

Bush/75 Urban Center Development Infrastructure Support Strategy:

Tax Increment Financing Consideration

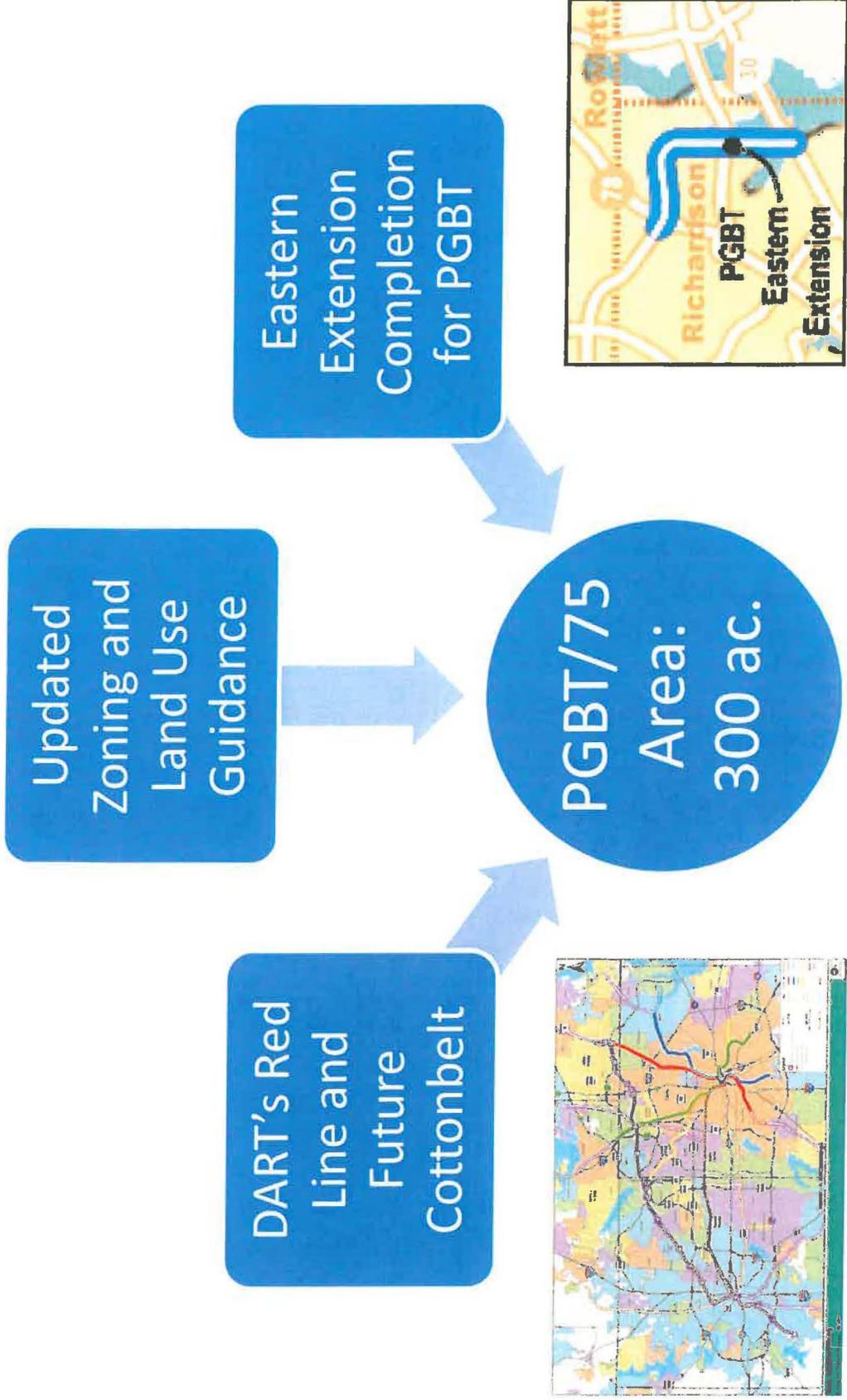
City of Richardson, Texas
City Council Overview Briefing
City Council Work Session
Monday, October 3, 2011



Project Location: 300 acres at Bush/190 at U.S.75

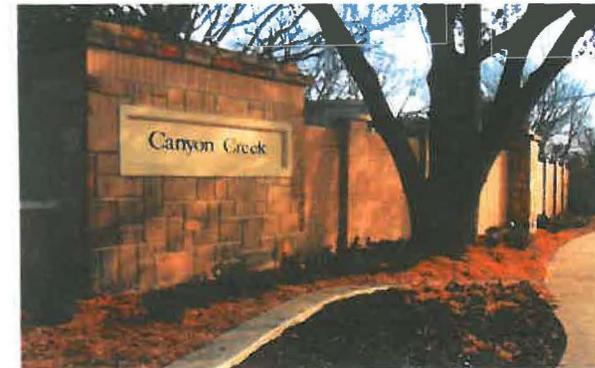


Bush/75 Area: Poised for Development



Background

- The City of Richardson has been active in promoting **quality developments** – both residentially and commercially – throughout our City’s development history.
- The City has seen how **strategic public support** can stimulate and guide new development to high quality:
 - **City/School Neighborhood Park Development**
 - **Trail Systems**
 - **Arterial and Collector Road & Bridge Development**
 - **Corporate Locations and Retentions**
 - **Hotel Development**
 - **Light Rail Access**
- More recently, the City has developed key public support roles for Residential and Commercial Redevelopment support:
 - **Neighborhood Vitality**
 - **Residential Reinvestment Program**
 - **TIF #1**



