



**HUTTO CO-OP  
HUTTO, TEXAS**

**CO-OP DISTRICT TAX INCREMENT REINVESTMENT ZONE**

**2019 ANNUAL PROJECT AND FINANCING REPORT**

**CITY OF HUTTO, TEXAS  
WILLIAMSON COUNTY, TEXAS  
79HCD DEVELOPMENT, LLC**

**February 14, 2020**

# City of Hutto

## Co-Op District TIRZ

**Mayor** Doug Gaul

**Mayor Pro Tem** Tom Hines, PLACE 2

**Council Member** Scott Rose, PLACE 1

**Council Member** Mike Snyder, PLACE 3

**Council Member** Peter Gordon, PLACE 4

**Council Member** Patti Martinez,  
PLACE 5

**Council Member** Tanner Rose, PLACE 6

**Charles Daniels, Interim City Manager**

### **City Staff**

**Byron Frankland**, Assistant City Manager

**Michel Sorrell**, Assistant City Manager/Chief Financial Officer

**Jessica Geray**, Director of Economic Development

**Stephanie Mazurkiewicz**, Economic Development Specialist

**Gene Cervenka**, Financial Analyst

**William Bingham**, City Attorney

**Developer/79 HCD Development, LLC**

Bob Wunsch, Principal

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David Howell, Principal

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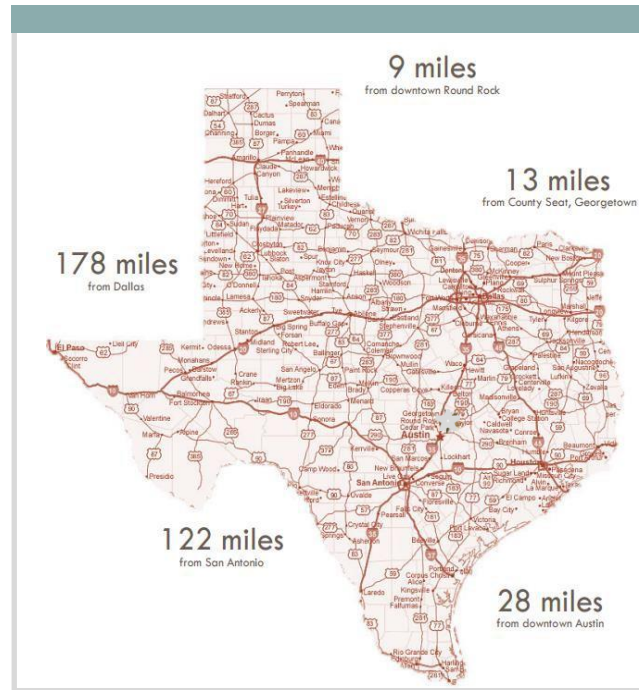
## II. INTRODUCTION

Located northeast of Austin in Williamson County, one of the fastest growing counties in the State of Texas since 2010, the City of Hutto (“the City”) has experienced rapid growth since 2000. Hutto is now home to an estimated 32,000 people, positioning the City to become a lively and integral part of the Austin Metropolitan region. With recent recognitions including the “Top Place in Texas to Raise a Family”, the “#1 Local City (in the Austin area) For Young Couples”, “One of the Top 5 Safest Cities in Texas”, and “One of the Top 100 Places in Major Markets to Locate a Business”, Hutto is consistently ranked as one of the fastest growing and safest cities in the country.

Just 25 minutes from the heart of the Texas State Capitol and 30 minutes from the Austin Bergstrom International Airport via the new SH-130 tollway, the City is well positioned for economic growth. With quick access to State Highway 130, Interstate 35, US Highway 79, and the Union Pacific Red Line, Hutto provides convenient transportation routes to the greater Texas region.

Those who call Hutto home are attracted to its strong sense of community, rich history, affordable housing and attractive neighborhoods, low crime, high performing school district, access to higher education institutions, and plentiful open space; all of which come together to provide a high quality of life just outside of Austin. As the city continues to grow, it aims to be a family-friendly community that provides superior public safety, outstanding fiscal responsibility, a diversified economy, and an exceptional quality of life. Here, the importance of a diverse community is recognized, as it will directly affect the quality of life of the community and its residents.

Given that, the City Council’s goal is to take a comprehensive approach towards economic development by focusing their efforts on redevelopment, including the rehabilitation of infill properties such as the Co-Op District, located just west of Hutto’s Historic District.



