

# **Tax Increment Reinvestment Zone #3**

City of Farmers Branch, Texas

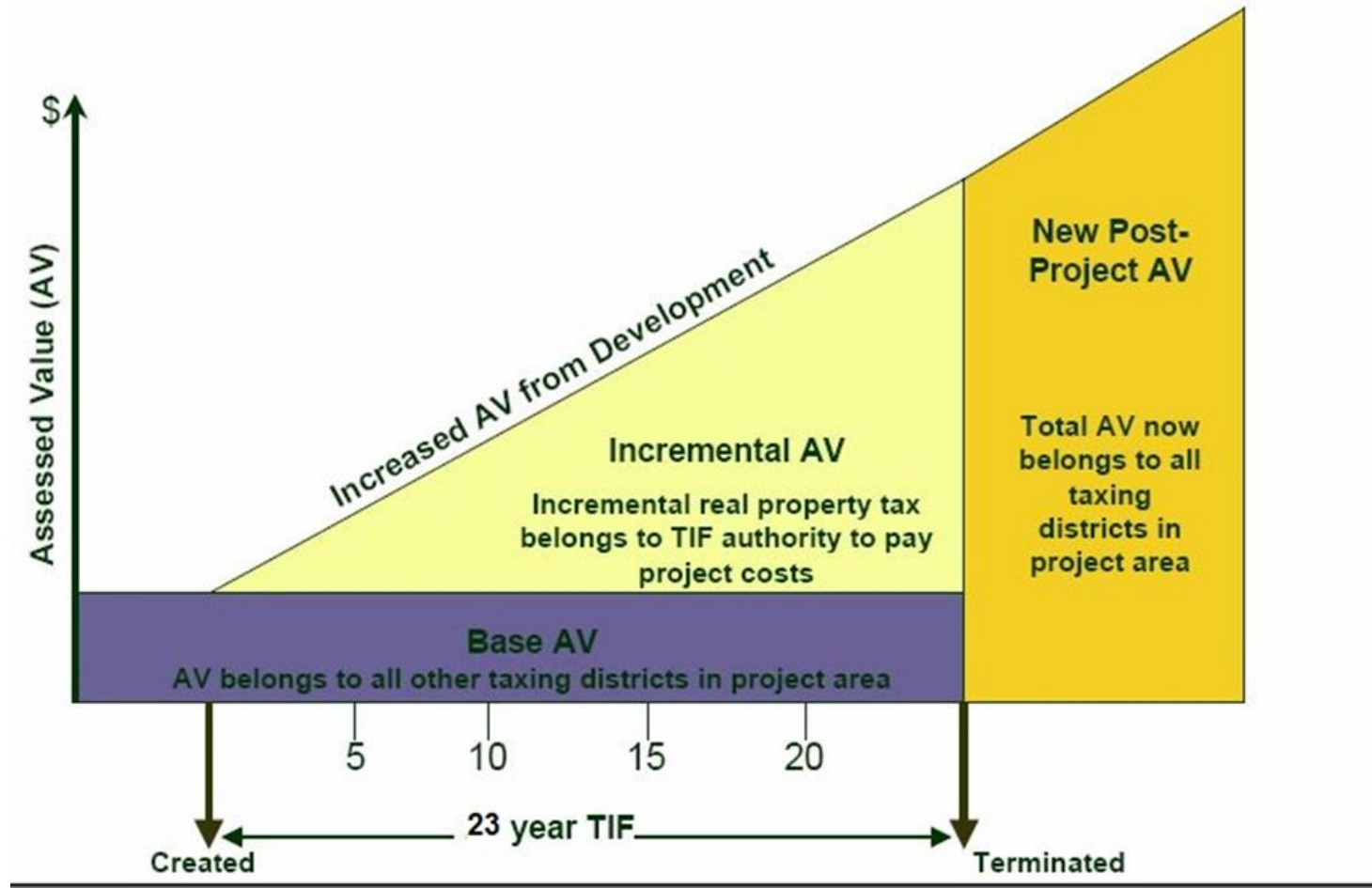
January 9, 2017

# TIF Creation Process

- Chapter 311 outlines the various procedures for creating and amending a TIF. Two main documents:
  1. Creation ordinance; and
  2. TIF Project and Financing Plan
- Creation ordinance establishes five key elements:
  - Boundary;
  - Term;
  - City Participation;
  - TIF Board; and
  - Preliminary Project and Financing Plan
- Upon TIF creation the Final Project and Financing Plan is approved by the TIF Board and then the City Council by separate ordinance

