

Tax Increment Reinvestment Zone & Public Improvement District Essentials

July 21, 2025

PURPOSE

- Company Overview
- Tax Increment Financing Concept
- Public Improvement Districts
- Case Studies
- Questions

PETTIT & AYALA CONSULTING

What do you do?

- Assist real estate developers and public entities facilitate new development and redevelopment through collaborative Public-Private Partnerships.

What is a Public-Private Partnership?

- A Public-Private Partnership is a contractual agreement between a public agency (federal, state or local) and a private sector entity.

What side do you work for?

- PAC has done work for both sides, giving us a unique perspective as to what is needed to make the project a success for both for the developer and the community.
 - Sample public entity clients: El Paso, Grand Prairie, Colleyville, Trophy Club, Kerrville, and Tyler.
 - Sample developer clients: Hines, Centurion American, Majestic Reality, Trademark, Fine Line Diversified Development, Jackson Shaw, and Cypress Equities.

PUBLIC/PRIVATE PARTNERSHIPS

Infrastructure Improvements

Use of economic development tools in conjunction with planning to foster redevelopment, *typically focusing on infrastructure needs*

Business Creation/Retention

Use of economic development tools to encourage the relocation or retention *of targeted businesses*

Gap Financing

Use of economic development tools to facilitate a fair “rate of return” for *private investment that otherwise would not occur*

Tax Increment Financing

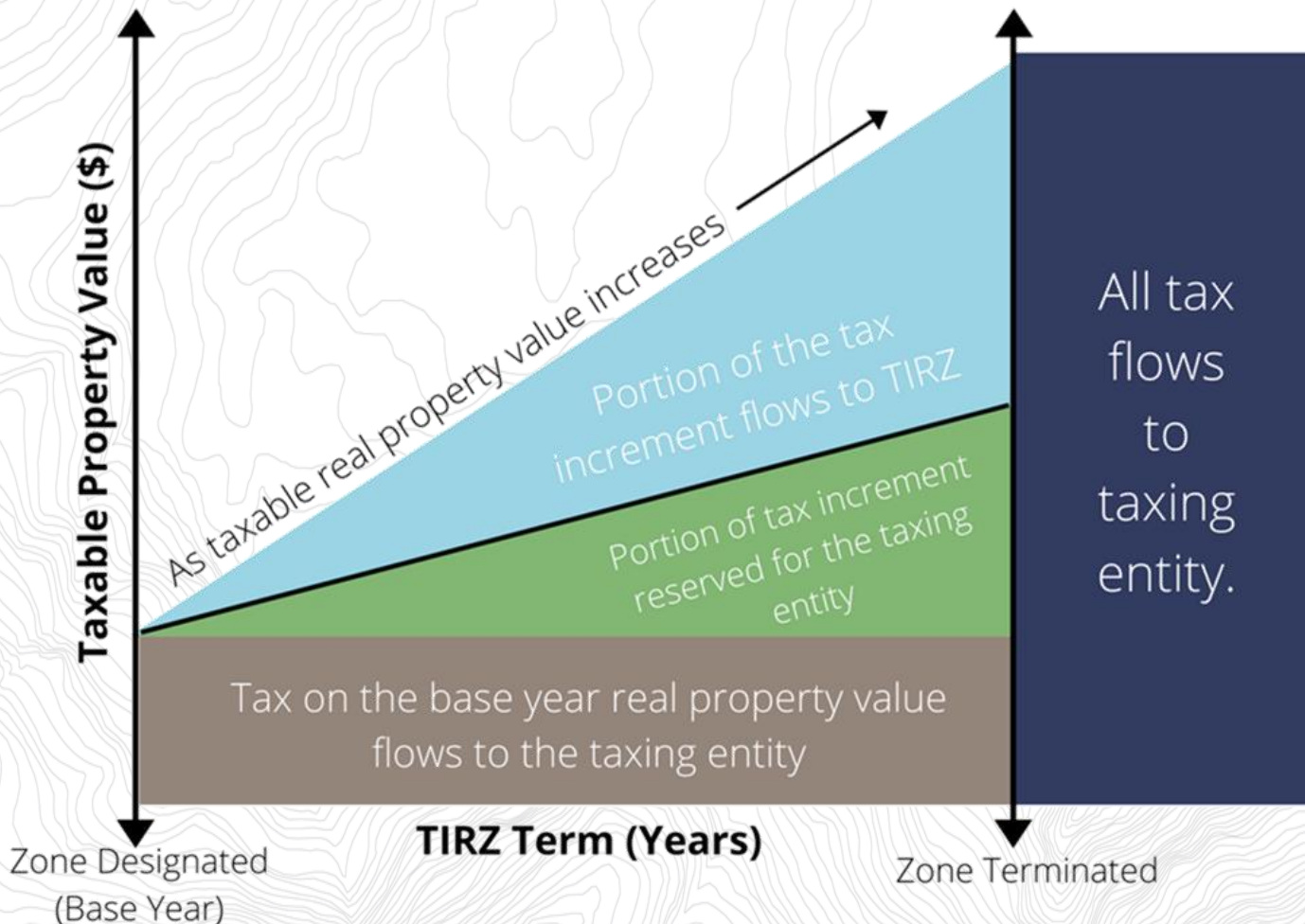
Tax Increment Reinvestment Zones (TIRZ)

