

Downtown Seguin, Texas Tax Increment Reinvestment Zone



June 4, 2024

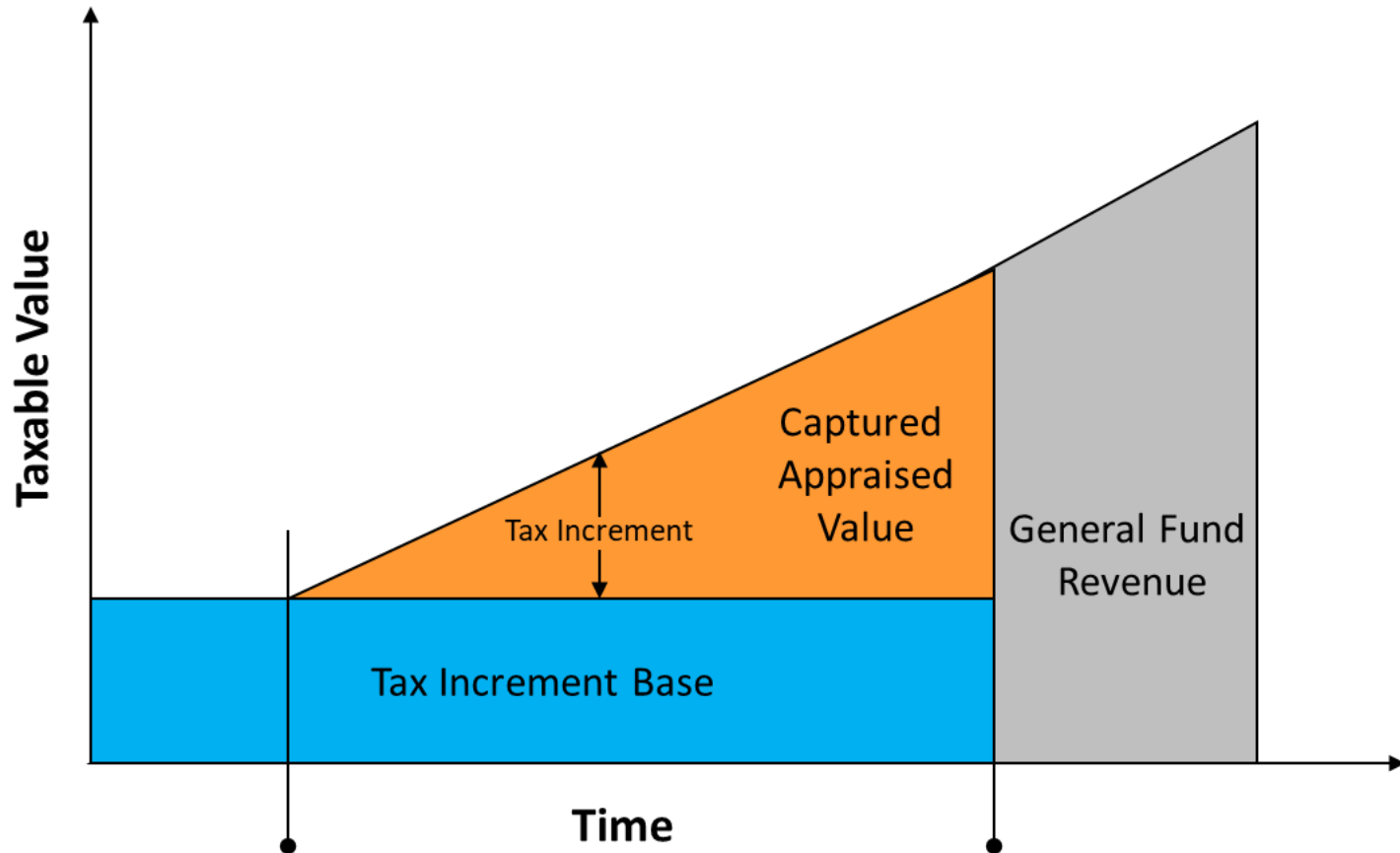
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What Are TIRZs/TIFs?

