

TAX INCREMENT REINVESTMENT ZONE (TIRZ)

Background Criteria

HISTORY:

- Originated in California during the early 1950's
- Majority of TIRZ established since the early 1980's
- Established in Texas in 1981
- Governed by statute—Chapter 311 of Texas Tax Code

CONCEPT:

- A mechanism to finance new public improvements in a designated area, in order to stimulate new private investment.
- Any increase in ad valorem tax revenue (caused by new private investment & higher land values) is paid into a special TIRZ Fund used to finance public projects in the Zone.
- Any increases in personal property and inventory and sales tax revenue will go to each taxing jurisdiction
- Fair to existing property owners—no forgiveness of taxes for new development

BENEFITS

- Does not invade revenue currently going to the General Fund of the City which it depends on for provision of existing services.
- Does not involve additional or increased taxes on existing or new developments to produce revenues to serve as incentives.
- Does not involve forgiveness of taxes.
- Creates an opportunity to include other taxing jurisdictions (not ISD) in providing the tax incentives used for new public infrastructure and revitalization efforts.
- Typically captures only taxes on real property (land and buildings) -- not business personal property and inventory or sales taxes -- leaving those revenues available to support any increase in general budget costs. However, sales tax may now be added at Council's discretion.
- It is a commitment for a period of years providing a dependable source of economic development funds which can be allocated to stimulate new development and redevelopment over the years.
- A TIRZ allows for reinvestment of tax funds in those areas which created the funds.

KEY ELEMENTS

- Qualify area as a Reinvestment Zone
- Define boundaries of the Zone
- Fix and preserve assessed value of existing land and improvements for continued use by taxing jurisdictions

- Commit increase in real property taxes above base to a TIRZ Fund
- Use TIRZ Funds to pay for public improvements

THREE (3) THINGS DON'T CHANGE:

- Property owners pay taxes at the normal rate, there is no forgiveness nor extra charge of any kind
- Taxing jurisdictions continue to receive their original “base” ad valorem tax revenues and all (original and new) business personal property and inventory tax revenues, and
- Municipalities (and in some cases, Counties) continue to receive all (original and new) sales tax revenues

THE TIRZ MAY BE ESTABLISHED BY:

- **Initiation** by the Municipality
OR BY
- **Ordinance by Petition** of owners of over 50% of appraised value of property in the Zone Boundary

TIRZ MAY FUND:

- Capital Costs: public works, public improvements, new buildings, structures, acquisition & renovation of existing buildings, land & site costs
- Financing Costs
- Real Property Assembly Costs
- Relocation Costs
- Professional Services, Administration, and Organization costs
- Construction Interest
- Direct operating costs for Zone and for project facilities

TO FUND PROJECT EXPENSES, TIRZ MAY EITHER:

- Borrow funds
 - Loans from Developers
 - Loans from City or other public body
 - Issue bonds (no “faith & credit”) or Certificates of Obligation
- OR
- Fund improvements on a “Pay-As-You-Go” basis

TIRZ IS MANAGED BY CITY COUNCIL WITH ADVICE FROM BOARD OF DIRECTORS:

- Board is appointed by participating taxing jurisdictions
- It is only a recommending Board
- City Council has approval authority