- Tax Increment Financing (TIF) is a tool that incentivizes economic development within a Tax Increment Reinvestment Zone (TIRZ)
- Governed by Tax Code, Chapter 311
- Hundreds of TIRZs have been created in the state of Texas
- Cities, *alone or in partnership with other taxing units*, can use this tool to pay for improvements in a zone so it will attract new development, facilitate investment, and bring excitement and energy to a designated area
- A TIRZ can pay for:
 - infrastructure;
 - public improvements;
 - economic development programs; or
 - other projects benefiting the zone

Tax Increment Reinvestment Zones (TIRZ)

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- Not a new tax on development
 - Redirects a portion of tax generated from new development within TIRZ



TIRZ REVENUES

Two ways to create new tax increment:

1. New construction/investment; and/or
2. Annual appreciation of real property (i.e. “organic growth”)

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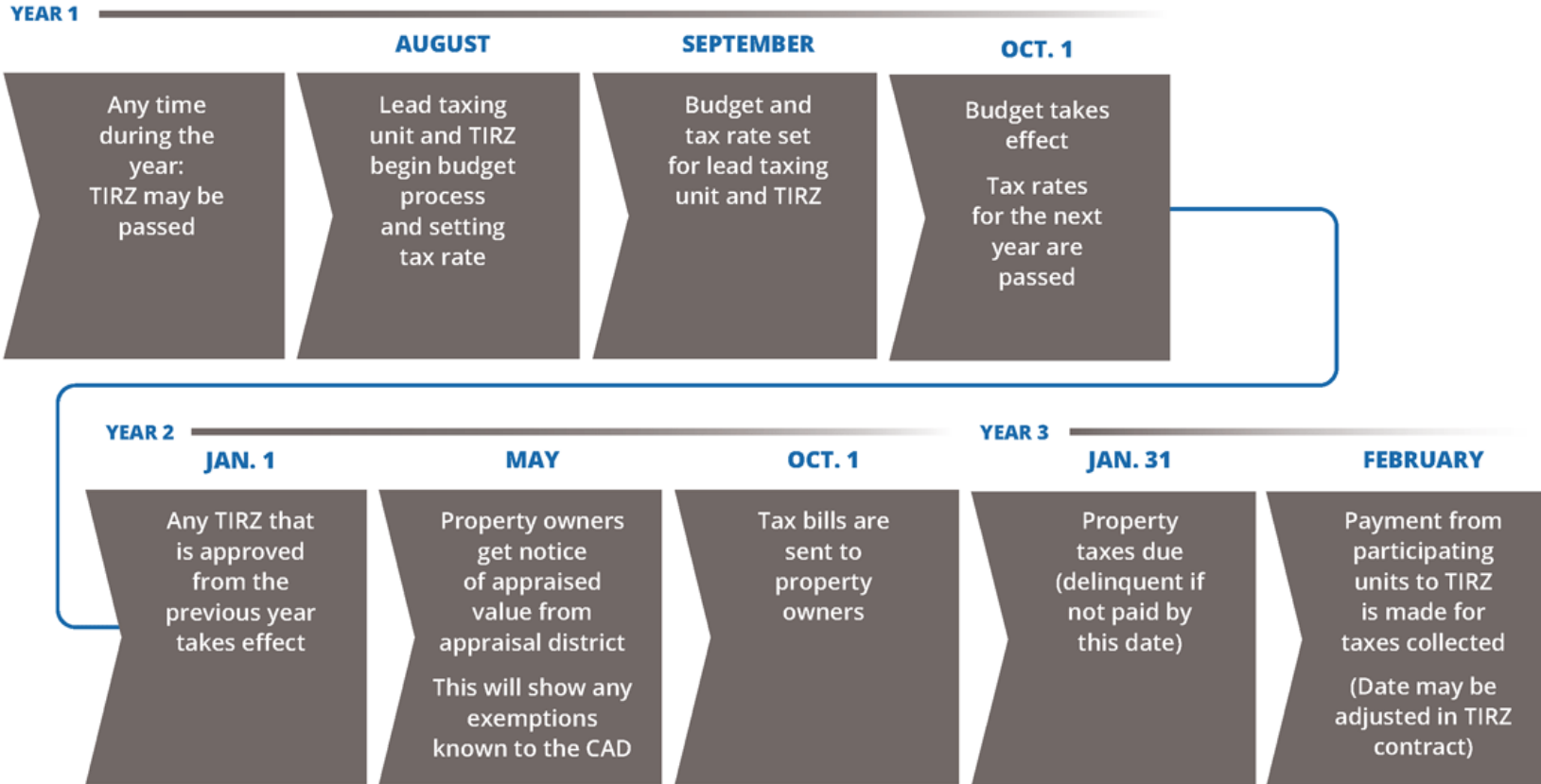
EXAMPLE OF TAX INCREMENT FINANCING

