



From the Office of Robert T. Herrera, City Manager
City of Cibolo 200 S. Main / PO BOX 826 Cibolo, Texas 78108 (210) 658-9900 www.cibolotx.gov

April 14, 2016

Chairman Coursen and Blue Ribbon Committee Members:

I would like to begin by thanking you for attending the first Blue Ribbon Committee meeting on Thursday, April 7, 2016.

This correspondence is intended to provide you with items requested at the April 7th meeting. Enclosed, please find:

- A Tax Increment Reinvestment Zone (TIRZ) example and some background information on TIRZ and TRZ.
- A DRAFT Future Land Use Map (FLUM) from Halff and Associates. Halff and Associates are the professional certified planning consultants contracted by the City to update the existing Comprehensive Master Plan.
- A response from John Crew, President of Public Werks, Inc., to questions submitted by individual members of the Committee through close of business (5 p.m.) on Tuesday, April 12th.

Additionally, a Conceptual Layout of Cibolo Turnpike by LNV Engineers and the City's current Future Land Use Map (FLUM) dated 7/28/2015 were sent out separately by the City Secretary's office on Friday, April 8, 2016.

Thank you again for your time and commitment to this project.

Sincerely,

Robert T. Herrera
City Manager

Enclosure(s)

Cc: Mayor/City Council
J. Crew/E. Hoffman/L. Lauderdale, Public Werks, Inc.
D. Delisi, Delisi Communications
Peggy Cimics, City Secretary

TAX INCREMENT REINVESTMENT ZONE EXAMPLE

The following are examples showing a comparison between a property tract located *outside* of a Tax Increment Reinvestment Zone and the same property tract being located *within* a Tax Increment Reinvestment Zone.

THE FOLLOWING ASSUMPTIONS WERE USED:

- 1) The property tract consists of one hundred undeveloped acres;
- 2) The property is valued at three million dollars on the tax roll as of January 1st, 2015. The three million dollar value becomes the “base” value for the property prior to the placement of this tract within the TIRZ.
- 3) The tax rate for all taxing entities remains the same as of January 2015, in this example the following taxing units were used: city, county, school.
- 4) The one hundred acre tract increases in property value by one million dollars within the next two years.
- 5) The first example reflects both the city and county agreeing to participate with the TIRZ and agree to allow the TIRZ to keep 100% of the incremental increase above the base year.
- 6) The second example reflects both the city and county agreeing to participate with the TIRZ and agree to allow the TIRZ to keep 50% of the incremental increase above the base year.

BEFORE TIRZ – “EXAMPLE”

100 Acre Tract on Tax Roll

\$3,000,000

Property Tax Revenue

City Tax Rate 0.4454	\$	13,362.00
County Tax Rate 0.3851	\$	11,553.00
School Tax Rate 1.4900	\$	44,700.00
Total Property Tax Cost	\$	69,615.00

AFTER TIRZ – “EXAMPLE”

Property Tax Revenue Generated

	Base Value 2015	Incremental Increase 2017	Retained by TIRZ @ 100%	Retained by TIRZ @ 50%
	\$3,000,000	\$1,000,000		
City Tax Rate 0.4454	\$ 13,362.00	\$ 4,454.00	\$ 4,454.00	\$ 2,227.00
County Tax Rate 0.3851	\$ 11,553.00	\$ 3,851.00	\$ 3,851.00	\$ 1,926.00
School Tax Rate 1.4900	\$ 44,700.00	\$ 14,900.00	\$ 0.00	\$ 0.00
Total Property Tax Revenue	\$ 69,615.00	\$ 23,205.00	\$ 8,305.00	\$ 4,153.00

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Glenn Hegar

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Tax Increment Financing Act, Tax Code Chapter 311 Overview

Tax increment financing is a tool that local governments can use to publicly finance needed improvements to infrastructure and buildings within a designated area known as a reinvestment zone. The cost of improvements to the reinvestment zone is repaid by the future tax revenues of each taxing unit that levies taxes against the property. Each taxing unit can choose to dedicate all, a portion of, or none of the tax revenue gained as a result of improvements within the reinvestment zone.

