TIRZ/TIF Overview

City Council
August 3, 2026

Presentation Outline

- Request for Presentation
- What is a TIRZ/TIF?
- What can be funded?
- Existing TIRZ
- Are they still relevant?
- When/where should we use TIRZ/TIF?
- TIRZ Dissolution
- Strategic Opportunities
- Questions of Staff
- Council Discussion

City Council Request

Staff received a request from two Councilmembers requesting a presentation on TIRZ/TIF.

What is a TIRZ/TIF?

Definitions:

TIRZ - Tax Increment Reinvestment Zone is a financing tool authorized under Chapter 311 of the Texas Tax Code that allows a city or county to fund public improvements by using the future increase in property tax revenues generated within a designated area. It is not a new tax—it is a redirection of future tax growth.

TIF - Tax Increment Financing (TIF) is the financing mechanism used to fund public improvements by capturing the increase in property tax revenue generated by new development or redevelopment within the established TIRZ.

What is a TIRZ/TIF?

TIRZ

Defined Boundary

TIF

Increment Generated to Fund Projects and Operations

TIRZ/TIF 101

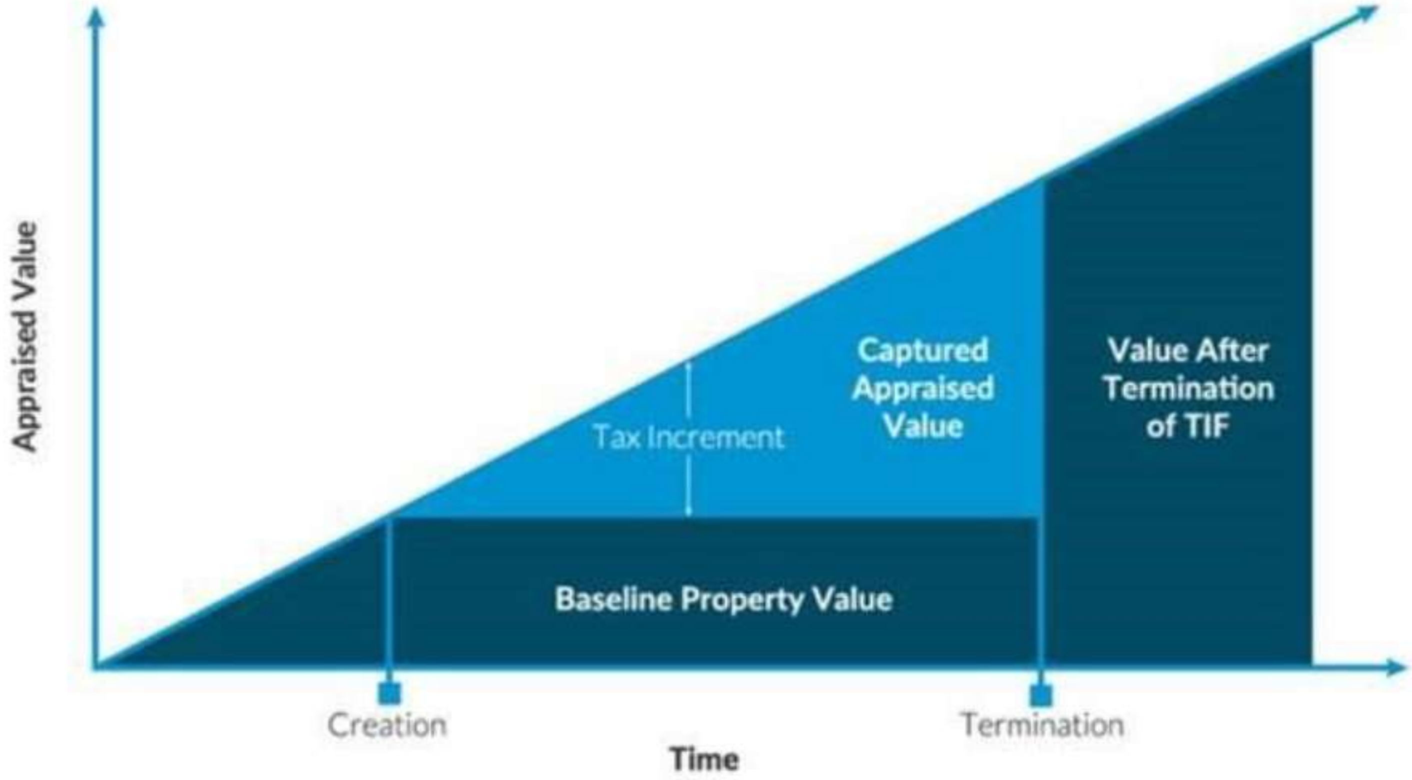
- Economic Development and Infrastructure Financing Tool
- Captures Future Growth within a Defined Area
- Growth used to Fund Infrastructure
- Does not Create a New Tax
- TIF Board Created to Review Projects and Approve Budgets
- Duration of TIRZ is based on length of time to complete goal
- TIRZ Boundaries can be adjusted
- City, County and ISD may participate
- Funding can be incremental

