

ORDINANCE NO. 1216-01-20

**AN ORDINANCE ESTABLISHING GUIDELINES AND CRITERIA
FOR GRANTING POLICY, GUIDELINES AND PROCEDURES
FOR TAX INCREMENT REINVESTMENT ZONES (TIFS) WITHIN
THE CITY LIMITS OF THE CITY OF HONDO, TEXAS,
PROVIDING FOR A SEVERABILITY CLAUSE, ESTABLISHING
AN EFFECTIVE DATE.**

WHEREAS, Tax Increment Financing (TIF) is a tool that incentivizes economic development and it is governed by Texas Tax Code, Chapter 311, which allows cities, alone or in partnership with other taxing units, to pay for public improvements so it will attract new development in the City; and

WHEREAS, the City of Hondo must compete with other localities across the nation and state currently offering tax inducements to attract new and modernization projects; and

WHEREAS, Tax Increment Reinvestment Zones (TIRZs) are special zones created by City Council to attract new investment in an area and these zones help finance costs of redevelopment and promote growth in areas 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; and

WHEREAS, these guidelines and criteria will govern the TIF in Hondo, Texas and the TIFs are designed to benefit the City by encouraging and supporting economic investment and job growth and to apply to both new facilities and the expansion of or modernizing present facilities in the City; and

WHEREAS, these guidelines shall not be construed as implying or suggesting that the City of Hondo is under any obligations to provide Tax Increment Financing or other incentives to any applicant, and all applicants shall be considered on a case-by-case basis; and

WHEREAS, these guidelines are approved for circulation to all affected taxing jurisdictions for consideration as a common policy for all jurisdictions that choose to participate in Tax Increment Financing;

NOW THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HONDO, TEXAS THAT:

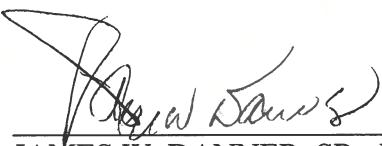
SECTION 1. The City Council hereby publicly elects to participate in Tax Increment Financing and adopts The Guidelines and Procedures for Tax Increment Reinvestment Zones, attached hereto as Exhibit A for granting TIFs within the City of Hondo, Texas and the determination of amount of Tax Increment will be in accordance with Section 311.012 of the Texas Tax Code.

SECTION 2. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as findings of fact

SECTION 3. CONFLICTING ORDINANCES OR RESOLUTIONS. All resolutions or ordinances or parts thereof conflicting or inconsistent with the provisions of this ordinance as adopted and amended herein, are hereby REPEALED to the extent of such conflict. In the event of a conflict or inconsistency between this ordinance and any other resolution, code or ordinance of the City, or parts thereof, the terms and provisions of this ordinance shall govern.

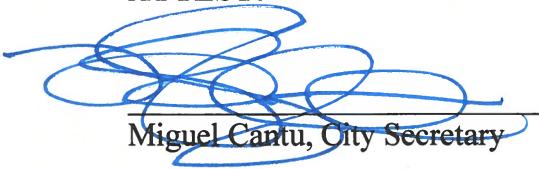
SECTION 4. EFFECTIVE DATE. This ordinance shall become effective immediately after passage.

Passed, approved and adopted this 27th day of January 2020.



JAMES W. DANNER, SR., MAYOR

ATTEST:



Miguel Cantu, City Secretary



HONDO



THIS IS GOD'S COUNTRY

Policy, Guidelines and Procedures for
Tax Increment Reinvestment Zones (TIFs)

January 2020

City of Hondo

Purpose

Tax Increment Financing (TIF) is a tool that incentivizes economic development. It is governed by Texas [Tax Code, Chapter 311](#). Cities, alone or in partnership with other taxing units, can use tax increment financing to pay for public improvements to a zone so it will attract new development. Tax Increment Reinvestment Zones (TIRZs) are special zones created by City Council to attract new investment in an area. These zones help finance costs of redevelopment and promote growth in areas 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.