A reinvestment zone can be initiated by petition of the affected property owners or a municipality can initiate a reinvestment zone without the need for a petition. Although counties were authorized to form reinvestment zones by statute in 2005, it is unclear whether such zones would be legal without a constitutional amendment. Counties interested in initiating tax increment financing should seek the advice of legal counsel.

Once a city has begun the process of establishing a tax increment financing reinvestment zone, other taxing units are allowed to consider participating in the tax increment financing agreement. These zones are commonly referred to as either a tax increment financing (TIF (Tax Increment Financing)) zone or a tax increment reinvestment zone (TIRZ (Tax Increment Reinvestment Zone)).

There is a multi-step process by which a taxing unit can establish a tax increment financing zone. The statutes governing tax increment financing are located in chapter 311 of the Texas Tax Code.

Resources

[Local Property Tax Information \(http://www.window.state.tx.us/taxinfo/proptax/\)](http://www.window.state.tx.us/taxinfo/proptax/)

[Economic Development Handbook \(PDF posted by Office of Attorney General, 2013\)
\(https://www.oag.state.tx.us/AG_Publications/pdfs/econdevhb2013.pdf\)](https://www.oag.state.tx.us/AG_Publications/pdfs/econdevhb2013.pdf)

Tax Increment Refinancing Zone (TIRZ) Presentation

What is a TIRZ?

- Tax Increment Reinvestment Zones (TIRZs) are special zones created by City Council to attract new investment to an area. TIRZs help finance the cost of redevelopment and encourage development in an area that would otherwise not attract sufficient market development in a timely manner. Taxes attributable to new improvements (tax increments) are set-aside in a fund to finance public improvements within the boundaries of the zone.

