

Legislation Text

File #: 21-694, **Version:** 1

PRESENTER:

Jared Werner, Chief Financial Officer

SUBJECT:

Approval of the second and final reading of an Ordinance of the City Council of the City of New Braunfels, Texas Amending the Project Plan and Reinvestment Zone Financing Plan for the Reinvestment Zone Number One, City of New Braunfels, Texas; Approving a Second Amendment to the Economic Development Agreement Between the City of New Braunfels, Texas and A-L 95 Creekside Town Center, L.P.; and Other Matters in Connection Therewith

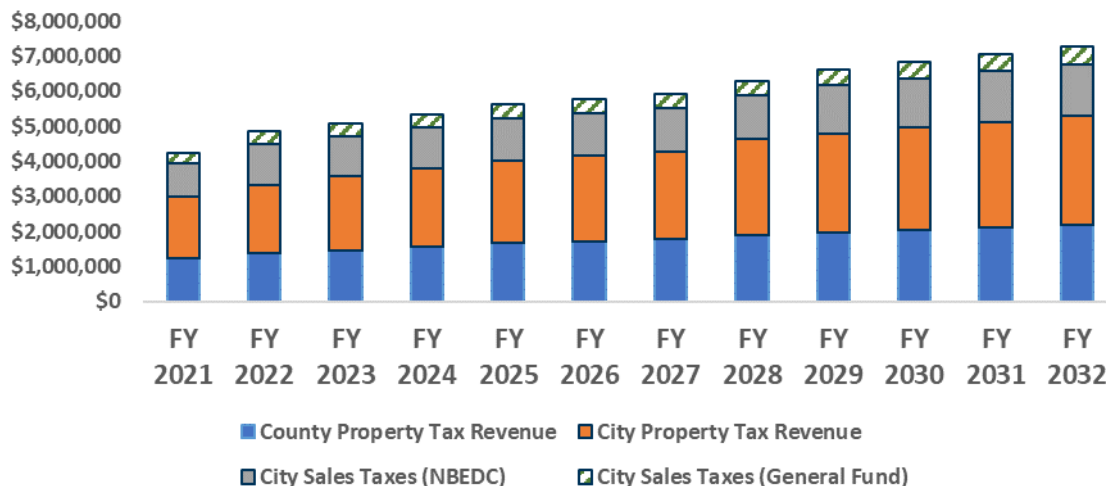
DEPARTMENT: Finance

COUNCIL DISTRICTS IMPACTED: All

BACKGROUND INFORMATION:

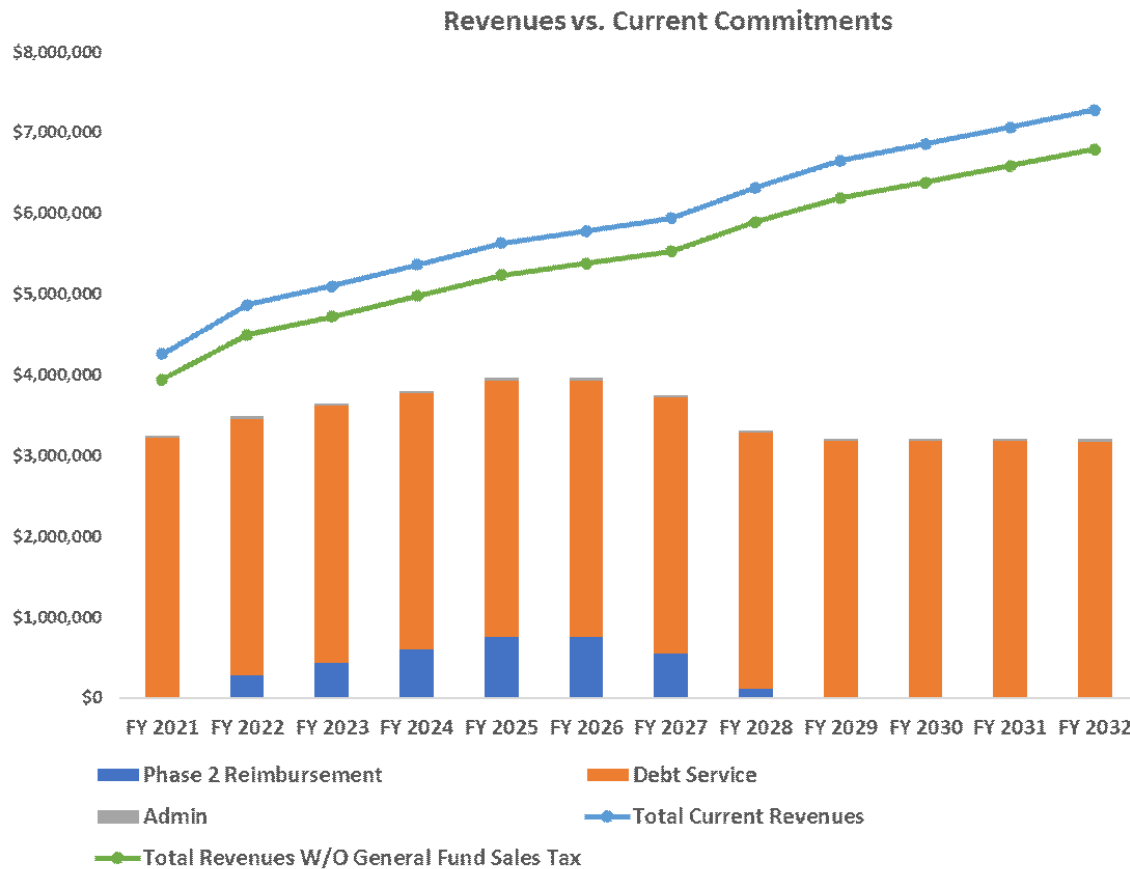
At the end of FY 2020, staff began evaluating the potential to reduce a portion of the sales tax increment that has been pledged to the Creekside Tax Increment Reinvestment Zone (TIRZ), specifically the 1/8 cent General Fund portion. As the graph below indicates, the majority of the revenue for the Creekside TIRZ comes from property taxes.

Creekside TIRZ Revenue Projections



By removing the 1/8 cent contribution to the TIRZ, at least \$370,000 in additional sales taxes would be returned to the General Fund. These funds could be used for any discretionary expenditure, such as the multi-year budget initiatives established by City Council (completion of the NBPD power shift and phased staffing for fire station #7).

The financial success of the Creekside TIRZ is what provides the financial viability to make this shift. As the graph below, with the removal of the 1/8 cent contribution, the TIRZ still has adequate capacity to make additional investments if/when they are needed.



This information was presented to the TIRZ Board/NBDA on three occasions to discuss and consider the action needed to remove the increment. Ultimately, the TIRZ/NBDA approved unanimously to amend the various documents needed to modify the contribution.

BBVA is the sole bondholder of the outstanding TIRZ debt obligations. They have also agreed to release the 1/8 cent sales tax as security against the annual debt service payments.

Council Action - Attached for City Council consideration is an ordinance that encompasses the amendments to the Project and Financing Plan as well as the Economic Development Agreement. These documents need to be amended to remove the 1/8 cent revenue pledge. If approved, the change to the contribution would take affect on October 1, 2021.

A public hearing was held on this item at the regular City Council meeting on June 28, 2021. The first reading of the ordinance was approved unanimously by City Council.

ISSUE:

N/A

FISCAL IMPACT:

As mentioned above, removing the 1/8 cent sales tax contribution will generate at least \$370,000 in additional sales tax revenue to the General Fund. By doing so, the TIRZ Fund will still have adequate capacity for future investments.

RECOMMENDATION:

Approval of the ordinance