City Council Goals and Guidance

- Key Community Development and Fiscal Guidance is provided in the City Council Goals:
 - Community Vitality
 - Economic Development
 - Land Use and Development
 - Transportation & Mobility

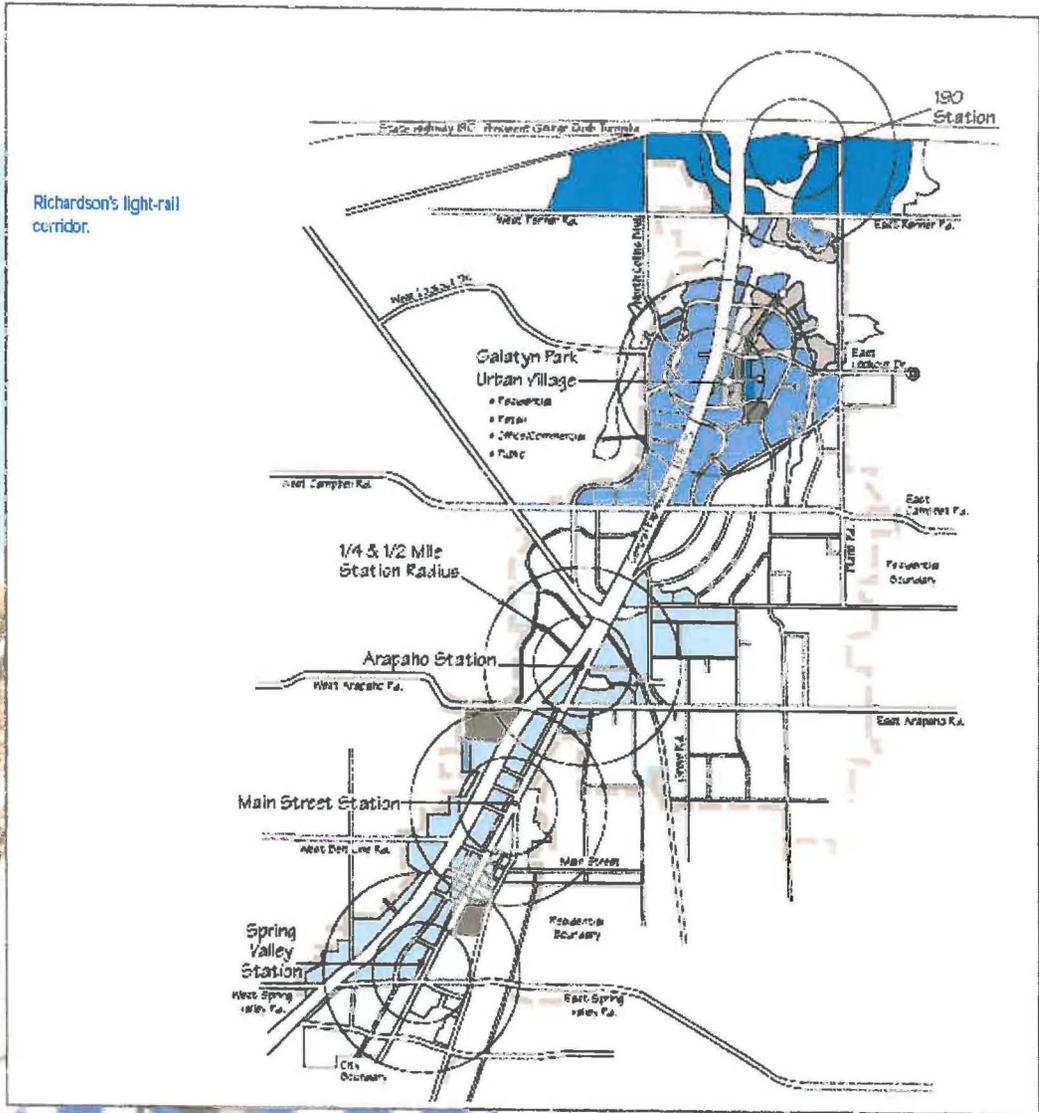


AN ADVISORY SER

Richardson,



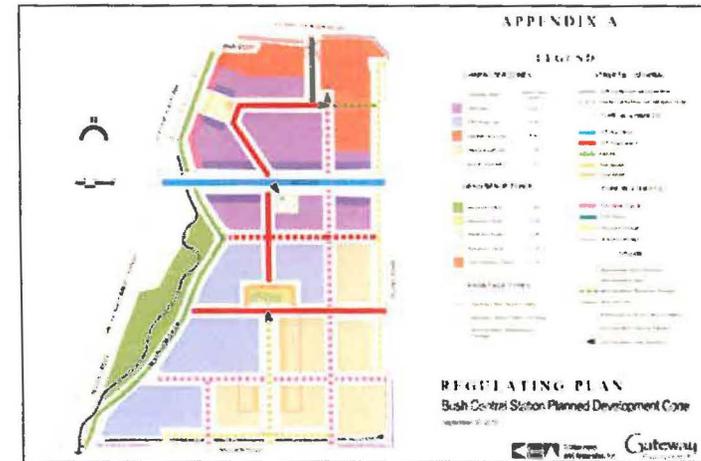
Richardson's light-rail corridor.