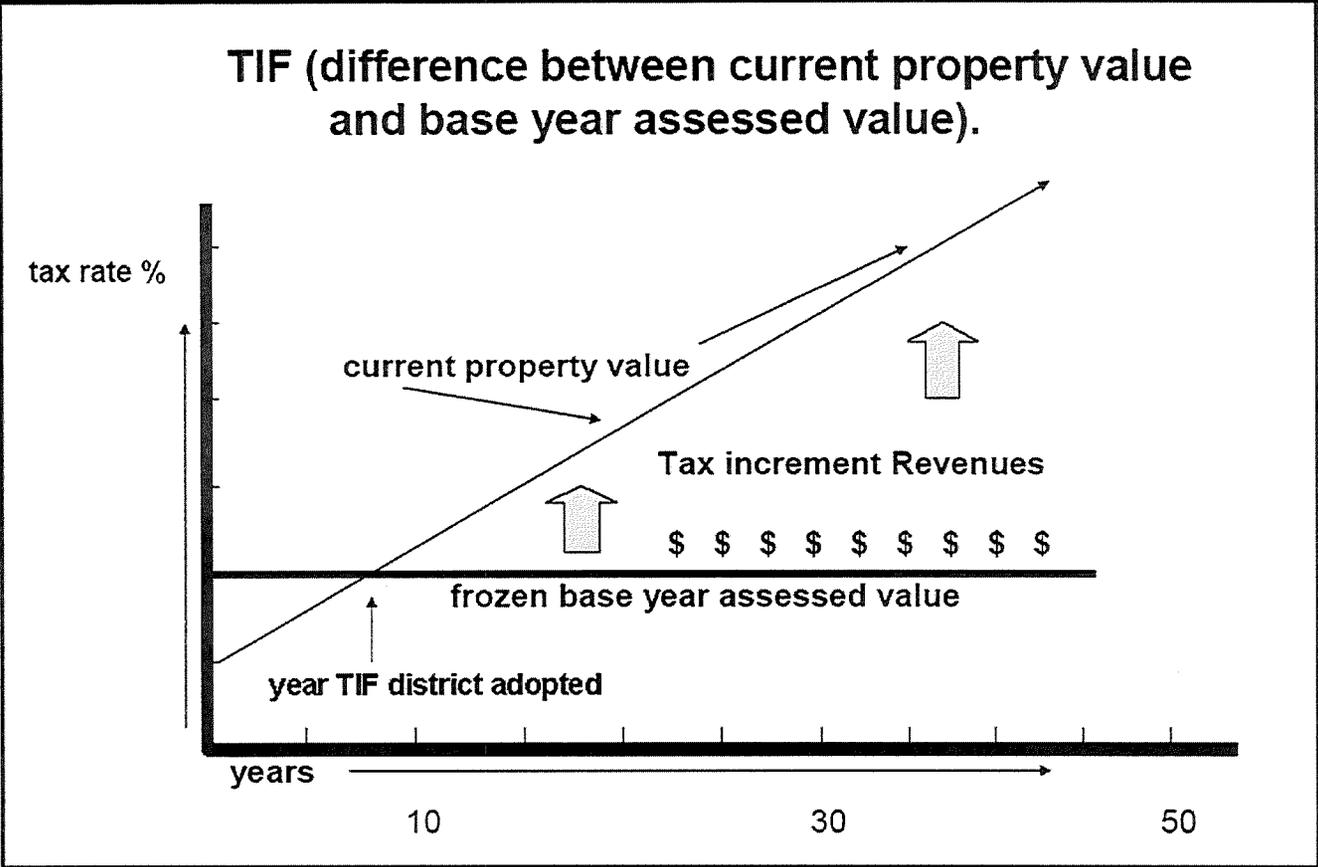
Tax Increment Financing

Tax Increment Reinvestments Zones (TIRZ) were created by the Texas Legislature to help finance the cost of improvements needed to promote development or redevelopment in specific geographic areas (TIRZ Zone) of a community.

A TIRZ is regulated and monitored by the City in accordance with Chapter 311 of the Texas Tax Code

You can read more about what the Texas Comptroller's Office has to say about Tax Increment Financing on their website.

How TIRZ Funding works:



Public improvements allowable under Texas Law:

Public improvements scheduled for the Zones include, but are not limited to, the construction of:

- (i) sidewalks, cross walks and pedestrian crossing systems
- (ii) storm sewers and drainage ponds,
- (iii) sanitary sewers,
- (iv) landscaping, streetscape, fountains, works of art, and benches,
- (v) plazas, squares, pedestrian malls, trails, and other public spaces,
- (vi) parking lots and roadways,
- (vii) utility line relocation and installation,
- (viii) water system improvements
- (ix) parks, and outdoor performance spaces,
- (x) bicycle routes and facilities,
- (xi) public transportation projects,
- (xii) signage, and
- (xiii) other related necessary or convenient public improvements (collectively, the “Project Costs”).

What are the criteria for a TIRZ?

Chapter 311 of Tax Code Requires:

311.005 (1) Substantially arrest or impair the sound growth of the municipality... due to the presence of:

- (A) Substantial number of substandard, slum, deteriorated, or deteriorating structures;
- (B) Predominance of defective or inadequate sidewalk or street layout;
- (C) Faulty lot layout in relation to size, adequacy, accessibility or usefulness;
- (D) Unsanitary or unsafe conditions;
- (E) Deterioration of site or other improvements;
- (F) Tax or special assessment delinquency exceeding fair value of the land
- (G) Defective or unusual conditions of title; **or**
- (H) Conditions that endanger life or property by fire or other cause.

311.005 (2) Be predominantly open and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality

TIRZ is not...

- Not a gift or windfall to developers
- Not a tax abatement or rebate of taxes; anyone owning property in the TIRZ pays property taxes, including the developers
- Not a “freezing” of taxes or tax rates
- Not a mechanism for skirting city regulatory process or codes
- Cannot trigger a tax increase

TIRZ has been successful

TIRZ are “tools” and as such are neither inherently good nor inherently bad

Successful TIRZ usually have clearly identified needs and focused solutions, i.e. programs and development partners to fill need (Arlington Stadium was a TIRZ project.)