What can be funded?

- Infrastructure
- Public Improvements (including Parks)
- Public Safety Improvements
- Development Agreements
- Operational Costs

TIRZ/TIF 101

How the Financing Works



TIRZ/TIF 101

<u>How the Financing Works – Example</u>

Suppose a TIRZ is created when the taxable value is **$50 million**.

Base value: **$50 million**

Ten years later: **$90 million**

Increment: **$40 million**

If the city tax rate is $**0.60 per $100 Valuation:**

- Taxes on the original $50 million continue flowing to the city's General Fund.
- Taxes on the additional $40 million (about **$240,000 per year**) are deposited into the Tax Increment Fund and used for projects within the TIRZ.

Existing TIRZ - TIRZ #2

TIRZ #2

- City Council created TIRZ 2 in 2005 to promote development and redevelopment of the area included in the TIRZ, including Old Town.
- Base values determined by January 2005.
- Boundaries amended in 2016
- Termination was initially 2024 but was extended to 2041 in 2020.
- Priorities Included:
  - Infrastructure Delivery
  - Development Leverage
  - Operational Uses
  - Community Benefits

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TIRZ #2

Priority Project

- Phase 1 – B & G Development
  - Estimated Costs of $206,750 for utilities.
  - Estimated Revenue of $47,878.40 in year 1
  - Cost Recovery by 2009
  - All infrastructure costs for all phases would be approximately $1,000,000

TIRZ #2 Original Project Plan

- Reroute Abner Lee to south of future Spinks Runway expansion
- “Backage” road from E. Renfro north to Stone Rd.
- Channelization of Village Creek
- Widening of E. Renfro to Village Creek Bridge
- Trails on Village Creek
- Old Service Center site
- Beautification of RR through Old Town
- Old Town Infrastructure
- Old Town Beautification
- Drainage improvement on Johnson by Post Office and Library
- Improvements on NW side of 174 from Renfro to Hillery
- Drainage from Douglas to SH174
- Trails along creeks from Taylor to 35

Projects Completed

TIRZ #2 Completed Projects

B&G Professional Buildings-2006

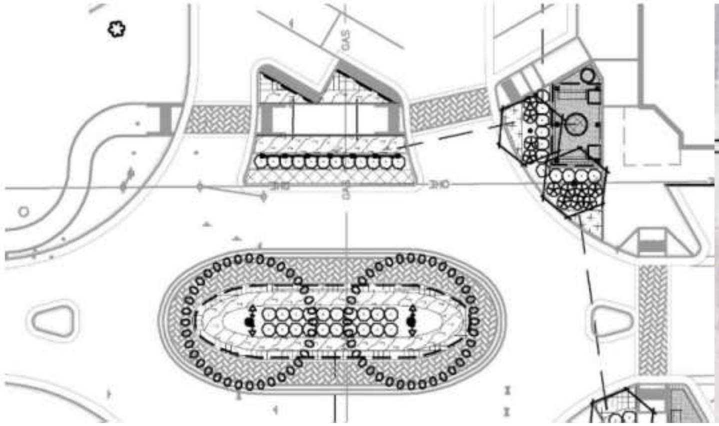
- Cash Reimbursement - $593,371
- Public Infrastructure

TIRZ #2 Completed Projects

Old Town Mobility Improvements

Capital Improvements

- Cash - $257,000



TIRZ #2 Completed Projects

Mayor Vera Calvin Plaza and Parking

Capital Improvements

- Cash - $2,300,000
- Debt - $5,715,000

TIRZ #2 Completed Projects

Old Town Station - 2015

- Cash Grant - $300k
- TIF Rebate – 50% City TIF for Five Years
- 50% GF Sales Tax for 5 Years