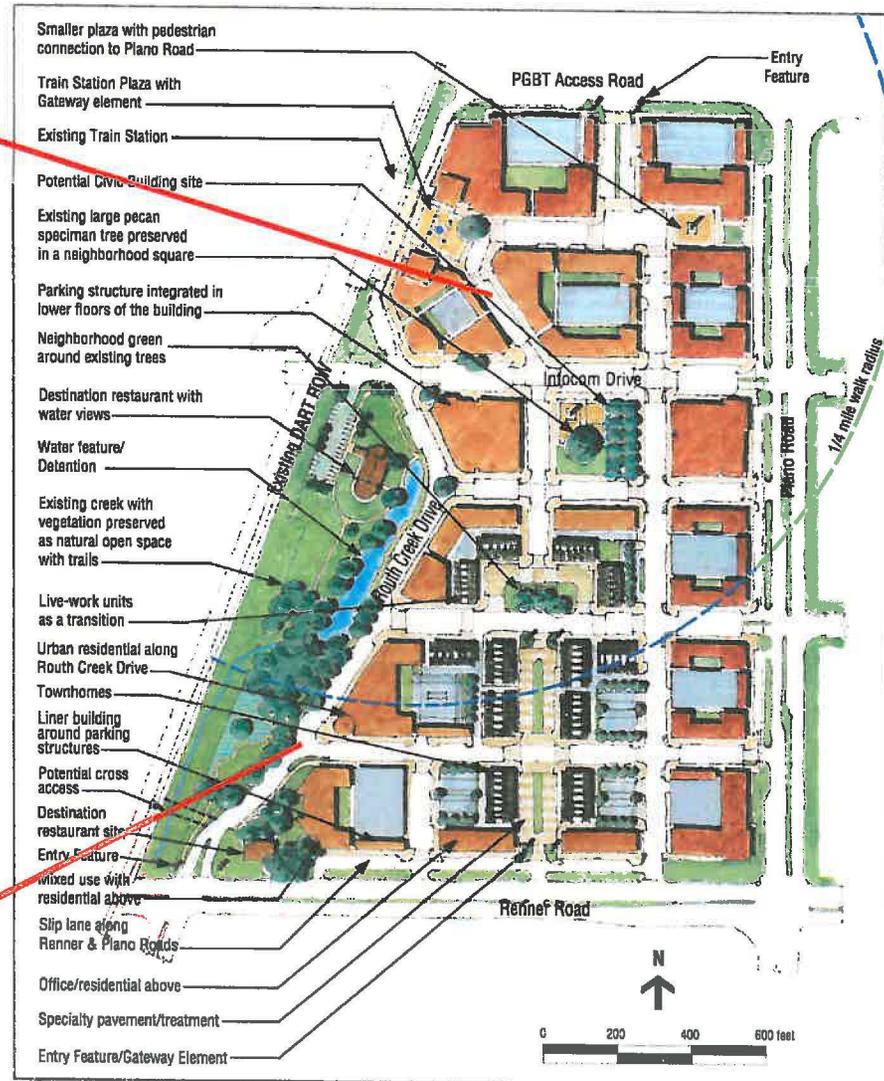
Significant planning attention for this area.

Recent Zoning Update

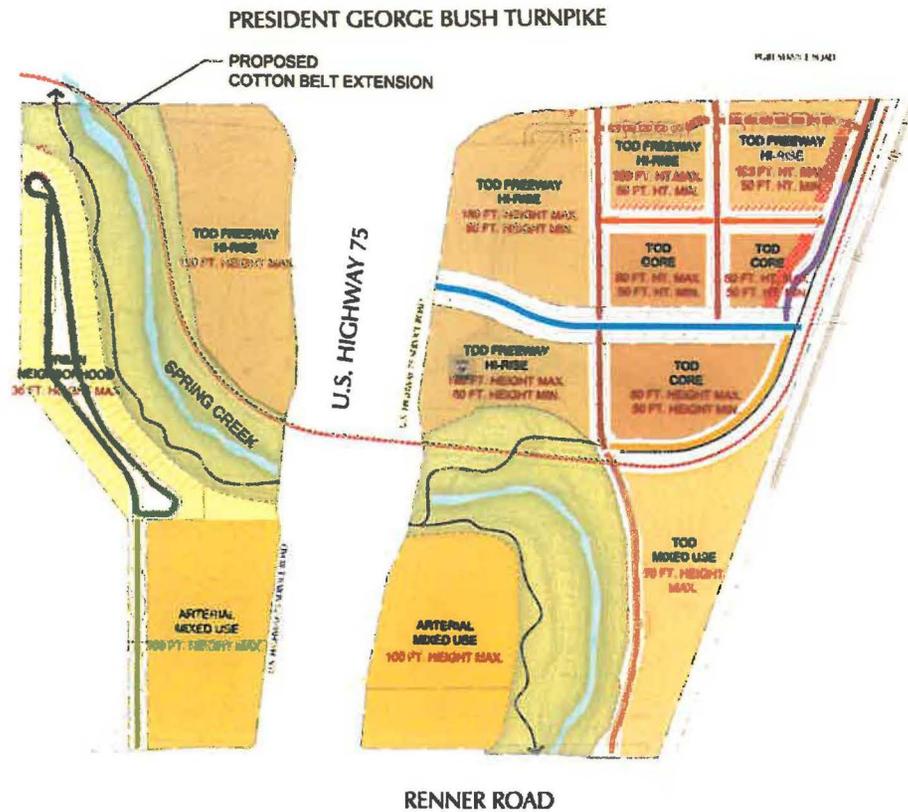
- Nov. 2010 to Feb. 2011 Zoning Process – Updated Entitlements
- Key objective to maximize road and rail access settings – ***Transit-Oriented Development***
- Advanced Form-Based Zoning Regulations
- Thoroughfare Plan Update and Traffic Mitigation Plan
- Significant Regulations to Assure:
 - Design and Quality
 - Roadway Access and Rail Orientation
 - Building Form
 - Street Orientations
 - Public Amenities
 - Traffic Management