Current Year Property Tax Value	\$300,000
<u>Less Base Year Property Tax Value</u>	<u>\$200,000</u>
=TIF Increment Property Tax Value	\$100,000

<u>Taxing Entity</u>	<u>Tax Rate</u>	<u>Participation Rate</u>	<u>TIF Revenue</u>	<u>General Fund Revenue</u>
CITY OF PORT LAVACA	0.8000	50%	\$400.00	\$400.00
CALHOUN COUNTY	0.6222	50%	\$311.10	\$311.10
CALHOUN PORT AUTHORITY	0.0006	0%	\$0.00	\$0.60
CALHOUN COUNTY ISD	0.7548	0%	\$0.00	\$754.80
CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT	0.0068	0%	\$0.00	\$6.80
Total	2.1844		\$711.10	\$1,473.30

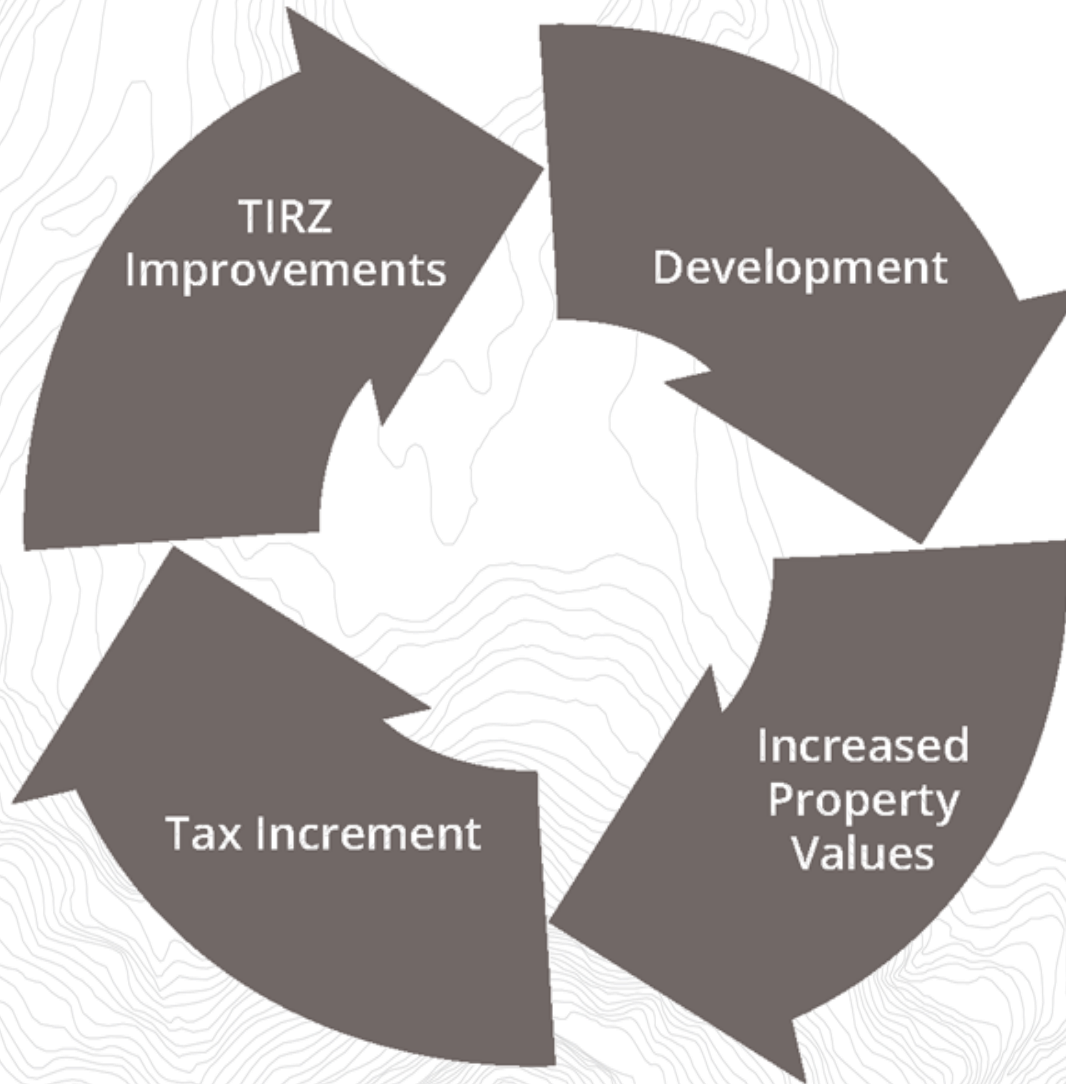
TIRZs & TAX COLLECTIONS, REMITTING & PROCESSING TIMELINE*

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TIRZ FINANCING AND FUNDING PROCESS*

