



**TITLE:** Consider/Discuss/Act on a Resolution Amending the Project Plan for Reinvestment Zone Number One

**MEETING DATE:** June 18, 2013

**DEPARTMENT:** Development Services - Planning Department

**CONTACT:** Barry Shelton, Executive Director of Development Services  
Mark Houser, City Attorney

**STAFF RECOMMENDATION:** Approval of the Resolution amending the Project Plan for TIRZ Number One.

**ITEM SUMMARY:**

- On September 21, 2010 the McKinney City Council created Tax Increment Reinvestment Zone Number One (TIRZ No. 1), consisting of approximately 950 acres generally in and around the historic Town Center of McKinney and along State Highway 5 from US 380 to Spur 399/US 75 Interchange.
- Relatively small projects on vacant or underutilized sites and buildings are listed in the Project Plan as eligible projects within the Vacant/Underutilized Building Improvement Area. TIRZ eligible expenses include environmental remediation, Interior or exterior demolition, historic façade restoration, and fire safety improvements.
- On March 19, 2013 the TIRZ Board heard the request of Gayle Haynes, owner of Side Street Grill at 216 East Virginia Street for approximately \$13,000 in reimbursement funds for the installation of a fire sprinkler system in a new restaurant. The Board voiced concerns about the need to preserve the majority of the TIRZ funds for catalyst projects and directed staff to prepare a policy for the issuance of grants for smaller improvements.
- The proposed amendment to the Project Plan would place limits on the funding of the relatively small vacant or underutilized sites and buildings projects in order to reserve the majority of the TIRZ funds for the larger catalyst projects listed in the Project Plan.
- The proposed limit on funding vacant or underutilized sites and buildings projects is as follows:

- The total annual amount of TIRZ No. 1 economic development grants for vacant or underutilized sites and buildings projects shall not exceed \$100,000 or 5% of the previous year's TIRZ revenue (whichever is less).
- Individual TIRZ No. 1 economic development grants for vacant or underutilized sites and buildings projects shall not exceed \$15,000.

#### **FINANCIAL SUMMARY:**

- The TIRZ #1 Project Plan estimates the cost of vacant or underutilized sites and buildings projects will be \$3,000,000 over the 30 year life of the TIRZ. This estimated cost is approximately 3.3% of the total TIRZ estimated project cost of \$91,000,000.
- By limiting the annual grant total to \$100,000, the funding of vacant or underutilized sites and buildings projects will not exceed the estimated total for the 30 years. The limitation of funding to no more than 5% of the previous year's revenue will link these expenditures to the economic success of the TIRZ.
- Projected tax revenues to be collected by the TIRZ will total an estimated \$139 Million by the 30th year of the TIRZ in 2040.
- The City Council has created the TIRZ with the primary intention of providing a long-term financing mechanism for critical transportation infrastructure. Accordingly, the City Council policy in creating the TIRZ was based on the priority to collect and retain revenues in the TIRZ for aggregation to facilitate long-term financing.

#### **BACKGROUND INFORMATION:**

- The creation of a TIRZ for the Town Center was proposed as an implementation step for Phase 2 of the Town Center Study. The Town Center Study has provided a community-driven master plan adopted by the City Council in order to direct the redevelopment of and encourage private investment in the Town Center of McKinney including the greater Historic Square, the State Highway 5 Corridor and the future TOD.
- Redevelopment of central cities is often difficult and stunted because of the lack of the ability to aggregate sufficient capacity for the redesign and reconstruction of public infrastructure that benefits the area as a whole. When a large number of small ownership interests, both public and private, exist, no one entity is typically in a position to secure sufficient capacity to invest in common infrastructure for the area. In this context, the TIRZ was created to provide a mechanism to aggregate capacity to support catalytic projects through infrastructure and other support as identified in the Project Plan for the TIRZ.
- After developing a preliminary Project Plan and preliminary Financing Plan

through a City Council TIRZ Committee in coordination with the public process, the City carried out the necessary steps for the creation of the TIRZ including the creation of the Board of Directors for the TIRZ in accordance with Chapter 311 of the Texas Tax Code.

- The authority of the Board of Directors is established by City Ordinance Number 2010-09-034. Board authority includes the making of recommendations to the City Council concerning the administration of the TIRZ; and adopting (and amending as needed in the future) a project plan and financing plan consistent with the preliminary project plan and finance plan subject to final approval by the City Council.
- The Financing Plan for TIRZ No. 1 emphasizes that the TIRZ has been created with the primary intention of collecting and retaining revenues (in the TIRZ) for aggregation to facilitate long-term financing for critical transportation infrastructure and other substantial catalyst projects to support and encourage sustained revitalization of the Town Center.
- As such, the ability to aggregate the tax revenue increment to maximize financing capacity and financing options will take precedent over projects that tend to diminish the ability of the TIRZ to aggregate a sufficient increment fund over time. Notwithstanding this policy, the Financing Plan acknowledges that certain projects may arise that justify a targeted expenditure versus aggregation of the tax revenue increment. Thus, the Financing Plan provides flexibility to the Board of Directors and City Council to consider TIRZ funding for certain projects on case-by-case basis.