Illustrative Master Plan – Bush/75 Partners



Regulating Plan: Caruth Partners



LEGEND

CHARACTER ZONES	STREETS - GENERAL	
TOD Core -- 5.9 Acres	Solid line denotes mandatory street	
TOD Mixed Use -- 5.3 Acres	Dashed line denotes non-mandatory street	
TOD Freeway Hi-Rise -- 21.2 Acres	STREET TYPES	
Arterial Mixed Use -- 13.1 Acres	Street Type "A" - TOD Main Street	
Urban Neighborhood -- 7.0 Acres	Street Type "A" - TOD Street Promenade	
	Street Type "A" - TOD Station	
<i>Note: Acreages are approximate.</i>	Street Type "B" - Parkway	
SPECIAL REQUIREMENTS	Street Type "B" - TOD Trail Connector	
Station Platform Frontage	Street Type "B" - Park Avenue G-1	
NOTE: For blocks with a minimum height requirement, a minimum of 10,000 sq ft of floor area per block must achieve the minimum height.	Street Type "B" - Park Avenue G-2	
	Street Type "B" - TOD Street	
	OTHER	
	Multi-Use Trail	
	OPEN SPACE TYPES	
	Non-Mandatory Plaza	
	Mandatory Open Space	

APPENDIX A: REGULATING PLAN

Caruth Properties

Transit Oriented Planned Development



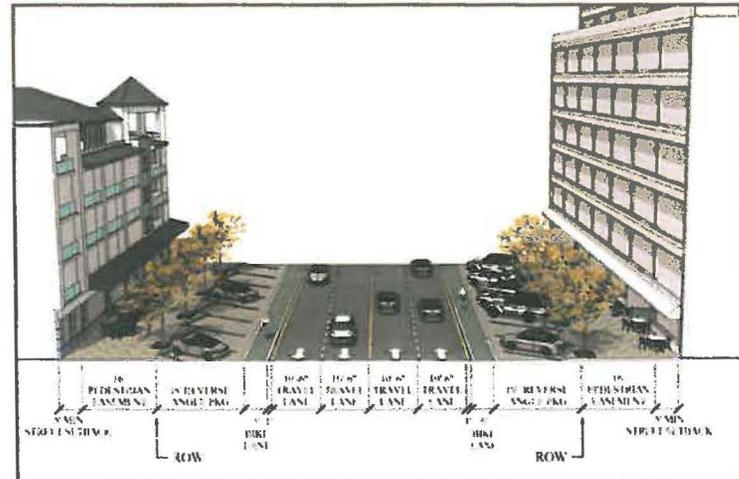
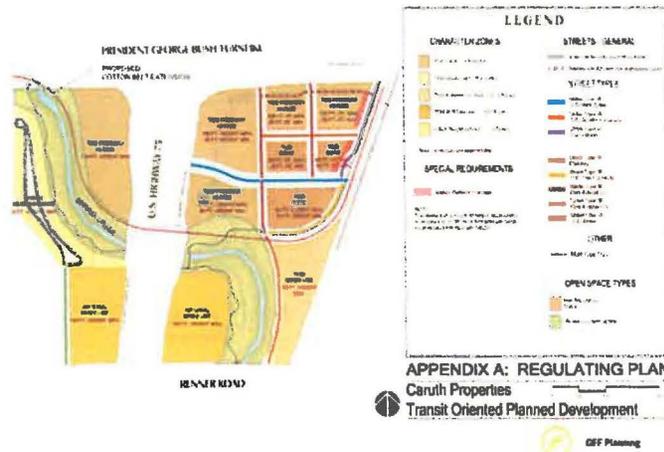
GFF Planning

Development Prospects

- A scenario of over \$850 million in investment:
 - Corporate Campus
 - Office
 - Mixed-Use Residential – Multifamily
 - Data Center
 - Retail – Street Level and Center settings
 - Hotel



Extensive Design Standards



11.5 Plaza Standards

Plazas add to the vibrancy of streets within the more urban zones and create formal open spaces available for civic purposes and commercial activity. Building frontages shall define these spaces. The landscape should consist primarily of hardscape. If trees are included, they should be formally arranged and of appropriate scale. Casual seating, along with tables and chairs, should be provided. Plazas typically should be located at the intersection of important streets.