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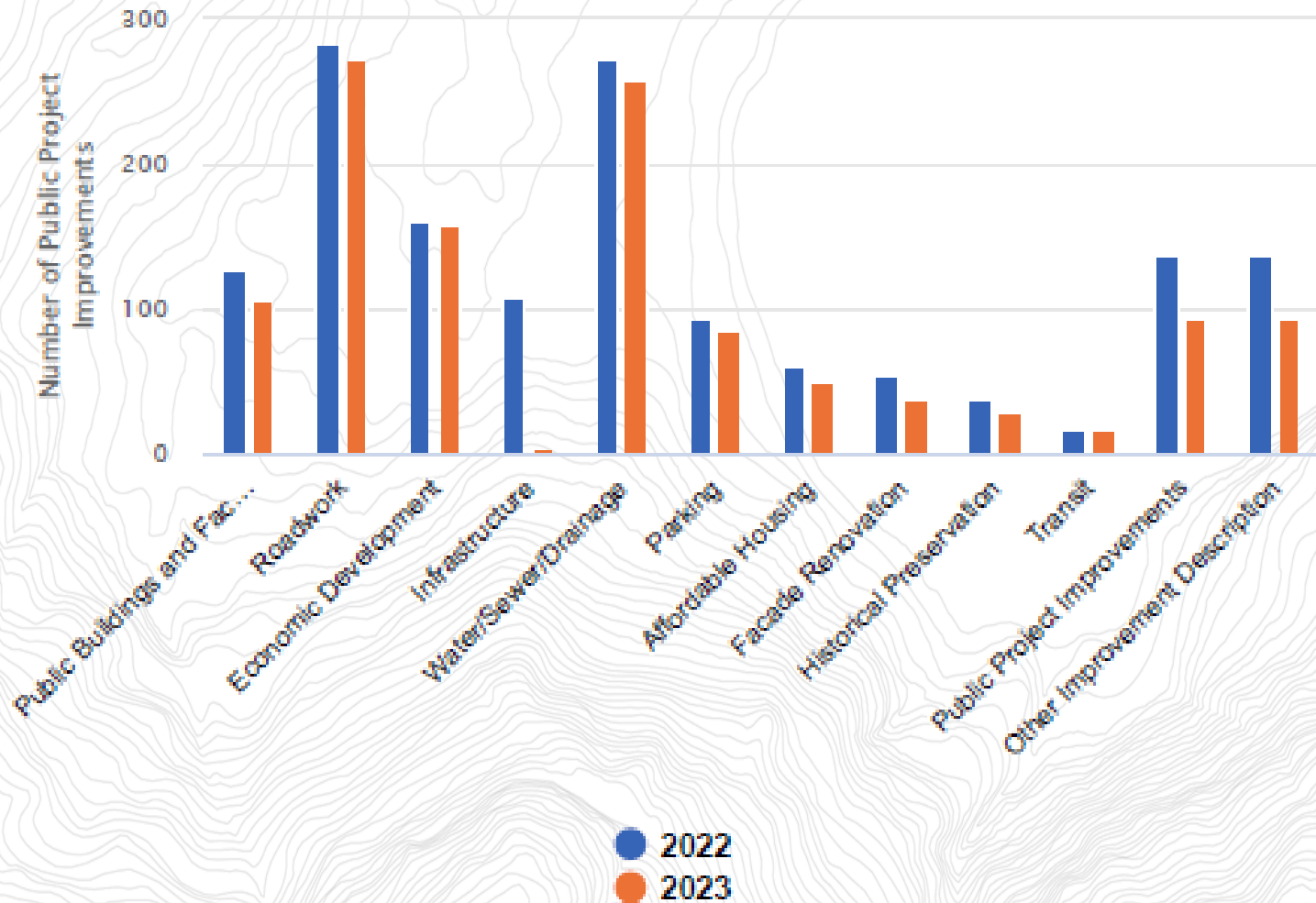
TIRZ DISTRICTS IN TEXAS

- In 2023 there were 477 active TIRZ zones created by 205 cities across the state.
- TIRZs come in all shapes and sizes; they are created by small and big cities with a focus on different types of public project improvements.
- In 2023, the combined size of the 457 TIRZs was 521,855 acres an average size of 1,141.9 acres.
- The three smallest TIRZs in Texas were: Tyler TIRZ #1 (1 acre); Trophy Club TIRZ (5 acres); and Austin Downtown/CSC TIRZ #15 (5 acres).
- The three largest TIRZs in Texas were: Temple TIRZ #1 (15,014 acres); Ennis TIRZ #3 (14,239 acres); and Waco TIRZ #4 (11,136 acres)

TIRZ DISTRICTS IN TEXAS

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Exhibit 1
Public Project Improvements in a TIRZ
Fiscal 2022-2023



COMMUNITIES WITH TIRZ VARY WIDELY

- Allen (104,627)
- **Aubrey (5,006)**
- Azle (13,369)
- Bay City (18,061)
- Bridgeport (6,637)
- Cedar Park (77,595)
- Celina (30,000)
- **Crandall (4,268)**
- Denison (24,479)
- **Elgin (10,756)**
- Farmer's Branch (35,991)
- Hutto (29,987)
- Kaufman (6,797)
- Kerrville (23,831)
- **Liberty Hill (3,549)**
- Mesquite (150,108)
- Prosper (30,174)
- **Richland Hills (8,621)**
- Rockwall (47,251)
- Rowlett (62,535)
- Sansom Park (5,704)
- Stephenville (20,897)
- Wharton (8,627)
- Wilmer (4,974)

WHY CREATE A TIRZ?