TIRZ #2 Completed Projects

Depot on Main- 2016

- 75% TIF Rebate Annually up to $2 MM
- Rebate for public infrastructure

TIRZ #2 Completed Projects

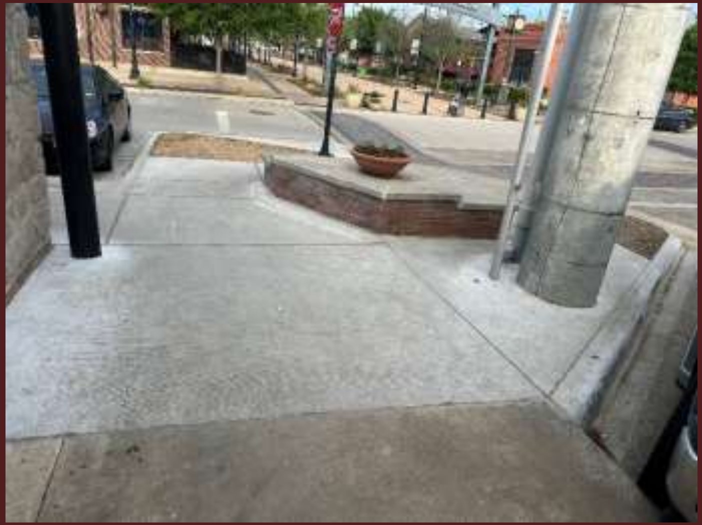
135 W. Ellison - 2020

- Debt - $3,196,500 for offsite improvements and construction of portion of buildings 3,4, & 5.

