Tax Increment Reinvestment Zone #1 Annual Report

October 1, 2024 –
September 30, 2025

FY 2025 Tax Increment Reinvestment Zone Annual Report

What is Tax Increment Financing?

Tax Increment Financing (TIF) is a tool for financing public improvements within a defined area. The improvements should enhance the environment and attract new investment. The statutes for TIF 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.

The costs of selected public improvements outlined in the zone's project and financing plan may be paid by current or future tax revenue from redeveloped or appreciated real property valued in the zone. The additional tax dollars generated by the 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. Each year, money flowing into the fund is spent according to an approved plan and in accordance with agreements with participating governmental units.

A Board of Directors appointed by the participating governmental units oversees the district's budget.

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

FY 2025
City of Southlake TIRZ #1
Board of Directors

Shawn McCaskill
City of Southlake

Kathy Talley
City of Southlake

Randy Robbins
City of Southlake

Frances Scharli
City of Southlake

Austin Reynolds
City of Southlake

Chuck Taggart
City of Southlake

Randy Williamson, Chair
City of Southlake

Cameron Bryan
Carroll ISD

- 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 city's southeast area. 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 participation amounts of the City of Southlake and Carroll ISD 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 $173,212,544 in revenue for investment and to further the zone's economic development goals.

TIRZ #1 REVENUES

In FY 2025, $10,685,868 in ad valorem taxes were collected in the zone. Coupled with other revenue and interest income, the fund realized over $11.23 million in revenue for the fiscal year, an 2.6% increase above FY 2024. *(See Attachment A for historical collections by entity)*

The captured incremental taxable value for TIRZ #1 for the 2024 tax year was $583,478,902, an increase of $15,527,662 above the incremental value for 2023. *(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 then, 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. The agreements provide for 40% reimbursement of the cost of public infrastructure (roads, water, sewer, parking, etc.) and 100% reimbursement for the cost of public parks in Town Square. Through September 30, 2025, the developer has been reimbursed $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 several school facilities and operating expenses to be funded with CISD and City of Southlake contributions only.

For FY 2025, $9,227,670 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 costs identified in the project and financing plan.

TIRZ #1 Fund Balance

At the conclusion of FY 2025, the fund balance was $13.6 million. At the conclusion of FY 2026, it is projected that the fund balance will be $13.6 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