# TIF Mechanics

## TIF Assessed Value (AV) Over Project Life



# Creating Tax Increment

## Two ways to create new tax increment:

1. New construction/investment; and/or
2. Annual appreciation of real property (i.e. “organic growth”)

1



2



Source: Real Estate Center at Texas A&M University

# Ordinance No. 3400


- On November 1, 2106, City Council held a public hearing and approved Ordinance No. 3400 creating Tax Increment Reinvestment Zone Number Three, City of Farmers Branch, Texas
  - Board shall consist of at least 5 but not more than 15 members;
  - City Council shall appoint its initial members to the Board within 60 days of passage of Ordinance;
  - Board shall make recommendation to the City Council and prepare and adopt a project plan and the reinvestment zone financing plan for the Zone;
  - Termination date of December 31, 2052 or when the cumulative amount of the City's contribution of TIRZ equals \$57,762,742.
  - City contribution equaled 1% for calendar years 2017, 2018, and 2019.
  - Beginning calendar year 2020 the City will contribute 40% of real property ad valorem taxes collected in the Zone.

# Ordinance No. 3400



## Boundary Description

Farmers Branch TIRZ #3 is located in the southwestern portion of the City of Farmers Branch encompassing approximately 397.57 acres. Lyndon B. Johnson Freeway runs along the majority of the southern boundary, while President George Bush Turnpike runs to the east.

 - TIRZ Boundary

# Ordinance No. 3400 - Preliminary Plan

## Development Projections

	Square Feet/Units	Projected Completion Date	Stabilization Year	Taxable Value PSF/Unit	Incremental Value	Sales PSF	Total Sales
<b>Single Family</b>							
Single Family (60 Foot Lots)	73	2018	2022	\$619,200	\$45,201,600		
Single Family (50 Foot Lots)	443	2018	2022	\$516,000	\$228,588,000		
Single Family (40 Foot Lots)	220	2018	2022	\$412,800	\$90,816,000		
<b>Town Homes</b>							
Town Homes	111	2018	2022	\$290,250	\$32,217,750		
<b>Hotel</b>							
Hotel	160	2018	2020	\$180,000	\$28,800,000		
Hotel	135	2020	2022	\$180,000	\$24,300,000		
<b>MF</b>							
Multifamily Residential	1,000	2018	2020	\$130,000	\$130,000,000		
Multifamily Residential	500	2020	2022	\$130,000	\$65,000,000		
Multifamily Residential	250	2022	2024	\$130,000	\$32,500,000		
Multifamily Residential	500	2022	2024	\$130,000	\$65,000,000		
<b>Commercial</b>							
Commercial	65,000	2018	2020	\$225	\$14,625,000	\$300.00	\$19,500,000
Commercial	20,000	2020	2022	\$225	\$4,500,000	\$300.00	\$6,000,000
Commercial	5,000	2020	2022	\$225	\$1,125,000	\$300.00	\$1,500,000
Restaurant	25,000	2022	2024	\$225	\$5,625,000	\$300.00	\$7,500,000
<b>Office</b>							
New Office Space	65,000	2018	2020	\$200	\$13,000,000		
<b>Total</b>					<b>\$781,298,350</b>		<b>\$34,500,000</b>

NORTH

SOUTH



# Ordinance No. 3400 - Preliminary Plan

Real Property Tax		YEARS 2020-2052		YEARS 2017-2019	
City of Farmers Branch	0.60226700	40.00%	0.2409068	1.00%	0.0024091
Dallas County	0.24310000	0%	0.0000000	0%	0.0000000
Parkland	0.27940000	0%	0.0000000	0%	0.0000000
DCCD	0.12293300	0%	0.0000000	0%	0.0000000
Carrollton/FB ISD	1.39170000	0%	0.0000000	0%	0.0000000
Other	0.00000000	0%	0.0000000	0%	0.0000000
	<b>2.63940000</b>		<b>0.2409068</b>		<b>0.0024091</b>