TIRZ are focused capital improvement programs, paying for needed infrastructure based on likelihood of redevelopment

TIRZ are usually performance based public/private partnerships

TIRZ are usually long term in nature

A few examples of cities who have successfully used TIRZ:

Abilene

Austin

Brownsville

Beaumont

Bryan

Dallas

Ft. Worth

Galveston

Grapevine

Houston

Katy

League City

Pearland

San Antonio

South Lake

Sugar Land

Tyler

Why is TIRZ right for Cibolo, Texas ?

- TIRZ is performance-driven, another words, no money is spent until work is completed
- Pro-active plan that puts developers on notice of what City may do
- Financing structure that is well-understood by the private developers
- Ability to influence developer plans and projects over a long term

To utilize tax increment financing (“TIF”) in Texas, a tax increment reinvestment zone (“TIRZ”) must be created over the specific geographic area (TIRZ Zone) where the public improvements will be constructed. Zones must be contiguous and are limited to the percentage of residential property allowed in the Zone. Above,

What is the TIRZ process?

First, the project is presented by developer, property owner, or Public Works to staff for consideration.



Then, city staff makes determination of public benefit and analysis of return on City's investment



Next, TIRZ board votes on recommendation for inclusion of project to Project List



If the TIRZ board recommends inclusion, Council acts on inclusion of project to Project List



If Council approves project, Council acts on funding from TIRZ based on staff recommendation and funding availability



