



Sources of Assistance for Tourism in Texas Public Improvement Districts

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What is a Public Improvement District?

Cities often need to make certain improvements to their infrastructures to aid economic growth within an area. New businesses may choose not to locate where there are inadequate streets, substandard utility service, or inferior public facilities and services. It is also difficult for existing businesses to prosper in areas that have poor public infrastructures. Texas law provides a number of ways to finance needed public improvements, including the use of special assessments. A city may undertake such a project through the creation of a Public Improvement District (PID).

The Public Improvement District Assessment Act allows any city to levy and collect special assessments on property that is within the city or within the city's extraterritorial jurisdiction (ETJ). The statute authorizing the creation of PIDs is found in Chapter 372 of the Local Government Code.

What can a Public Improvement District be used for?

A public improvement district may be formed to accomplish any of the following improvements:

- water, wastewater, health and sanitation, or drainage improvements (including acquisition, construction, or improvements of water, wastewater, or drainage improvements);
- street and sidewalk improvements (acquiring constructing, improving, widening, narrowing, closing, or rerouting sidewalks, streets or any other roadways or their rights-of-way);
- mass transit improvements (acquisition, construction, improvement, or rerouting of mass transportation facilities);
- parking improvements (acquisition, construction, or improvement of off-street parking facilities);
- library improvements (acquisition, construction, or improvement of libraries);
- park, recreation, and cultural improvements (the establishment or improvement of parks);
- landscaping and other aesthetic improvements (erection of fountains, distinctive lighting, and signs);
- art installation (acquisition and installation of pieces of art), creation of pedestrian malls (construction or improvement of pedestrian malls);
- similar improvements (projects similar to those listed above);
- supplemental safety services for the improvement of the district, including public safety and security services; or
- supplemental business-related services for the improvement of the district, including advertising and business recruitment and development.

How is a Public Improvement District Created?

The steps involved in creating a public improvement district are as follows:

1. **The city or a group of the affected property owners must initiate a petition that calls for a defined area of the city to be declared a public improvement district.**

The petition must state:

1. the general nature of the proposed improvements;
2. the estimated cost of the improvements;
3. the boundaries of the improvements;
4. the proposed method of assessment, which may specify included or excluded classes of assessable property;
5. the proposed apportionment of costs between the public improvement district and the municipality as a whole;
6. whether the district will be managed by the municipality, by the private sector, or by a partnership of the two;
7. that the persons signing the petition request or concur with the establishment of the district; and
8. that an advisory board may be established to develop and recommend an improvement plan to the governing body of the municipality.

The petition is sufficient to create a PID if it meets two conditions. First, owners or more than 50 percent of the valued taxable real property that is subject to assessment under the proposal must sign the petition. Second, the petition must also include signatures from more than 50 percent of the number of taxable property owners who would be assessed, or include signatures from owners of more than 50 percent of the surface area to be assessed under the proposal.

2. **After receiving a petition to establish a public improvement district, the governing body of the city may appoint an advisory board to develop an improvement plan for the PID.**

The membership on the board must meet two criteria. First, it must be composed of owners of taxable real property who represent more than 50 percent of the appraised value of taxable real property subject to assessment. Second, this board must include representation by more than 50 percent of the property owners who would be liable for assessment or include more than 50 percent of the owners of taxable surface area under the proposed plan. The board is required to prepare a feasibility report using the services of city employees or consultants.

3. **A public hearing on the advisability of the improvements must be conducted after meeting statutory notice requirements.**

The governing body must hold a public hearing to determine the advisability of the proposed improvements. The local government must mail notice of the PID proposal at least fifteen days before the date of the hearing to the owners of property within the proposed PID. The notice must contain the following information:

1. the time and place of the hearing;
2. the general nature of the proposed improvements;
3. the estimated cost of the improvements;
4. the boundaries of the proposed district;
5. the proposed method of assessment; and
6. the proposed apportionment of cost between the improvement district and the municipality as a whole.

The municipality must make findings regarding items 2 through 6 by resolution from information gathered at the public hearing.

- 4. The governing body of the city must adopt a resolution by majority vote authorizing the creation of a PID within six months of the public hearing on the PID.**

The authorization is effective after notice of the resolution is published in a newspaper of general circulation in the municipality. If any part of the improvement district is located in the extraterritorial jurisdiction (ETJ) of the municipality, the governing body must also publish the notice once in a newspaper of general circulation in the ETJ.

- 5. Twenty days after authorization of the PID, the city may begin construction of the improvements.**
- 6. A five-year ongoing service and assessment plan must be developed.**

The service and assessment plan must define the total indebtedness and projected costs of the improvements for the PID. The plan must also be reviewed and updated annually for purposes of determining an annual budget for the PID. The plan may be prepared by the municipality or by the PID advisory board, if one is appointed.

Costs may be assessed in any manner that results in equal shares of the cost being absorbed by similarly benefited properties within the PID. Assessments may be adjusted annually upon review of the service plan.

- 7. The city must provide notice and a hearing to determine the total cost of the improvements and to prepare an assessment roll.**
- 8. After all the comments have been heard and considered, the governing body may levy, by ordinance, the special assessment against the taxable properties within the district.**

The ordinance must include the method of payment and may provide for installment payments to meet annual costs and retire any indebtedness for the improvements within the district. The assessment is a first and prior lien against the property, superior to all other liens and claims except liens for state, county, school district, or city ad valorem taxes.

The costs of the improvements called for under the district may be paid from available general funds of the municipality, any special assessments levied, and from proceeds of the sale of general obligation bonds and related revenue bonds, temporary notes, and time warrants.

- 9. The governing body may make additional assessments against property within the district to correct omissions or mistakes regarding the costs of the improvements.**

Before such an additional assessment may be assessed, the city must provide the same type of notice and public hearing required for the original assessment. **For further information, contact:**

Office of the Attorney General
Municipal Affairs Section
P.O. Box 12548
Austin, TX 78711-2548
(512) 475-4683
