

MEMORANDUM

TO: Claire Powell, City Manager

FROM: Marichelle Samples, Director of Economic Development

DATE: December 16, 2024

SUBJECT: **Approval of an Agreement to Participate in Tax Increment Reinvestment Zone Number Four, Between the City of Lewisville and Denton County, and Authorization for the City Manager to Execute the Agreement.**

BACKGROUND

The City of Lewisville created the Lewisville Tax Increment Reinvestment Zone, Number Four (TIRZ #4) on December 16, 2019, in accordance with the Tax Increment Financing Act, V.T.C.A., Tax Code, Chapter 311 (the “Act”). The purpose of the tax increment reinvestment zone (the “Zone”) is to finance infrastructure improvements necessary to catalyze residential and commercial development within the boundaries. The base year for TIRZ #4 is January 1, 2019, and it will terminate on December 31, 2040, unless all project costs and debt obligations are funded earlier. The Zone consists of approximately 276.93 acres of land. The boundary of the Zone is bounded by McGee Lane on the West, I-35E on the East, Bogard Lane on the North, and Kansas City Southern Railroad on the South.

The Preliminary Project and Reinvestment Zone Financing Plan (“Plan”) was approved by the City Council on December 16, 2019. City Staff expects to bring the final Project and Reinvestment Zone Financing Plan to the board upon finalizing lake redevelopment plans on the eastside of the I-35, which will affect the final Project and Reinvestment Zone Financing Plan.

The City allocates eighty percent (80%) of the increment captured by the district within the boundaries of the Zone to the TIRZ #4 fund. Over the past two years, the City has been in discussions with Denton County to participate in TIRZ #4 to support lake redevelopment efforts on the east side of I-35.

ANALYSIS

The Agreement to Participate in Tax Increment Reinvestment Zone Number Four, between the City of Lewisville and Denton County (the “Agreement”), establishes the terms and limitations in which the City and County will participate in the Zone. The County will consider the Agreement at the Denton County Commissioners Court meeting on December 17, 2024. The Agreement outlines various provisions, including the duration of participation, the increment allocation by

each taxing authority, limitations on bonds, the permissible uses of funds, the processes for deposit and collection of funds, boundary extension requirements, and board representation. A summary of each of these sections follows.

Duration and Participation

Payment by the City began in 2020 after the Zone was established and payment by the County will begin January 1, 2024, and will continue until the earlier of: (i) December 31, 2040, or (ii) the date on which the Plan has been fully implemented and all project costs, tax increment bonds, interest on such tax increment bonds and all other obligations, contractual or otherwise, payable from the Tax Increment Fund have been paid in full.

Increment Participation

The City of Lewisville and Denton County will each dedicate 80% of its increment to the Zone.

Use of Funds

The funds will be used to pay for the project costs outlined in the attached Project Plan and Finance Plan. The funds may also be used to pay for interest on any bonds or notes issued to pay for the associated project costs. Any project costs paid for will be in accordance with the Act and in accordance with generally accepted accounting principles.

Purpose and Program

All ad valorem taxes paid by the County into the Tax Increment Fund shall be used for improvements to Lake Park and the surrounding area (the "Lake Area"), the boundaries of which are described in the Agreement. All improvements are to be constructed as nearly as possible in conformity with the Plan. Any additions, changes, revisions or modifications to the Plan made after the date of this Agreement may only be made by the Board of Directors of the Reinvestment Zone and the City Council of the City, as required by Act.

Boundary Extension

The City agrees to present an ordinance to City Council for approval to extend the boundaries of the Zone to include the Lake Area by December 31, 2025.

Deposit of Funds

The City and the County shall provide for the collection of its taxes in the Reinvestment Zone as for any other property taxed by the City or County. Each participating taxing authority shall pay into the Tax Increment Fund an amount equal to the tax increment produced by the authority. The City shall invoice the County not later than thirty (30) days after the delinquency date of property taxes in the Tax Increment Zone. Pursuant to the Act, (Section 311.013(c)) the City and County shall make payment to the Tax Increment Fund, pursuant to this agreement, not later than ninety (90) days after the delinquency date of property taxes in the Zone. The City and County are not required to pay into the Tax Increment Fund the applicable portion of the tax increment that is attributable to delinquent taxes until those taxes are collected.

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Limit of Obligation by the County

Except for payment to the Tax Increment Fund of 80% of the ad valorem tax collections on the captured appraised value of real property in the Reinvestment Zone, the County will have no obligation for any costs or expenses associated with the operation of the Reinvestment Zone. These costs include any obligation to pay or repay any debt issued by the City, the Reinvestment Zone, or the Board of Directors of the Reinvestment Zone relating to the Reinvestment Zone or any costs associated with the operation of Reinvestment Zone or any projects relating thereto.

County Representation

The County shall have the right to appoint and maintain one (1) voting members on the Board of Directors of the Reinvestment Zone at all times.

City Representation

The City shall have the right to appoint and maintain six (6) voting members on the Board of Directors of the Reinvestment Zone at all times.

CITY STAFF'S RECOMMENDATION

That the City Council approve the agreement and authorize the City Manager, or her designee, to execute the agreement as set forth in the caption above.