- Private development activity expected to occur within a designated area
- Benefits an area at large, rather than being project specific
- Provides a funding source without impacting the current amount of general fund revenues for each participating taxing entity
- Attracts potential developers and investment into area that may not otherwise occur
- Incentivizes developers to increase the quality of the development and speed to market, vs. what would be developed without a TIRZ
- Demonstrates a commitment to creating a sense of place and identity

COMMON QUESTIONS

Is a TIRZ an additional tax burden? No, a TIRZ does not impose a new tax. Instead, it uses improvements to spur development and raise property values within a zone. Then it directs some of the tax collected on that increase in value into a TIF fund that pays for the improvements.

Which taxing units can participate in a TIRZ? Any taxing unit that collects ad valorem taxes from property in the TIRZ may participate in a TIRZ project, but only a city or county can initiate a TIRZ project and create a TIRZ. The governing body of the city or county that creates the TIRZ is responsible for the TIF project.

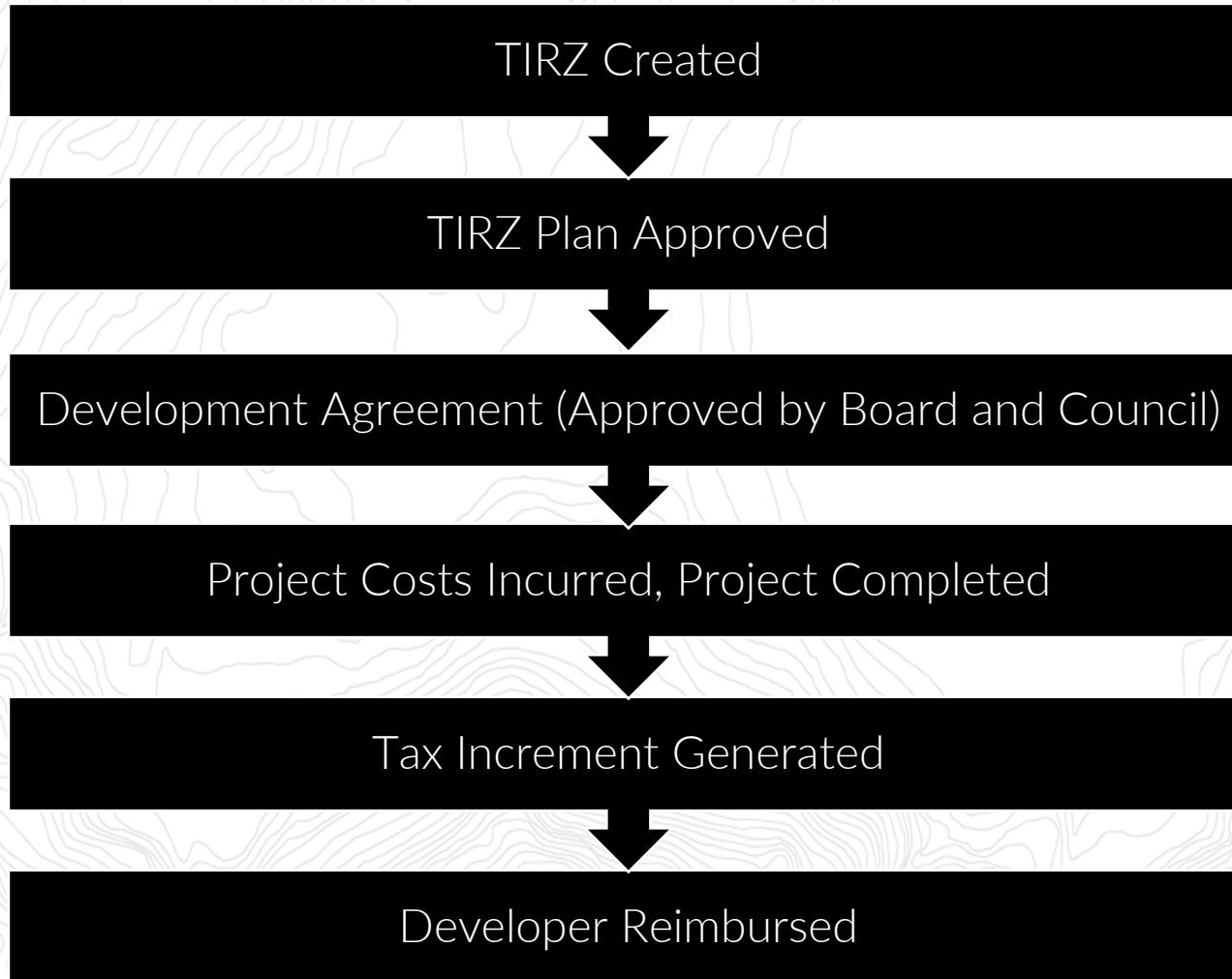
COMMON QUESTIONS

Can a city change the boundaries of a TIRZ? Yes, but only if the changed boundaries continue to meet the restrictions for the creation of TIRZ, and only with a public hearing and an ordinance describing the new boundaries.

Can a TIRZ be terminated? Yes. A city that created a TIRZ can terminate it by approving an ordinance that designates a termination date. Termination also occurs when all project costs, tax increment bonds and interest on those bonds, and other obligations have been paid in full.

PROCESS

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The background of the slide is a light gray topographic map with intricate contour lines. The lines are more densely packed in some areas, suggesting steeper terrain, and more spread out in others. The overall shape of the map area is irregular, filling most of the slide's background.

Public Improvement Districts

PUBLIC IMPROVEMENT DISTRICTS

A PID can provide funding for:

- 1) supplemental **services**; and/or
 - 2) public **improvements** that convey a special benefit to those properties being assessed.