TIRZ #2 Completed Projects

ADA Improvements – Ellison and Wilson

- Debt - $85,000



TIRZ #2 Active Projects

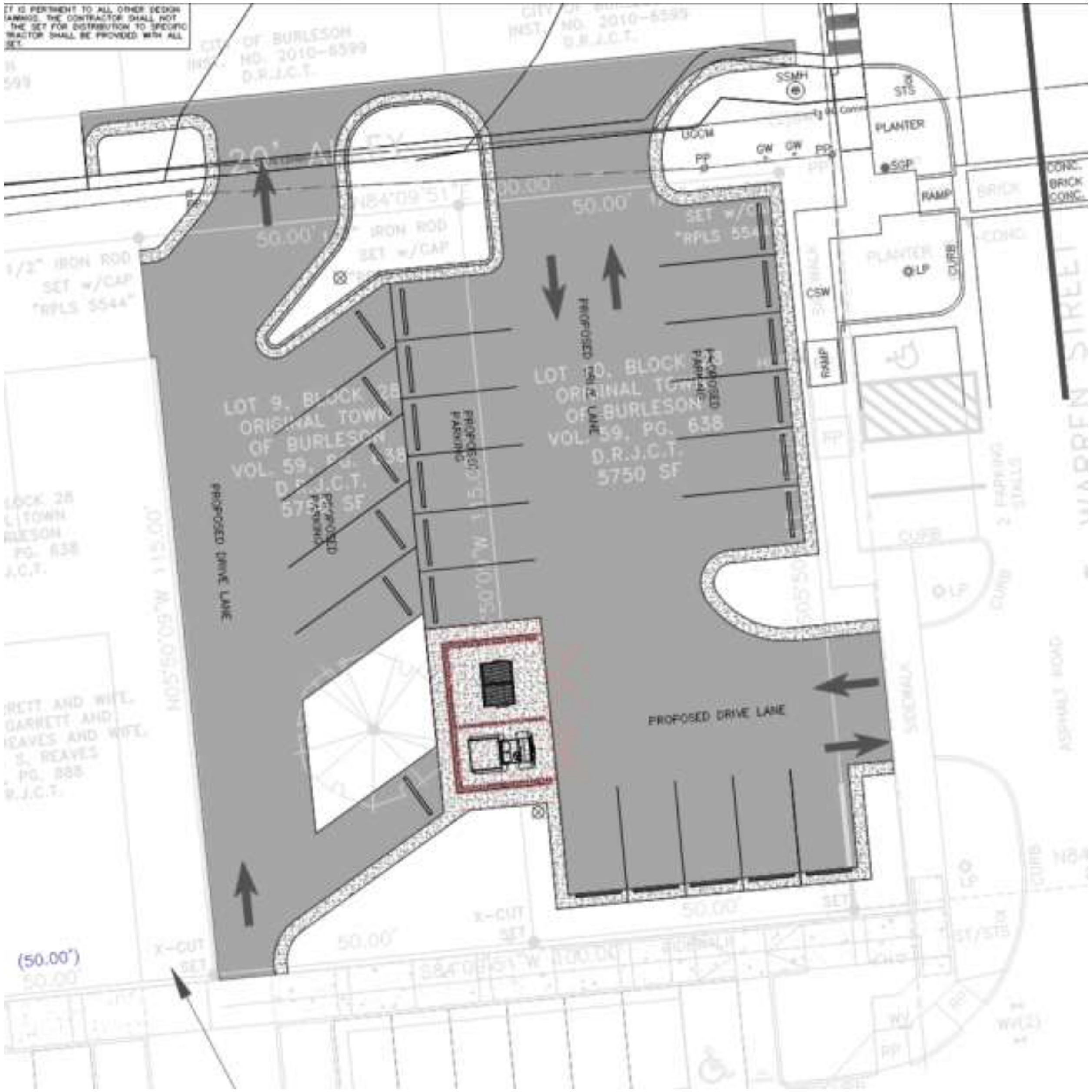
Ellison Realignment/Parking

- Debt - $379,000

TIRZ #2 Active Projects

Parking Lot Improvements

- Cash - $450,000
  - Property Acquisition
- Debt - $379,000
  - Construction



TIRZ #2 Active Projects

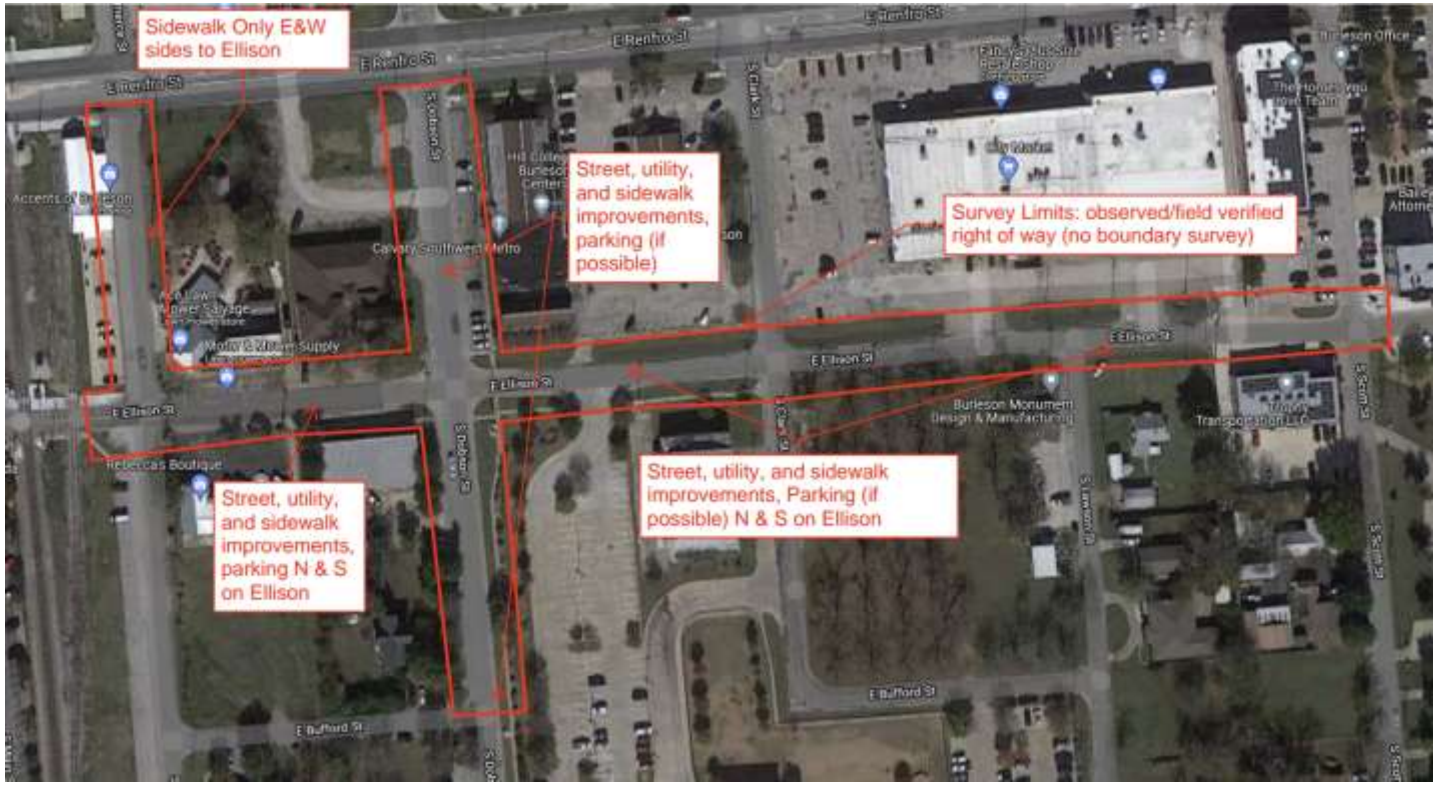
Renfro/Johnson Intersection and Sidewalk Improvements