- A tool local governments use to finance public improvements and infrastructure within a defined area
- Future tax revenues from each participating taxing unit can be used to pay for improvements
- The additional tax revenue that is received from the properties is referred to as the “tax increment”
- Each taxing unit can choose to dedicate all, a portion of, or none of the tax increment
- Cities or counties initiate tax increment financing

What is the tax increment?



TIRZ/TIF Characteristics

- No increase in tax rate – dedication of the incremental tax revenues
- Creation initiated by governing body or property owner petition
- Cities can allocate sales tax increment
- Provide additional funds for identified projects
- Aligns benefits and resources
- Keeps pace with rising construction costs
- Reduce need for other tax borrowings
- Off-balance sheet funding

Eligible Capital Costs

- Acquisition and construction of public works, public improvements new buildings, structures, and fixtures
- Acquisition, demolition, alteration, remodeling, repair or reconstruction of existing buildings, structures, and fixtures
- Remediation of conditions that contaminate public or private land or building;
- Preservation of the façade of a public or private building
- Demolition of public or private buildings
- Acquisition of land and equipment and the clearing and grading of land

Eligible Capital Costs Cont.

- Financing cost
- Real property assembly cost
- Professional service cost
- Imputed administrative cost
- Relocation cost
- Organizational cost
- Interest before and during construction and for one year after completion of construction, whether or not capitalized
- Cost of operating the reinvestment zone and project facilities

Example TIRZs

- New Large Master Planned Development
 - Significant greenfield acreage
 - Multiple landowners
 - More than one taxing entity participating
 - Complex infrastructure needs
 - Ex. Las Colinas (Irving)
- Corridor Development/Redevelopment
 - Multiple landowners
 - Focused on redevelopment and underutilized parcels
 - Typically just city or county participating
 - Ex. Broadway Corridor (San Antonio)

Example TIRZs

- Site Specific
 - Land owned by one developer
 - Large catalytic tenant (ex. destination big box retailer)
 - Heavy retail focus (often to fill local gaps)
 - Better upfront idea of TIRZ costs
 - Common in suburban cities
 - Ex. New Braunfels Town Center at Creekside
- Downtowns
 - Older and inadequate infrastructure big impediment
 - Multiple landowners
 - Focused on redevelopment and underutilized parcels
 - Ex. Downtown Brownsville

