



# UNDERSTANDING PUBLIC IMPROVEMENT DISTRICTS (PIDs)

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Public Improvement Districts (PIDs) are becoming more prevalent across Texas. Given recent changes to real estate transaction notice requirements, a firm understanding of PIDs, their benefits, and how they impact the real estate transaction is vital to the success of real estate professionals. A brief description of PIDs and requirements for notice is discussed below.

## WHAT IS A PID?

A Public Improvement District (PID) represents a partnership agreement between a municipality or county and private sector. PIDs provide specific property owners with additional services from the municipality or county. The property owners can include any type of property (e.g., residential, commercial, retail, and more). The additional services are paid for by PID assessments on the property within the district, which may include security, common-area maintenance/cleaning, district promotion, and landscaping (to name a few). The municipality or county provides these services and is reimbursed for the additional expense through an assessment on the property within the district.

## REQUIRED PID NOTICE

Effective September 1, 2021, sellers of property located within a PID are required to provide new statutory notice to buyers.<sup>1</sup> This notice must be given to prospective buyers before executing the contract, either separately as an addendum or as a paragraph of the purchase contract, and applies to all real estate sales transactions. Prospective buyers are required to sign the notice and it must be recorded once signed.

<sup>1</sup>Relating to certain procedural requirements for public improvement districts and transfers of property located in public improvement districts. Tex. Local Government Code § 372.014.

If sellers do not provide the required notice, buyers will have the right under the statute to terminate the contract at any point prior to closing. Failure to provide the required notice prior to closing to a buyer may give the buyer a right to sue for damages under the statute, but a notice being executed at closing removes the ability of buyers being able to sue for damages. Also, sellers, title companies, real estate brokers, and examining attorneys are not liable for damages to buyers for failing to provide notice to buyers if the PID service plan was not filed by the city or county with the county clerk in accordance with the statute—or, for unintentionally providing a notice that is not the correct notice under the circumstances.

## HOW TO FIND AN EXISTING PID

One simple approach a realtor can take when trying to determine if a property is located in a PID is to ask the seller/client. Alternatively, PID assessment values can be found on the tax notice if the tax collector is collecting the PID assessments. The information may also be obtained by contacting the city or county, or looking on their website.

## BENEFITS OF A PID

PIPs can provide valuable services for the properties within the district. Some specific examples include:

1. The Lake Highlands Public Improvement District of Dallas, Texas is supplementing the Dallas Police Department services with off-duty Dallas police officers in the area.<sup>2</sup>

<sup>2</sup>Lake Highlands Public Improvement District. "Safety." Retrieved from: <https://lhpipd.org/safety/>. Retrieved on: September 19, 2021.



2. The Vintage Township Public Improvement District of Lubbock, Texas was created in part to provide lighting, street signs, park features, street trees and irrigation, drainage, as well as streets and alleys.<sup>3</sup>

One might think that these additional services would result in higher property tax values with an active PID. However, Central Appraisal Districts do not include a PID in their assessment of value for property, suggesting that there may be a difference in assessed and market values of property.

## HOW ARE PIDS CREATED?

PIDs are authorized to be created under Texas Local Government Code Chapter 372.

To create a PID, property owners must petition the municipality or county. Generally speaking, to qualify, owners of taxable real property representing more than 50 percent of the appraised property within the proposed district and either more than 50 percent of the property owners or owners representing more than 50 percent of the land area within the district must sign the petition.<sup>4</sup> There are certain areas in particular municipalities where 60 percent may be required, per statute.<sup>4</sup> The municipality or county will review a petition, making sure it complies with state statutes and hold a public hearing regarding the proposed PID. Within 6 months of the public hearing, the governing body of the municipality or county can authorize the PID.

<sup>3</sup>The Vintage Township Public Improvement District, City of Lubbock, Texas. "Service and Assessment Plan." May 9, 2007. Retrieved from: [https://www.municap.com/texas-docs/Vintage%20PID-%20Service%20and%20Assessment%20Plan%20\(Original\).pdf](https://www.municap.com/texas-docs/Vintage%20PID-%20Service%20and%20Assessment%20Plan%20(Original).pdf). Retrieved on: September 19, 2021.

<sup>4</sup>Tex. Local Government Code Section

## IS THE PID A PROPERTY TAX?

A PID is not a tax on property owners. PIDs represent a special assessment. However, PIDs can work similar to a property tax because the assessment may be based on a rate per \$100.00 of value of property. PIDs may also structure the assessment to be based on a flat rate that is based on the size of the property within the district.

## HOW ARE PID ASSESSMENTS PAID?

Paying PID assessments vary according to the respective PID. Some PID payments are collected by the county tax assessor/collector with other property taxes. Other PIDs may designate a trustee to collect the PID payments. In certain situations, mortgage companies include PID assessments within the property owner's escrow payment and pay the assessment when ad valorem taxes are paid.

PIDs generally have a defined lifespan that is set at the time the PID is approved by the governing body. PID assessments can normally be paid in full at any time, or in annual installments.

Upon the transfer of ownership of a property located within a PID, assessment obligations may transfer to the new property owner for the remainder of the life of the PID.

In situations where PID assessments are not paid, the management of the PID can take legal action—such as placing a lien or foreclosing on the property.