Typical Characteristics:
General Character:
Formal open space
Primarily hardscape surfaces
Tree and shrub optional
Spatially defined by building frontages
Location and Size:
Location and size shall be as shown on the Regulating Plan (Appendix A)
Shall front on at least one (1) street
Typical Uses:
Commercial and civic uses
Casual seating
Tables and chairs for outdoor dining
Retail and food kiosks



Important Public Works Elements

- Road Network
- Trail Network
- Drainage Management
- Parks and Open Spaces
- Traffic Management



Challenges with Next Steps in Development

- Early Infrastructure Requirements for raw-land development
 - Key Road extensions for access
 - Related Utility Extensions:
 - Water
 - Sewer
 - Drainage
 - Consolidated/efficient public parking capacities
- Attracting High-end Developer interest during selective/competitive national market environment
- Creating early projects financial viability
- Assuring High Quality Development
- Offer contemporary commercial and residential development setting



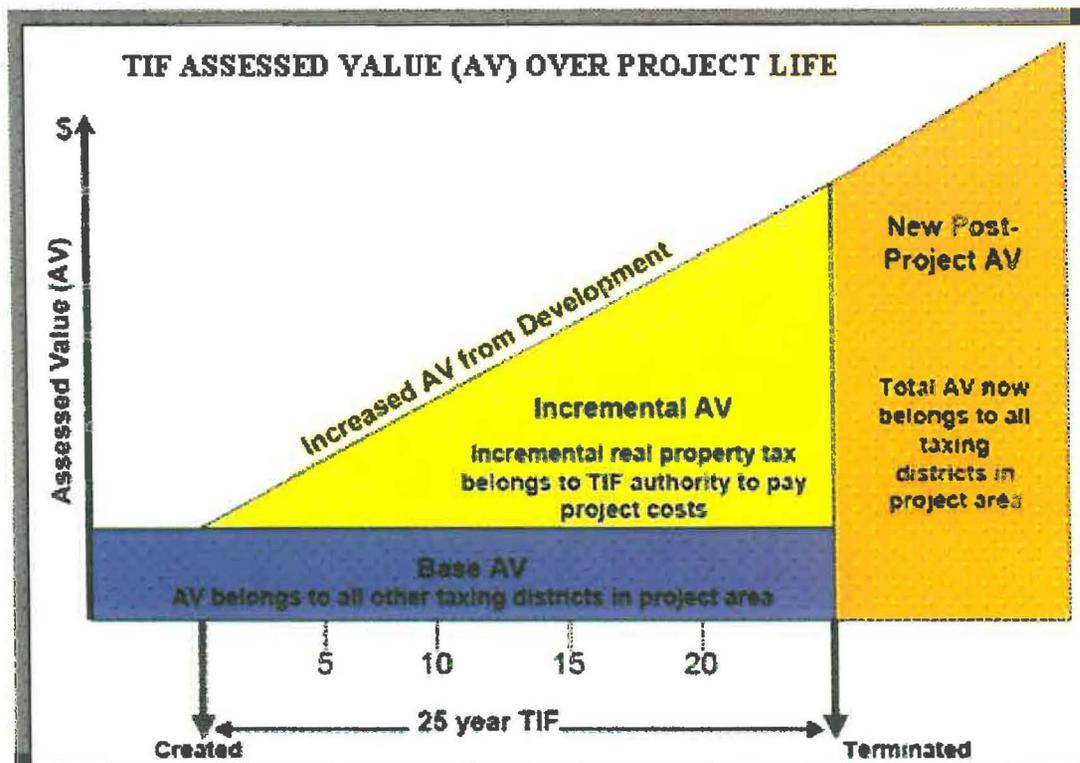
Overview of a TIF/TIRZ

- Authorized under Chapter 311 of the Texas Tax Code
- Created to help finance the cost of improvements (such as infrastructure, remediation, etc.) needed to promote development or redevelopment of a specific area
- TIF/TIRZ may retain new real property tax (and sales tax) over a base year value
- Under a TIRZ, property owner pays taxes on full value of the property and participating taxing entities allocate a portion of those taxes into a TIRZ fund based on the added value of the real taxes above the increment base year value
- Other taxing entities can participate in the TIRZ – such as the County
- Advisory Review by Board created by City Council
- The Project Plan establishes the eligible projects for TIRZ investment
- Annual increment is revenue source for payments.
- Bonds can be issued or revenue used to repay advanced private investment
- TIRZ ends when time expires or all obligations are met (if earlier) – TIRZ increment tax base is then unified with base year tax base for full General Fund benefit

A TIF/TIRZ is Not:

