



TAX INCREMENT REINVESTMENT ZONE #1 ANNUAL REPORT

OCTOBER 1, 2018 –
SEPTEMBER 30, 2019



WHAT IS TAX INCREMENT FINANCING?

Tax Increment Financing (TIF) is a tool to finance public improvements within a defined area. The improvements should enhance the environment and attract new investment. The statutes governing tax increment financing are in Chapter 311 of the Texas Tax Code.

A municipality makes an area eligible for tax increment financing by designating a “reinvestment zone”, also called a “tax increment reinvestment zone (TIRZ)” or a “tax increment financing (TIF)” zone. The City of Southlake has one active zone.

Costs of selected public improvements outlined in the zone’s project and financing plan may be paid by current or future tax revenue flowing from redeveloped or appreciated real property valued in the zone. The additional tax dollars generated by growth of real property value in the zone are called the tax increment. These dollars flow to a fund for a specified number of years. Money flowing into the fund each year is spent according to an approved plan and in accordance with agreements in place with participating governmental units.

A Board of Directors appointed by the participating governmental units oversees the budget of the District.

ANNUAL REPORT

Texas law requires the governing body of the municipality that created the reinvestment zone to submit a report to the chief executive officer of each taxing entity that levies property taxes on real property in the reinvestment zone on or before the 150th day following the end of the fiscal

FY 2019**City of Southlake TIRZ #1
Board of Directors**

Laura Hill
City of Southlake

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City of Southlake

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City of Southlake

Ronell Smith
City of Southlake

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City of Southlake

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City of Southlake

Todd Carlton
Carroll ISD

year of the municipality. This report must include information about:

- Fund revenues
- Amount and purposes of expenses
- Amount of debt
- Tax increment base/captured appraised value
- Captured appraised value shared by the municipality and other taxing units
- Other information necessary to demonstrate compliance with the tax increment financing plan.

The City of Southlake has entered into participation agreements with Tarrant County, Tarrant County College, Tarrant County Hospital District, and Carroll Independent School District (CISD).

SOUTHLAKE TAX INCREMENT REINVESTMENT ZONE #1

The Southlake Tax Increment Reinvestment Zone #1 was established to provide a financing mechanism to facilitate high quality development in the southeast area of the city. Created by Ordinance No. 682 in September 1997, TIRZ #1 was set to expire on December 31, 2018 or the date when all project costs were paid and all debt was retired, whichever came first.

However, in August 2018, the TIRZ #1 Board and the City Council amended the Project and Financing Plan a second

time to extend the life of the zone for 20 years and adjust the planned projects and associated costs. The participation of the overlapping taxing jurisdictions was also adjusted to reduce Tarrant County, Tarrant County Jr. College, and the Tarrant County Hospital District participation to zero percent. The City of Southlake's and Carroll ISD's participation amounts remained unchanged in the extension with participation at 100%.

The TIRZ's base year taxable value (1997) was \$23,475,366. Taxable property value appreciation in the zone since that time is captured for investment in the zone. The *Project & Financing Plan* approved in August 1999 and amended in August 2018 outlines the strategies used to encourage development in the zone. The Plan also includes value projections for the zone as a benchmark to track performance.

Since its implementation in 1998, the TIF has generated \$112,422,377 in revenue for investment, and to further the economic development goals of the zone.

TIRZ #1 REVENUES

In FY 2019, \$9,326,453 in ad valorem taxes was collected in the zone. Coupled with interest income, the fund realized over \$9.35 million in revenue for the fiscal year, a 3.9% decrease above FY 2018. (See *Attachment A for historical collections by entity*)

The captured incremental taxable value for TIRZ #1 for the 2018 tax year was \$472,160,522 which was an increase of \$13,413,031 over the incremental value for 2017. (See *Attachment A for incremental taxable value by entity*)

TIRZ #1 EXPENDITURES

In January 1998, the City Council entered into the first commercial

developer agreement with Southlake Venture West LP and Southlake Venture East LP for Southlake Town Square, Phase I. Since that time, the Council has entered into developer agreements for additional phases of Southlake Town Square.