**Output @ Year**

**2052**

**GROSS**

**57,762,742**

Taxing Jurisdictions	Total Taxes Generated	Participation	Net Benefit
City of Farmers Branch	\$140,159,678	\$57,762,742	\$82,396,935
Dallas County	\$72,407,961	\$0	\$72,407,961
Parkland	\$46,632,103	\$0	\$46,632,103
DCCD	\$20,517,625	\$0	\$20,517,625
Carrollton/FB ISD	\$232,275,942	\$0	\$232,275,942
<b>Total</b>	<b>\$511,993,309</b>	<b>\$57,762,742</b>	<b>\$454,230,567</b>



# Overall Tax Rate Change Impact on Property

## TIRZ View Notes

	<u>October Proposed</u> <u>Standard City Issuance</u>	<u>January 2017 Proposed</u> <u>Standard City Issuance</u>	<u>January 2017 Proposed</u> <u>Conduit Approach</u>	<u>Further Valwood Projection</u> <u>January 2017 Proposed</u> <u>Conduit Approach</u>
1 Levy on Property	\$48,000,000	\$46,222,530	\$43,247,849	\$43,247,849
*****				
2 TIRZ Participation Proposed Prior to ISD	\$23,592,478	\$23,592,478	\$23,592,478	\$23,592,478
3 TIRZ Adjustment needed to balance ISD	\$0	\$9,067,239	\$9,067,239	\$9,067,239
4 TIRZ Adjustment downward factoring	\$0	-\$2,629,929	-\$5,507,812	-\$5,507,812
5 TIRZ Adjustment Valwood Projection	\$0	\$0	\$0	-\$3,559,427
5 TIRZ Participation Proposed	\$23,592,478	\$30,029,788	\$27,151,905	\$23,592,478
6 TIRZ Interest over Duration	\$34,170,264	\$43,493,769	\$39,325,576	\$34,170,264
7 Gross TIRZ Funds over Duration	\$57,762,742	\$73,523,556	\$66,477,481	\$57,762,742
8 TIRZ Participation %	40.00%	50.91%	46.04%	40.00%
9 TIRZ Tax Equivalent Factor	\$0.24091	\$0.30664	\$0.27726	\$0.24091

## Tax Equivalent Summary

	<u>October Proposed</u> <u>Standard City Issuance</u>	<u>Deviation</u>	<u>January 2017 Proposed</u> <u>Standard City Issuance</u>	<u>January 2017 Proposed</u> <u>Conduit Approach</u>	<u>January 2017 Proposed</u> <u>Conduit Approach</u>
1 City of Farmers Branch	\$0.602267	\$0.00000	\$0.602267	\$0.602267	\$0.602267
2 Dallas County	\$0.253100	\$0.00061	\$0.253710	\$0.253710	\$0.253710
3 Parkland	\$0.286000	-\$0.00660	\$0.279400	\$0.279400	\$0.279400
4 DCCD	\$0.123650	-\$0.00072	\$0.122933	\$0.122933	\$0.122933
5 CFBISD	\$1.281700	\$0.11000	\$1.391700	\$1.391700	\$1.391700
6 Valwood Improvement District	\$0.270000	-\$0.02000	\$0.250000	\$0.250000	** \$0.250000
7 Mercer Crossing PID	\$0.474193		\$0.456633	\$0.427246	\$0.427246
8 Mercer Crossing TIRZ Credit Equivalent	-\$0.240910		-\$0.306643	-\$0.277256	-\$0.240910
9 Total Tax Equivalent on Average Unit	\$3.050000	\$0.08329	\$3.050000	\$3.050000	\$3.086346

**\*\*We project that Valwood  
Tax Rate will decrease at least  
\$0.05/\$100 within 6 Years**

# Project Costs

## Mercer Crossing

### USES OF FUNDS

	<u>Total PID Projects</u>
1 Water	\$3,182,995
2 Sanitary Sewer	\$2,912,473
3 Storm Drainage	\$7,873,283
4 Paving	\$11,705,441
5 Contingency	\$1,421,765
6 Engineering	\$3,505,852
<b>8 Sub Totals</b>	<b><u>\$30,601,809</u></b>
9 Excavation/Public ROW Zone	\$231,991
10 <u>ROW Land Acquisition</u>	<u>\$10,000,000</u>
11 Knights Bridge Roadway	\$1,663,049
12 Dev Soft Costs Creation	\$751,000
<b>13 TOTAL Public Improvements</b>	<b>\$43,247,849</b>