- Not:
 - An additional tax
 - A tax abatement or rebate of taxes
 - A freezing of taxes or tax rate
 - An obligation of the General Fund and can trigger a tax increase
 - A gift or windfall to developers
 - A mechanism for avoiding regulations or codes
- *Remember:*
 - *TIF is an incremental revenue...no investment, no increment, no revenue for repayment...*
 - *TIF is NOT an advanced grant or lump-cash payment.*

Overview of a TIRZ



- Under a TIRZ, property owner pays taxes on full value of the property.
- Participating taxing entities (ie. City & County) allocate a portion of those taxes into a TIRZ fund based on the **added value** of the real taxes above the increment base year value.
- After time...or obligations (if earlier) are complete, TIRZ is dissolved and no further allocations

Use of TIF Rationale for Support

- Stimulate **Quicker** Development Schedule
- Focus on Early Infrastructure Support to Allow **Financial Viability**
- Set Strong **Development Tone** with Initial Phase
- **Structured** Public Participation Support
- Avoid Future G.O. **Bond Program Impact**
- **Advance the Cottonbelt Rail** development schedule & Bush Station selection
- Contract as **Reimbursement-based** Funding
 - Developer Secured and Fronted Capital
 - Risk remains with Developer for Reimbursement
 - No “carry” interest on unpaid balance
- Separate TIF zones to allow each development team a motive to **reimbursement only from their increment** additions
- Places **risk** of development pace for repayment **with developer**

Support Proposal: Establishment of TIF/TIRZ

- **2011 as Base Tax Year**
- **25-year TIRZ**
- **Real Property Tax Only – Not Business Personal Property Tax or Sales Tax or Hotel/Motel Tax**
- **City of Richardson Real Property Tax Rate Participation:**
 - **2/3 of Property Tax Rate**
 - (for 2011 – 2/3 of \$0.63516 = \$0.4256)
- **Collin County Real Property Tax Rate Participation:**
 - **1/2 of Property Tax Rate**
 - (for 2011 – 1/2 of \$0.2400 = \$0.1200)

	City	Collin Co.
For TIF	67% \$0.42556	50% \$0.1200
For General Fund <i>(during TIF)</i>	33% \$0.20960	50% \$0.1200
Total	100% \$0.63516	100% \$0.2400

During Term of TIF

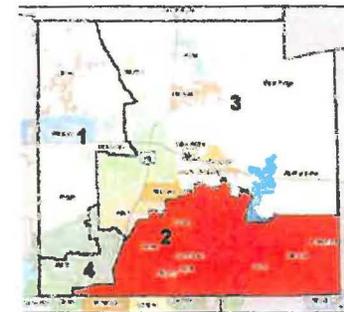
- Only incremental real property tax is committed to the TIF
- New development will generate new revenues that immediately come to the City's General Fund
 - Estimated 25 year revenue impact of \$115 million or more.

City		TIF
X	Base Real Property Tax	
	Increment Real Property Tax	X
X	All Business Personal Property Taxes	
X	Sales Tax	
X	Hotel/Motel Tax	
X	Franchise Taxes	

Pending Request: Collin County TIF Participation



- Two TIF Zone Support
 - #2 for Bush/75 Partners
 - #3 for Caruth Interest
 - *Both Zones within Collin Co. Precinct #2*
- 2011 as Base Tax Year
- 25-year TIRZ
- Real Property Tax Only – Not Sales Tax or HM Tax
- Collin County Real Property Tax Rate Participation:
 - 1/2 of Property Tax Rate
 - (for 2011 – 1/2 of \$0.2400 = \$0.1200)
- Project Uses:
 - All Listed Uses
 - Transportation – Road and Urban ROW Appurtenances
 - Related Traffic Management Upgrades
 - Parks and Trail Extensions
- Recent Fall 2010 Approval of 2 TIFs for City of McKinney – same terms



City of Richardson & Collin County: A Great Partnership for Quality Development



Economic

- S.H. 190/Pres. George Bush Turnpike
- Blue Cross Blue Shield
- Texas Instruments
- Cisco Systems
- TriQuint
- Rockwall Collins
- Samsung
- Fujitsu
- ...



Community Dev.

- Renner Road
- Routh Creek Parkway
- Breckinridge Park
- UTD Trail
- Bush/75 Trails
- ...

Infrastructure Elements

- Cost estimates are under review
 - ~\$80 million for TIF #2
 - ~\$22 million for TIF #3
 - *Ex. Infocom Drive (Wyndham to 75 Service Rd.) & Routh Creek Parkway extensions are estimated at \$18.2 million*
- Timing/phasing is also under assessment
- Some elements may be eligible for Grant funding (NCTCOG, etc.)
- Focus only on main networks – not all developer requirements

Tentative Project Elements

Road Network and related street/traffic appurtenances

Drainage Systems

Transit Support Improvements

Utility Extensions

ROW and Easements

Parking Facilities

Parks, Open Space and Plazas

Trail Network

Main Road Extensions



TIF Features: Two Zones



TIF Zone #2 Aerial Map
Source: Google Earth, 2010
Map: TIF Zone #2, 2010

TIF #2

Bush/75 Partners

- About 200 acres. Divided by Plano Road.
- West border to DART Red Line and any future Cottonbelt Station.



TIF Zone #3 Aerial Map
Source: Google Earth, 2010
Map: TIF Zone #3, 2010

TIF #3

Caruth Interest

- About 86 acres. Divided by U.S.75.
- East border to DART Red Line and any future Cottonbelt Station.