- Cash - $372,497
- Debt - $360,835
  - Savings from previous debt issuance for Old Town TIF projects

TIRZ #2 Future Projects

East Ellison Mobility

- Debt - $5,500,000



TIRZ #2 Future Projects

- Reroute Abner Lee to south of future Spinks Runway expansion
- Channelization of Village Creek
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TIRZ #2 Existing Obligations

TIF Portion of Outstanding Debt Schedule

Period ending	Principal	Interest	Total P&I
9/30/2026	410,000	319,051	729,051
9/30/2027	425,000	302,575	727,575
9/30/2028	440,000	284,250	724,250
9/30/2029	455,000	266,175	721,175
9/30/2030	495,000	248,375	743,375
9/30/2031	505,000	229,525	734,525
9/30/2032	520,000	210,200	730,200
9/30/2033	540,000	189,994	729,994
9/30/2034	550,000	168,769	718,769
9/30/2035	590,000	146,263	736,263
9/30/2036	610,000	122,291	732,291
9/30/2037	630,000	97,303	727,303
9/30/2038	655,000	72,100	727,100
9/30/2039	280,000	53,575	333,575
9/30/2040	295,000	41,200	336,200
9/30/2041	305,000	28,600	333,600
9/30/2042	315,000	15,900	330,900
9/30/2043	105,000	7,175	112,175
9/30/2044	70,000	3,325	73,325
9/30/2045	35,000	875	35,875
9/30/2046	-	-	-
9/30/2047	-	-	-
9/30/2048	-	-	-
9/30/2049	-	-	-
9/30/2050	-	-	-
Total	**8,230,000**	**2,807,521**	**11,037,521**

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Source: Hilltop Securities Inc.

TIF Outstanding Debt by Issuance Fiscal Year

ISSUANCE	OUTSTANDING PRINCIPAL
2025	$ 485,000
2024	455,000
2023	410,000
2022	2,700,000
2018	4,180,000
Total	**$ 8,230,000**

Table reflects as of February 2026.

Obligation	Description	Remaining Balance	Notes
Depot on Main Holdings, LLC	Development Agreement / Economic Development Incentive	$1,272,684.63	Remaining obligation under the 380 & Development Agreement
BrightView Landscape Services	Landscape Maintenance	$69,757.27	Current contract expires 11/7/2026 (rebid planned)
WinterGreen Synthetic Grass	Turf Maintenance	$4,950.00	FY2026 contract; expires 9/30/2026

