

Castle Hills
and
Tax Increment Reinvestment Zone,
Number Three (TIRZ3)

Castle Hills

Annexation in 2021 will cause:

- All property value in Castle Hills to be added to the City's total value
 - City will receive property taxes on taxable assessed value @ City's rate
- City assumes all districts obligations (contracts, debt, etc)
 - Outstanding contract revenue debt will be refinanced to GO debt and will have lower interest costs due to City's AAA rating
- City will provide services to all districts including those offered by the County (animal control, fire marshal) and State (food inspection)

Castle Hills

For developed districts (1B, 1C, 1D, 1E & 1F) revenues will be sufficient to cover road and utility debt service + additional costs for servicing new customers

For undeveloped districts (1G & 1H), revenues will not initially cover debt service + additional service costs + finance public improvements remaining to be completed

- The current financing model of issuing debt to pay for public infrastructure within this area will no longer be feasible

Districts 1G & 1H

At annexation, a remaining \$107M of public infrastructure is to be completed per developer (roads & utility)

Property values will increase as development progresses

Need a solution that will segregate this area to:

- Pay debt service beginning at annexation, and
- Reimburse developer for remaining public improvements to be constructed

Tax Increment Reinvestment Zone (TIRZ3)

Revenues

- Taxable property values in 1G & 1H x City's rate (\$0.436086, currently)
- Denton County to participate in the Zone at 80% of the incremental value increase over their base (2018 is base tax year) x County's rate

Expenditures

- Debt service on the refunded 1G & 1H road & utility debt
- Any remaining monies each year after debt service will be utilized to reimburse the developer
 - Not to exceed **\$88,685,915** of the \$107M expected public improvements

Tonight's Agenda

Public Hearing on creation of TIRZ3

- Provides time for review and comment by the public
- No tax increase; a tool to capture certain revenues to use in the financing plan for improvements and debt service within the Zone

Ordinance for creation of TIRZ3

- Creates the Zone and sets the base tax year for the TIRZ (2018 tax year)
- Duration of 30 years or shorter if all project costs and debt service have been funded
- Base value is the amount that is subtracted from each future year's value to arrive at the increment used for revenues
- Establishes a board for the Zone—5 members from the City; 2 from the County

TIRZ3 Board Appointments

- City will have five members to appoint to the board with staggering terms (Position One–Five)
 - Members will be from Council due to their long history and familiarity to the Castle Hills Development
- The member appointed to Position One will serve as chair for the first year of the Board

Future Agenda

Participation Agreement between the City and County

- Sets the level of participation in the Zone for each entity
 - City is 100% of property taxes within the Zone (base and increment)
 - County is 80% of property taxes within the Zone (increment only)
 - Revenues will continue at same % for each entity throughout the duration of the Zone
 - County reviewing this agreement currently and is expected to be approved in December

Agreement between City and TIRZ3

- Sets the intention that the City will be refinancing existing road and utility debt of 1G & 1H and revenues from the Zone will pay debt service on the refunded debt

Developer Agreement between City, TIRZ3, and Developer

- Details eligible public improvements to be reimbursed from TIRZ3 revenues when available and process for reimbursement

TIRZ Board and Council will approve these agreements, along with a final project and financing plan