



TIRZ Council Action Proposals

Economic Development Committee

December 7, 2022

Andy Icken – Chief Development Officer
Gwendolyn Tillotson-Bell – Deputy Director





Presentation Outline

TIRZ Council Action Proposals

a) Background

1. Annexation Statute
2. Dissolution Discussion
3. Proposal Scoring Guideline
4. Taxable Value (Current Status)
5. Annexation Impact

b) Proposals

1. Summary
2. Annexations
3. Creations

c) Timeline



Annexation Statute

Tax Code Sec. 311.006

Statutory restrictions for TIRZ composition:

- A municipality may not designate a reinvestment zone if:
 - More than 30% of the property in the proposed zone....is used for residential purposes or if
 - The total appraised value of taxable real property in the proposed zone in the existing reinvestment zones exceeds 25 percent of the total appraised value of taxable real property in the municipality and in the industrial districts (population of 100,000 or more)



Clarification of Dissolution Discourse

DISSOLUTION DISCUSSION - CONSIDER CASE BY CASE:

- Impact on General Fund
 - Net **Negative** impact due to absorption of existing debt and other obligations
- City required to assume all existing TIRZ debt and contractual obligations
- TIRZ typically focus on infrastructure projects and assets are conveyed to the City upon completion.
- Major infrastructure projects are financed primarily through debt issue, developer reimbursement or grant funding
- TIRZ Affordable Housing set aside funding will be eliminated



Clarification of Dissolution Discourse

TIRZ DISSOLUTION IMPLICATIONS

- **DISSOLUTION EVALUATION - CONSIDER CASE BY CASE:**
 - Debt/obligations on General Fund
 - City would be required to assume TOTAL AMOUNT outstanding bond/loan debt
 - City would be required to assume TOTAL COSTS of outstanding obligations:
 - Developer infrastructure agreements
 - Active construction contracts
 - Implications to additional revenue/grant funding
 - Revenue collected from other participating jurisdictions would be lost
 - Grant funding announced but not yet awarded to TIRZs would be rescinded
 - Active Construction Projects
 - New Projects pending start
- **GENERAL IMPLICATIONS OF DISSOLUTION OF TIRZ PROGRAM:**
 - 16 TIRZs have outstanding debt
 - City would be required to assume approximately \$850M in outstanding debt



Financial Implications of Dissolution

- **DISSOLUTION IMPLICATIONS in FY2023 (Uptown and Midtown):**
 - If dissolved in 2022
 - Table reflects financial impact of lost revenue and cost of obligations in FY23
 - Table DOES NOT include absorption of debt/loan obligations which would increase the expenditures above the amount reflected in the table.

<i>Revenue</i>	<i>In thousands</i>
<i>Other Jurisdiction</i>	(\$27,478)
Total Revenue	(\$27,478)
Expenditures	
<i>Developer Agreements/Construction Obligations</i>	(\$4,904)
Total Combined Impact to the City	(\$32,382)



Financial Implications of Dissolution

- **TIRZ POLICY IMPLICATIONS**
 - Dissolution still should be evaluated on a case-by-case basis
 - Will formalize process to be used in update to the Financial Policy due early 2023
 - Will need to consider full financial impact on all elements of TIRZ financials (debt, municipal service fee, CIP, affordable housing, other governmental entities involved, grant aid philanthropic contribution, etc.)
 - TIRZ annexations up to 25% limit still makes economic sense
 - TIRZ focus on infrastructure highest priority
 - Real projects require debt financing and/or possibilities of matching grants.



Proposal Scoring Guideline

MOED evaluates, scores, and prioritizes proposals on eight (8) metrics:

Metric	Description
Deferral Impact	This metric grants a score based on the urgency of the proposal.
Mayoral Priorities	This metric grants a score based on how well the proposal connects to the Mayor's initiatives and priorities.
Taxable Value Impact	This metric measures the impact of the proposal to the 25% TIRZ cap and the impact of the annexation to the City's revenue cap.
Opportunity Zone	This metric grants a score based on the proposal's presence in an Opportunity Zone.
Undeveloped/Underutilized Land	This metric grants a score based on the percentage of underutilized/undeveloped land in the existing TIRZ boundary or proposed creation boundary.
Economic Impact Value to TIRZ	This metric measures current increment and projected annexation increment in the first year as a percentage of the projected project plan costs based on TIRZ life.
Flooding Investment & Risk	This metric grants a score based on the amount of flood mitigation investment is occurring in the proposed area and measures flood risk in the proposed annex area.
PWE CIP Influence	This metric grants a score based on current public works planned activity in the area.



