❑ Cities Take Developer Words At Face Value
  - ❑ “It is not profitable without X”
  - ❑ “This market doesn’t bear... blah blah blah”
- ❑ Cities Do Not Understand the Private Market
- ❑ Cities Undervalue Their Services
- ❑ Cities Undervalue Public Amenities
- ❑ Results = Cities Do Not Ask

# Best Practices

- ❑ Developers Always Show Up With An “Ask”
- ❑ Hire an Economic Strategist to “Run the Numbers”
- ❑ Decide Responsibilities of Each Party to Determine Which Tools to Use
- ❑ Ongoing Maintenance is Expensive, Factor That In
- ❑ Always Have An “Ask” to Better Your Community
  - ❑ Chapter 380 Will Be Key

# The Ask

- ☐ Water Supply, System Extension

- ☐ Ongoing Maintenance or Debt Payment

- ☐ Public Safety Facilities

- ☐ Police/Fire/EMS Substations
- ☐ Fire Training Facility

- ☐ Dedicated Park Space

- ☐ Ongoing Maintenance By City vs. MMD or POA
- ☐ Amenitized or Not

- ☐ Discussion of Annexation (Present or Future)

- ☐ Negotiate Out Evergreening
- ☐ Payment In Lieu of Taxes (To Stay Out of City Limits)
- ☐ Automatic Acquiescence to Annexation Within A Period of Time

# Questions?