TIF Features: Two Zones



TIF Zone #2 & #3 Aerial Map

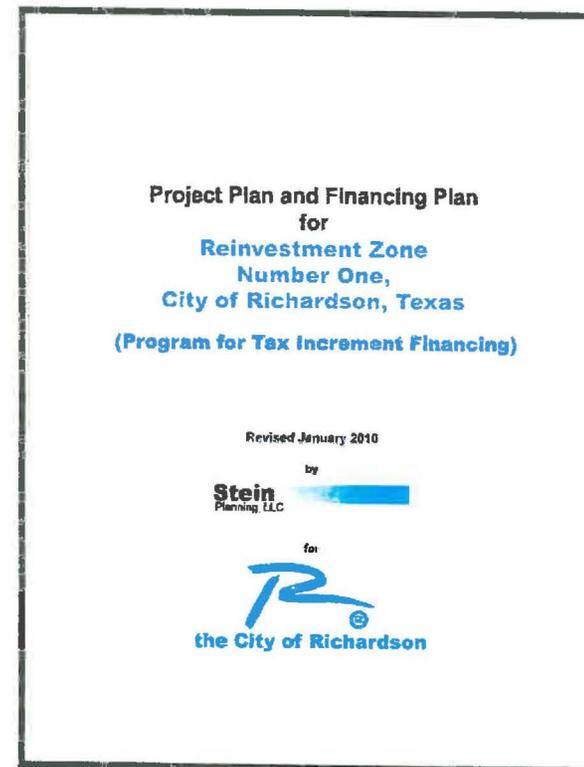
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Main Preparation Activity:

Completion of Preliminary Project Plan and Financing Plan

- Under preparation by Stein Planning, Mark Stein
- Elements:
 - Key development scenario timetable and taxable values
 - Key infrastructure elements and timetable for implementation
 - Graphics/Zone map locator
 - Likely taxable revenue generation and allocations
 - Other requirements of Chapter 311 for TIF preparation



Preliminary Fiscal Elements

TIF #2

- **TIF #2 - Bush/75 Partners**
 - About 200 acres
 - Base Year Value of \$25.5 million in 2011
 - Current Agricultural Exempt - City tax revenue of \$37,485 in 2011
 - Estimated Development Taxable Value of \$564 million
 - Estimated Taxable Value of Area in 2036 of \$788 million (with post-completion reappraisals/inflation)
 - 5.6 million sf of development
 - City's Property Tax Revenues (66% cumulative 2036) = \$61 million
 - County's Property Tax Revenues (50% cumulative 2036) = \$17 million
 - Total Cumulative Property Tax Revenue to TIF = \$88 million
 - Possible TIF 2 Area Project Needs/Considerations: \$80 million

Preliminary Fiscal Elements

TIF #3

- **TIF #3 – Caruth Interest**
- About 86 acres
 - Base Year Value of \$10.2 million in 2011
 - Estimated Development Taxable Value of \$304 million
 - Estimated Taxable Value of Area in 2036 of \$514 million (with post-completion inflation)
 - 3.2 million sf of development
 - City's Property Tax Revenues (66% cumulative 2036) = \$19 million
 - County's Property Tax Revenues (50% cumulative 2036) = \$5.4 million
 - Total Cumulative Property Tax Revenue to TIF = \$24.4 million
 - Possible TIF 3 Area Project Needs/Considerations: \$22 million

TIF Preparation Timeframe

- Preliminary Discuss and Prep. – Aug./Sept. 2011
- Overview Briefing(s) – Oct. 3 and others
- Completion of Preliminary Finance & Project Plan Elements – Oct.
- City & County Discussion – Oct./Nov.
- City TIF Published Notice – Nov. 4
- **City TIF Adoption Action – Nov. 14**
- County Participation - Dec./Jan.
- Meeting of TIF Board – Winter/Spring 2012
- Review/Adoption of Final Plan by City Council – Winter/Spring 2012
- *Plan review and amending as needed - Ongoing*

2011			
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Current Preparation Efforts

- Active Review and Preparation Efforts
 - City Staff
 - Mark Stein – Stein Planning
 - Jacobs Engineering
 - RCLCO – Real Estate Economics
- Discussions with Collin County
- Discussions on Infrastructure Features and Locations
- Scenario for Development Initiations
- Scenario for Infrastructure Improvements
- Seeking of NCTCOG Grant Participation
- Briefing Preparation



Next Steps

- Complete Preliminary Project & Financing Plan – Upcoming Oct./Nov. Briefing
- Nov. 4 – Hearing Notice Publication
- Nov. 14 – Hearing and Adoption
- Continued conversation with Collin County
- Adoption by Collin County
- Convening of TIF Board for TIF #2 & #3
- Adoption of Final Project & Financing Plan action
- Authorization of first developer TIF agreement(s)



Executive Summary
Senate Bill 1 Goods-in-Transit Exemption
October 3, 2011

BACKGROUND:

In 2007, the Legislature created the “Goods-in-Transit” (GIT) exemption. The exemption was an expanded exemption, similar to Freeport. However, the Freeport exemption only applies to inventory that is shipped outside Texas within 175 days. The GIT exemption applies to goods that are shipped **inside** or outside the state within 175 days if the goods are held in a warehouse not owned by the owner of the goods. This 2011 revision to Section 11.253 of the Tax Code clarifies certain aspects of the exemption related to the ownership of the goods and the warehouse.