If approved, staff monitors projects until completed

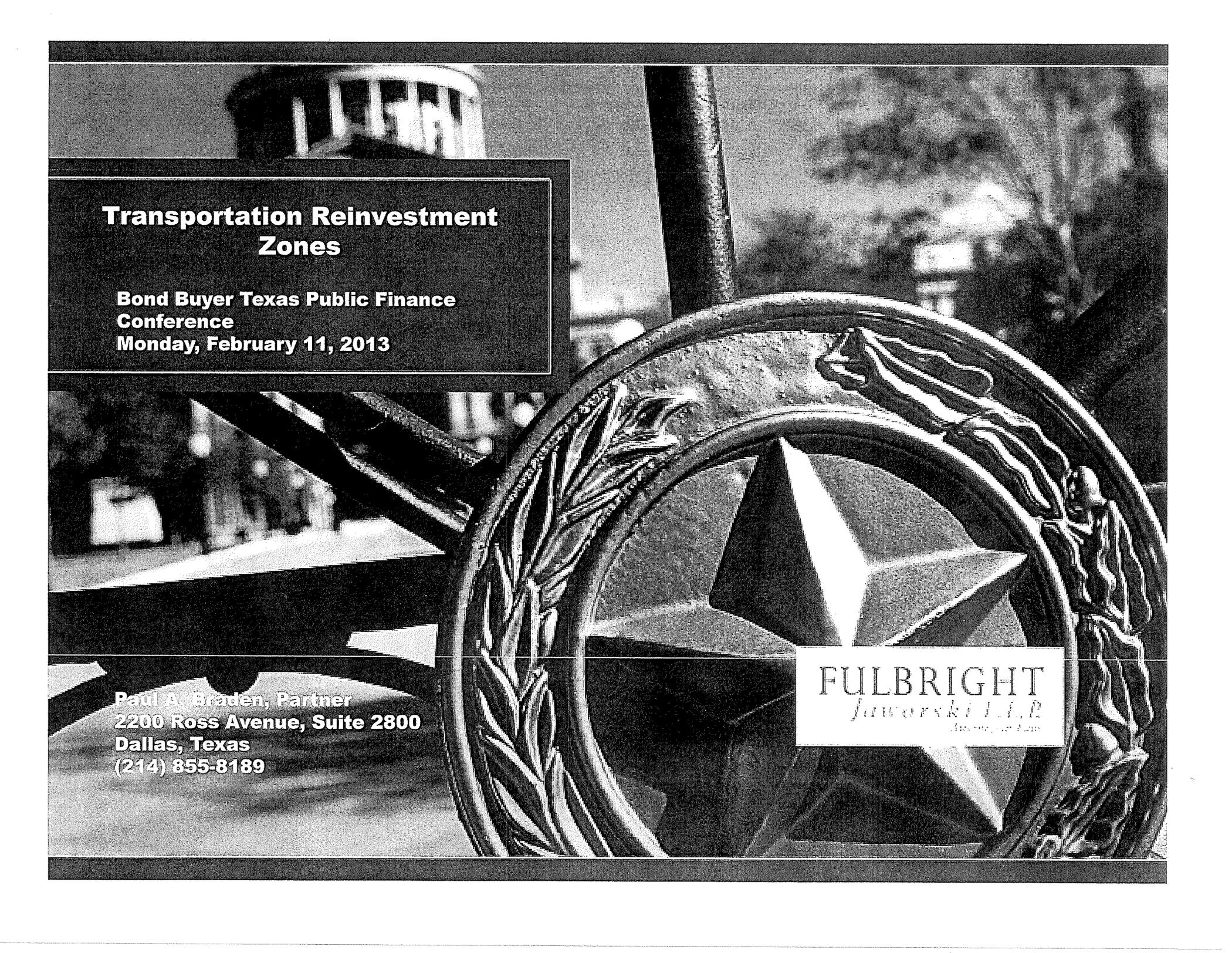
Summary

Pros:

- Performance based
- Will not burden existing residents
- Requires a plan that informs public and private sector of vision, goals and eligibility

Cons:

- Long term economic development tool
- Perception of developer reimbursements as “giveaways” will require transparency and full disclosure
- Board must remain fully engaged



**Transportation Reinvestment
Zones**

**Bond Buyer Texas Public Finance
Conference
Monday, February 11, 2013**

**Paul A. Braden, Partner
2200 Ross Avenue, Suite 2800
Dallas, Texas
(214) 855-8189**

FULBRIGHT
Jaworski L.L.P.
Attorneys at Law

Transportation Reinvestment Zones

- Transportation Reinvestment Zones (“TRZ”) are tools for generating funding by capturing economic growth associated with transportation project
- Tax increments from the TRZ are used to defray capital costs of a project—specifically the construction costs of building a project
- Think TIF or TIRZ for transportation projects

Transportation Code

- Section 222.106 (Municipal TRZ's):
 - *governing body determines an area to be unproductive and underdeveloped*
 - *governing body by ordinance designates a contiguous geographic area in the jurisdiction to be a TRZ*
 - *30 days before, public hearing*
 - *may contract with a public or private entity to develop, redevelop, or improve TRZ project & pledge tax increment to that entity*

Transportation Code

- Section 222.107 (County TRZ's):
 - *commissioners court, after determining that an area is unproductive and underdeveloped, by order or resolution designates a contiguous geographic area as a TRZ*
 - *30 days before, public hearing*
 - *Failure of Prop 4 (November 2011) means counties cannot issue bonds directly from TRZ revenues, but counties can still form TRZ's, contract with other parties, etc.*

Transportation Code

- Section 222.108 :
 - *Eliminated pass-through requirement for TRZ projects*
 - *“Notwithstanding the requirement in Sections 222.106(b) and 222.107(b) that a transportation reinvestment zone be established in connection with a project under Section 222.104, a municipality or county may establish a transportation reinvestment zone for any transportation project.”*

A Rose by Any Other Name...?

- Why a TRZ instead of a TIRZ?
 - *Financing of transportation projects is more restrictive in a TIRZ*
 - *TIRZ requires separate board of directors*
 - *Some greater ease of administration & creation*
 - *TRZ is focused on transportation*

Examples

- City of El Paso/ Camino Real RMA
 - *TRZ Financing with RMA & SIB*
- City of Forney, TX (Kaufman County)
- Hidalgo County, TX.

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Jaworski L.L.P.
Attorneys at Law

MEMORANDUM

TO: Blue Ribbon Committee, City of Cibolo
FROM: John N. Crew
DATE: April 13, 2016
RE: Questions from Blue Ribbon Committee

It was a pleasure meeting with the Blue Ribbon Committee on Thursday, April 7, 2016. Below are responses to the follow-up questions that we have received to date.

Questions received from Lynn Herr:

- 1) Will there be sufficient traffic without changing the TxDOT plan for 1103?

