



Willow Park

TEXAS

November 14, 2023

Tax Increment Financing (TIF) or Tax Increment Reinvestment Zone (TIRZ)

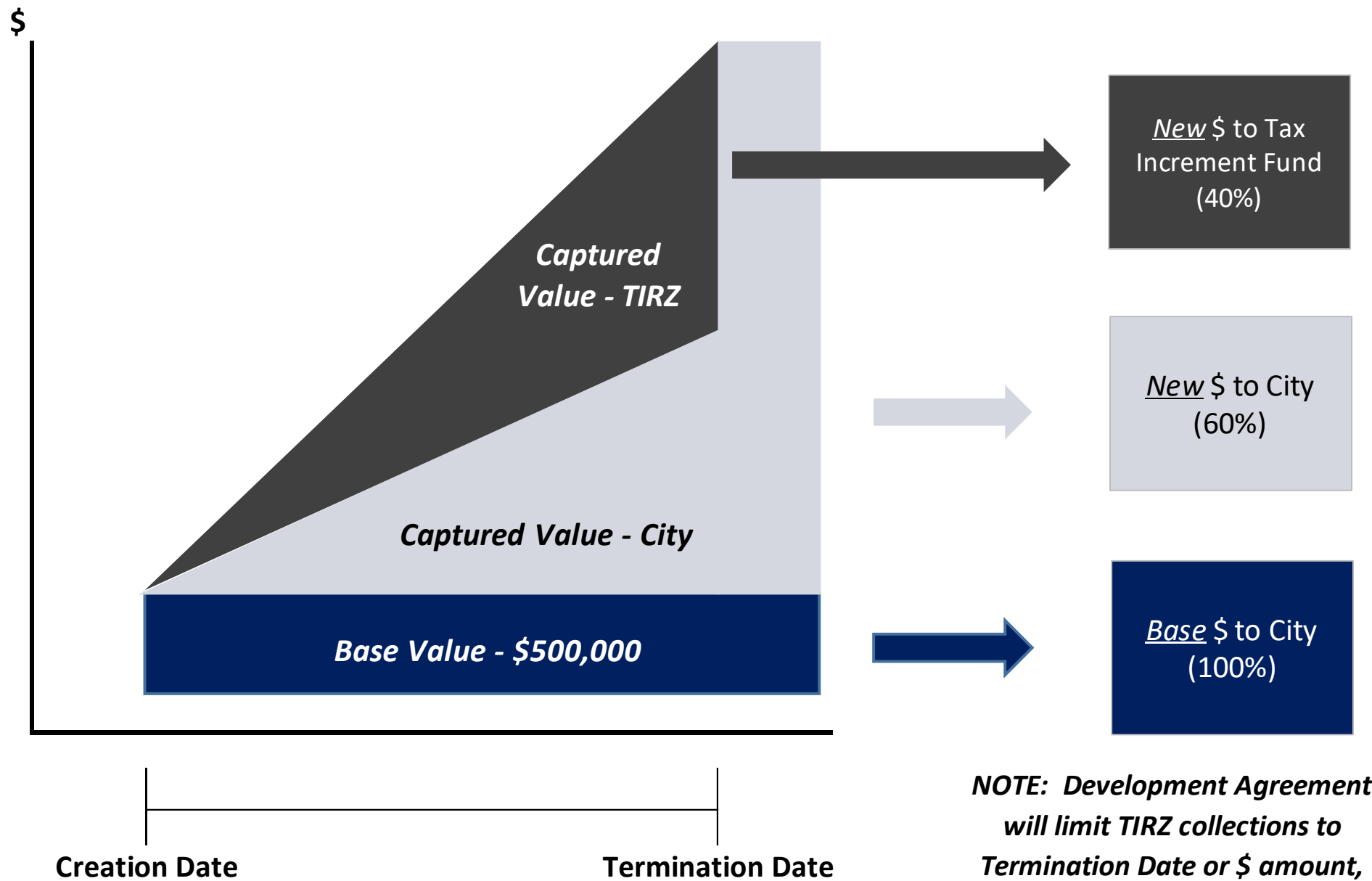
- Defined zone within the City limits or ETJ created by Council action

- Base value is established upon creation
 - Any incremental increase in value, the captured value, may be taxed to reimburse for infrastructure or to repay any debt or obligation of the zone.

- Can collect property taxes and sales taxes

- Goals of a TIRZ
 - Provide infrastructure and other improvements to the reinvestment zone
 - Use revenues created from the new growth in the TIRZ to pay for improvements
 - Offset PID assessments
 - May also be used to fund economic development grants

TIRZ Mechanics



NOTE: Development Agreement will limit TIRZ collections to Termination Date or \$ amount, whichever comes sooner.

Public Improvement Districts (“PID”)

- Defined area within the City or its ETJ
- Created by the governing body of the City
- Used to promote higher quality or special public improvements and services in a development
- Ability to levy an assessment on a lot
 - Assessment lien established *before* homestead
 - (1) Capital and/or (2) maintenance (or service) assessments
 - Normally included on an ad valorem property tax bill
 - Unlike property taxes, PID assessment/lien can be prepaid at anytime
 - Subordinate to governmental ad valorem taxes, but superior to private financing (mortgage)
- Fund water, sewer, drainage, roads, public safety, parks and other development enhancements

Public Improvement Districts (“PID”)

- Goal is to limit repayment for special benefits to the area within PID
- Service and Assessment Plan (“SAP”) is required
 - Indicates project plan, maintenance and administration plan, allocates and levies assessments based on benefit and capital funding process and timing.
- City may issue debt for the PID
 - Debt is repaid by the levy of assessments against all property within the PID.
 - Does not pledge or encumber any City funds.
 - Currently, rating agencies’ positions are that PID debt does not impact a city’s credit ratings.
- Various financial metrics are reviewed and imposed in order to limit the amount of debt on a development

Summary of TIRZ and PIDs

	Tax Increment Reinvestment Zones	Public Improvement Districts
Creation	City Council	City Council, after receiving petition from landowner
Separate Governmental Entity	No	No
Revenue Stream	Property Taxes and/or Sales Taxes	Assessments
Additional Cost to Owner	No	Yes
Ability to Debt Finance	Yes - Typically <u>Direct</u> Obligation of the City	Yes - Typically <u>Special</u> Obligation of the City
Termination	Earlier of Specified Date or Collection of Full TIRZ Revenue Amount	Earlier of Specified Date or Collection of All Assessments

City Consultant Roles

	Financial Advisor	City Attorney	Bond Counsel	PID Administrator/SAP Consultant	TIRZ Consultant
Responsibilities	Advises the City on all financial matters related to development districts and bond issuance	Drafting of development agreement and certain legal documents	Opines on legal matters related to development districts and bond issuance	Advise the City on certain matters related to a PID; Create the Service and Assessment Plan ("SAP")	Advise the City on certain matters related to a TIRZ; Create the Project and Finance Plan for the TIRZ
	Structure overall finance plan for the PID and/or TIRZ based on Developer inputs	Ensure obligations imposed by legal documents are allowed by State law	Ensure City is in compliance with State law and Federal tax law	Day-to-day activities associated with the PID	Provide updates and reports to the TIRZ
	Continuing disclosure dissemination agent	Review all documents related to transaction to ensure consistency	Drafting of certain legal documents	Provide annual updates to the SAP; summary reports on assessment collections	Ongoing monitoring