Current TIF 2 Contractual Commitments

Operational Costs – TIF #2 Fund

YTD as of June 30, 2026	FY 2025 Revised Budget	FY 2025 YTD	FY 2025 YE	FY 2026 Revised Budget	FY 2026 YTD	FY 2025 YTD % Budget	FY 2026 YTD % Budget
Personnel	41,348	13,836	18,013	49,541	24,710	33%	50%
Economic Development Incentive	53,045	110,888	110,888	740,181	616,428	209%	83%
Miscellaneous Expense	26,500	20,854	20,854	26,500	18,823	79%	71%
Equipment Maint & Repair	1,500	-	-	-	-	0%	NA
Recruitment Expenses	400	-	-	-	-	0%	NA
Minor Apparatus	16,800	597	620	-	2,503	4%	NA
Financial Services	-	966	966	-	970	NA	NA
Grounds Maintenance & Repair	110,000	74,923	99,104	117,250	86,673	68%	74%
Contribution to ERF	2,280	1,710	2,280	4,338	3,249	75%	75%
IT Contribution	-	-	-	1,041	774	NA	74%
Cost Allocation to GF	37,590	28,197	37,590	37,590	28,197	75%	75%
Transfer to GF	231,964	173,973	231,922	238,923	179,192	75%	75%
Transfer to Gen DSF	691,914	539,154	691,104	730,091	573,401	78%	79%
Totals	**1,213,341**	**965,097**	**1,213,341**	**1,945,455**	**1,534,919**	**80%**	**79%**

- Transfer to GF includes costs for Police Officers work in the TIRZ

Are TIRZ Still Viable?

What has changed?

- Property Tax Law Reform
  - 3.5% Voter Approval Limit
    - Previously 8% Limit
    - TIF not capped with 3.5% revenue growth
  - Continued debate at state level
    - Reduce voter approval rate to 2.5%

Potential Concerns

- Tax Increment not available to General Fund
- Limits flexibility of future General Fund Budgets
- Dedicated funding to one area of the community

Why TIRZ Still Matter?

- Deliver Infrastructure without impact to General Fund
- Leverage Private Investment
- Accelerate Development that would otherwise not occur
- Ability to issue revenue bonds

When should a TIRZ be used?

But for the public participation, the project would not occur in the foreseeable future.

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When should a TIRZ be used?

- Appropriate Uses
  - Roads
  - Water and Sewer Infrastructure
  - Drainage
  - Parking
  - Sidewalks
  - Parks

When should a TIRZ be used?

- Bridge Financing Gaps
  - Reimburse developers for infrastructure over a period of time
  - Development Incentive
- Promote Development
  - Encourage development in areas lacking infrastructure
  - Catalyze growth where the market forces alone are insufficient

Where should a TIRZ be used?

- Areas needing improvement
  - Structures in a failing state
  - Inadequate infrastructure
  - Redevelopment needs
- Transit-Oriented Development
  - Higher density mixed-use areas
  - Transit corridors
- Vacant or Undeveloped Areas
  - Infrastructure barriers prevent development
  - Large capital investment needed for development to occur

TIRZ Dissolution

Immediate Impact

- After all outstanding obligations are satisfied, the full taxable value returns to the participating taxing entities.
  - TIF 2 did not issue Revenue Bonds but COs
  - TIF 2 could dissolve without paying off debt service
  - GF could preserve tax revenue to support the I&S
- Future tax increment (incremental growth) is no longer deposited into the TIF Fund.
- The former tax increment becomes part of the City’s regular tax base and is subject to Truth-in-Taxation and 3.5% voter-approval limit.
- GF would have to absorb the TIF operational expenses.

Budget Impact

- The General Fund may not realize the full value of the returned increment if Truth-in-Taxation limits require a tax rate reduction.
- If the City reaches the voter-approval limit, a lower tax rate can permanently reduce the revenue generated from the returned value unless voters approve a higher rate.

FY 2025-2026 Tax Rate Calculation Scenario

Using the 2025 Truth-in-Taxation calculations, staff estimated the impact on the City's tax rates if the current TIRZ had been dissolved.

	2025 Current State TNT Calculation	2025 Dissolution Scenario	Variance
No-New Revenue Rate	$0.6591	$0.6592	$0.0001
Voter Approval Tax Rate	$0.7218	$0.7122	($0.0096)

This occurs because the tax increment revenue currently dedicated to the TIRZ is excluded from certain Truth-in-Taxation calculations. As a result, dissolving the TIRZ would have had a minimal impact on the No-New-Revenue Tax Rate while reducing the City's maximum voter-approval tax rate capacity.

Strategic Opportunities

FUTURE TIRZ/TIF

Strategic Opportunities

- Hidden Creek Corridor
- Future Business Park
- Undeveloped Growth Areas

- Evaluation Criteria
  - Significant Infrastructure
  - Development would otherwise not occur
  - Community Benefit
  - Long-term fiscal return justify participation.

Questions for Staff

Council Discussion