Cibolo is a fast growing city in a fast growing region of the state and, as a result, we anticipate there will be sufficient traffic for project feasibility without changing the existing TxDOT plan for FM 1103. Preliminary traffic forecasts also show the long-term need for the proposed Cibolo Turnpike and improvements to FM 1103 to ease increasing congestion. However, a nationally recognized traffic engineer accepted by Wall Street Investors will confirm all this after the commissioning of an investment grade traffic study.

- 2) Zuehl Rd., Lower Sequin Rd., and SH78 are 3 of the 4 corners. What is the fourth?

While a general corridor for the proposed facility has been shown (and the intention is for the exit of FM 1103 around Wagon Wheel Way to be the northern terminus) the exact location has not yet been designated. Additionally, the potential exists for a corner terminus location south of Steele High School campus and S.H. 78.

- 3) Will law enforcement patrols be limited to City and County personnel?

Yes, if that is what the City wants. Usually that service is a separate contract and requires additional personnel. We will need dedicated enforcement patrols for the Project. Such contracts will not be a financial burden to the City or County.

- 4) In the event of a major accident that closes the highway in one direction, especially during the 2+2 lane configuration, how will traffic be rerouted?

Traffic control plans and emergency management plans will be developed in consultation with city and public safety officials and will be incorporated into the on-going operations and maintenance of the facility. The goal is to have the safest and most efficient and effective plans in place in the event of a major accident.

- 5) What is Plan B if the four corners fail to “explode with interest and commercial activity”?

The Cibolo Turnpike is needed regardless of whether development alongside the facility materializes. Furthermore, the anticipated economic development is not a prerequisite for the development of the turnpike. This road project is being developed with the expectation that tolls alone will support the project. We believe that the Cibolo Turnpike will likely increase the pace of economic development in this area by providing better access to this area.

Questions received from Tim Bird:

- 1) What are the names of the other organizations that provide this same service that John Crew with Texas Turnpike Corporation does? He mentioned that there were 4 or 5 other companies and that only a couple were in good standing? What were the names of them and have we gone through this same process with them yet? If so what were the determining factors that kept us working with Texas Turnpike Corp (TTC)? Is there any other option for other investors to do the same thing?

As of April 11, 2016, there are two other organizations that have “active” status on the Texas Comptroller’s website (<https://mycpa.cpa.state.tx.us>): Road & Bridges Builders, Inc. and National Tollroad Authority Corporation. We are unaware of any of their activities in the marketplace. To our knowledge, the City of Cibolo has not gone through this same process with them yet. The determining factor for working with TTC is their track record of providing pre-development dollars on a greenfield project. TTC is the only current tollroad corporation who has officially worked with TxDOT in developing a new facility.

- 2) How does the TTC make their money? What is the percentage of the toll that would go to them? What is the return that TTC is expecting on the investment?

Through our annual license fee plus a share of the profits after all expenses, which includes debt, equity, operating expenses, and capital reserves. TTC investors will have an ownership interest in the Project. To the extent the Project hits its feasibility, then TTC investors will receive distributions that will hopefully generate a 12-14% return on its capital, which is typical of concession contracts issue by TxDOT and elsewhere.

Typically, during the first ten years of a greenfield toll facility there is little current return available for investor equity.

There is not a direct percentage of the toll that goes to TTC.

- 3) How long does the proposed toll take to “repay” the initial investment?

Typical investors look to get their money out in ten years, however, completely amortizing the debt it would take at least 30-36 years; additional time to average the 12-14% return on equity. We estimate that there will be a ten-year holding period before recouping the initial investment on the Project, with little or no current return during that period. Initial investors will generally not go longer than this on greenfield development.

- 4) When that term is over what are the plans for the road? Keep it a toll road? Take the tolls out?

The term of ownership will be 75 years with an option to renew. There will also be an early buyout clause for the City, if they want to remove the tolls in the future.

- 5) Can we allocate portions of the TIRZ money for other specific uses? Examples, 10% for parks improvements or development, 10% for economic development, 10% for funding Police?