Two Key TIRZ Rules

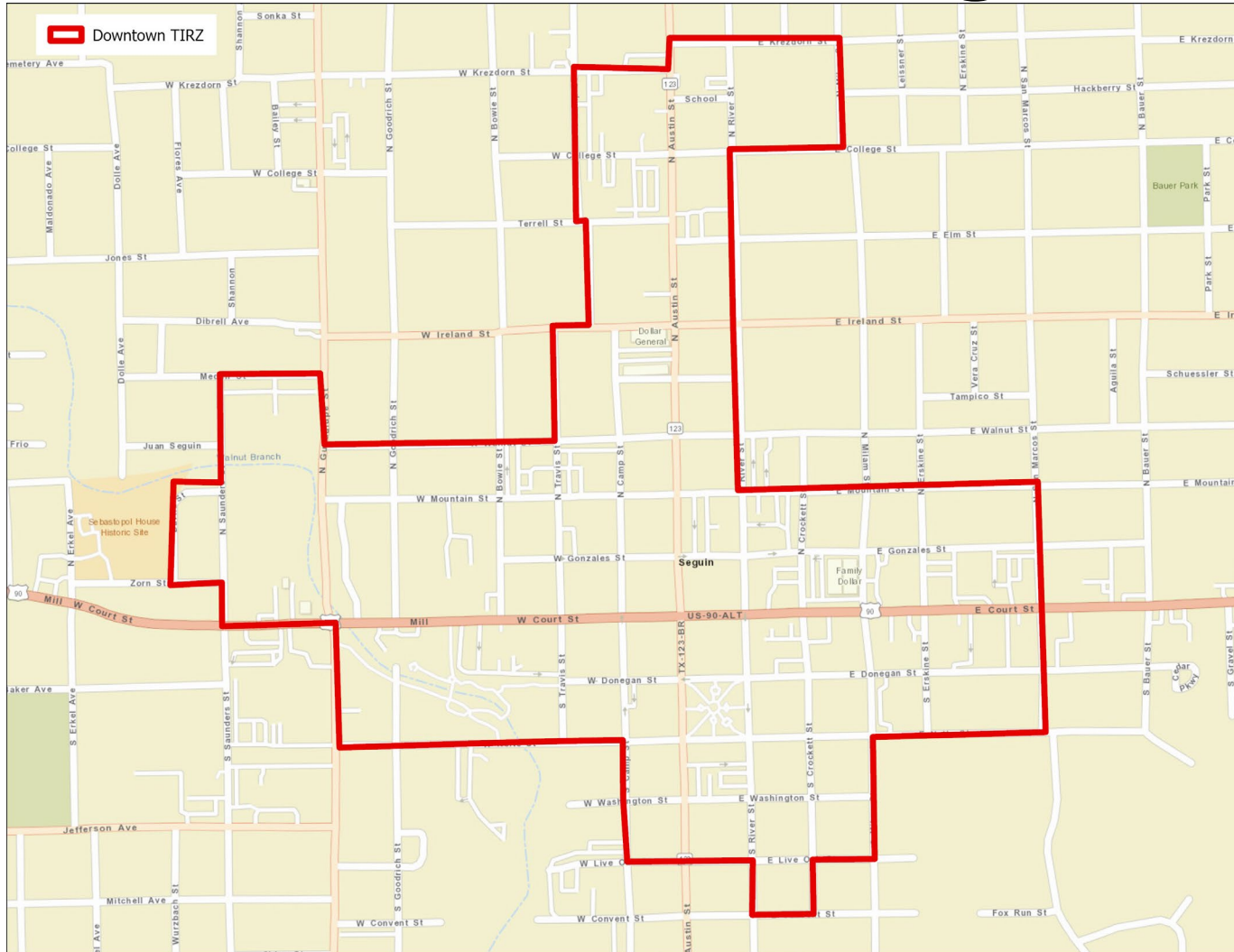
A reinvestment zone for tax increment financing may **not** be created if:

1. More than 30% of the property in the proposed reinvestment zone (excluding publicly-owned property) is used for residential purposes; or
2. The total appraised value of taxable real property in the proposed reinvestment zone and in the existing reinvestment zones exceed either:
 - For cities with a population of 100,000 or more: 25% of the total appraised value of taxable real property within the city and its industrial districts, or
 - For cities with a population of less than 100,000: 50% of the total appraised value of taxable real property within the city and its industrial districts.

