Town Council Meeting

Item I14. Tax Increment Reinvestment Zone (TIRZ) Consulting Contract

August 6, 2018
Item I.14 Request

- Based on Council direction from Strategic Planning Session.
- Seeking approval to enlist the services of a consultant to conduct feasibility analysis for a potential TIRZ District.
- Hawes Hill & Assoc. with George Schrader
- Approval in no way authorizes or commits the Town to create/participate in a TIRZ.
- As stated in the Scope of Services “HHA will NOT recommend a reinvestment zone if the preliminary analysis indicates that tax increment financing is not an appropriate tool to meet the community’s objectives nor likely to result in successful implementation.”
- All consulting fees paid are reimbursable by the TIRZ, if created.
FIRM EXPERIENCE

Hawes Hill and Associates has provided TIRZ creation and/or plan amendment services for the following cities:

- City of Alvin - TIRZ No. 2
- City of Arlington - TIRZ No. 6
- City of Baytown - TIRZ No. 1
- City of Brownsville - TIRZ No. 1
- City of Crowley* - TIRZ No. 1 (Amendment)
- City of Dallas - Aliana TIRZ
- City of El Campo - TIRZ No. 1
- City of Elgin - TIRZ No. 1 (Amendment)
- City of Elmdorf - TIRZ No. 1
- City of Greenville - TIRZ No. 1
- City of Houston - TIRZ No 4, 6, 10, 11, 12, 13, 15, 18, 19, 20, 25, 26, 27

*Current Client

Schrader and Cline, LLC has provided TIRZ or Public Improvement District (PID) consulting services to the following clients:

- City of Alvarado, IH-35 Corridor
- City of Alvarado, Industrial Park Area
- City of Benbrook, IH-20/US 377 Corridor
- City of Bridgeport, Citywide Area
- City of Carrollton, Downtown Light Rail Station Area
- City of Cleburne, Industrial Park area
- City of Cleburne, Northwest Area
- City of Cleburne, Downtown Area
- City of Colleyville, State Highway 26 Area
- City of Corsicana, IH-45 Corridor Area
- City of Dallas, City Center TIF
- City of Dallas, Cityplace Area
- City of Dallas, Grand Park South
- City of Denison, Denison Gateway
- City of Denison, Preston Harbour
- City of Denton, Downtown Area
- City of Denton, Industrial Park Area
- City of Everman, Industrial Park Area
- City of Farmersville, SH 380 Area
- City of Gainesville, IH 35 Area
- City of Grand Prairie, IH-30 Area
- City of Grapevine, Grapevine Mills
- City of Grapevine, Gaylord Texan
- City of Joshua, SH 174 Area
- City of Keller, FM 1709 Area
- City of Mansfield, The Reserve Area
- City of Mesquite, Ridge Ranch
- City of Plano, Civic Center Area
- City of Terrell, I-20/Spur 557 Area
- City of Waxahachie, Downtown and Highway Corridors
- Gables Residential, Evaluation Only
- Hanover Properties, Grand Prairie/Peninsula Area
- Sowell & Co., Grand Prairie/IH-30 Area
- Town of Flower Mound, FM 2499 Corridor
- Town of Little Elm, Eldorado Parkway Corridor
- City of Roanoke (PID)
- City of Forney - Villages at Fox Hollow (PID)
What is a TIRZ and how does it work

• “Tax Increment Reinvestment Zone.”
• A common economic development tool to incentivize both development and redevelopment.
• A TIRZ is not a new tax.
• Establish a “base tax value” for a designated geographic area when the Tax Increment Reinvestment Zone is created. Once that base tax value is established, a TIRZ reallocates the additional ad valorem property taxes in the zone to fund eligible projects.
• Each year—
  • “base tax value” continues to go into the Town’s general fund (and any non-dedicated %).
  • additional property taxes collected over and above that “base tax value” number, goes to a TIRZ fund.
• Those TIRZ property taxes can only be used within the TIRZ on eligible items.
• TIRZ funding all authorized by the Town Council—it is managed on multiple levels. (Town Staff, TIRZ Bd. of Directors & Town Council)
Project-Specific TIRZ Facts

• Potential TIRZ Contribution:
  • Estimated at $15-20 million for public infrastructure
    (w/ developer contributing another $15-$20 to remaining infrastructure)
  • Lakeside Village estimate values between $1 - $1.5 billion ($1 billion in value generates $4.4 million in annual tax revenue to the Town)

• Additional Considerations
  • Tarrant County - will not participate at 100%
  • The Town does not intend to participate at 100%
  • Participation Rates of similar & recently approved projects
    • City 75%
    • County 50% - 75%
    • Sales Tax 20% - 30%

• Developer has offered:
  • Signing leases with restaurants prior to seeking bonds being sold to fund infrastructure up front
  • Guarantee/backstop the negative debt service the first few years, if this scenario occurs
  • The Town first lien on the 32-acre Lakeside Village site
Pros and cons of a TIRZ?