Taxable Value

TIRZ Annexation Overview (TY22)

Taxable Real Property (TIRZ)*	\$63,948,402,845
-------------------------------	------------------

Taxable Real Property (Sec. 311.006)	
--------------------------------------	--

TY21 Industrial Districts	\$4,358,049,506
---------------------------	-----------------

TY22 City of Houston	\$264,857,498,383
----------------------	-------------------

Total	\$269,215,547,889
-------	-------------------

Current Ratio TIRZ / (Industrial Districts + COH) =	23.75%
---	--------

Ratio with Proposed Annexations	23.89%
---------------------------------	--------

Ratio Cap (Sec. 311.006)	25.00%
--------------------------	--------



Annexation Impact

TIRZ	NAME	CONTRIBUTION TO 25% CAP	CUMULATIVE CONTRIBUTION
03	Main Street/ Market Square	+0.01%	23.76%
18	Fifth Ward	+0.00%	23.76%
20	Southwest Houston	+0.06%	23.82%
21	Hardy/Near Northside	+0.01%	23.83%
23	Harrisburg	+0.01%	23.84%
(28)	Medical Center Area	+0.05%	23.89%
TOTAL		+0.14%	23.89%



Council Action Proposals

Summary

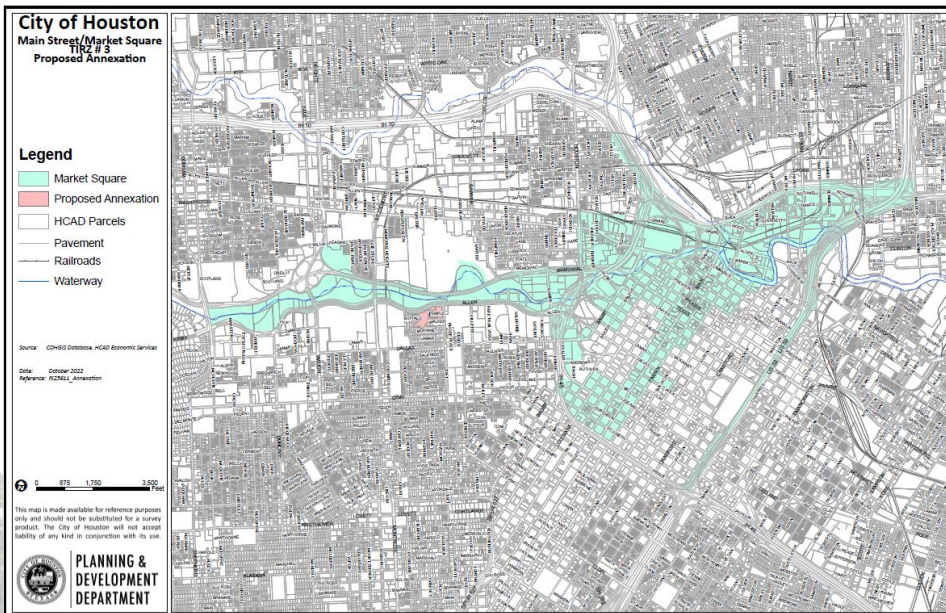
TIRZ	NAME	ACTION	PURPOSE	ANNEX VALUE	PROJECTS
03	Main Street/ Market Square	Annexation	Leverage SCI redevelopment to support multimodal improvements	\$32,713,295 (+0.01%)	1) Mobility Improvements 2) Park Improvements
18	Fifth Ward	Annexation	Support Homestead Detention Basin and multimodal improvements	\$0	1) Road Improvements 2) Mobility Improvements
20	Southwest Houston	Annexation	Multimodal, Connectivity, Drainage/Detention,, Recreational, Trails, Parks	\$148,841,527 (+0.06%)	1) Mobility Improvements 2) Flood Mitigation
21	Hardy/Near Northside	Annexation	Enable consideration for drainage/street improvements	\$36,034,678 (+0.01%)	1) Road Improvements 2) Drainage Improvements
23	Harrisburg	Annexation	Support East End Maker Hub, the Buffalo Bayou park expansion, and multimodal improvements	\$13,787,777 (+0.01%)	1) Road Improvements 2) Mobility Improvements 3) Park Improvements
(28)	Medical Center Area	Creation	Leverage newly taxable parcels to support Hermann Park and public infrastructure	\$143,048,894 (+0.05%)	1) Mobility Improvements 2) Park Improvements 3) Flood Mitigation