Money generated using Tax Increment Financing, whether TIRZ (Tax Increment Reinvestment Zone) or TRZ (Transportation Reinvestment Zone), are governed by rules as to what those funds can and cannot be used for. However, those rules are well understood, and the use of the funds is more of a policy decision by the local community.

- 6) What is the cost that TTC has estimated that this will take to complete?

The preliminary estimate prior to any design is approximately \$125MM.

- 7) What is the timeline that they expect to complete?

Upon agreement from first the local community and then TxDOT, we would move forward with Project Development. We anticipate that the planning and design phase would take approximately 18 months. Construction would take another 24 months with completion in 2020.

- 8) Maintenance range that was given was between 7-25 years? Pretty big gap? What would be the factors to be considered to get it closer to the 25-year end before maintenance would be needed. What guarantees on the roads would be provided to assure quality?

The reason for the big gap is that we have not yet done any geotechnical studies that will give us the exact answer to the question.

It is important to know that, in reality, maintenance occurs from day one once the road opens. Toll roads are typically maintained at a higher level than non-toll facilities because there is a fiduciary requirement to the bond holders that the facility is maintained to higher level.

As to when large capital maintenance projects occur, such as pavement overlay, rehab, etc., that will be indicative as to the type of the initial pavement. For example, we have illustrated concrete, not asphalt, and costs in our draft *pro forma*. Concrete is more expensive up front but does not require as much early maintenance.

TxDOT will have to approve all plans prior to construction and we expect that the general guarantees for road quality found in the marketplace would be in place on this project.

Questions received from David Pevoto:

- 1) Who will enforce/monitor traffic and safety on the toll road?

Usually that service is a separate contract and requires additional personnel. We will need dedicated enforcement patrols for the Project. Such contracts will not be a financial burden to the City or County.

- 2) How close will this road actually be to Steele High School?

While a general corridor for the proposed facility has been shown, the exact location has not yet been designated. The actual proximity to Steele High School will be determined through the design process.

Questions received from Randall Hawkins:

- 1) Has Cibolo already appraised any of the properties according to the path shown on the map?

The City has not spent any funds to appraise any of the properties along the proposed Cibolo Turnpike. The City has done a preliminary engineering survey review of the existing ownership of the properties within a quarter mile of the centerline of the proposed Cibolo Turnpike. As part of their review, LNV, Inc. accessed public records prepared by the Guadalupe County Appraisal District to show current land ownership and current land values. The route study was done by LNV, Inc. on December 28, 2015.

- 2) Can any of the other Bond issues (roadway repairs; sidewalks; fire and police department buildings or personnel) be tied to this roadway project?

No, however this is part of the planning process that looks to revenue applications for dollars generated from a combination of the TRZ's and TIRZ's.

- 3) What level of approval does the TTC need in order for them to move forward on this project, if this route is chosen?