The developer completed both public and private improvements on the site and the agreements provide for 40% reimbursement of the cost for general public infrastructure (roads, water, sewer, parking, etc.), and 100% reimbursement for the cost of public parks in Town Square. Through September 30, 2019, the developer has been reimbursed a total of \$11,025,136 for eligible project costs.

In addition to reimbursements made from the incremental property value in the zone, the City Council executed a 380 Agreement with the developer, providing for reimbursement of 80% of the sales taxes collected in the Grand Avenue portion of the project until December 31, 2018.

Public buildings and facilities were also included in the project and financing plan. A joint City/County facility was built and opened in early 2000, parking facilities were purchased by the City in 2008, and the plan includes a number of school facilities and operating expenses as well, to be funded with CISD and City of Southlake contributions only.

For FY 2019, \$7,349,398 was spent on zone operations and infrastructure. These funds were used for debt service obligations of Carroll Independent School District facilities, infrastructure improvements and operational cost identified in the project and financing plan.

TIRZ #1 FUND BALANCE

At the conclusion of FY 2019, the fund balance was \$2.9 million. At the conclusion of FY 2020, it is projected that the fund balance will be \$4.6 million. These funds will be necessary for future projects and may also be used to reimburse the City of Southlake for the city funds used to supplement debt service payments in prior years.

