

**City of Richardson TIRZ Application  
Responses to Collin County TIRZ Policy  
City of Richardson Tax Increment Reinvestment Zone No. Three**

Listed below are sections of the County's TIRZ Policy and the City of Richardson's applicable responses as part of the application for County participation in the City of Richardson Tax Increment Reinvestment Zone No. Three. The City's responses are shown in red. Attached to this application packet are also the following documents.

1. Summary Power Point presentation of TIF #3
2. City Ordinance No. 3845 approving the TIRZ and a Preliminary Project and Financing Plan and Ordinance No. 4101 approving the Final Project and Financing Plan *(The Project plans are not attached to Ordinance No. 3845 and Ordinance No. 4101 due to their size. The final (current) Project and Financing Plan adopted by ordinance 4101 is attached to this application as a separate document)*
3. Final/Current Project and Financing Plan, approved by Ordinance No. 4101 on February 9, 2015
4. DRAFT Inter Local Agreement (ILA) between Collin County and the City of Richardson – *See Exhibit A for Collin County Project Specific Category participation*
5. Existing Development Agreement for TIF #3
6. TIF/TIRZ Participation Percentage Analysis
7. TIF/TIRZ Summary Information
8. Historical Values for Properties in TIF #3

**Participation Requirements**

1. **County Audits.** The County will have the right to audit the books and records of every Zone (and Redevelopment Authority) in which it participates. Such audits will take place any time convenient to the County. *Right to audit is addressed in section 5.13 of the ILA*
2. **Eligible Zone.** In order for a reinvestment zone to be eligible for County participation, it must:
  - a. Must meet the eligibility requirements contained in Chapter 311 of the Texas Tax Code and these guidelines; *Tab 2 of this packet includes the authorizing ordinances that are in compliance with Chapter 311 of the Texas Tax Code. The Tax Increment Reinvestment Zone (TIRZ) has been approved by the Richardson City Council. See attached Ordinance No. 3845 approved on November 14, 2011 creating the TIRZ and the Preliminary Project and Financing Plan. Also attached is Ordinance No. 4101 that was approved on February 9, 2015 and approved the final/current Project and Financing Plan.*
  - b. Cost/Benefit Analysis must show a net financial benefit will accrue to the County during the terms of its participation. *Schedules 3, 8E, 8W, 12E and 12W of the Project and Financing Plan (Tab 3) show the net financial benefit that accrues to Collin County. Additionally a TIF Summary Information page is attached behind Tab 7 to this application that shows the net financial benefit.*

3. **Eligible Project.** In order to be eligible for County participation, a project must have clear public purpose. Schedule 6 of the Project and Financing Plan shows the public purposes and estimated project costs. Exhibit A of the Draft Interlocal Agreement shows the Project Specific Categories that Collin County is being asked to participate in under the Collin County TIRZ Policy.

4. **Terms of Participation.**

- a. The County's participation percentage may not exceed the City's participation percentage when all City tax revenues (property & sales taxes excluding Community Development Corporation and Economic Development Corporation rebates) are calculated within the TIRZ. As an example, if the City projects sales and property tax revenues of \$100 million for the life of the proposed TIRZ and agrees to refund \$40 million to the TIRZ, the County's participation may not be more than 40%.  
A supplemental schedule (TIF Participation Percentage Analysis) is attached to this application (Tab 6) and shows the City's participation percentage of 60.85%.
- b. All County participation must be for Project Specific Categories. Project specific categories are shown in Exhibit A of the Draft Interlocal Agreement (ILA). These categories include reimbursement to the developer for land dedication (related to roadways), road infrastructure and storm water drainage. It also shows Open Space/Trails as a category for County participation based on the County's previous participation in that development category for TIRZ #2.
- c. County participation must be capped at the total amount of its contribution to Project Specific Categories. Exhibit A of the ILA shows the Project Specific Categories that are eligible to be reimbursed by the County's tax increment. The ILA also defines the Maximum Reimbursement Amount as "an amount of no more than Thirteen Million Two Hundred Thousand Dollars (\$13,200,000) of the County's Tax Increment which shall be deposited in the Tax Increment Fund during the term of TIF Zone Number Three and used for Project Specific Categories and financing costs eligible for County participation as shown in the Project Plan and as more specifically described in Exhibit "A". The Maximum Reimbursement amount includes \$13.2 million in project specific category costs for land dedication (related to roadways), road infrastructure, storm water drainage and open space/trails construction.
- d. The term of County participation will not extend beyond its payment of the Capped amount or the zone's receipt of the total amount from all jurisdictions, as set out in its project plan, whichever occurs first. The TIRZ is projected to last for 25 years or from 2012 through 2036. County TIF funds will only be allowed to be spent on the project specific categories in which the County agrees to participate and are capped as described above in 4.c.
- e. The County must have the ability to designate those projects in which it will participate, and for which it will administer the construction. In these instances, the TIRZ will pay to the County, in advance, all funds necessary to cover the cost of completion of the project. The Project Plan does not contemplate the County administering any construction.