### Private Project Costs

	<u>Total Private Project Costs</u>
14 First Lien Holder Land Payment	\$27,000,000
15 Second Lienholder	\$55,000,000
16 Earthwork outside of Public ROW	\$1,320,143
17 Mercer North Remediation	\$4,250,000
18 Soil Recompanction	\$3,000,000
19 Perimeter Landscaping	\$5,175,000
20 Amenity Center	\$2,175,000
21 Interior Trails and Parks	\$2,477,750
22 Franchise Utilities	\$2,898,500
23 Development Loan Cap Interest	\$1,851,753
24 <u>24 Months PID Payments</u>	<u>\$256,000</u>
25 <u>Capitalized Interest Escrow Deposit</u>	<u>\$5,622,220</u>
26 <u>Debt Service Reserve Fund Deposit</u>	<u>\$4,161,202</u>
27 <u>Closing Costs associated with Conduit</u>	<u>\$1,257,837</u>
28 <u>Other Soft Costs</u>	<u>\$2,577,719</u>
29 <u>Rollback Taxes</u>	<u>\$1,285,017</u>
30 <u>Right of Way Incoming Funds</u>	<u>-\$10,000,000</u>
<b>31 TOTAL PRIVATE COSTS</b>	<b>\$110,308,141</b>
<b>32 TOTAL USES</b>	<b>\$153,555,990</b>

### TIFF Projects Offset

\$3,182,995
\$2,912,473
\$7,873,283
\$6,701,353
\$0
\$1,259,325
<b><u>\$21,929,429</u></b>
\$0
\$0
\$1,663,049
\$0
<b>\$23,592,478</b>

### Dev. PID Projects

\$0
\$0
\$0
\$5,004,088
\$1,421,765
\$2,246,527
<b><u>\$8,672,380</u></b>
\$231,991
<b><u>\$10,000,000</u></b>
\$0
\$751,000
<b>\$19,655,371</b>



# TIF Project Costs

Water	\$	3,182,995
Sanitary Sewer	\$	2,912,473
Storm Drainage	\$	7,873,283
Paving	\$	6,701,353
Knights Bridge Roadway	\$	1,663,049
Engineering	\$	1,259,325
Interest	\$	34,170,264
<b>TOTAL</b>	<b>\$</b>	<b>57,762,742</b>

# Requested TIRZ Next Steps

**11/01/16**

- City Council approved the TIRZ creation ordinance

**01/17/17**

- City Council to appoint TIRZ Board

**02/21/17**

- TIRZ Board to consider, approve and recommend Project and Finance Plan to the City Council

**02/21/17**

- City Council to consider and approve Project and Finance Plan



# Mercer Crossing Public Improvement District Service and Assessment Plan Overview

Presentation to the City of Farmers Branch City Council

January 9, 2017

# Public Improvement District Overview

- Chapter 372 of the Texas Local Government Code, as amended (the “PID Act”) governs the creation and operation of PIDs in Texas.
- PID creation and assessment levy:
  - Petition from owners of more than 50% of the appraised value of taxable property in the PID,
  - Mailing and publication of notices for creating PIDs and levying assessments.
  - Service and Assessment Plans (SAP)

# Service and Assessment Plan

(contents)

## Structure of the SAP

- The property in the PID
- Proposed public improvements and estimated costs
- Proposed improvements financing structure
- Provisions for allocation and collection of assessments



# Proposed Development

Type	Planned No. of Units	
<b><u>Residential</u></b>		
Land Use Class 1 (60 Ft Lots)	73	units
Land Use Class 2 (50 Ft Lot.)	443	units
Land Use Class 3 (40 Ft Lot)	220	units
Land Use Class 4 (Townhomes)	111	units
Land Use Class 5 (Multifamily)	2,250	units
<b><u>Non-residential</u></b>		
Land Use Class 6 (Restaurant)	25,000	Square Feet
Land Use Class 7 (Retail)	90,000	Square Feet
Land Use Class 8 (Hotel)	295	Rooms
Land Use Class 9 (Office)	65,000	Square Feet