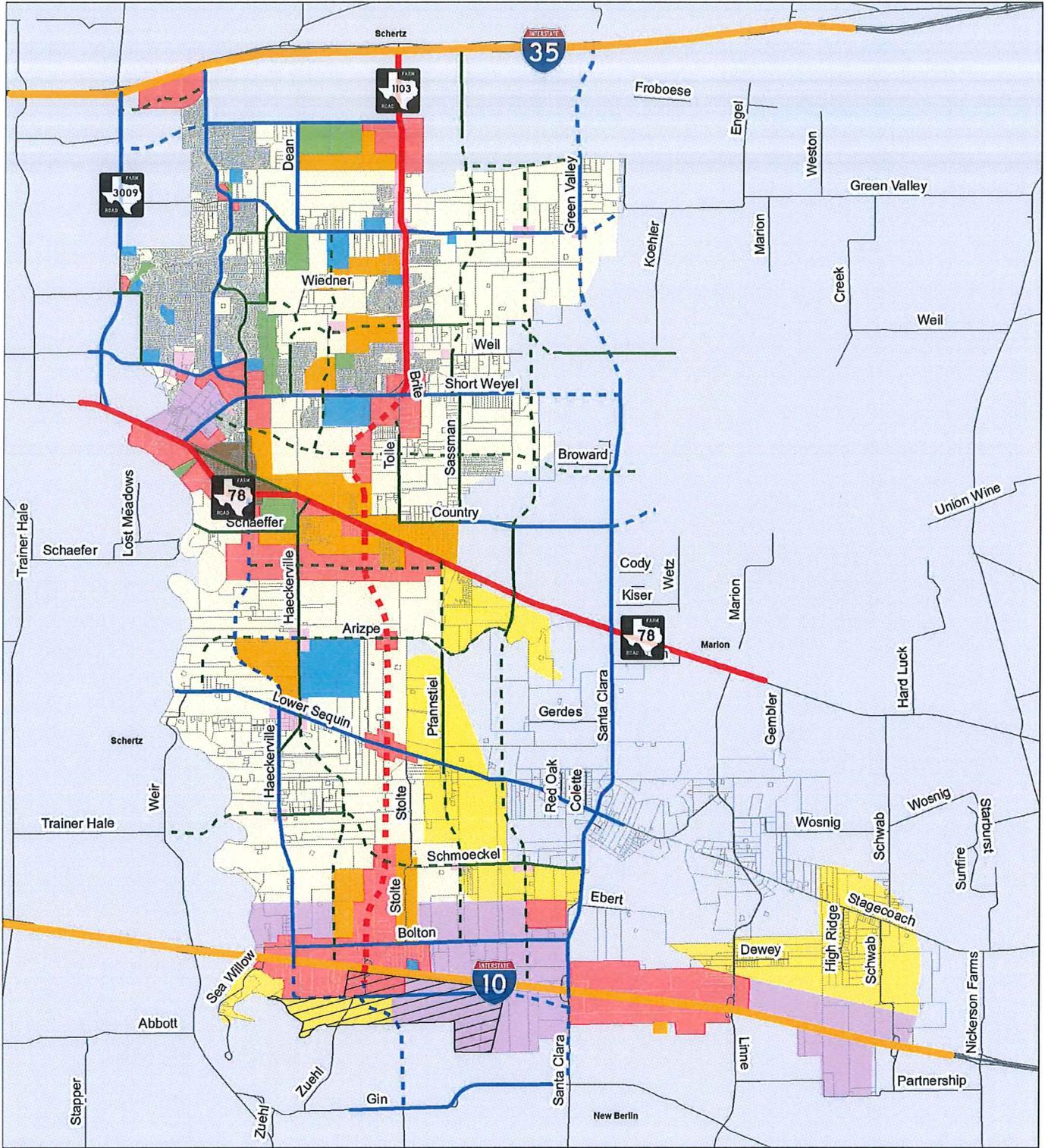
Upon formal resolution from the City of Cibolo requesting TxDOT to enter into a Memorandum of Understanding with TTC, we could move forward with Project Development. TTC would also need for the Project to be on the MPO's funded Metropolitan Transportation Plan.

- 4) Is the FM 78 'finger' necessary to this overall project?

No; however, the land use plan indicates that it is important for commercial development for the City of Cibolo.

- 5) Can this project be accomplished in phases or is it an all or nothing? By this I mean can the phase from 1103 to 78 be one bit and then 78 to IH 10 be the other?

From a revenue standpoint, it needs to be a complete project connecting the two interstates. The value of the project is to create connectivity, therefore, a staggered or phased concept would not allow for the revenue generation that could meet cash flow needs. Although toll projects are considered scalable, it is important to understand that this scalability is based on capacity and connectivity.



LEGEND
Future Land Uses

- | | | | |
|---|--------------------------|---|------------------------------|
|  | Parks and Open Space |  | Business Park and Industrial |
|  | Rural Residential |  | Public/Institutional |
|  | Neighborhood Residential |  | Downtown |
|  | Transitional Residential |  | Non-Cibolo Areas |
|  | Neighborhood Commercial |  | Parcels |
|  | Commercial |  | ETJ Transfer in Negotiations |

Thoroughfares (Existing /Proposed)

-  Freeway, Existing
-  Major Arterial
-  Minor Arterial
-  Collector
-  Local Streets

Note: A comprehensive plan shall not constitute zoning regulations or establish zoning district boundaries.