- f. No more than 10% of any increment contributed by the County may be utilized by the TIRZ for the payment of administrative, legal, consulting or other professional expenses, except engineering and architectural fees directly related to the specific projects in which the County will participate. No portion of the increment contributed to the TIRZ by the County may be paid to the City for administration fees. **The Project Plan estimates that the City and County will contribute 10% of Infrastructure costs for Engineering and Design, as well as up to 3.5% of Infrastructure costs for Survey and Inspection costs. The Project Plan does not contemplate that the City and County will pay for project management fees related to the project. The County will not pay for TIF administration costs and studies, which are estimated in the Project Plan to be \$1,274,000.**
- g. There shall be no penalty or interest due from the County for delayed increment payments. **This requirement is noted in section 3.2 of the Draft ILA**
- h. County participation may not exceed 50%. **The Project and Financing Plan shows county participation at 50%. The City's participation is shown at 66.67%. The other 33.37% of the City's tax increment will go to the general fund and be used to fund police, fire, and other city services provided to the development.**
- i. County participation must be governed by an Interlocal Agreement executed by the municipality and County formalizing the terms and condition of participation. **A Draft ILA is included as part of the City's information packet of materials. The Draft ILA is behind Tab 4. The ILA is the same ILA that was used for the County's participation in TIF #2.**

### **Application & Approval Process**

1. Collin County will consider participation in a Tax Increment Reinvestment Zone on a case-by-case basis. Requests for County participation are to be made to the County Administrator (Collin County Commissioners Court, 2300 Bloomdale Rd. Suite 4192, McKinney, TX 75071). The written request must be accompanied by the information outlined below:
  - a. An explanation of why the TIRZ is needed; **An explanatory Powerpoint presentation is provided as part of this application packet and the Project and Financing Plan also addresses the reasons the TIRZ is needed.**
  - b. The estimated lifespan of the TIRZ; **The lifespan of the TIRZ is projected to be 25 years from 2012 through 2036.**
  - c. A description of the proposed private sector development, its investment level and its implementation schedule; **See Schedule 5 of the Project and Financing Plan. The Project and Financing Plan is behind Tab 3.**
  - d. A financial forecast of what growth will occur in the proposed TIRZ if the TIRZ is not created or does not become operational; **The TIRZ has historically been undeveloped open space property and does not contain roads and supporting utility infrastructure. It is projected that \$59.0 million in public improvements are needed. The Project and Financing Plan projects that \$56.9 million of TIRZ support will be needed, with the remaining \$2.1 million coming from approved grants. The project plan estimates that**

the developer will not be reimbursed for financing costs. The developer can be reimbursed for financing costs if values come in stronger and/or development occurs at a faster pace. Without the TIRZ support being put into place in 2012, development of the land will most likely occur at some point in the future and at a much slower pace. Additionally, without the TIRZ, the development will most likely occur in smaller increments, inhibiting a comprehensive development approach. The TIRZ will allow the development to occur without incurring up-front public support and incurring up-front debt service costs. Under the TIRZ, developers finance the public infrastructure costs and are paid through a reimbursement approach only if their development occurs and only if it occurs at a pace that allows repayment during the twenty-five year life of the TIRZ. In other words, developers incur the up-front infrastructure costs and are reimbursed only if the development's real property values increase at a level to pay the developer(s) back over the life of the TIRZ. However, as previously mentioned, at the end of the 25 year life of the TIRZ, any outstanding unreimbursed infrastructure costs and/or financing costs will not be owed and will cease to exist as the TIRZ is terminated.

- e. The assessed valuations of the proposed TIRZ for each of the past five years; A schedule has been attached to this application packet behind Tab 8 that contains the historical value information
- f. A detailed description of what Public Improvements will be undertaken, how they will be funded, and how these improvements relate to the area's growth; A description of needed public improvements is shown in Schedule 6 of the Project and Financing Plan. Exhibit A of the DRAFT ILA shows the public improvements broken down into project specific categories.
- g. A description of the level and duration of the Reinvestment Zone Financing Plan that is being requested for each taxing entity; Participation is shown in the Project and Financing Plan for Collin County at 50% of the County's increment for the remaining 22 years of the 25 year TIRZ. Specifically, Schedules 1, 2 and 3 show summary projections for the City and the County for development on both sides of US 75. These schedules show the taxes that will fund the TIRZ and also show the taxes that will be retained by both taxing entities. Schedules 7-12 (E & W) show detailed projections for the City and County for development east of US 75 and west of US 75. Additionally, behind Tab 7 information has been provided with this application packet that summarizes the estimated funds that go to the TIRZ and that are retained by each taxing entity. The County will retain 100% of the base real property taxes, 50% of the real property tax increment and 100% of the business personal taxes from development in the TIRZ.
- h. A detailed description of anticipated annual TIF Project revenues, costs, increments, and debt service requirements; See answer to question g. above. Additionally, the Project and Financing Plan shows the TIRZ will not issue any bonded debt. Developers are expected to finance and pay the initial costs to construct public improvements within the TIRZ. The Project and Financing Plan estimates that the TIRZ will not be able to fully reimburse the infrastructure costs. As mentioned previously, any outstanding balance will cease to exist at the end of the 25 year TIRZ period. If the development occurs

faster than shown in the Project Plan or if values come in stronger, then the developer could achieve full payout, as well as reimbursement of financing costs.