TIRZ 3 – Annexation

Main St./Market Square

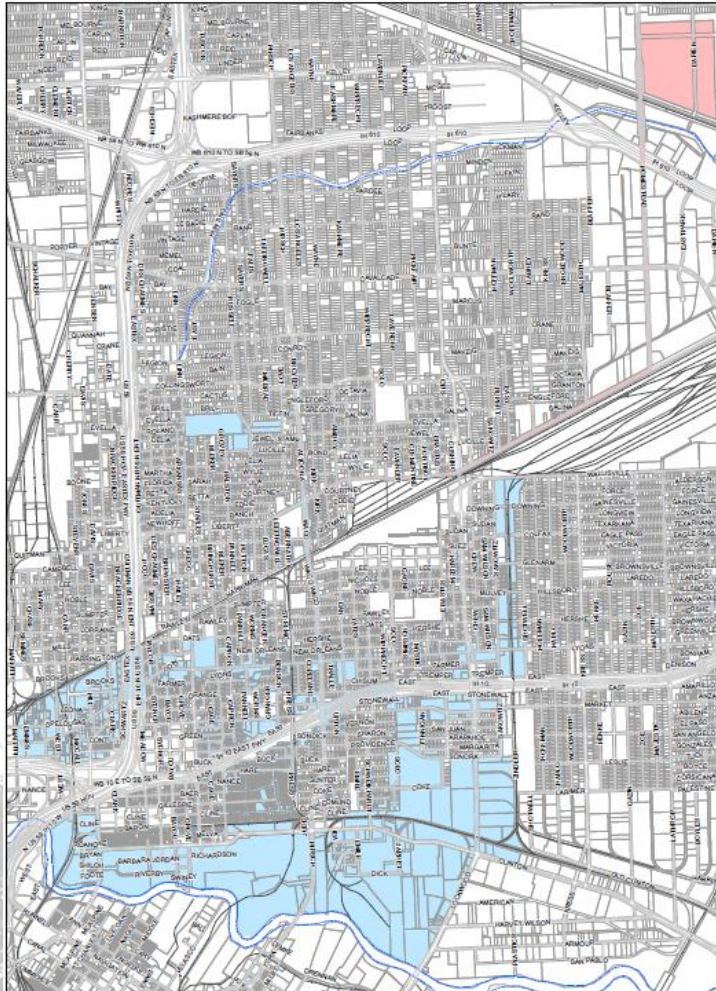
- Purpose
 - Annex SCI headquarters on Allen Pkwy
- Taxable Value *
 - \$32,713,295 (+0.01%)
- Projects
 - Pedestrian infrastructure
 - Flood mitigation
 - Create new park space



* Taxable Value as of September 2022



TIRZ 18 – Annexation



Fifth Ward

- Purpose
 - Annex ROW and Homestead Detention Basin
- Taxable Value
 - \$0: ROW and HCFCF parcels
- Projects
 - Bike path and parking maintenance at Homestead Detention Basin
 - Improvements to Liberty and Homestead

* Taxable Value as of September 2022

Legend

- Proposed Annexation
- Fifth Ward
- HCAD Parcels
- Pavement
- Railroads
- Waterway

Note: Acreages include Parcels and ROW.

Existing TIRZ: 1,008.4 Acres
Proposed: 116.0 Acres

City of Houston
Fifth Ward
TIRZ #18
Proposed Annexation

Source: GISNET Data, HCAD, Economic Services
Date: November 2022
Reference: 2025641_Proposed_5th_Ward