- Supplemental services overseen by PIDs can include security, common-area maintenance (e.g. sidewalk cleaning), beautification efforts, promotional efforts including events and marketing
 - Public Improvements include (but not limited to):
 - Water, wastewater, health, and sanitation, or drainage improvements (including acquisition, construction, or improvements of water, wastewater or drainage improvements);
 - Street and sidewalk improvements (acquiring, constructing, improving, widening, narrowing, closing or rerouting sidewalks, streets or any other roadways or their rights-of-way);
 - Mass transit improvements (acquisition, construction, improvement or rerouting of mass transportation facilities);

PID/TIRZ Concept

You can use both PID/TIRZ together to provide upfront financing for public infrastructure for a private development

- PID – creates a new revenue source
- TIRZ – captures future value to reduce PID assessment
- Issue bonds backed by assessments on property owner

PID/TIRZ Concept

- PID assessments are capable of paying 100% of the annual debt service on the bonds.
- Incremental property taxes generated within the TIRZ would be used to reduce the annual PID assessment obligation.
- Property owners are responsible for remaining annual debt service net of any TIRZ revenue.
 - $A - B = C$
 - A = Annual Debt Service of Bonds
 - B = TIRZ Revenue
 - C = PID Assessment Net of TIRZ Revenue

PID/TIRZ Concept

- An overlapping PID and TIRZ formed over the entire Project.
- Bond issuance for public infrastructure;
- Public infrastructure has a dedicated and binding (tax lien) revenue stream for 100% repayment (PID); and
- Infrastructure generates immediate economic impact through new taxable value (new constructions).

The background of the slide is a light gray topographic map with intricate contour lines. The lines are more densely packed in some areas, indicating steeper slopes, and more spread out in others, indicating flatter terrain. The overall shape of the map is irregular, with several peaks and valleys.

Case Studies

CITY OF WHARTON #1



- TIRZ #4 increment will be used to offset Public Improvement District (PID) assessments for necessary public infrastructure for 223 single family homes.
- Property was mostly in the City's ETJ
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	Units	Projected Completion Date	Taxable Value Unit	Incremental Value
TIRZ #1				
Single Family 1	223	2025	\$275,000	\$61,325,000
Total				\$61,325,000