ATTACHMENT A

Chart 1: Comparison of revenues received by taxing entity per fiscal year

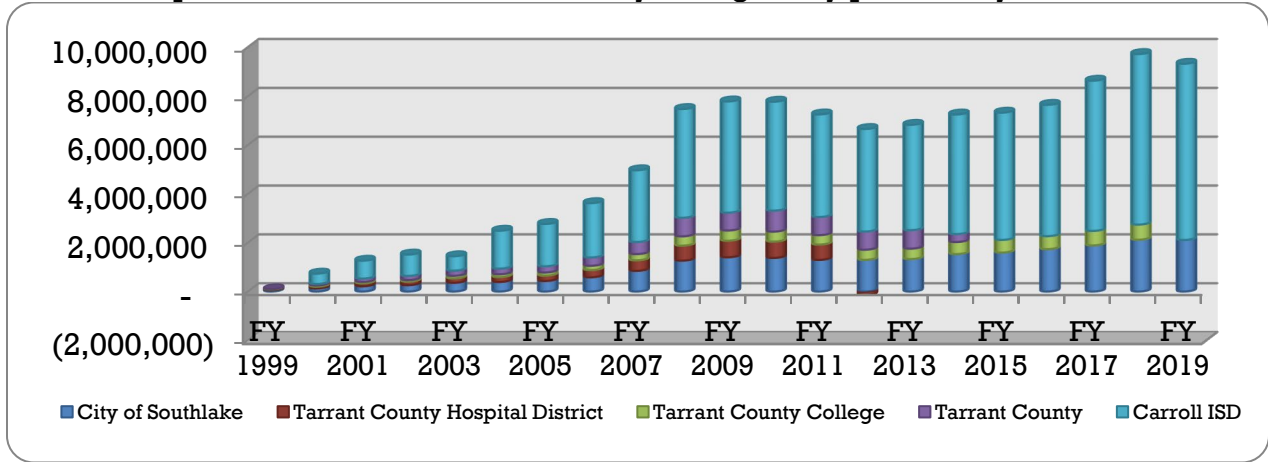


Chart 2: 2018 Taxable Value Increment by taxing entity

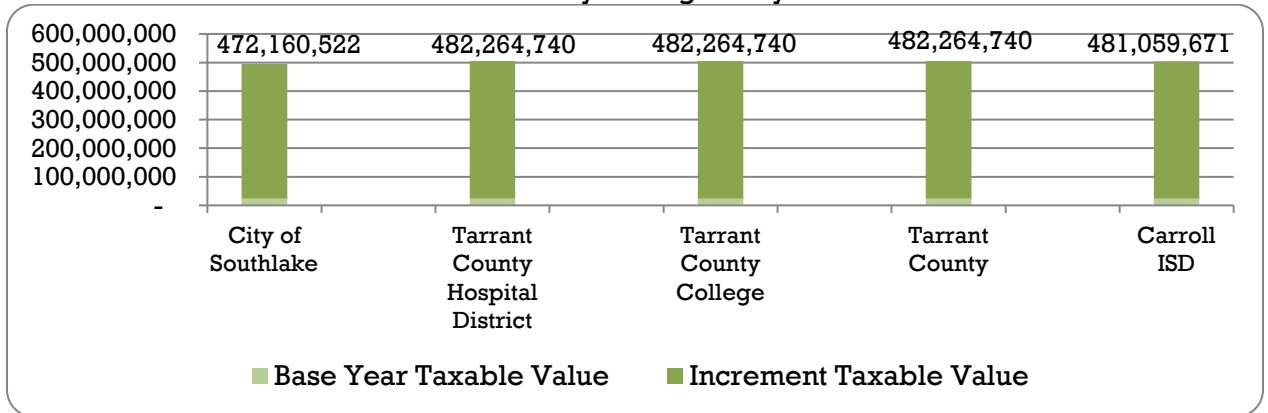
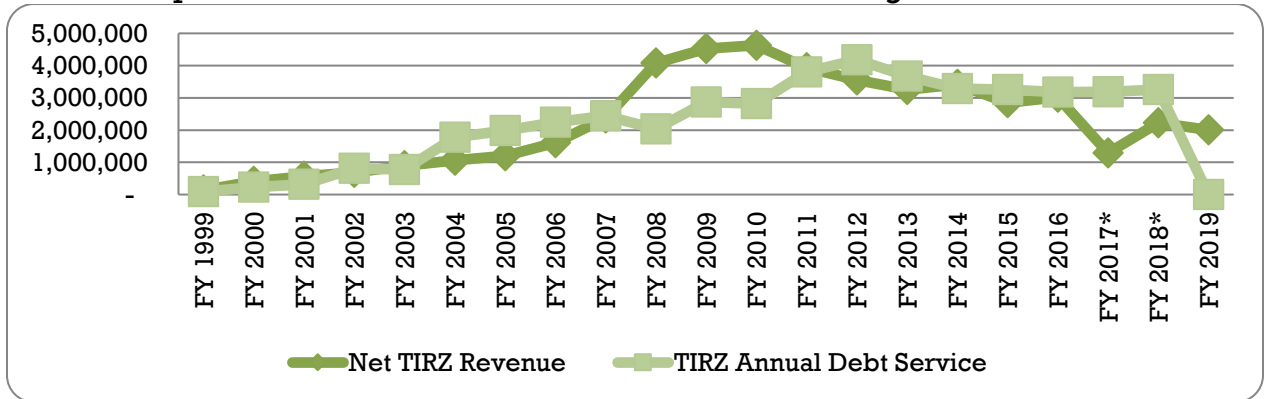


