

# **TIRZ #4 (for North Beach)**

## **How to Create a Tax Increment Reinvestment Zone**

### **City Council Goal #3**

*Develop a strategy regarding North Beach improvements including funding options and evaluation of best ways to improve North Beach*



**Council Presentation**  
**April 23, 2019**



# Local Economic Development Toolbox

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- Economic Development Agreements
  - Ch 380 Local Government Code
- Tax Abatements
  - Ch 312 Tax Code
- Type A and Type B Sales Tax
  - Ch 501, 504, 505 Local Government Code
- Industrial Districts
  - Ch 42 Local Government Code
- Tax Increment Financing
  - Ch 311 Tax Code





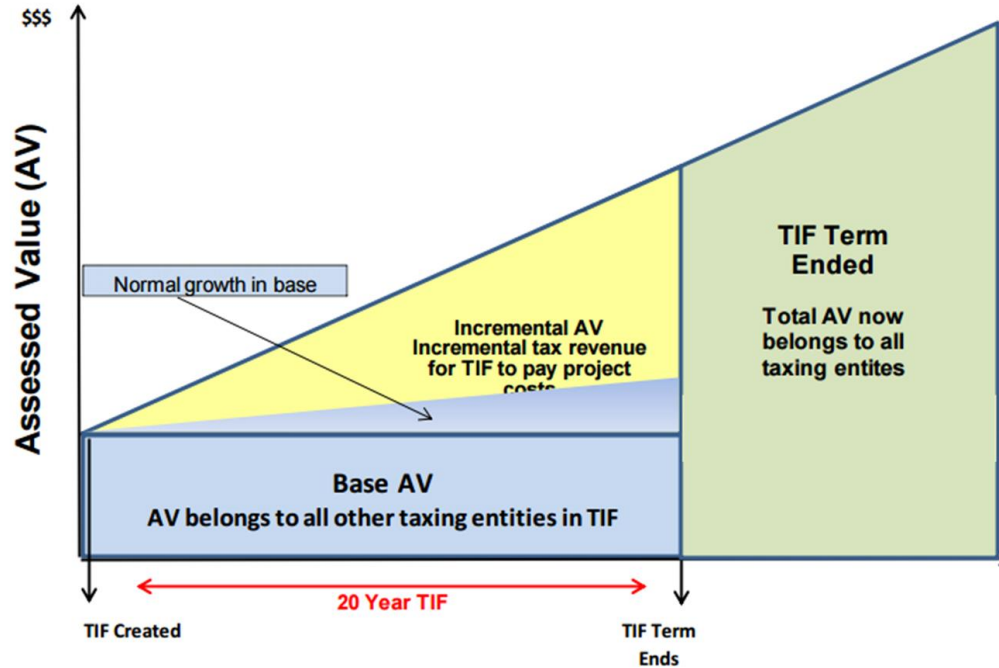
# Tax Increment Financing

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- Tool that allows local governments to finance needed structural improvements and enhanced infrastructure in a designated area.
  - Improvements to area support and promote viability of existing businesses and attract new businesses.
  - Cost of improvements is repaid with future tax revenues on the increment (increased value of the property in the Zone).
  - Each taxing entity determines which percentage of its increment to dedicate to the fund. The city or county creating the Zone may dedicate all or some percentage of its increment by ordinance. Other taxing entities may contribute by entering into an agreement with the city or county.
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# How It Works



Shows normal or market driven portion of TIF growth versus total including developer's investment



# Current City TIFs

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- TIRZ #2 (Island)
    - Created in 2000
    - Expires in 2022
    - Used for infrastructure projects on the Island, primarily at or near the Packery Channel
  - TIRZ #3 (Downtown)
    - Created in 2008
    - Expires in 2028
    - Used for projects and to incentivize new developments downtown
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# TIRZ Requirements

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- Section 311.005 of the Texas Tax Code provides that:
    - (a) To be designated as a reinvestment zone, an area must:
      - (1) substantially arrest or impair the sound growth of the municipality or county designating the zone, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use . . .
      - (2) be predominantly open or undeveloped and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality or county;
      - (3) be in a federally assisted new community located in the municipality or county or in an area immediately adjacent to a federally assisted new community; or
      - (4) be an area described in a petition requesting that the area be designated as a reinvestment zone . . .
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# Developed Areas

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While there are multiple eligible conditions listed in Section 311.005(a)(1) that might contribute to the area blight, the most common justification for a TIRZ in a developed area is that the area's present condition substantially impairs the city's growth because of a substantial number of substandard or deteriorating structures, which is consistent with 311.005(a)(1)(A).

Other possible justifications include defective or inadequate sidewalks, faulty lot layouts, unsanitary or unsafe conditions, deterioration of site or other improvements, and conditions that endanger life or property by fire or other cause.

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# Undeveloped Area

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The most common justification for a TIRZ in an undeveloped or underdeveloped area is section 311.005(a), which allows a TIRZ in an area that is predominantly open or undeveloped and substantially impairs or arrests the sound growth of the municipality due to obsolete platting, deterioration of structures or site improvements, or other factors.





# TIRZ by Petition

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- An area is eligible for designation as a TIRZ if it is the subject of a qualifying petition.
  - The petition must be submitted by the owners of property constituting at least 50 percent of the appraised property value within the proposed zone.
  - To date, no qualifying petition has been received for the creation of a TIRZ on North Beach.
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# Limitations on TIRZ Boundaries

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- An area may not be designated as a TIRZ if:
    - More than 30% of the property in the proposed reinvestment zone (excluding publicly-owned property) is used for residential purposes; or
    - The total appraised value of taxable real property in the proposed reinvestment zone and in the existing reinvestment zones exceeds 25% of the total appraised value of taxable real property within the city and its industrial districts.
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# Procedure for Creating TIRZ

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1. Draft preliminary financing plan
2. Publish notice of hearing on creation of TIRZ
3. Hold public hearing
4. Designate the TIRZ by ordinance and create the Board of Directors
5. Board prepares finalized project and financing plan for Council approval



# Contents of Financing Plan (1 of 2)

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1. Detailed list of the estimated project costs of the zone, including administrative expenses
  2. List of proposed kind, number and location of all public works or public improvements to be financed by the zone
  3. Economic feasibility study and finding that the plan is economically feasible
  4. Estimated amount of bonded indebtedness
  5. Estimated time when related costs or monetary obligations are to be incurred
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# Contents of Financing Plan

## (2 of 2)

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6. Description of the methods for financing project costs and the expected sources of revenue to finance or pay project costs, including the percentage of tax increment to be derived from the property taxes of each taxing unit
  7. Current total appraised value of taxable real property in the zone
  8. Estimated captured appraised value of the zone during each year of its existence
  9. Duration of the zone
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# Contents of Project Plan

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1. A description and map showing existing uses and condition of real property within the zone and proposed uses of that property
  2. Proposed changes to zoning ordinances, the master plan of the city, building codes or other municipal ordinances or subdivision rules and regulations of the county
  3. A list of estimated non-project costs
  4. A statement of the method for relocating persons who will be displaced, if any, as a result of implementation of the plan
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# Next Steps

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- ✓ Direction from Council to proceed with the creation of TIRZ #4 on North Beach
  - Preliminary financing plan
    - Economic feasibility study
    - Determine boundary of TIRZ #4 and prepare necessary maps
    - Preliminary list of projects and estimated project costs
    - Determine duration of TIRZ #4 and estimated appraised value for each year
  - Start discussions with other taxing entities
  - Other preliminary work necessary to begin the process
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