

Legislation Text

File #: 21-135, **Version:** 1

PRESENTER:

Jeff Jewell, Economic Development Director

DEPARTMENT: Economic and Community Development

SUBJECT:

Presentation and possible direction to staff on the establishment of a Tax Increment Reinvestment Zone policy and application process

COUNCIL DISTRICTS IMPACTED: City-wide

BACKGROUND INFORMATION:

Tax Increment Financing (TIF) is an economic development tool that allows cities and counties to capture tax revenue from Tax Increment Reinvestment Zones (TIRZs). The City currently has two TIRZs and is considering the establishment of a third one for the downtown area. When a TIRZ is formed, tax revenue increases in future years are redirected from the City's general fund and into the TIF fund for the zone. The revenue collections can be used on project costs that benefit the zone (typically, public infrastructure, improvements, and programs). TIRZs can be established either by citizen-led petitions by owners of properties, or a city or county governing body can adopt one. Most cities have a policy that governs the expenditure of TIF funds in the city, but New Braunfels currently does not have a specific policy or application for TIRZ creation or financing agreements utilizing TIF revenue.

Utilizing TIF can have advantages for a municipality but they are not without their criticisms. While TIF can be a useful tool to support important public policy objectives such as drawing private investment into neglected areas, they can be utilized in a fashion that does not provide the greatest possible public benefits.

ISSUE:

While the City currently utilizes an overall economic development policy for Type B EDC and Chapter 380 expenditures, it does not currently have a written TIRZ policy or application process. There are certain conditions that should be considered prior to providing TIF assistance and staff recommends formalizing these considerations in a City Council adopted policy. The purpose of a written policy and application would be to identify policy goals and types of eligible expenditures, standardize the review, analysis and underwriting process, and verify the capacity of the developer to undertake a given project.

FISCAL IMPACT:

None

RECOMMENDATION:

Staff recommends the formation of a council and staff working group to formulate a TIF policy to be considered by the City Council within 60 days.