

## MEMORANDUM

TO: Frank Salvato, City Manager

FROM: Bob van Til, AICP  
Director of Community Development

RE: Proposed Taylor Tax Increment Reinvestment Zone

DATE: September 24, 2004

The purpose of this memo is to inform you and the City Council of staff's efforts to research the benefits of creating a Tax Increment Reinvestment Zone in the downtown area of Taylor.

A Tax Increment Reinvestment Zone (TIRZ), otherwise known as a Tax Increment Financing District (TIF district), is an economic development tool used to finance public improvements in a specific geographic area.

In its simplest form, a TIF district "freezes" the property values in an area establishing base year property values. In subsequent years, as the property values increase, the difference between the base year values and the increased values becomes the "increment". This incremental value is taxed at the current tax rate established by the City and deposited into a TIF fund. The base value is also taxed at the City's current tax rate, but that revenue goes to the City's general fund.

For instance, if the property values in a proposed TIF district in 2004 are \$20 million. The City creates the TIF district in January 2005 and establishes, or "freezes", the base year values at \$20 million. In 2005 the property values increase to \$22 million. The increment is \$2 million. The City's current tax rate is applied to both the original \$20 million as well as the \$2 million increment. The revenues from the \$20 million property value goes to the City's general fund, and the revenues from the \$2 million increment goes to the TIF fund. In year two, the increment increases another \$2 million to \$4 million. The City's tax rate is applied to the \$20 million for the general fund and to the increment, \$4 million, for the TIF fund.

The base year value remains the same for the 20 year period. At the end of the 20 year period, assuming that the City does not extend the term of the TIF district, the full value of the downtown area is taxed for the general fund.

TIF funds are used to pay for public improvements. Several suggested improvements the Taylor Downtown TIF could pay for are:

1. Property acquisition and redevelopment
2. Land write-downs (property acquisition and re-sell to the private sector for development)
3. Parking development

4. Landscaping
5. Sidewalks
6. Street lighting
7. Drainage improvements
8. Public art
9. Public building renovations

The same city-wide tax rate applies to both the non-TIF areas as well as to the TIF district. TIF districts are creations of local governments and are responsible to the local government that created them. The TIF Board, that must be appointed to administer the district, has no taxing authority.

TIF districts typically are created for a period of 20 years, after which they are dissolved or extended. TIF districts can issue TIF bonds to leverage their financial position to accommodate needed projects.

The policy level decisions include whether or not the City (and the County, if they decide to participate) would like to earmark a portion of their future property tax revues to the TIF fund to support the redevelopment of the downtown area.

To help with the thought process, preliminary data is provided below:

1. The downtown redevelopment area consists of approximately 54 acres, or approximately 0.6% of the entire City.
2. The taxable values in the downtown area are approximately 5.5% of the City's values
3. The TIF fund could earn approximately \$1 million over 20 years, and \$1.5 million over 20 years if the County decided to participate (estimating a 2% annual increase in property values in the downtown area)

Attached is a listing of the required steps, as well as a few steps that staff is recommending, to establish the TIF district.

In addition, staff would like to place an item on the October 14, 2004 Council agenda to further discuss the project.

Please feel free to let me know if you have any questions or concerns by contacting me at 352-5990 or at [bob.vantil@ci.taylor.tx.us](mailto:bob.vantil@ci.taylor.tx.us)

## Taylor TIF District Creation Process Draft

Step	Action	Who	When
1	Inform City Council	Staff	09/28/04
2	Council workshop	Staff	10/14/04
2	Meet with the County Commissioner's: do they want to participate?	Staff	
3	Prepare preliminary financing plan	Staff	
4	Recommend TIF district preliminary financing plan to Main Street Board	ER Committee	
5	Recommend TIF district preliminary financing plan to City Council	Main Street Board	
6	Send preliminary financing plan to all effected taxing units	Staff	
7	No later than 60 days prior to the public hearing - send letter to each effected taxing entity that the city is considering creating a TIF district	Staff	
8	No later than 60 days prior to the public hearing: formal presentations are made to the effected taxing units	Staff	
9	No later than 15 days after notice is given to the taxing units, each effected taxing unit designates a representative to discuss preliminary financing plan with the city	County and TISD	
10	At any time after the 15th day after the date the notice was given to each taxing authority - city will call a meeting of all the effected taxing units' representatives	Staff	
11	Prepare ordinance	Staff	
12	Publish notice of public hearing 7 days prior to the public hearing	Staff	
13	Public hearing	City Council	
14	Introduce ordinance	City Council	
15	Adopt ordinance	City Council	
16	Appoint TIF District Board Members	City Council	
17	Prepare Articles of Incorporation and bylaws for the TIF Board	Staff	
18	Recommend approval of the Articles of incorporation and bylaws of the TIF District Board	TIF District Board	

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19	Approve the Articles of Incorporation and bylaws of the TIF District Board	City Council	
20	Prepare a Project Plan/Financing Plan	TIF District Board	
21	Approval of the Project Plan/Financing Plan	City Council	
22	Establish a tax increment fund	Staff	
23	Documents sent to appraisal district	Staff	

## Taylor TIF District Creation Process Draft

	Prepare the financing plan
No later than 60 days before the public hearing	Letter to effected taxing units: city is considering TIF district
	Formal presentation to taxing units
No later than 15 days after notice is given to taxing units	Taxing units designate representative to discuss TIF financing plan
At any time after the 15th day after the date the notice was given to taxing units	City calls meeting of the designated representatives
60 days to the public hearing	
Public hearing	