### III. HUTTO – AT A GLANCE

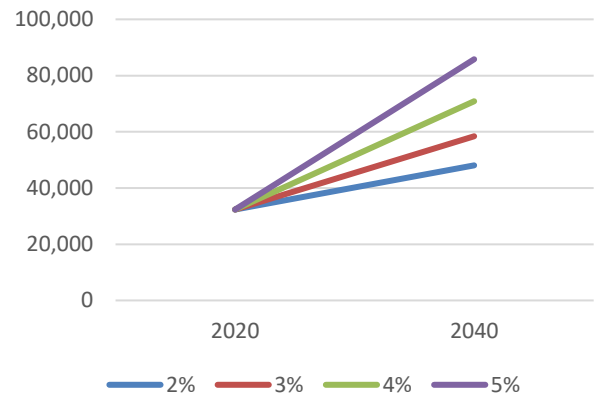
#### DEMOGRAPHICS

Hutto has experienced an estimated 9 percent (9.0%) average annual growth and over 50 percent change in total population change since 2010. Using an annual growth rate of 3%, the City may be home to approximately 60,000 residents in 2040.

With a median age of 32, Hutto has attracted many young families. An estimated 54% of the population consists of families with children under the age of 18 and adults age 25 to 54 comprise an estimated 49% of the population. In addition to a growing population within city limits, the City provides access to over 65,000 people within a 5-mile radius, expanding to over 284,000 people within a 10-mile radius.

An educated workforce is a key to having a dedicated and diverse workforce. With an Independent School District that's experiencing a 97% graduation rate, 15:1 student teacher ratio, and access to multiple nationally recognized higher education institutions, the Hutto community is diverse, skilled, and able to adapt to changing needs within the workforce.

Chart 1: Population Forecast - Based on Estimated Annual Growth Percentage



The residents of Hutto have high levels of educational attainment with 27.7 percent of Hutto residents 25 years or older hold a bachelor's degree or higher. Together with a median household income of \$113,000, an average household income of \$86,184, there is a clear demonstration of the desirability and quality of life that the community offers to people who are educated and high-income earners.

Income and Benefits (In 2017 Inflation-Adjusted Dollars)		2017 Population 25+ by Educational Attainment	
Household Income Base	6,451	Total	13,703
<\$15,000	3.5%	Less than 9th grade	4.4%
\$15,000 - \$24,999	4.1%	9th to 12th grade, no diploma	5.1%
\$25,000 - \$34,999	6.3%	High school graduate (includes equivalency)	25.4%
\$35,000 - \$49,999	11.7%	Some college, no degree	28.0%
\$50,000 - \$74,999	22.4%	Associate's degree	9.4%
\$75,000 - \$99,999	20.6%	Bachelor's degree	19.7%
\$100,000 - \$149,999	23.9%	Graduate or professional degree	8.0%
\$150,000 - \$199,999	4.5%		
\$200,000+	2.9%		

#### ECONOMIC OUTLOOK

As of 2017, approximately 93 percent (93.0%) of the working population had an average commute of 33 minutes to work outside the city limits. With .66 jobs per household, it is important for economic stability to achieve a citywide job-housing balance with a goal of at least 1 job for every household. As residential development within the city and its Extraterritorial Jurisdiction (ETJ) increase, it is vital for Hutto to focus on productive growth that creates local jobs and diversifies its tax base. The people of Hutto provide a strong foundation for a workforce and consumer market that will help the city become more regionally and nationally competitive. Hutto is in the early stages of its development cycle and needs to develop the economic diversity and depth of business support infrastructure (capital and non-capital) to be competitive in the larger Central Texas regional and national market. Given this, the redevelopment of the Co-Op District, as well as the construction of the additional infrastructure improvements needed to support the desired economic growth, are the key to the creation of a place to live, work and play which will result in a more balanced economy.

## IV. TAX INCREMENT REINVESTMENT ZONE (TIRZ) NUMBER ONE

### BACKGROUND

Chapter 311 of the Texas Tax Code (the “Code” or the “Tax Increment Financing Act”) “provides for the creation of reinvestment zones to promote development or redevelopment of a contiguous or noncontiguous geographic area that is in the corporate limits of a municipality, in the extra-territorial jurisdiction of a municipality, or in both to be a reinvestment zone to promote development or redevelopment of the area if the governing body determines that development or redevelopment would not occur solely through private investment in the reasonably foreseeable future”. Tax Increment Financing (TIF) is a method that local governments are allowed to implement to pay for improvements that will draw private investment to their area. TIF financing redirects some of the ad valorem tax from property designated within the designated reinvestment zone to pay for improvements made in the zone. Future incremental tax revenues from each participating taxing unit that levies taxes within the reinvestment zone are used to pay for the cost of improvements within the reinvestment zone. Each taxing unit may dedicate all, or a portion of the tax revenue that is attributable to increased property values caused by improvements within the reinvestment zone. The additional tax revenue generated as a result of the development within the reinvestment zone is referred to as the “tax increment”.

January 14, 2018, Ordinance No. O-18-01-04-12A, became effective in accordance with the laws of the State of Texas allowing the City of Hutto, Texas to create Reinvestment Zone Number One. City Council designated the contiguous area lying within the corporate limits of the City, as shown in Exhibit A, to be designated the Reinvestment Zone Number One, otherwise known as the “Co-Op District.”

