



CITY COUNCIL MEMORANDUM

FROM: The Office of the City Manager **DATE:** October 14, 2019

SUBJECT: Consider Ordinance No. 3617, designating a contiguous geographic area within the city as a Reinvestment Zone pursuant to Chapter 311 of the Texas Tax Code, to be known as Reinvestment Zone Number Three, City of North Richland Hills; describing the boundaries of the zone; creating a board of directors for the zone; establishing a Tax Increment Fund for the zone; containing findings related to the creation of the zone; providing a date of termination for the zone; providing that the zone take effect immediately upon passage of the ordinance; providing a severability clause; and providing an effective date.

PRESENTER: Craig Hulse, Director Economic Development

SUMMARY:

Pursuant to Chapter 311 of the Texas Tax Code, City Council is to consider Ordinance No. 3617, which designates Reinvestment Zone Number Three, the former North Hills Mall area, upon the determination that redevelopment would not occur solely through private investment in the foreseeable future.

GENERAL DESCRIPTION:

The area surrounding City Hall, known as City Point, is the former location of North Hills Mall. Demolished in 2007, the vacant property lacks public improvements (such as water, sewer, drainage and streets), and requires an entity to purchase and develop the land.

In order to enhance the quality and expedite the timing of the development, the city was asked to establish a Public Improvement District (PID) through a petition filed by the property owner. On September 9, 2019, City Council held a public hearing and authorized the creation of the City Point PID with an estimated cost not to exceed \$15,000,000, and be paid out over a 30-year period.

While the city is not obligated to provide any funds to finance the public improvements, the city may wish to consider the establishment of a Tax Increment Reinvestment Zone (TIRZ) to assist in offsetting a portion of the PID's assessment. A TIRZ is a special zone designated by a city or county under the authority of Section 311 of the Texas Tax Code.

Through a TIRZ, the city could utilize a common public financing method called Tax Increment Financing (TIF). A TIF commits a portion of future real estate tax revenue increases from properties within the TIRZ for a certain period of time, which in this case could be used to offset a portion of the annual assessment within the City Point PID.



Reinvestment Zone Number Three has an identical boundary as the City Point Public Improvement District, representing 52.85 acres. The proposed development is expected to generate \$187 million in ad valorem tax base upon completion.

If approved, the city would capture 45% of the incremental maintenance and operation portion of the city real property taxes levied, assessed and collected over a 20-year period. The 45% of maintenance and operation portion of the city property tax rate equates to approximately 25% of the 2019-20 city property tax rate.

Due to the regional importance, Tarrant County is also considering to capture 25% of their incremental portion of the county property tax rate for a 20-year period.

By establishing a reinvestment zone and TIF, three separate activities will occur. First, the vacant land that used to North Hills Mall will redevelop. Second, the annual PID assessment for the single-family and commercial areas will be reduced to acceptable market conditions. Finally, the tax base from this property will resume to similar levels of the early 2000's, enabling not only the City, but the County, Birdville ISD, Tarrant County College and JPS to realize tax revenue that each lost with the closure and demolition of the mall.

Before City Council is an ordinance that designates the Reinvestment Zone, creates a board of directors, establishes a tax increment fund, an effective date and termination date, and finally, a severability clause.

A Preliminary Reinvestment Zone Project Plan and Financing Plan has been prepared (Exhibit A of Ordinance No. 3617) to demonstrate that redevelopment would not occur solely through private investment in the foreseeable future if not for the creation of this Reinvestment Zone.

RECOMMENDATION:

Approve Ordinance No. 3617, which designates Reinvestment Zone Number Three, City of North Richland Hills, Texas.