DOWNTOWN TAX INCREMENT REINVESTMENT ZONE (TIRZ #1)

December 7, 2021
WHAT ARE TIRZ

• A tool local governments use to finance public improvements and infrastructure within a defined area

• Future tax revenues from each participating taxing unit can be used to pay for improvements

• The additional tax revenue that is received from the properties is referred to as the “tax increment”

• No increase in tax rate – dedication of the incremental tax revenues

• Each taxing unit can choose to dedicate all, a portion of, or none of the tax increment

• Cities or counties initiate tax increment financing
WHAT ARE TIRZ?
ELIGIBLE COSTS

- Acquisition and construction of public works, public improvements new buildings, structures, and fixtures
- Acquisition, demolition, alteration, remodeling, repair or reconstruction of existing buildings, structures, and fixtures
- Remediation of conditions that contaminate public or private land or building;
- Preservation of the façade of a public or private building
- Demolition of public or private buildings
- Acquisition of land and equipment and the clearing and grading of land
ELIGIBLE COSTS

- Financing cost
- Real property assembly cost
- Professional service cost
- Administrative/organizational cost
- Cost of operating the reinvestment zone and project facilities
STEPS TO CREATING A TIRZ

• Prepare a preliminary reinvestment zone financing plan
• Publish the hearing notice at least 7 days before hearing
• Hold a public hearing
• Governing body designates zone by ordinance or order
  • Create Board of Directors (7-member)
  • Participating taxing entities are represented on Board
• Prepare project plan and financing plan
• Collect the tax increment
• Board of Directors makes recommendations to the governing body
PRELIMINARY DOWNTOWN TIRZ

- North: Nueces Street
- South: Convent Street
- West: Moody Street
- East: Multiple streets
About 26% residential acreage after removing public sector land

Large office building fluctuations will impact TIRZ values
2021 TIRZ VALUES

<table>
<thead>
<tr>
<th>State Land Use</th>
<th>Acres</th>
<th>Taxable Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A - Single Family</td>
<td>26.5</td>
<td>$17,273,535</td>
</tr>
<tr>
<td>B – Multifamily</td>
<td>1.5</td>
<td>$688,770</td>
</tr>
<tr>
<td>C – Vacant Lots</td>
<td>4.4</td>
<td>$343,200</td>
</tr>
<tr>
<td>F – Commercial</td>
<td>50.3</td>
<td>$49,161,078</td>
</tr>
<tr>
<td>J – Railroad</td>
<td>9.5</td>
<td>$11,320</td>
</tr>
<tr>
<td>City</td>
<td>10.0</td>
<td>$0</td>
</tr>
<tr>
<td>County</td>
<td>12.1</td>
<td>$0</td>
</tr>
<tr>
<td>Education</td>
<td>2.6</td>
<td>$0</td>
</tr>
<tr>
<td>Federal</td>
<td>1.5</td>
<td>$0</td>
</tr>
<tr>
<td>Religious</td>
<td>20.4</td>
<td>$0</td>
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<tr>
<td><strong>Total</strong></td>
<td>138.9</td>
<td><strong>$67,477,903</strong></td>
</tr>
</tbody>
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Future Projects
- 50 New Residential Units
- 50 to 75 Room Hotel
- Mitchell School Sale
- $15M to $20M in development potential
**TIRZ SCENARIO**

- **TIRZ Duration**: 25-year lifespan
- **TIRZ Allocation**: City, County, Navigation District, and College contribute 100%
- **Tax Rate**: 2021 tax rates were held constant
- **Inflation & Appreciation Rate**: 2.5% per year
- **Future Development Patterns**: $100,000 per year in new taxable real property value will be built

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>County</th>
<th>College</th>
<th>Navigation</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Tax Rate (M&amp;O + I&amp;S)</td>
<td>$0.58820</td>
<td>$0.39590</td>
<td>$0.20760</td>
<td>$0.02970</td>
<td>N.A.</td>
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<tr>
<td>Total</td>
<td>$4,253,692</td>
<td>$2,867,632</td>
<td>$1,495,276</td>
<td>$215,644</td>
<td>$8,832,244</td>
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</tbody>
</table>
NEXT STEPS

1. ADOPT TIRZ
2. SECURE PARTNERS (DEC.-JAN.)
3. UPDATE/FINALIZE STRUCTURE