

Montgomery MEDC
AGENDA REPORT

Meeting Date: January 17, 2022	Budgeted Amount: N/A
Department: MEDC	Prepared By: Richard Tramm

Subject

Discussion and consideration of a Tax Increment Reinvestment Zone (TIRZ) as an economic development tool.

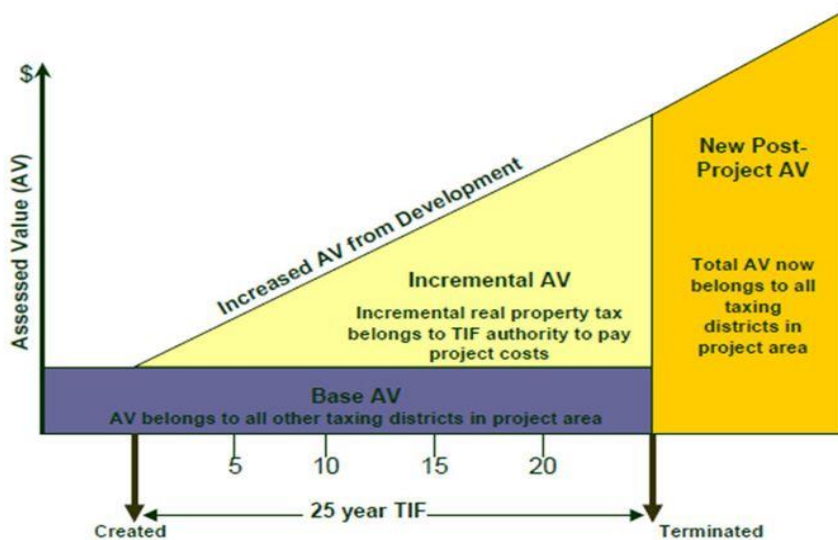
Recommendation

Discuss the item and consider forming a committee to continue discussion and bring recommendations back to the MEDC Board of Directors.

Discussion

At the November meeting, the option of using the TIRZ process to encourage development in Montgomery was discussed.

A TIRZ is a tax abatement tool that local governments can use to encourage growth and fund improvements within a defined area. The funding for this process is captured by the difference between the baseline value of ad valorem tax collected at beginning of the implementation of the TIRZ and the increase in ad valorem tax each year.



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This "captured value" only flows into the TIRZ funding mechanism from properties that are within the TIRZ. Flower Mound has a useful document about TIRZ for more information (<https://www.flower-mound.com/DocumentCenter/View/24418/Flower-Mound-TIRZ-FAQ>)

Originally, TIRZ were used to invest in public infrastructure by the taxing authority but more recently the majority of TIRZ have been intended to be used as reimbursement mechanisms. Cities like San Antonio and McKinney have created TIRZ, collected revenue, and developers have applied for fund reimbursement under terms set out by the TIRZ board (see application from McKinney - <https://www.mckinneytexas.org/DocumentCenter/View/29128/TIRZ-1-Application---162021?bidId=>)

Successful TIRZ also include more than one taxing authority - Montgomery County and Montgomery Independent School District have higher tax rates than the City and would be critical to get on board with any TIRZ that the City sets up.

MEDC does not collect any ad valorem revenue and cannot drive the TIRZ process. However, there is a great deal of work to do on the front end that MEDC could be involved with. Additionally, the cost is anticipated to be \$10-\$15,000, which the MEDC could choose to sponsor.

Suggested next steps: Form a committee to continue this process: propose TIRZ boundaries, propose project criteria, propose project reimbursement rates, etc. Report to MEDC at February meeting.

Additional resources can be found on the Texas Comptroller website at: <https://comptroller.texas.gov/economy/local/ch311/tirz-process.php>

Approved By		
City Administrator	Richard Tramm	Date: January 13, 2022