**PROS**

- Causes development in an area of the Town that may not otherwise develop
  - Location
  - Surrounding area
  - Extensive infrastructure costs
  - Other development obstacles
- Expedites development
- Creates other tax revenues generated from new development
  - Business personal property taxes
  - Sales tax revenue
  - Any percentage of uncommitted tax revenue
  - Spin off development

**CONS**

- Property taxes, above and beyond your “base tax value” number, go into the TIRZ.
- City support services, such as the police and fire departments, that the City has to pay for out of its general fund—a portion of the uncommitted amount would go toward these services.
TIRZ #1

- The Town currently has one active TIRZ (TIRZ $1)

- Covering approx. 1,465 acres, Created in 05/06, will expire in 26 (20-Yr.)

- Participating entities:
  - Town (100%) $0.439000
  - Denton County (90%) $0.211150
  - $0.650150

- Capital Improvement Items (streets, traffic signals, water lines, facilities, parks, parking garage) $48,700,000

- TIRZ #1 Cumulative revenue as of FY18 $26,799,078
  Per feasibility study, estimated as of FY19 $22,000,000
  rev. above estimate $4,799,078

- Feasibility study showed anticipated revenue of $62.6 MM for life of the TIRZ-projected based on actual growth is $83.1 MM, an increase of $20.5 MM
TIRZ #1 Boundary Map
Questions
Additional information provided behind this slide
# Lakeside Village Proposed Project Costs

<table>
<thead>
<tr>
<th>Improvements</th>
<th>On-Site</th>
<th>Lakeside Pkwy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Street Excavation</td>
<td>$403,109</td>
<td>$11,480</td>
</tr>
<tr>
<td>B Wastewater System</td>
<td>$410,982</td>
<td>N/A</td>
</tr>
<tr>
<td>C Storm Sewer System</td>
<td>$781,269</td>
<td>N/A</td>
</tr>
<tr>
<td>D Water Distribution System</td>
<td>$728,800</td>
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<tr>
<td>E Paving</td>
<td>$2,471,831</td>
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<tr>
<td>F Detention Pond</td>
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<tr>
<td>G Landscape/Irrigation/Hardscape/Amenities</td>
<td>$1,300,000</td>
<td>Not Included</td>
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<tr>
<td>H Miscellaneous Items</td>
<td>$706,334</td>
<td>$65,600</td>
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<tr>
<td>I Professional Fees/Contingencies</td>
<td>$3,757,117</td>
<td>$118,949</td>
</tr>
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**SUB-TOTAL ESTIMATES**

| SUB-TOTAL ESTIMATES | $14,491,734 | $458,801 |

**TOTAL ESTIMATED PROJECT COST**

| TOTAL ESTIMATED PROJECT COST | $14,950,600 |
TIRZ Revenues may fund:

- “Project costs” those that are listed in the project plan as costs of public works, public improvements, programs, or other projects benefitting the zone.

- Project Costs include:
  - Purchase of land for public infrastructure
  - Relocation of public utilities
  - Water, wastewater, and drainage systems
  - Parks and landscape
  - Public roads and buildings
  - Façade improvements
  - Environmental remediation
  - Demolition of existing structures
  - Debt service reserve, capitalized interest, cost of issuance
  - Administration fees and marketing
A TIRZ can be created in one of two ways-

1) **At the direction of Town Council.** Council could direct Town staff to create a Tax Increment Reinvestment Zone, and staff would move forward with the creation of the zone.

2) **By petition.** To create a TIRZ by petition, you need a threshold of 50 percent of all of the appraised value within the zone. So the property owners who represent at least half of the appraised value within the area would petition the Town to have the zone created.

• Counties and their sub-districts (College, hospital, etc.) and municipalities may participate.
Steps to Create a TIRZ

1. Establish geographic boundaries
2. Details of the proposed project/development
3. Taxing entities contributing & to what level
4. Current and estimated assessed (real property) values
5. Budget
6. Improvements (typically streets, water, facilities, parks, amenities, art, etc.-items of public benefit)
7. Debt
8. Length of time in place (10, 20, 30 yrs.)

Town Council passes Resolution notifying of the intent to establish the Zone

Town seeks approval of the other intended participating taxing entities (County, etc.)

Town Council holds a public hearing to formally establish the Zone, create the Fund, and adopt the Project & Financing Plan (via Ordinance), and establish a Board (via Resolution) to oversee the Zone

Estimated time to final approval is 6 months