Taxing Jurisdictions	Total Taxes Generated	Participation	Net Benefit
CITY OF WHARTON	\$17,269,343	\$8,634,672	\$8,634,672
WHARTON COUNTY	\$12,417,976	\$0	\$12,417,976
COUNTY JR. COLLEGE	\$4,858,977	\$0	\$4,858,977
FM & LR	\$1,439,049	\$0	\$1,439,049
ESD#1	\$1,845,041	\$0	\$1,845,041
CONS GROUNDWATER	\$234,007	\$0	\$234,007
ESD#3	\$3,306,159	\$0	\$3,306,159
WHARTON ISD	\$41,261,348	\$0	\$41,261,348
Total	\$82,631,900	\$8,634,672	\$73,997,229

CITY OF BAY CITY TIRZ #4

TIRZ PARTICIPATION

Real Property Tax - 2022 Rates		Participation	
Bay City	0.63500000	50%	0.3175000
Matagorda County	0.38532000	50%	0.1926600
Matagorda County Hospital District	0.28995000	50%	0.1449750
Port of Bay City	0.05007000	50%	0.0250350
Cons & Recl District	0.00773000	0%	0.0000000
Coastal Plains GW District	0.00394000	0%	0.0000000
Drainage District #1	0.03835000	0%	0.0000000
Bay City ISD	1.26000000	0%	0.0000000
	2.67036000		0.6801700



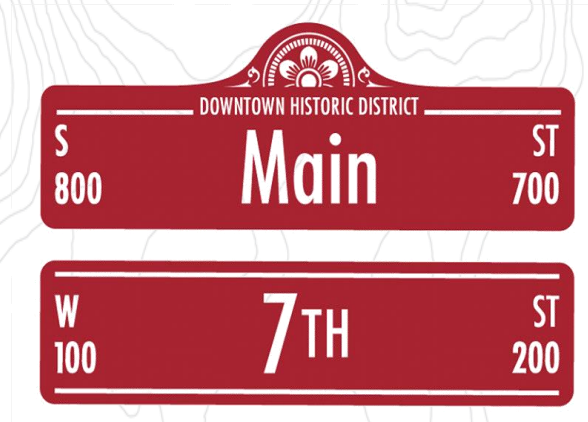
TIRZ #4 increment will be used to offset Public Improvement District (PID) assessments for necessary public infrastructure for 189 single family homes.

The FPPF lists the following menu of eligible projects:

Proposed Project Costs		
Water Facilities and Improvements	\$ 3,250,180	22.0%
Sanitary Sewer Facilities and Improvements	\$ 3,250,180	22.0%
Storm Water Facilities and Improvements	\$ 3,250,180	22.0%
Street and Intersection Improvements	\$ 3,250,180	22.0%
Open Space, Park and Recreation Facilities and Improvements	\$ 1,403,487	9.5%
Administrative Costs	\$ 369,339	2.5%
	\$ 14,773,544	100.0%

GEORGETOWN

- Downtown TIRZ was established in 2004
- Valuation more than doubling to \$93M since TIRZ was created
- Created to encourage the development & redevelopment of downtown into a mixed use, pedestrian-oriented environment, consistent with the goals of the City's Downtown Master Plan.



City installed 554 new **historic district street signs** throughout the Old Town and Downtown historic districts

- TIRZ Participation = \$5,000

Plaza, sidewalk, parking design work

- Improved access (slopes) and drainage
- Sidewalk access improvements and head in parking
- Transit station moved to library
- Additional parking on Main to be constructed by developer
- TIRZ Participation = \$100,000

CELINA



- \$2.9 million project will provide connected walking space behind businesses on a portion of the downtown square, adding in patios, art and sculptures and murals
- Funding for the project comes from both bond money and Downtown Tax Increment Reinvestment Zone. The TIRZ portion of the project is roughly \$900,000.

TIRZ CREATION PROCESS

- Chapter 311 outlines the various procedures for creating and amending a TIRZ. Two main documents:
 1. Creation ordinance; and
 2. TIRZ Project and Financing Plan
- Creation ordinance establishes five key elements:
 - Boundary;
 - Term;
 - City Participation
 - TIRZ Board; and
 - Preliminary Project and Financing Plan
- Upon TIRZ creation the Final Project and Financing Plan is approved by the TIRZ Board and then the City Council by separate ordinance

QUESTIONS