# Proposed Public Improvements

## Proposed Public Improvements:

- Roadway Improvements

- \* include perimeter road and thoroughfare improvements, paving, curbs, sidewalks, signage, and traffic control devices

- Water Distribution System Improvements

- \* include water lines, mains, pipes, valves and appurtenances,

# Proposed Public Improvements

- Sanitary Sewer Improvements

- \* sewer pipes, service lines, manholes, encasements and appurtenances

- Storm Drainage Improvements

- \* pipes, service lines, encasements and appurtenances

# Estimated Improvement Costs

Authorized Improvements	Total Estimated Authorized Improvement Costs
Road improvements	\$13,600,481
Water distribution system improvements	\$3,182,995
Sanitary sewer collection system improvements	\$2,912,471
Storm drainage collection system improvements	\$7,873,281
Estimated ROW land acquisition	\$10,000,000
Other costs including engineering, PID establishment and contingency	<u>\$5,678,617</u>
<b>Total – Estimated Authorized Improvement Costs</b>	<b><u>\$43,247,849</u></b>

# Service and Assessment Plan

(cont' d)

## Service Plan

- Projected annual indebtedness
- Projected costs of improvements
- Reviewed and updated each year to determine annual budget for PID obligations

# Estimated Sources and Uses

Estimated Sources of Funds	Total
Total Assessment Levy	<u>\$43,247,849</u>
<b>Total Sources</b>	<b>\$43,247,849</b>
<b>Estimated Uses of Funds</b>	
<u>Authorized Improvements</u>	
Authorized Improvement Costs	<u>\$43,247,849</u>
<b>Total Uses</b>	<b>\$43,247,849</b>

# Service and Assessment Plan

(cont' d)

## Assessment Structure

- Amount of assessments

Total Assessment = Principal amount of Bonds/ Reimbursement Amount

- Direct and special benefit from the authorized improvements equals or exceeds the amount of the assessments on each parcel.
- Benefit to property:



# Service and Assessment Plan

(cont' d)

- The benefit is based on three tests:
  - 1) the improvements provide a special benefit to the property that is being assessed,
  - 2) the annual installments are collected in the amount required to repay the debt incurred, and
  - 3) the assessments are allocated to the property in the PID on a basis that reasonably reflects the benefit different parcels receive from the improvements

# Service and Assessment Plan

(cont' d)

- Assessment Allocation Bases
  - equally per front foot or square foot
  - according to the value of the property
  - in any other method that allocates improvements in manner that reasonably reflects benefit

# Service and Assessment Plan

(cont' d)

- Use of Equivalent Units

Equivalent Units - ratio of the allocation basis selected within each Land Use Class

- Proposed Land Use Classes in Mercer Crossing PID

Residential:

(Class 1 - Residential – 60 Ft Lots) ; (Class 2 - Residential – 50 Ft Lots);  
(Class 3 - Residential – 40 Ft Lots); (Class 4 - Residential – Townhomes);  
(Class 5 - Multifamily)

Non-residential:

(Class 6 - Restaurant); (Class 7 - Retail) ; (Class 8 - Hotel); (Class 9 - Office)

# Service and Assessment Plan

(cont' d)

- Use of Equivalent Units (EU)

- Estimated values per residential unit and estimated build-out values per 1,000 sq. ft (for restaurant, retail and office) are used to calculate EU factors.

- EU factors are calculated by assigning a factor of 1.0 to the Land Use Class with the highest estimated value per unit or per 1,000 sq. ft (i.e. Class 1 – Residential – 60 Ft Lots) and calculating the relative ratio for the other Land Use Classes.