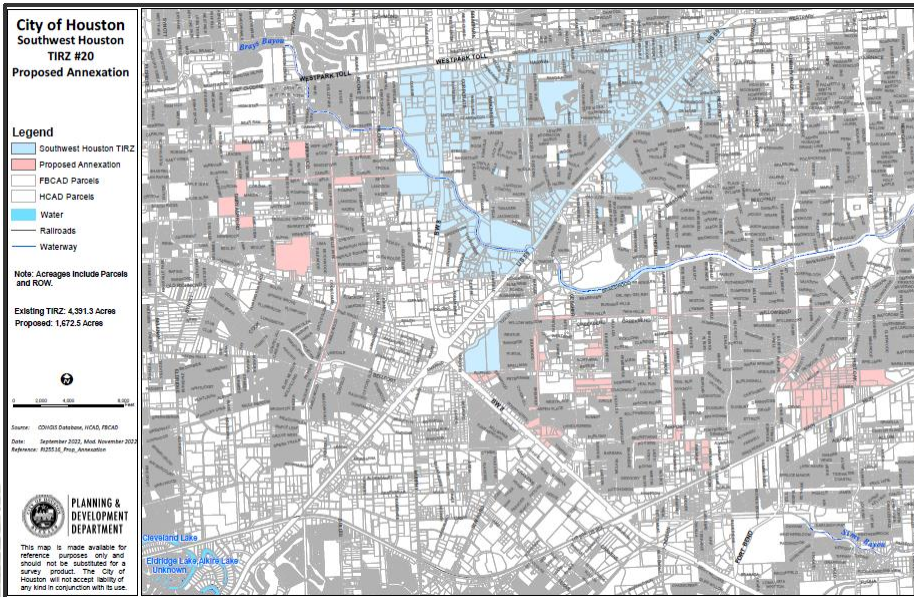
PLANNING & DEVELOPMENT DEPARTMENT



TIRZ 20 – Annexation

Southwest Houston

- Purpose
 - Annex ROW, parks, Willow Waterhole, and additional area in need of economic development, detention
- Taxable Value
 - \$148,841,527 (+0.06%)
- Projects
 - Improvements to Bellaire, and other connector streets
 - Community Park Improvements
 - Connective bike/ped trails along waterways

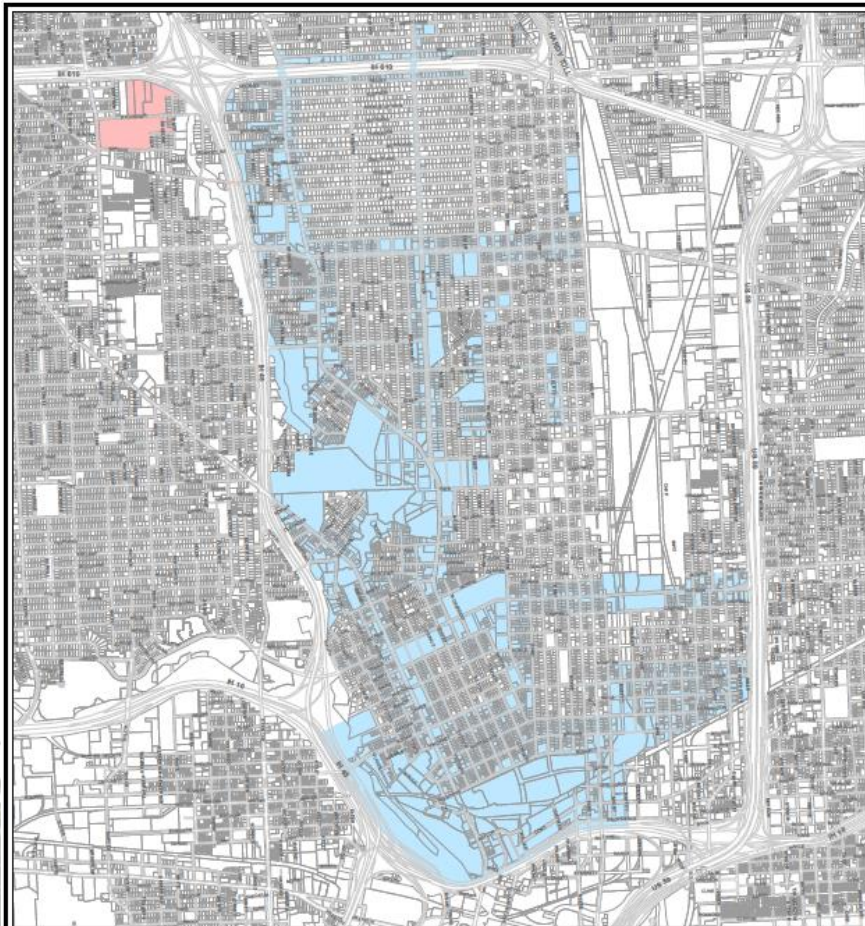








TIRZ 21 – Annexation

Hardy/Near Northside

- Purpose
 - Annex Houston Farmers Market, Link Rd, and additional area in need of economic development
- Taxable Value
 - \$36,034,678 (+0.01%)
- Projects (considered)
 - Improvements to Sylvester, Angeline, Samuel, Lula, and Service
 - Improvements to area drainage and streetscape



Legend

-  Hardy/Near Northside
-  Proposed Annexation Area
-  HCAD Parcels
-  Pavement

City of Houston Hardy/Near Northside Proposed Annexed Area


Source: CDHGIS Data, HCAD, Economic Development

Date: November 2022
Reference: R125671_Prop_Annexation



PLANNING &
DEVELOPMENT
DEPARTMENT

This map is made available for reference purposes only and should not be substituted for a survey product. The City of Houston will not accept liability of any kind in conjunction with its use.