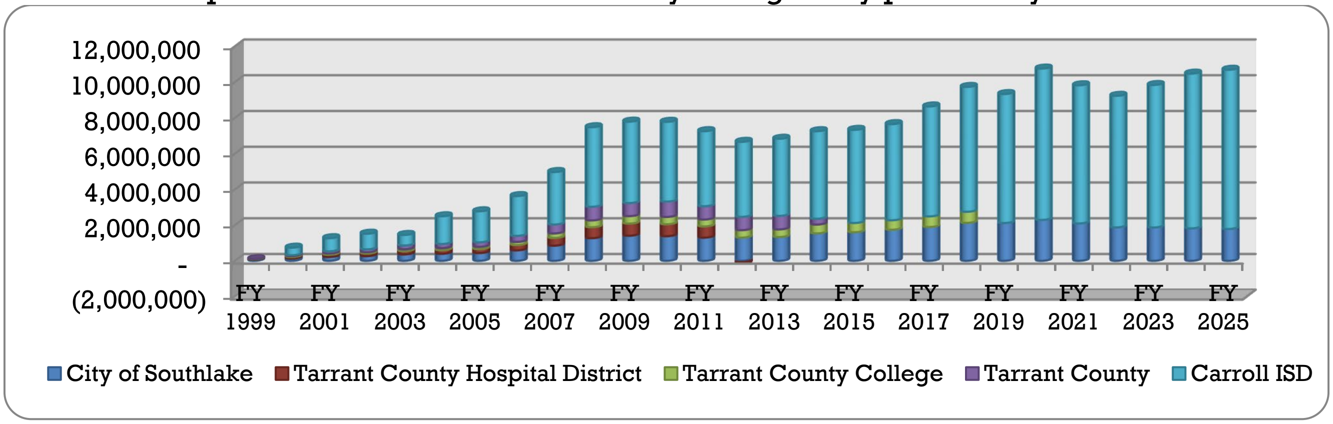


Chart 2: FY 2025 Taxable Value Increment by participating taxing entity

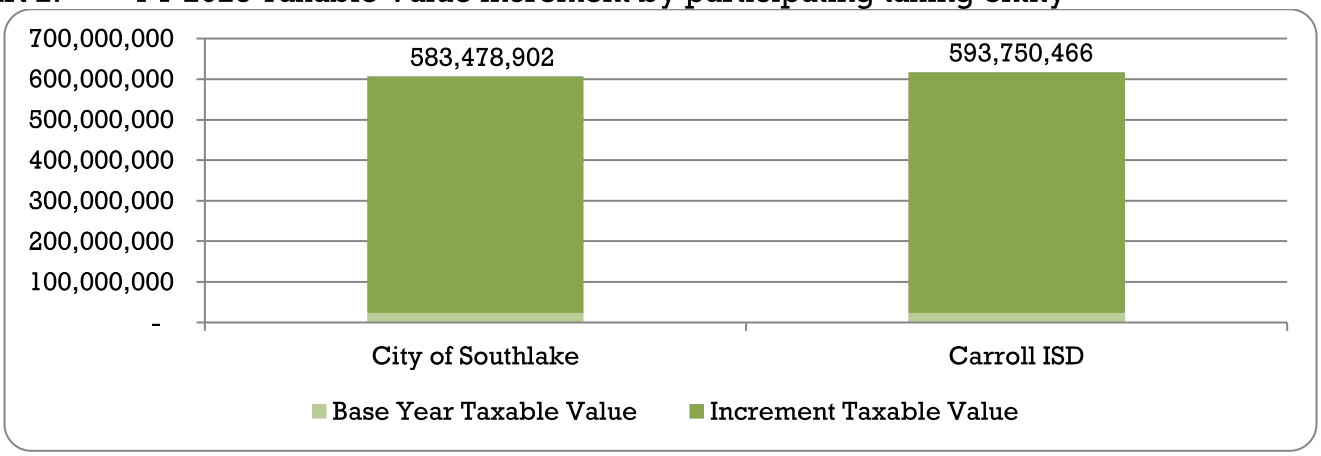
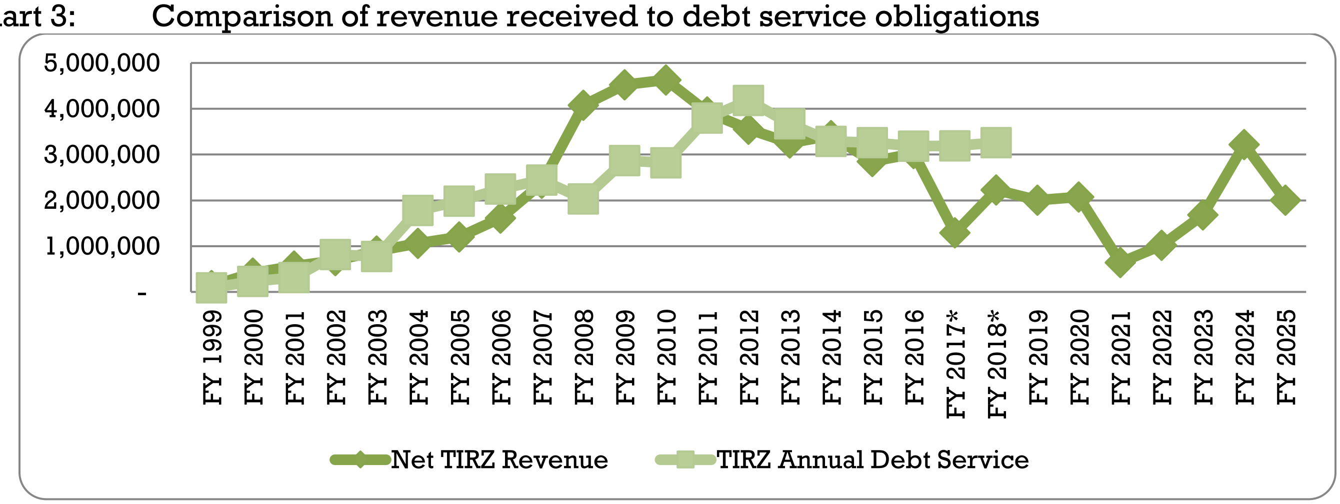


Chart 3: Comparison of revenue received to debt service obligations



*- $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

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