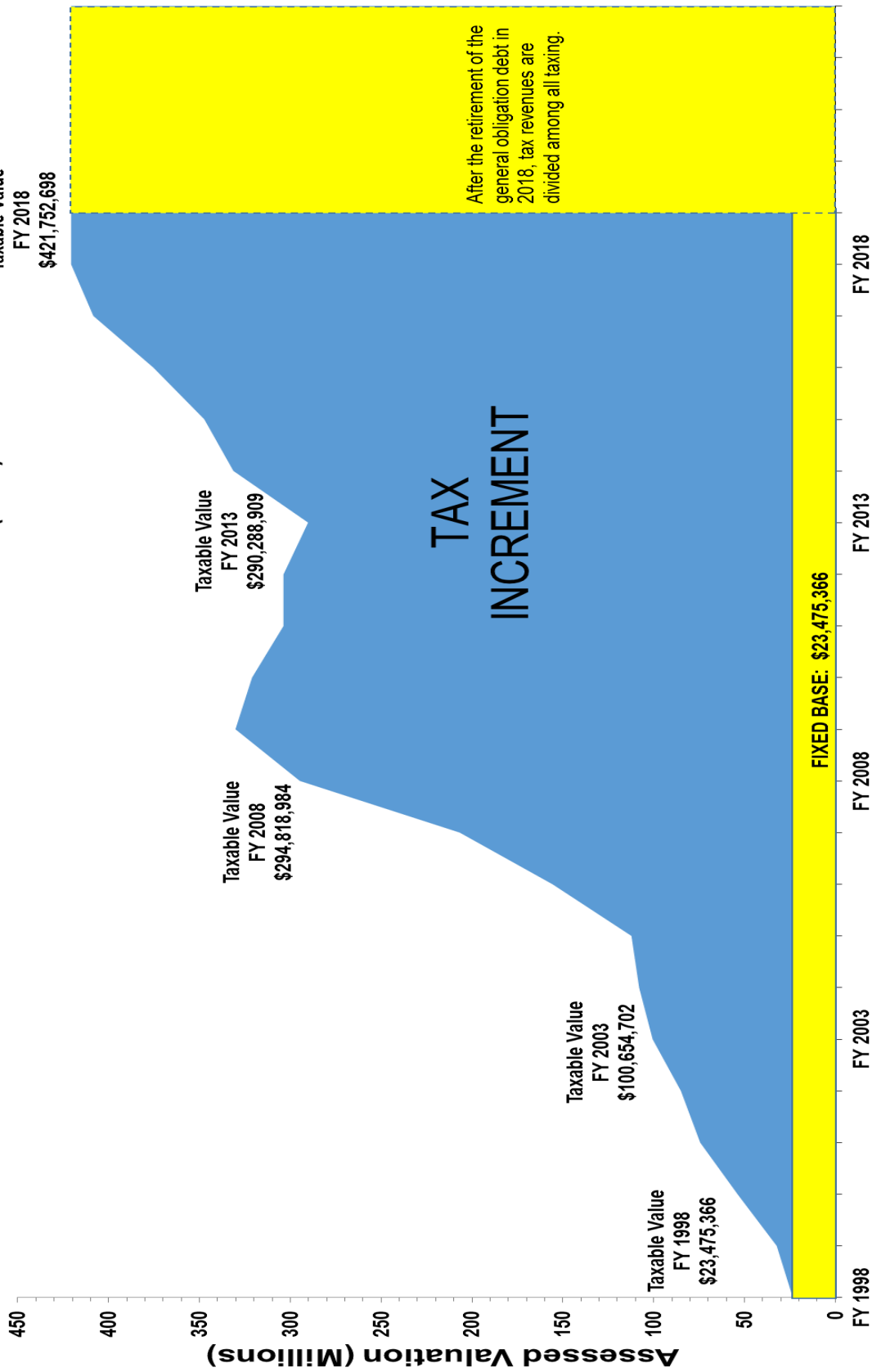
Chart 3: Comparison of revenue received to debt service obligations.



*- \$1,995,000 (FY 17) and \$1,445,000 (FY 18) infrastructure reimbursement reduced net revenues.

Note - All debt obligations were paid as of February 2018

City of Southlake Tax Increment Reinvestment Zone (TIRZ)#1



TIRZ - a subdivision of a municipality where debt is used to finance public improvements with the goal of promoting the development of the district.
FIXED BASE - tax revenue from the fixed base continues to be divided among tax jurisdictions regardless of improvements.
TAX INCREMENT - tax revenue from the tax increment used to repay G.O. debt.