Proposed Montrose TIRZ

Presented by Economic Development
City of Houston

Proposed Montrose Tax Increment Reinvestment Zone

- **The Proposed Montrose TIRZ is not a part of the Midtown TIRZ**

- **The Proposed Montrose TIRZ is not the Montrose Management District**

Distinction between TIRZs and Management Districts

	TIRZs	Management District
Year passed State Legislature	1987	1991
Creation	By governing body	By TCEQ or legislative bill
Consent	Requires city council approval	Requires city consent through council approval
Funding	Incremental increase in property tax revenue	Assessment is levied and collected on commercial property
Eligible Projects	• Infrastructure improvements • Public ROW improvements • Buildings, structures, and fixtures • Acquisition and demolition costs • Reconstruction and remediation • Financing costs • Professional services • Educational facilities • Environment and other studies • Cost to operate the TIRZ	• Landscaping and lighting • Streets, sidewalks, and skywalks • Parks, plazas, ponds, lakes • Public art • Mass transit systems • Water, sewer, power facilities

TIRZ – Tax Increment Reinvestment Zone

- **Authorized by Chapter 311 of Texas Tax Code**
  - Almost always created by a City but can be created by a County
  - Goal is to aid in financing the "development or redevelopment of unproductive, underdeveloped or blighted areas."
  - Local Government Corporations(Redevelopment Authorities) are created to manage each TIRZ and may enter into development agreements or incur debt

- **Criteria for Creation**
  - Land within Zone boundaries may not exceed 30% residential
  - Petition based TIRZs are required to pay 1/3 of their increment into an affordable housing fund
  - Numerous criteria regarding substandard conditions within a proposed Zone.
    - "Predominance of defective or inadequate sidewalk or street layout"
    - "Unsafe Conditions"
  - Generally a contiguous area

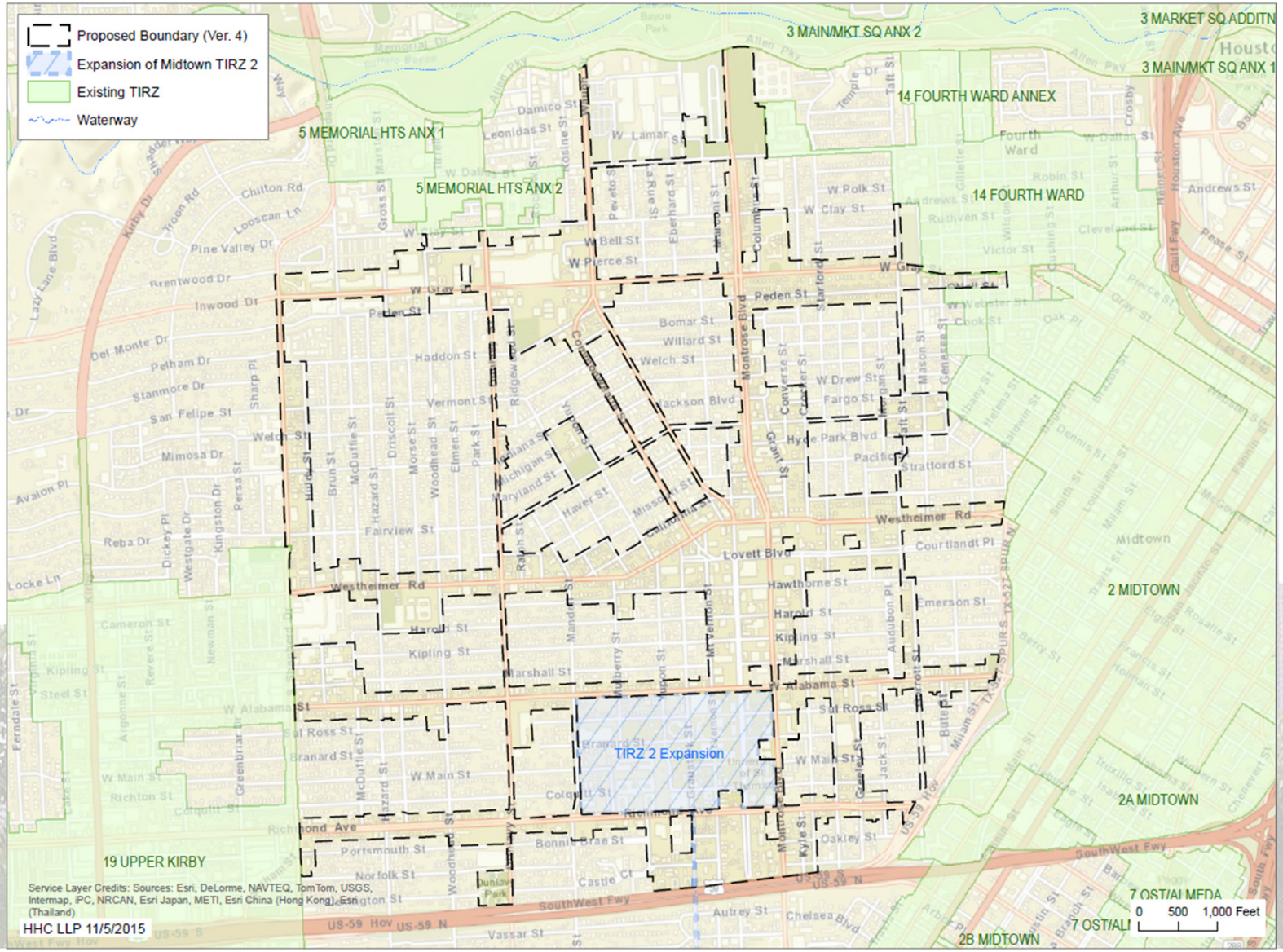
TIRZ Governance

- **TIRZ governed by a Board of Directors**
  - Responsible for implementing TIRZ Project Plan and Budget
  - Establishes CIP projects that must be approved by vote of City Council annually
  - Can create a Local Government Corporation ("LGC") to manage the fiduciary responsibilities of the TIRZ and implement Project Plan
  - We place board members based on subject matter expertise, residency status in the Zone, or business ownership in the Zone