Section I. General Guidelines:

1. Each TIF application must demonstrate:
 - a. "but for" the creation of a TIF, quality development is not likely to occur in the proposed area without financial assistance from a TIF;
 - b. An area is ripe for development or redevelopment provided that public infrastructure is constructed to support the revitalization of the area;
 - c. use of a TIF is the appropriate incentive tool to recruit or relocate a catalyst project worthy of public investment; or
 - d. The area proposed for designation as a TIF will have an increase in real property taxable value within the first two (2) years following designation.
2. Absent a showing of extraordinary need, the City Council shall only consider a term of any newly created TIF not exceed 21 years (20 years of tax increment collection). Only TIFs created to help finance a "Major Infrastructure Project", as designated by the City Council pursuant to Resolution in accordance with the City's Relocation Incentives Policy for Businesses Displaced by Major Infrastructure Projects.
3. City of Hondo participation in any TIF will be limited to ad valorem real property taxes and preference will be given to participation at a rate less than 100 percent of the tax increment;
4. City of Hondo Economic Development Corporation will receive and evaluate all TIF requests, applications; and make a recommendation for approval or denial.
5. City of Hondo Economic Development Corporation will be responsible for all TIF administration unless otherwise approved by the Hondo City Council in the Preliminary Project and Financing Plans.

Section II. Overview, Requirements, and Criteria

1. *Local Authority.* The City of Hondo City Council adopted these initial guidelines by Ordinance on January 27, 2020. The intent of this Policy is to provide direction to City Staff and interested parties regarding the development and

establishment of TIFs within the City of Hondo.

2. **Statutory Authority.** Under authority of Chapter 311 of the Texas Tax Code, municipalities are permitted to establish TIFs. The City of Hondo will comply with all requirements of Chapter 311 of the Texas Tax Code.
3. **TIF Goals and Objectives.** It is the City's goal to utilize TIFs as an economic development tool in the development or redevelopment of targeted areas. The City of Hondo may use TIFs to finance needed public improvements and enhance infrastructure within those targeted areas. It is the intent of the City to use TIFs for the primary purpose of the encouragement of revitalization within City by City Council leveraging private investment for certain types of development activities that support the goals outlined in the City of Hondo Comprehensive Master Plan.
4. **Economic Develop Corporation Board of Directors.** In satisfaction of the requirements set forth in Section 311.0101 of the Texas Tax Code, before initiating work on any phase of the public improvements within a Project Plan, the following goals and commitments must be met:
 - a. Any project costs for improvements that will ultimately be owned by the public and contemplated under a TIF Project and Financing Plan will require goals set by the City of Hondo *Economic Develop Corporation Board of Directors* for utilization of Hondo certified minority-owned and women-owned business enterprises (M/WBEs) in accordance with the same process followed for City Public Works contracts.
 - b. Any project costs for improvements that will ultimately be owned by a private entity and contemplated under a TIF Project and Financing Plan will require a commitment for utilization of Hondo certified M/WBEs of at least 25 percent of the total construction costs of a given project. The commitment must be outlined in the Economic Development Agreement or the TIF Development Agreement specifying the terms under which construction of the public improvements receiving assistance from a TIF are delineated. Any commitment below 25 percent will require a developer to meet with the City of Hondo *Economic Develop Corporation Board of Directors* Advisory Committee prior to action by the applicable TIF Board of Directors to seek their input and assistance. City of Hondo *Economic Develop Corporation* will provide the applicable TIF Board of Directors with a recommendation related to the utilization of Hondo certified M/WBEs. This recommendation, if different from the commitment made by the developer, will be non-binding, but should be taken under advisement by the applicable TIF Board of Directors.
5. **Determining Eligibility.** City Staff will undertake an economic analysis and risk assessment of each proposed TIF before arriving at a recommendation to the City Council as to whether the TIF should be created. The analysis, assessment, and recommendation of all requested TIFs will be based on the applicant's ability to address the following questions:

- a. What is the public purpose of the proposed TIF? Will the area develop without being designated as a TIF? What are the required public improvements?
- b. What is the financial need for public investments and/or subsidy? Will use of the TIF recruit or relocate a catalyst project?
- c. How will the City's general fund be impacted as a result of TIF designation?
- d. What is the potential success of the TIF?
- e. What is the appropriate level of participation by the City and other taxing entities?
- f. What are the risks associated with creation of the TIF?
- g. What alternative economic development tools are available in lieu of the TIF? How does the proposed Project and Financing Plan meet the needs of the proposed projects?
- h. How will the TIF impact targeted public project improvements that are not proposed as TIF projects?

6. *TIF Tax Increment.* Once a TIF has been established in accordance with Chapter 311 and these guidelines, incremental real property taxes resulting from new construction, public improvements, and redevelopment efforts, will accrue to the various taxing entities. Participating entities may deposit all, a predetermined portion, or none of the incremental taxes in a designated TIF fund for the purpose of financing the planning, design, construction or acquisition of public improvements to the TIF. The City of Hondo may elect to contribute less than 100 percent of incremental real property taxes to the TIF. In no event will the City contribute any incremental sales taxes to the TIF.