On January 18, 2018, an Interlocal Agreement Regarding Tax Increment Financing was made and entered between Williamson County and the City of Hutto, Texas (the “Interlocal Agreement”). The Texas Tax Code provides the County to enter into an agreement with the governing body which created the Zone (City of Hutto) to participate in the payments of tax increments for certain project costs within the Zone. A tax increment fund (“TIF Fund”) was created and is maintained by the City pursuant to the Act as a separate and individual interest-bearing account which all revenues of the Zone will be deposited including deposits of tax increments made by County and City and all accrued interest earned on the cash balance of the fund. Williamson County’s Tax Increment Participation shall be a maximum term of 20 years or until the TIF Fund reaches \$5,500,000.00. The County’s participation percentage shall be 50%. The City agreed to deposit 60% of ad valorem taxes for a period of 40 years. The Hutto Economic Development Corporation agreed to deposit 50% of 4B Sales Tax revenues for a period of 30 years.

As a result of the Interlocal Agreement, a Board of Directors for the Reinvestment Zone Number One was created and consist of five members. Three members were appointed by the City and two members were appointed by the County for a two-year term. The board shall make recommendations to the governing body of the municipality that created the Zone (City of Hutto) concerning the administration of the Zone. A Project and Financing Plan was created and submitted by the Board of Directors to the governing body of the municipality that designated the Zone (City of Hutto). On September 11, 2018, Williamson County Commissioners Court reviewed and approved TIRZ No. 1 Project and Financing Plan and on December 6, 2018, the City of Hutto read and approved a separate PID Service and Assessment Plan that governs the coterminous public improvement district that was established to finance qualified public infrastructure.

In pursuant to the Act, on or before the 150<sup>th</sup> day following the end of the fiscal year, the Board shall submit to the Chief Executive Officer of each taxing unit that levies property taxes on real property in the Reinvestment Zone, a report on the status of the Zone. This Annual TIRZ No.1 Financing Report needs to be updated and presented annually to all participating taxing units of the Zone.

The Co-Op project was financed using a Public Improvement District Bond whose debt service is paid by a PID assessment. Revenues generated within the TIF fund are used to offset those payments.



# TAX REINVESTMENT ZONE NUMBER ONE MAP (as of 02/11/20)



## V. STATUTORY REQUIREMENTS

**1. The amount and source of revenue in the Tax Increment Fund established for the Zone: \$0.00**

The Zone has generated ad valorem tax revenues but the funds have not yet been deposited into the Tax Increment Fund. The anticipated amount is \$37,103.21. TIRZ 4B sales tax reimbursements are expected to be generated beginning in 2020. Any TIRZ revenues, to the extent possible, will be appropriated to offset the costs of the annual installment payments of the PID bond, beginning in year 2021. This is in compliance with the PID Plan which included two years of capitalized interest to pay for the debt service while the project begins.

**2. The amount and purpose of expenditures from the Fund: \$0.00**

To date, no expenditures have been made from the Fund. The first anticipated expenditure comes in 2021 after the two years of capitalized interest have been used to allow for initial construction and buildup of the TIF Fund. Once the Fund has generated revenue from real property improvements within the Zone, expenditures will be used to offset PID annual installments.

**3. The amount of principal and interest due on outstanding bonded indebtedness: \$0.00**

The TIRZ does not have any direct bonded indebtedness outstanding that is secured by tax increment revenue. However, the City has dedicated the TIRZ revenue, to the extent available, to be appropriated to offset the costs of the public infrastructure in the Co-Op project that was financed by a PID bond, issued in the amount of \$17,400,000 in December 2018. The PID bond is secured by special assessments levied on benefitted property in the PID. TIRZ revenue generated by the Co-Op project, if available, will be appropriated to offset the costs of the annual PID assessments borne by assessed property owners in the Co-Op PID. The amount of interest payable on the PID bond in 2019 was \$847,161.39 and was funded entirely by capitalized interest reserves of the PID bond. The TIRZ revenue is dedicated to be used to offset the annual PID installment. Principal and interest are related to PID bond, since no TIRZ bond was issued.

**4. The tax increment base and current captured appraised value retained by the Zone: \$0.00 tax increment base; \$7,541,905.00 current captured appraised value**

Per Chapter 311, Tax Increment Financing Act Sec. 311.012 (b), the captured appraised value of real property taxable by a taxing unit for a year is the total taxable value of all real property taxable by the unit and located in a reinvestment zone for that year less the tax increment base of the unit. Total taxable values for the property located within the TIRZ were obtained from the Williamson Central Appraisal District (WCAD) website.

**5. The captured appraised value shared by the municipality or county and other taxing units, the total amount of tax increments received, and any additional information necessary to demonstrate compliance with the tax increment financing plan adopted by the governing body of the municipality or county. \$7,541,905.00 captured appraised value; \$0.00 tax increments received**