# Service and Assessment Plan - EU

(cont' d)

Type	Planned No. of Units		Estimated Built-out Value per unit	Equivalent Unit Factor	
<b><u>Residential</u></b>					
Land Use Class 1 (60 Ft Lots)	73	units	\$774,000	1.000	Per Unit
Land Use Class 2 (50 Ft Lot.)	443	units	\$645,000	0.833	Per Unit
Land Use Class 3 (40 Ft Lot)	220	units	\$516,000	0.667	Per Unit
Land Use Class 4 (Townhomes)	111	units	\$322,500	0.417	Per Unit
Land Use Class 5 (Multifamily)	2,250	units	\$120,000	0.155	Per Unit
<b><u>Non-residential</u></b>					
Land Use Class 6 (Restaurant)	25,000	Sq. Ft	\$250,000	0.323	Per 1,000 sq. ft
Land Use Class 7 (Retail)	90,000	Sq. Ft	\$200,000	0.258	Per 1,000 sq. ft
Land Use Class 8 (Hotel)	295	Rooms	\$180,000	0.233	Per Room
Land Use Class 9 (Office)	65,000	Sq. Ft	\$175,000	0.226	Per 1,000 sq. ft

# Projected Assessments per Unit

Type	Assessment per Equivalent Unit	Equivalent Unit Factor	Assessment	Average Annual Installment	Projected Gross Tax Equivalent Rates
<b><u>Residential</u></b>					
Land Use Class 1 (60 Ft Lots)	\$39,368	1.000	\$39,368 per dwelling unit	\$3,274 per dwelling unit	\$0.423
Land Use Class 2 (50 Ft Lot.)	\$39,368	0.833	\$32,807 per dwelling unit	\$2,728 per dwelling unit	\$0.423
Land Use Class 3 (40 Ft Lot)	\$39,368	0.667	\$26,245 per dwelling unit	\$2,183 per dwelling unit	\$0.423
Land Use Class 4 (Townhomes)	\$39,368	0.417	\$16,403 per dwelling unit	\$1,364 per dwelling unit	\$0.423
Land Use Class 5 (Multifamily)	\$39,368	0.155	\$6,104 per dwelling unit	\$508 per dwelling unit	\$0.423
<b><u>Non-residential</u></b>					
Land Use Class 6 (Restaurant)	\$39,368	0.323	\$12,716 per 1,000 sq. ft.	\$1,057 per 1,000 sq. ft.	\$0.423
Land Use Class 7 (Retail)	\$39,368	0.258	\$10,173 per 1,000 sq. ft.	\$846 per 1,000 sq. ft.	\$0.423
Land Use Class 8 (Hotel)	\$39,368	0.233	\$9,155 per room	\$761 per room	\$0.423
Land Use Class 9 (Office)	\$39,368	0.226	\$8,901 per 1,000 sq. ft.	\$740 per 1,000 sq. ft.	\$0.423

# Sample Tax Rate Equivalent (TRE) Summary

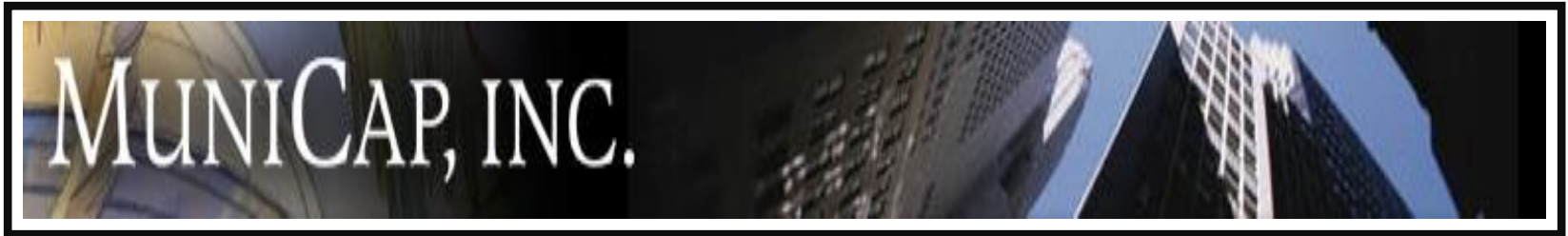
Taxing Jurisdiction	2016 TRE per \$100 Taxable Value
City of Farmers Branch	\$0.602267
Dallas County	\$0.252371
Parkland	\$0.279400
DCCD	\$0.122933
Farmers Branch ISD	\$1.391700
Valwood Improvement District	\$0.250000
Projected Mercer Crossing PID Gross Average TRE	\$0.422997
Mercer Crossing Projected TIRZ Credit Equivalent (40%)	<u>-\$0.240907</u>
<b>Total Estimated Tax Equivalent per Unit</b>	<b><u>\$3.080761</u></b>



# Service and Assessment Plan

(cont' d)

- Provisions for reallocation of assessments
- Provisions for prepayments of assessments (mandatory/ optional),
- Provisions for reduction of assessments
- Collection procedures



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# What is the Estimated Value Growth of The Mercer Crossing Development?