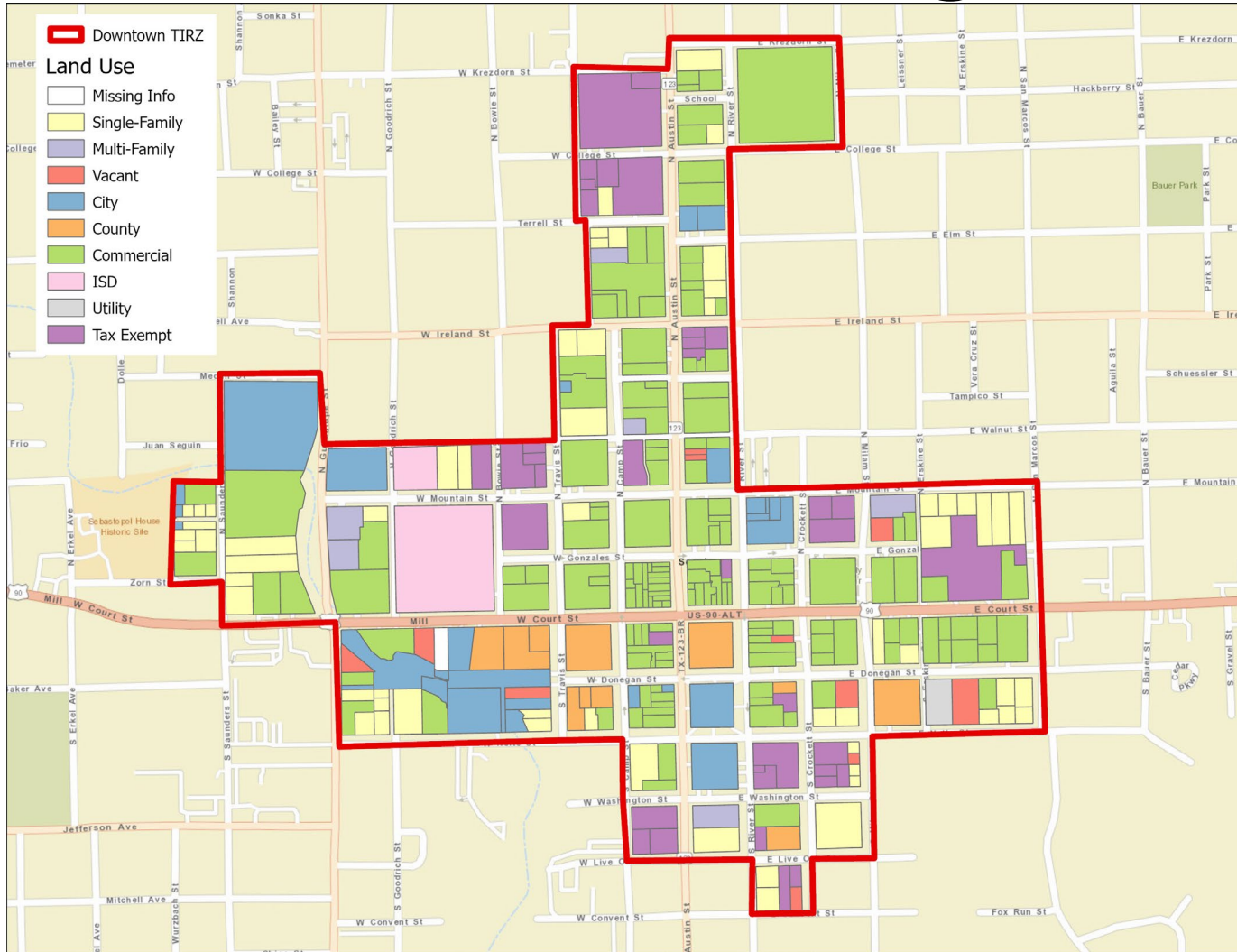
Steps to Creating a TIRZ/TIF

1. Prepare a preliminary reinvestment zone financing plan
2. Publish the hearing notice at least 7 days before hearing
3. Hold a public hearing
4. Governing body designates zone by ordinance or order
 - Create Board of Directors (Minimum 5 and Max 15)
 - Participating taxing entities are represented on Board
5. Prepare project plan and financing plan
6. Collect the tax increment
7. Board of Directors makes recommendations to the governing body

Potential Downtown Seguin TIRZ



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Land Use	Parcels	Acres	City (\$2024)
Single Family Residential	60	14.2	\$9,235,166
Multi-Family Residential	6	2.2	\$1,094,038
Vacant Lot	11	2.2	\$332,858
City	25	13.1	\$210,046
County	11	5.4	\$0
Commercial	151	40.8	\$53,685,699
ISD	2	5.5	\$0
Utilities	1	0.5	\$79,591
Totally Exempt Property	38	14.4	\$0
Blank	1	0.3	\$0
Grand Total	306	98.5	\$64,637,398

Potential Downtown Seguin TIRZ

- TIRZ Duration: 25-year lifespan
- Tax Rate: Current tax rates were held constant
- Inflation & Appreciation Rate: 3.0 percent per year
- Assumed future redevelopment projects (\$50M+)



Potential Downtown Seguin TIRZ

- Base value is ~\$64.4 million
- 25-Years

	City @ 75%	City @ 100%
Tax Rate (M&O + I&S)	\$0.51250	\$0.51250
Total	\$8,559,686	\$11,412,914

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