

Tax Increment Reinvestment Zone #1 Annual Report

October 1, 2010 –
September 30, 2011



CITY OF
SOUTHLAKE



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

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

John Terrell
City of Southlake

Martin Schelling
City of Southlake

Carolyn Morris
City of Southlake

Brandon Bledsoe
City of Southlake

Al Zito
City of Southlake

Jeff Wang
City of Southlake

Pamela A. Muller
City of Southlake

Sherrie Williams
Carroll ISD

Robb Welch
Carroll ISD

Carolyn Sims
Tarrant County

Larry Darlage, Vice Chair
Tarrant County College Dist.

Scott Rule
Tarrant County Hospital District

property in the reinvestment zone on or before the 90th day following the end of the fiscal 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 is set to expire on December 31, 2018 or the date when all project costs are paid and all debt is retired, whichever comes first.

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 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 \$49,167,883 in revenue for investment, and to further the economic development goals of the zone.

TIRZ #1 Revenues

In FY 2011, \$7,251,435 in ad valorem taxes was collected in the zone. Coupled with interest income, the fund realized over \$7.29 million in revenue for the fiscal year, a 7.2% decrease under FY 2010. (See Attachment A for historical collections by entity)

The captured incremental taxable value for TIRZ #1 for the 2010 tax year was \$280,337,831, which was a decrease of \$17,308,531 under the incremental value for 2009. (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, 2011, 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 has also executed 380 Agreements with the developer, providing for reimbursement of 80% of the sales taxes collected in the Grand Avenue portion of the project.

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 2011, \$3,349,211 was spent on zone operations. These funds were used for debt service obligations of Carroll Independent School District facilities identified in the project and financing plan.

Additionally, the Board of Directors approved a \$250,000 transfer to reimburse the City of Southlake for a portion of the zone sales tax funds used to supplement the TIF Fund's debt service payments for fiscal years 2004, 2005, 2006 and 2007, when ad valorem revenues were not sufficient to cover debt service payments in those years. *(See Attachment A for historical debt service obligation)*

For FY 2011, \$3,797,906 was transferred to debt service to cover the annual payment on bonds outstanding.

TIRZ #1 Debt Service

The long-term obligations for TIRZ #1 are as follows:

G.O.2002 Series	\$ 3,310,705
G.O 2004 Series	\$ 3,116,670
C.O.2007 Series	\$ 5,194,925
G.O.2010 Series	<u>\$12,586,820</u>
Total payments	\$24,209,120
Less interest	<u>(\$3,806,170)</u>
Total principal	<u>\$20,402,950</u>

TIRZ #1 Fund Balance

At the conclusion of FY 2011, the fund balance was \$5.4 million. At the conclusion of FY 2012, it is projected that the fund balance will be \$4,668,977. These funds will be necessary for future debt service payments, 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

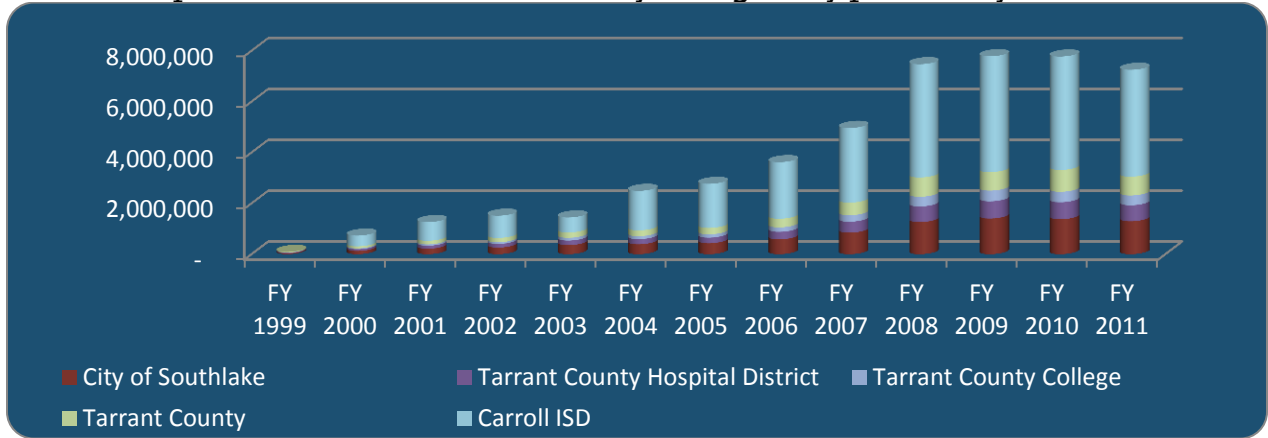


Chart 2: 2010 Taxable Value Increment by taxing entity

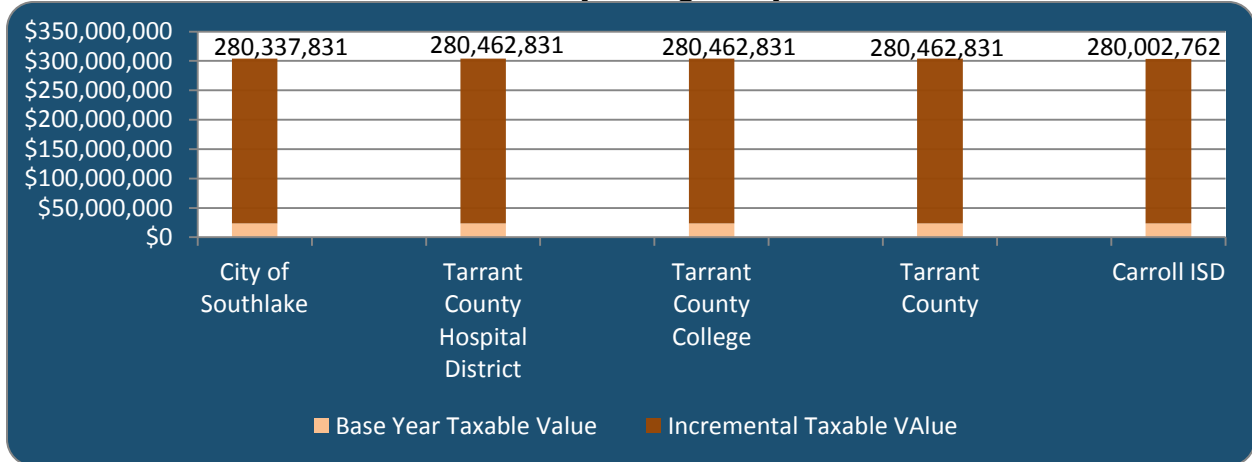


Chart 3: Comparison of revenue received to debt service obligations.