7. *Use of TIF Proceeds.* TIF funds may be used only to pay for those public works and public improvements authorized by Chapter 311 of the Texas Tax Code. TIF proceeds cannot be used to support exclusively private purposes.

8. *Demonstration of Community Revitalization Impact.* It is the intention of the City of Hondo to use TIFs for the purpose of supporting community revitalization and redevelopment projects in targeted areas. As part of the application, a requestor must describe:

- a. How the planned investment will contribute to revitalization activities in the zone in question and/or the surrounding area of the community; and
- b. How the input of nearby neighborhood residents and businesses has been solicited in the planning process.

9. *Participation by Other Taxing Entities.* Under Section 311.01 of the Texas Tax Code, other local taxing entities retain the right to determine the amount of tax increment that each will retain, or each may decide to retain all of the tax increment. The City of Hondo will enter into written agreements with all participating taxing entities to specify:

- a. The conditions for payment of the tax increment into a TIF;
- b. The portion of tax increment to be contributed by each entity to the TIF; and
- c. The term of the agreement.

10. *Term of a Reinvestment Zone.* As prescribed under Section 311.017 of the Texas Tax Code, reinvestment zones shall terminate on the earlier of:

- a. The termination date designated in the ordinance or order, as applicable, creating the zone or an earlier, subject to Subsection (c) hereof or later termination date designated by an ordinance or order adopted subsequent to the ordinance or order creating the zone; or
- b. The date on which all project costs, tax increment bonds and interest on those bonds, and other obligations have been paid in full.

11. *Criteria for TIF District Creation Requests.* In addition to the items outlined above, before reviewing an application for the creation of a TIF, the City will require that the requestors provide the following as part of their application:

- a. A summary that includes a general description of the proposed TIF, including proposed boundaries, an overview of the proposed projects, and proposed levels of participation by each taxing entity. This summary should not be more than one page in length.
- b. A legal description (metes and bounds) and a map of the real property proposed for TIF designation.
- c. An economic impact study as prescribed in Section 311.003 of the Texas Tax Code.
- d. A minimum of four (4) years of tax value information from the appropriate tax appraisal district for all properties in the proposed TIF.
- e. A proposed Project Plan as described in Sections 311.003 and 311.011 of the Texas Tax Code, with detailed descriptions of the projects and their costs, including detailed pro formas, if available.
- f. A proposed Financing Plan as described in Sections 311.003 and 311.011 of the Texas Tax Code, with complete tax increment projections for the entire term of the TIF.

All information must be provided in both paper and electronic form. A minimum of ten (10) copies must be provided.

12. *Criteria for TIF Project Requests.* In order for City Staff to recommend funding of a particular project by the TIF once the TIF has been established, the party desiring TIF financing must provide the following:

- a. Information satisfactorily demonstrating the financial wherewithal to meet project costs and complete the project (i.e. financial statement, complete sources and uses budget, or Letter of Credit from an appropriate financial institution);

- b. A complete and detailed market feasibility study;
- c. A complete and detailed cost benefit analysis; the direct and indirect benefits of a development proposal shall be determined and quantified by City Staff (e.g. employment benefits, tax base benefits, housing benefits, and transportation benefits);
- d. Demonstrated clear financial gap (e.g. the profitability and feasibility of the project both with and without public assistance, including a detailed delineation of the developer equity contribution into the project and the overall proposed financial structure of the project);
- e. Proposed security, collateralization, or credit enhancement; and
- f. Demonstrated commitment to the quality of development, the project area, and project completion.

Section III. Application Process and Fees

Depending on the exact nature and complexity of the proposed TIF, the estimated timeframe to complete the process for designation is at least six (6) months. Therefore, applications for the creation of a TIF must be submitted to the City by June 30 in order for the TIF to be established in the same calendar year. Applications submitted to the City after June 30 will not be considered for designation until the following calendar year. In addition, requestors must submit at least ten (10) copies of the application.