- In 2007, the City adopted Ordinance 3689 to rescind the 2007 version of the automatic exemption.
- Like the original exemption, this revised GIT exemption is *automatic* unless the governing body adopts an ordinance that specifically taxes the property.
 - The governing body must conduct a public hearing, before it acts to tax this property. The adoption may be at the same meeting.
 - The adoption must take place on or after October 1, 2011 and before January 1, 2012 for the property to be taxable for tax year 2012.
 - An entity can allow the GIT exemption to go into effect and can then subsequently rescind the exemption.

FINANCIAL IMPACT ESTIMATE:

- The Dallas Central Appraisal District (DCAD) has estimated a potential value loss of \$3,087,780 if this exemption is allowed. Using the current year’s tax rate of \$0.63516 per hundred in value this would equate to \$19,612 in lost levy for the City.
- The Collin Central Appraisal District (CCAD) has not prepared a similar estimate, but has indicated that the district currently has no property that qualifies for the exemption under the existing Section 11.253 of the Tax Code.

METROPLEX COMPARISONS for EXISTING EXEMPTION:

- The following table reflects the status of the prior exemption. Entities will need to take action between October 1, 2011 & January 1, 2012 if they want to continue to tax based on the recent legislative changes.

City	Status (Tax or Allowed Exemption)
Allen	Tax
Arlington	Tax
Carrollton	Tax
Dallas	Tax
Fort Worth	Tax
Frisco	Allowed Exemption
Garland	Tax
Grand Prairie	Tax
Irving	Tax
McKinney	Tax
Mesquite	Tax
Plano	Tax

SUMMARY:

- If the City of Richardson chooses to continue to tax this class of property, a public hearing must be scheduled and a subsequent adoption of the ordinance must be completed on or after October 1, 2011 and before January 1, 2012.

Water Conservation Plan



OCTOBER 3, 2011

CITY OF RICHARDSON



Outline



- Drought Forecasts
- Lake Levels
- NTMWD Mitigation Strategies
- Looking Forward
- Stage 3 Summary
- Plan of Action

Drought Forecasts

- **Biggest water threat in 30 years**
- **Duration: 17 months thus far**
- **Drought of record 1950-1957**
- **A Perfect Storm**
 - Texoma Lake's Zebra Mussel
 - Ozonation
 - Triple digit temperatures
 - No rainfall/no runoff to lakes
 - La Nina
- **12" to 15" of rainfall needed to eliminate drought**
- **Forecast: Above normal temperatures, below average rainfall**

Lake Levels

- **Lavon: 12' below**
- **Chapman: 11' below**
- **Tawakoni: 6' below**
- **Texoma: 10' below (currently off-line)**

NTMWD Mitigation Strategies

- **Implement Drought Plans**
 - Stage 3, November 1st
- **Resume Seasonal Pumping from Lake Texoma**
 - USACE approval pending
 - Effective November through March
- **Purchase Raw Water from Dallas**
 - 27 MGD, \$3.7 million cost
 - 60 MGD, \$8.3 million cost
 - Negotiate contracts by December, 2011
- **Texoma Pipeline to Lavon**
 - 46 miles, 78" dia. pipe
 - \$215 to \$270 million
 - Complete by August, 2013

NTMWD Mitigation Strategies (Cont...)

- **Main Stem Pipeline**
 - 15 miles, 72" pipe
 - \$60 to \$75 million costs
 - Complete by August, 2013
 - Dallas reimburses portion of costs
- **Monitor Lavon Lake Levels**
 - Currently 480'
 - Stage 4 trigger is 475'
 - 90% loss of pumping capacity at 470'

Looking Forward

- Stage 3 remains until drought breaks or other water source available
- 10% conservation goal is less important than limiting watering days
- Unified approach to save 10% - 30%
- Any rate adjustments would NOT impact this year's rate of 1.49/1,000
- Mitigation strategies could have impact of 20% to 30% on future rates—2013 and beyond

Stage 3 Summary

Richardson Stage 3	* NTMWD Strongly Recommends:
10% Water Usage Reduction	From 10%-30% reduction or as much as necessary
Water 1/week (Even # on Sat Odd # on Sun)	Once Every Two Weeks (Sat & Sun)
Over-seeding winter rye grass permitted	Over-seeding winter rye grass prohibited
Adhere to all other Stage 3 restrictions	Adhere to all other Stage 3 restrictions

Plan of Action



- **Effective Nov 1, 2011:**
 - Implement Stage 3
 - * Once every two weeks from Nov 1 - Mar 31 (1/week thereafter)
 - * Adhere to all other City's Stage 3 restrictions in City Ordinance
- Continue educational campaign through Communications, Neighborhood Services, Parks, Public Services, Finance Customer Service, SCADA etc.
- Staff's coordination with NTMWD staff/other cities'
- Monitor rainfall and lake levels

Q & A



