

# 8-Step TIRZ Process

## Step 1: Prepare a preliminary financing plan

The governing body must prepare a reinvestment zone financing plan Tax Code, Section 311.003(b)).

## Step 2: Publish the hearing notice

After preparing the preliminary reinvestment zone financing plan and before the required public hearing, the governing body must publish the hearing notice in a newspaper with general circulation within the municipality or county. This must be done no later than the seventh day before the hearing date as per Tax Code 311.003, Sections (c), (d) and (e).

## Step 3: Hold a public hearing

A public hearing is required before designating a TIRZ. A municipality or county proposing to designate a reinvestment zone must provide a reasonable opportunity for the property owner to protest the inclusion of the property in a proposed reinvestment zone.

All interested persons are entitled to speak for or against the designation of a reinvestment zone. The following items are to be presented at a public hearing according to Tax Code, Section 311.011(e):

- if an amendment reduces or increases the boundaries of the zone;
- increase the amount of bond indebtedness the project will incur;
- increase or decrease the percentage of a tax increment to be contributed;
- increase the total estimated project costs; or
- designate additional property within the zone to be acquired.

## Step 4: Designate a reinvestment zone

As per Tax Code 311.011(e), after the public hearing, the governing body of the city or county may, by ordinance or order, designate a contiguous area as a reinvestment zone for tax increment financing purposes and create the board of directors for the reinvestment zone. Cities can also designate a noncontiguous geographic area – within the city limits, in the extraterritorial jurisdiction of the city or in both – as a reinvestment zone.

A simple majority vote of the governing body is needed to adopt the ordinance or order at an open meeting. Home rule cities may have a higher voting contingent based on their charter. The adopted ordinance or order should include a finding that development of the area would not occur in the foreseeable future solely through private investment. In Chapter 311.004 the ordinance or order must contain other provisions, including:

- a description of the zone boundaries with sufficient detail to identify the territory within the zone;
- a designation of the board of directors for the zone and an indication of the number on directors of the board;
- a provision that the zone will take effect immediately on passage of the ordinance;
- an indication of the zone termination date;
- a name for the zone as provided under Tax Code Section 311.004(a)(5);
- a provision establishing a tax increment fund for the zone;
- findings that the improvements within the zone will significantly enhance the value of the taxable property within the zone and will be of general benefit to the city or county; and
- a finding that the area meets the criteria for designation of a reinvestment zone under Tax Code Section 311.005.

### **Step 5: Prepare a project plan and a financing plan**

After the city or county has adopted the ordinance or order creating the zone, the zone's board of directors must prepare both a project plan and a reinvestment zone financing plan. The plans must be as consistent as possible with the preliminary plans the city developed for the zone before the board was created. The board of directors must get the approval of the governing body for the project and financing plans as well any plan amendments as per Tax Code 311.011, Sections (a) and (d).

### **Step 6: Contribution to the tax increment fund by other taxing units**

In Tax Code, Section 311.013, after the board of directors and the city's governing body has approved the project plan and the reinvestment zone, the other taxing units with property within the zone set the percentage of their increased tax that will be dedicated to the tax increment fund.

Appropriate taxing units contribute a portion of their increased tax revenues collected each year under the plan to the tax increment fund. The taxing units can determine the amount of their tax increment for a year either by:

- the amount of property taxes the unit levied and assessed for that year on the captured appraised value of real property that is taxable and located in the reinvestment zone; or
- the amount of property taxes the unit levied and collected for that year on the captured appraised value of real property taxable and located in the reinvestment zone.

### **Step 7: Implement tax increment financing**

Once the reinvestment zone is established, the zone's board of directors must make recommendations to the city's governing body on implementing the tax increment financing as stated in Tax Code, Section 311.010(a). Once the city, by ordinance, or the county, by order, has created the reinvestment zone, the board of directors may exercise any power granted to them by the Tax Increment Financing Act. By ordinance, resolution or order, the city or county may authorize the board of directors of the reinvestment zone to exercise any of the city or county's powers with respect to the administration, management or operation of the zone or the

implementation of the project plan for the zone. However, the city or county may not authorize the board of directors to issue bonds, impose taxes or fees, exercise the power of eminent domain or give final approval to the project plan.

### **Step 8: Submit an annual report**

The governing body of a city or county is to within 150 days of the end of the fiscal year submit an annual report to the chief executive officer of each taxing unit that levies taxes on property within the zone as per Tax Code, Section 311.016(a) and (b). The copy of this report must be provided to the Comptroller and include the following items:

- the amount and source of revenue in the tax increment fund established for the zone;
- the amount and purpose of expenditures from the fund;
- the amount of principal and interest due on outstanding bonded indebtedness;
- the tax increment base and current captured appraised value retained by the zone;
- the captured appraised value shared by the city and other taxing units;
- the total amount of tax increments received; and
- any additional information necessary to demonstrate compliance with the city- or county-adopted tax increment financing plan.