All applications for creation of a proposed TIF and applicable fee(s) should be delivered to:

City of Hondo
Economic Development Corporation
TIF Economic Development Corporation Director
1600 Avenue M
Hondo, Texas 78861
830.741.8319

1. *Application Form.* Requestors desiring to designate a TIF must fully complete an "Application for Designation of Tax Increment Reinvestment Zone", provide all information by this Policy and submit the required application fee, as set forth in Subsection III below.
2. *Pre-Application Review Process.* A requestor may request a meeting with appropriate City Staff prior to submitting an application in order to address TIF requirements and development processes. The meeting can be scheduled through the Economic Development Corporation.
3. *Application Fee.* A non-refundable application fee of \$1,500 must accompany all applications. The application fee should be in the form of a check or a money order and made payable to "The City of Hondo". The application fee is to support administrative costs of initial review for completeness, internal processes, and presentations.

4. *Preliminary Review.* City Staff will review the application within ten 10 working days to ensure compliance with these guidelines. If City Staff determines that an application does not meet the criteria hereunder, the requestor will be so notified, the application fee will not be refunded, and no further action on the application will occur. The requestor will have 30 Calendar days to supply any information that is lacking without having to resubmit a new application.
5. *Application Review.* If City Staff determines that an application meets these Guidelines, a full financial and programmatic review of the proposed project will occur. This review may be conducted by City Staff, an outside agency, or consultant, and includes at a minimum an analysis of said items under Section I, paragraphs V, VII, VIII, XI, and XII in the application or may result in a City Staff recommendation that TIF designation is not appropriate.
6. *Open Records Act.* Upon submission of an application, all project information provided to or developed by the City could become “public information”, and therefore may be subject to provisions of the Texas Open Records Act.

Section IV. Statutory Criteria for TIF Designation

In accordance with Section 311.005 of the Texas Tax Code, to be designated as a TIF, an area must:

1. Substantially arrest or impair the sound growth of the municipality creating the zone, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to public health, safety, morals, or welfare in its present condition and use because of the presence of:
 - a. A substantial number of substandard, slum, deteriorated, or deteriorating structures;
 - b. The predominance of defective or inadequate sidewalk and street layout;
 - c. Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
 - d. Unsanitary or unsafe conditions;
 - e. The deterioration of site or other improvements;

- f. Tax of special assessment delinquency exceeding the fair value of the land;
- g. Defective or unusual conditions of title;
- h. Conditions that endanger life or property by fire or other causes; or
- i. Structures, other than single-family residential structures, less than 10 percent of the square footage of which has been used for commercial, industrial or residential purposes during the preceding 12 years; or

2. Be predominantly open and, because of obsolete platting, deterioration of structures or site improvements or other factors, substantially impair or attest the sound growth of the municipality; or
3. Be in a federally assisted new community located in the municipality or in an area immediately adjacent to a "federally assisted new community"; or
4. Be an area described in a petition requesting that the area be designated as a reinvestment zone, if the petition is submitted to the governing body of the municipality of the owners of property constituting at least 50 percent of the appraised value of the property in the area according to the most recent certified appraisal roll.
5. Only City Council is able to make a defensible finding that the area described in the petition is unproductive, underdeveloped, or blighted, as required by Article VIII, Section I – g (b) of the Texas Constitution.

Section V. Statutory Criteria for TIF Designation

1. *Size Limitations.* The City of Hondo is not permitted under Section 311.006 of the Texas Tax Code to create a TIF or change the boundaries of an existing TIF if the total appraised value of taxable real property in the proposed TIF and in existing TIF exceeds:
 - a. 15 percent of the total appraised value of taxable real property in the City of Hondo and industrial districts created by the City of Hondo; or
 - b. 15 percent of the total appraised value of taxable real property of a county in which the TIF is located; or
 - c. 15 percent of the total appraised value of taxable real property of a school district in which the TIF is located.
 - d. Federally assisted new community is defined as an area that has received or will receive assistance in the form of loan guarantees under Title X of the National Housing Act, if a portion of the federally assisted area has received grants under Section 107 (a) (I) of the Housing and Community Development Act of 1974).

2. *Use Limitations.* The City of Hondo is not permitted under Section 311.006 of the Texas Tax Code to create a TIF or change the boundaries of an existing TIF if more than 10 percent of the property in the proposed or modified zone (excluding publicly-owned property) is used for residential purposes. A property is considered to be used for residential purposes if it contains less than five (5) living units. This particular restriction does not apply to TIFs established pursuant to a petition received in accordance with Section 311.005 (a) (5) of the Texas Tax Code.

Any questions regarding this Policy should be directed to the City of Hondo Economic Development Corporation Director, 1600 Avenue M, Hondo, Texas 78861, or by phone, 830.741.8319.