Growth will rise from \$9.2M to over \$900M in value over the next 30 Years.

# What are the Land, Private and Public Improvement Cost Estimates for Mercer Crossing?

\$ 151,956,259

How much is the TIFP putting into this Capital Stack?

\$ 23,592,478

That is 15.53% of the Total Costs

# How is the TIRZ Grant applied to the PID Assessment Annually?

- The TIRZ Funds will be applied annually on a parcel-by-parcel basis calculated annually by the PID Administrator.
- The TIRZ grant proposed will offset approximately \$0.2409/\$100 Assessed Value in Tax on each parcel of property.

# Why is there a \$10,000,000 Right of Way Line Item in the Cost Estimates?

- If the Developer were requesting the City to issue the Revenue Bonds a “Levy” would be placed for the purposes of financing:
  - a) Capitalized Interest
  - b) Reserve Funds
  - c) Issuance Costs
- Since the Developer is not requesting the City to issue the bonds, only a “reimbursement approach” can be used. This approach does not allow for the levying of the property for the cost items listed.
- The Costs still exist, so we are taking Right of Way funds and using those for the purposes listed above.
- Slightly less “Net Funds” for projects are being realized under this approach as it would have with a City Bond Issuance.

City Bond Issue Approach = \$ 34.292M

vs.

Conduit Approach = \$ 33.247M

# Why do we believe that we have made a Conservative Estimate of Valwood Improvement District Tax Reductions?

- We have taken an “isolated” view of just adding “Mercer Crossing Values” to the existing District first.
- We then consulted with Valwood Board Member David Koch.



# Is there reason to believe that the Valwood District Tax Decrease will be steeper in the coming years?

- Yes, if you look at the Debt Service obligations of the District you could assume that this would be the case.
- However, we would assume the District would construct some additional facilities and have capital needs that would restrict this decrease to some degree.
- On the alternate side we could see substantial new added Assessed Value in the District over the Years that will allow for a steeper decline in the Value.

# **Could we allow the City to decrease the TIRZ participation in anticipation of this steeper decline?**

Our Conclusion at this time is that we would like not to make any additional reductions in our TIRZ participation due to the unforeseen Financial Situation of the Valwood Improvement District and the need to be within the Tax Metric Shown.

# What actions have already been taken?

- The Developer filed a “petition” requesting the creation of the Mercer Crossing Public Improvement District (MCPID) on January 4<sup>th</sup> of 2017.
- The Mercer Crossing TIRZ was created November 1<sup>st</sup> of 2016 and a Preliminary Finance Plan was filed at that time. The participation amounts have not changed.

# What is the Developer requesting following tonight?

**The Developer is requesting that the City Council direct staff to implement the Schedule proposed and proceed to implement all actions necessary to:**

1. Appoint the City Council as the TIRZ Board on January 17<sup>th</sup> 2017.
2. For the TIRZ Board to consider approval of the Final TIRZ Finance Plan on February 21<sup>st</sup>, 2017.
3. City Council conduct a Public Hearing and take action to create the “Mercer Crossing Public Improvement District” pursuant to Petition Request on February 7<sup>th</sup>, 2017.
4. City Council conduct a Public Hearing on the “Levy of Assessment” on February 21<sup>st</sup>, 2017,
5. City Council then consider approval on February 21<sup>st</sup> of:
  - a) Levy and Assessment Ordinance
  - b) Service and Assessment Plan
  - c) Construction Funding and Acquisition Agreement
  - d) Reimbursement Agreement
  - e) Consent for the assignment of the Reimbursement Agreement for the Conduit Issuer Approach