Tax Increment

- **Tax Increment**
  - Upon creation of the Zone or annexation of land, the base year of the Zone is set
  - All tax values above the base value are considered tax increments, and resulting incremental tax revenues are deposited with the City in a special account held for the Zone
  - Not all tax increment generated goes directly to the zone
    - Increment generated can be statutorily allocated for affordable housing and/or administrative costs
  - Zones/LGC may only expend tax increments on projects included in their approved annual budget
  - Projects are only allowed within the boundary of the Zone
- **Types of Projects that can be Financed**
  - Capital Projects – streets, drainage, water, parks and public facilities, streetscape (sidewalks, lighting, landscaping), parking facilities, affordable housing, and economic development

Proposed Montrose TIRZ Boundary



Revenue Projection for Montrose TIRZ

PROPOSED REINVESTMENT ZONE NO. 27 (MONTROSE), CITY OF HOUSTON

Projected Assessed Valuations

Tax Roll Jan 1	Coll. Year	City Taxable Base Value (1)	City Taxable Value (2)	City Captured Appraised Valuation (2)	Total CITY Increment Revenues Available (3)	COUNTY Increment Revenues Available (3)	OTHER Increment Revenues Available (3)	Total TIRZ Revenues Available	Cumulative TIRZ Revenues Available for Projects	Present Value of TIRZ Revenue
2016	2017	$ 1,199,040,664	$1,199,040,664	$ -	$ -	?	?	$ -	$ -	$0
2020	2021	$ 1,199,040,664	$1,402,707,985	$ 203,667,321	$ 1,139,809	?	?	$ 1,139,809	$ 2,793,668	$1,010,199
2025	2026	$ 1,199,040,664	$1,706,608,741	$ 507,568,077	$ 2,840,568	?	?	$ 2,840,568	$ 13,461,668	$2,119,718
2030	2031	$ 1,199,040,664	$2,076,350,478	$ 877,309,814	$ 4,909,801	?	?	$ 4,909,801	$ 33,710,000	$3,084,857
2035	2036	$ 1,199,040,664	$2,526,197,835	$ 1,327,157,171	$ 7,427,338	?	?	$ 7,427,338	$ 65,614,269	$3,929,186
2040	2041	$ 1,199,040,664	$3,073,505,928	$ 1,874,465,264	$ 10,490,308	?	?	$ 10,490,308	$ 111,699,767	$4,672,571
2045	2046	$ 1,199,040,664	$3,739,389,908	$ 2,540,349,244	$ 14,216,880	?	?	$ 14,216,880	$ 175,038,900	$5,331,755
					$ 175,038,900			**$ 175,038,900**		**$89,837,069**

(1) Base Value as of Sept. 16, 2015

(2) Includes 4.0% annual appreciation

(3) assumes a 98% Collection Rate, City tax rate of $0.60112/$100 valuation, and 5 percent City of Houston administration fee

(4) To be negotiated by the TIRZ to see if other bodies, such as Harris County or HCC will participate

Resident Project List

Project List	
Prioritized Projects	**Project Cost**
West Alabama	$ 7,715,140.00
Richmond	$ 8,145,253.33
Westheimer	$ 23,226,733.00
Fairview East	$ 5,186,590.00
Montrose	$ 28,969,276.00
West Gray	$ 24,837,040.67
Dunlavy	$ 967,200.00
Bike Lanes	$ 961,400.00
Workforce Housing	$ 39,600,000.00
Park/Park related	$ 8,000,000.00
Structured Parking	$ 4,830,000.00
General Improvements	$ 5,000,000.00
Other Projects	
Waugh and Commonwealth	$ 1,585,500.00
Total	**$159,024,133.00**

- Based on the project list created by the representatives of the community, we created this project cost summary

Exhibit 1, Project Costs	**Project Costs**	**Non-Project Costs**
Public Infrastructure Improvements	$ 112,000,000.00	$ 23,143,800.00
Workforce/Affordable housing	$ 39,600,000.00	$ -
Parking enhancements including structured parking	$ 6,000,000.00	$ -
Parks, open spaces, recreational facilities and cultural amenities	$ 12,000,000.00	$ -
Administration	$ 3,732,392.00	
Total Zone Project Costs	**$ 173,332,392.00**	**$ 23,143,800.00**

Next Steps

- **Statutorily mandated Public Hearing – November 18, 2015 at 9am**
- **Present Creation Ordinance and Financing Plan to Council – December 2, 2015**
- **Further opportunity for public input will be:**
  - **Public Hearing presented to City Council**
  - **Public Session presented to City Council on December 1, 2015 at 2:00pm**
- **Within the next 12 months**
  - **Appoint Board of Directors**
  - **Create Redevelopment Authority**
  - **Discuss establishing a Tri-Party agreement**