- i. An explanation of the bases for the TIF Project's financial and economic growth assumptions; Assumptions are noted in the Project and Financing Plan. As an example, inflation is shown to grow at 3% and post completion appraisals increase at 1%.
  - j. A detailed description of the TIF Project's impact on the local economy and the County's property tax base and if applicable, a description of the number/types of new permanent jobs to be created and the projected payroll/or the number/types of housing units to be created and the projected sales/rental prices of each type of housing or business; The TIRZ is 89 acres and taxable values are shown to grow from \$10,589,481 (2011 base year) to \$607 million in 2036, which is the last year of the TIRZ. Schedules 1, 2, and 3 of the Project and Financing Plan show summary financial projections for the City and the County. Schedule 5 shows projected development in the TIRZ and estimates that 3.71 million square feet of development will be added.
  - k. The results of present value analysis which show in what year the additional tax revenue benefits to the County will equal or exceed the incremental revenues that the County will forego; As discussed with County staff, see attached Participation Percentage Analysis behind Tab 6.
  - l. A copy of any existing marketing and feasibility study; See Project and Financing Plan
  - m. A description of the Applicant's background, its record at undertaking similar projects, the background of its major principals, its relocation/expansion history over the past fifteen years, its financial condition over the past five years, and its source of financing for the TIF Projects; Not Applicable – City is the Applicant
  - n. An explanation, if applicable, of how the TIF Projects will revitalize economically distressed areas and/or provide employment for the chronically unemployed; Not applicable
  - o. A discussion of how the TIF Projects avoid, address, and/or alleviates displacement and environmental concerns; Not applicable
  - p. The name, address, and telephone number of the contact person; Dan Johnson, City Manager (972) 744-4201 and Kent Pfeil, Chief Financial Officer (972) 744-4202
  - q. All projected revenue information provided to the City Council prior to their adoption of the TIRZ; See attached Project and Financing Plan and Powerpoint presentation
  - r. Any hard deadlines proposed and/or adopted by the City Council must be included in the presentation to Commissioners Court and in the County agreement; and
  - s. Any other information that may be requested that reasonably relates to the development or re-development of an area intended to be used for a TIF Project.
2. If TIRZ is in an incorporated area, a TIRZ agreement with the City must be approved prior to adoption by the County. A copy of the city ordinance and all documentation must be submitted to the County Administrator 45 days prior to the first public hearing. This application packet includes all ordinances approving the TIRZ, the Infrastructure Reimbursement Agreement with the Developer, and a Draft ILA for County participation.

3. Prior to approving an order of participation in a TIRZ, the Commissioners Court will hold a public hearing at which interested persons shall be entitled to speak and present written materials for or against the approval of the County's participation as required in the Texas Tax Code section 311.003.
4. In order to approve participation in a TIRZ, the Commissioners Court must find that the of the proposed participation will meet these Guidelines and that:
  - a. There will be no substantial adverse effect on the provision of the jurisdiction's service or tax base; and
  - b. Participation will not substantially adversely affect the County's ability to carry out its long range development plans.
5. The County has the right to terminate or reconsider the County's participation of the TIRZ in the event the requirements of Tax Code 311.013(d) have not been met: **These provisions from the County's Policy are addressed in the Draft ILA in section 3.2 and section 4.1(e). Three years have passed since the creation of the TIRZ (November 14, 2011). However, City staff mentioned to the County when TIRZ #2 (State Farm area) participation was sought that the City would like to wait to ask for participation in the adjacent TIRZ #3. TIRZ #3 was created at the same time as TIRZ #2 and with the same terms and conditions. The City waited to approve a final project and financing plan until February 2015 when there was a master developer for the 54 acres on the east side of US 75 and there was a more detailed and relevant project development plan and schedule. Additionally, purchase of the property east of US 75 by the developer, BC Station Partners, L.P., was delayed for a year due to a trace amount of contaminants in the soil on the north side of the property. There has never been any development on this property and it is believed there may have been some backfill soil put on the property at one time. The site was a good candidate for a Municipal Setting Designation (MSD) due to relatively modest exceedances and a limited affected area. BC Station Partners initiated the MSD application process and received TCEQ final approval. The MSD application process delayed the sale of the property from the Caruth Family Trust to BC Station Partners L.P. for over a year.**

(d) If the reinvestment zone is created on or after August 29, 1983, a taxing unit is not required to pay a tax increment into the tax increment fund of the zone after three years from the date the zone is created unless the following conditions exist or have been met within the three-year period:

- (1) bonds have been issued for the zone under Section 311.015;
- (2) the municipality or county that created the zone has acquired property in the zone pursuant to the project plan; or
- (3) construction of improvements pursuant to the project plan has begun in the zone.