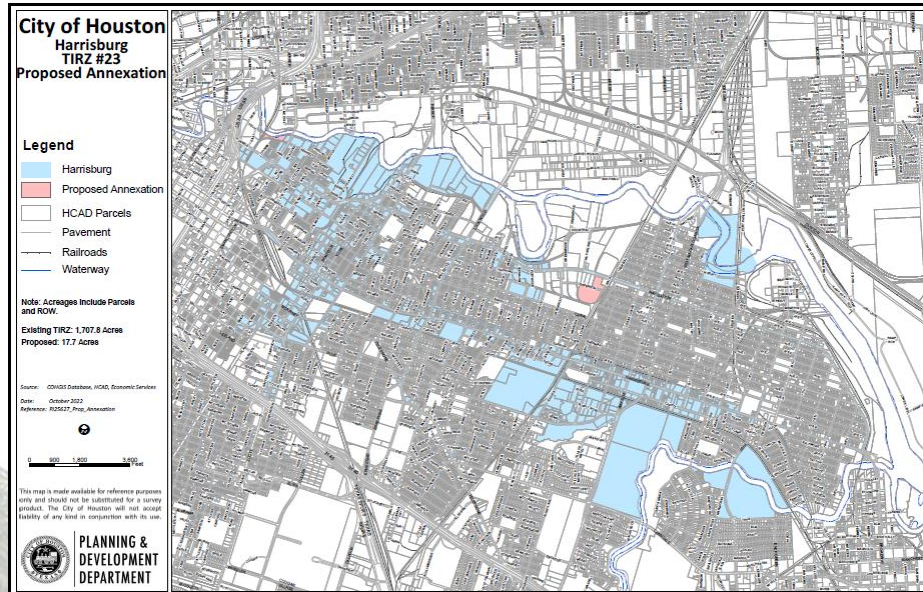
* Taxable Value as of September 2022



TIRZ 23 – Annexation

Harrisburg

- Purpose
 - Annex new East End Maker Hub expansion and portion of Buffalo Bayou South Trail (BBE)
- Taxable Value
 - \$13,787,777 (+0.01%)
- Projects
 - Buffalo Bayou South Trail (BBE)
 - Improvements to Navigation, Commerce, and Telephone
 - Improvements to Eastwood and Mason Parks



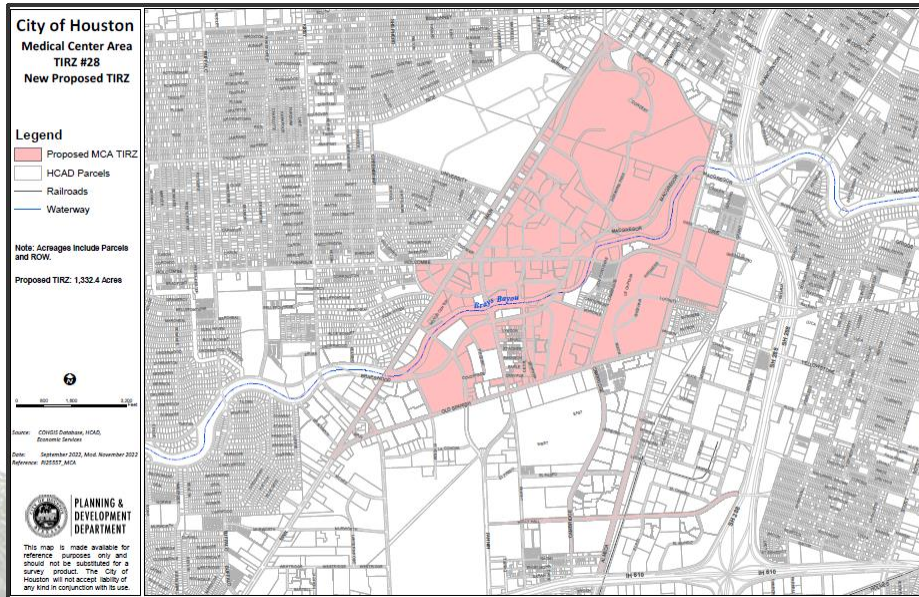
* Taxable Value as of September 2022



TIRZ 28 – Creation

Medical Center Area

- Purpose
 - Annex Texas Medical Center and Hermann Park
- Taxable Value
 - \$143,048,834 (+0.05%)
- Projects
 - Emergency water solution in coordination with PWE
 - Drainage improvements
 - Improvements to Main, Fannin, Holcombe, Cambridge, and Holly Hall
 - Increase bike and pedestrian connectivity





Council Action Timeline

**Public Notices:
December 2, 2022**

**Public Hearings:
December 14, 2022**

**Council Consideration for Annexation/Project Plans:
December 14, 2022**



Questions?

Thank You!