OTHER CRITERIA

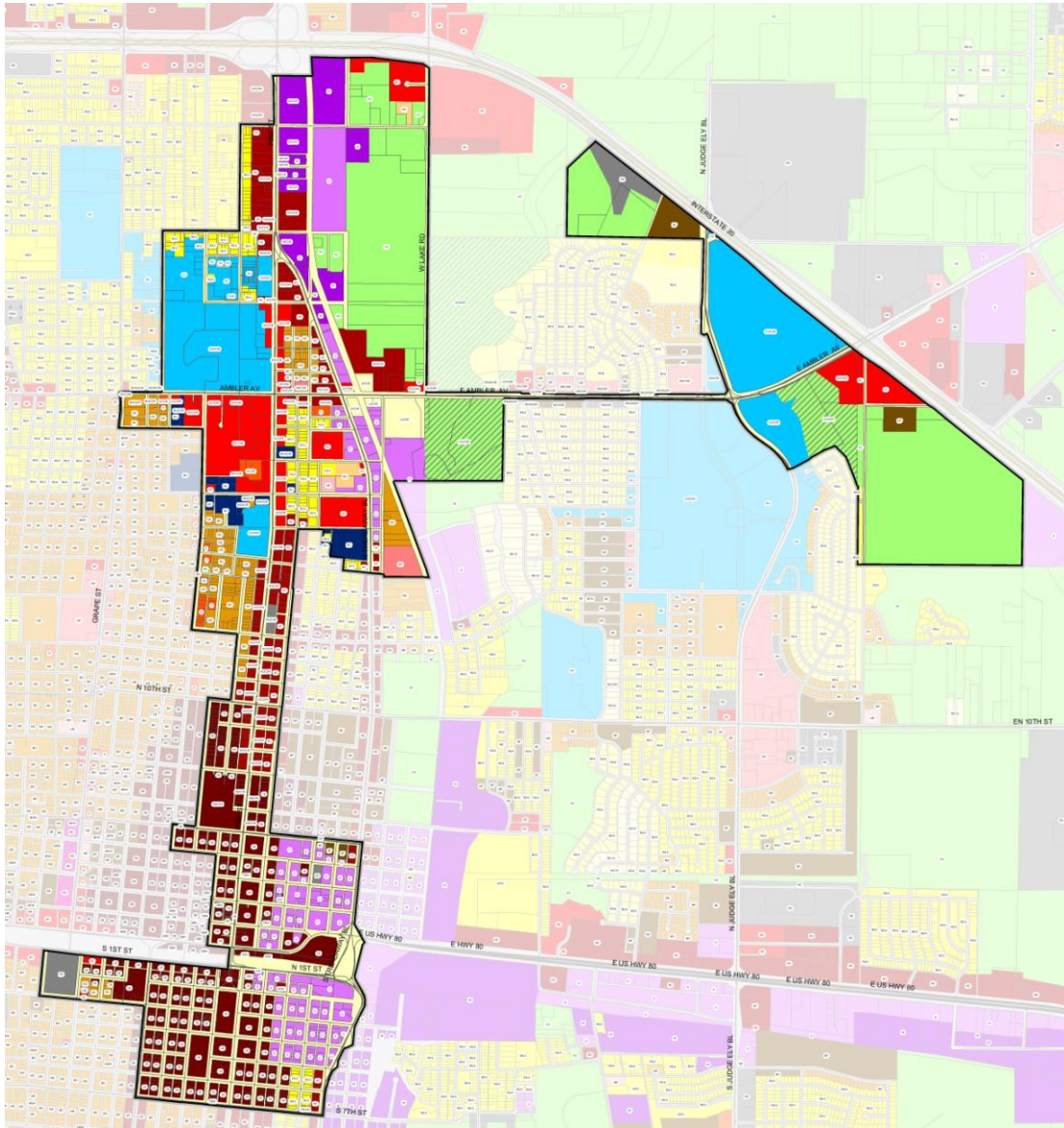
- All taxing jurisdictions can, but do not have to, pledge their increased tax revenues above base to the TIRZ Fund
 - Also can participate at less than 100%
 - September 1999 change in State statute essentially precludes school districts from participating.

- No more than 30% of existing property within the Zone may be used for residential unless TIRZ is requested by petition signed by over 50% of appraised value of property.

- Zone (combined with any other existing Zone's) may not contain more than 25% of appraised value of the municipality if the population exceeds 100,000 or more than 50% if the population is less than 100,000.

CITY OF ABILENE REINVESTMENT ZONE NO. 2

BOUNDARY AND EXISTING ZONING MAP



CITY OF ABILENE
TAX INCREMENT REINVESTMENT ZONE NO. 2

| <u>PROJECT</u> | <u>COST, \$K</u> |
|---|-------------------------|
| South Downtown Plan, Road, Streetscaping, and Intersection Improvements | \$3,000,000 |
| Ambler Ave Bicycle & Pedestrian Improvements | \$750,000 |
| Butternut Street Improvements | \$1,250,000 |
| Pine Street Sidewalks & Streetscaping | \$2,500,000 |
| Ambler Corridor Streetscaping | \$750,000 |
| Demolition, Land Clearing, and Environmental Remediation | \$1,000,000 |
| Area Drainage Improvements | \$2,000,000 |
| Hickory Street Reconfiguration and Bicycle/Pedestrian Improvements | \$1,000,000 |
| Transit System Amenities | \$400,000 |
| Trail Construction | \$600,000 |
| Property Acquisitions | \$1,000,000 |
| Downtown Hotel Area Improvements | \$750,000 |
| Improve Pedestrian Underpasses | \$150,000 |
| Farmers Market Area Improvements | \$500,000 |
| Lincoln Middle School Area Improvements | \$500,000 |
| South Downtown Plan, Phase II | \$2,200,000 |
| Areawide Streetscaping and Street Repair Projects | \$6,000,000 |
| Areawide Bicycle and Pedestrian Improvements | \$3,000,000 |
| South Downtown Plan, Phase III | \$2,000,000 |
| Historic Courthouse Renovation | \$1,750,000 |
| Courthouse Area Parking Structure | \$3,000,000 |
| Administrative Costs | \$200,000 |
| TOTAL: | \$34,300,000 |

CITY OF ABILENE

KEY ELEMENTS OF TIRZ NO. 2

- 30 – year term
- Area – 1,594 acres
- Commitment to TIRZ Fund
 - City: 100% of real property tax (land & improvements)
 - County: 100% of real property tax (not yet confirmed)
- Projected increase in taxable value: \$232 million
(current value \$189 million)
- Estimated cost of public infrastructure projects: \$34.3 million
- Estimated income to TIRZ Fund:

| | |
|----------|----------------------------|
| – City | \$19.74 million (58%) |
| – County | <u>14.52 million</u> (42%) |
| TOTAL | \$34.26 million |