

CITY OF GARLAND, TEXAS TAX INCREMENT REINVESTMENT ZONE NUMBERS 1 AND 2 ANNUAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013



CITY HALL



WALNUT PEDESTRIAN CORRIDOR



CITY CENTER



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City Profile

The City of Garland, Texas is located in Dallas County, approximately 15 miles northeast of downtown Dallas. Garland is a community of more than 230,000 residents, making it the twelfth largest city in the State of Texas, and places it among the top 100 largest municipalities in the United States.

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's home rule Charter. The City was incorporated in 1891 and first adopted its Home Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of a Mayor and eight Council members. The City Manager is the chief administrative officer for the City.

What is Tax Increment Financing?

Tax Increment Financing (TIF) is a tool to finance public improvements within a defined geographical area. The public improvements are designed to enhance the environment and attract new investment and development. The statutes governing TIFs are in Chapter 311 of the Texas Tax Code.

A municipality makes an area eligible for tax increment financing by designating a "reinvestment Zone", which may be referred to as "tax increment financing" zone or a "tax increment reinvestment zone" (TIRZ). The City of Garland has two such active zones. TIF Zone No. 1 is located primarily in Downtown and along a Dallas Area Rapid Transit (DART) rail line to the Jupiter Road / Forest Lane area. TIF Zone No. 2 is along the Interstate 30 Corridor from the Garland city limits east to Lake Ray Hubbard.

Costs of selected public improvements outlined in the zone's project and financing plan may be paid by current or future ad valorem tax revenues flowing from redeveloped or appreciated real properties within the zone. The additional tax revenue generated by growth of real property values in the zone is called the "tax increment". These revenues flow to a tax increment fund in the municipality for a specified number of years. Revenue flowing to the tax increment fund each year is disbursed according to the project and finance plan approved by the TIRZ Board of Directors. Each governmental unit participating in the TIRZ makes appointments to the Board.

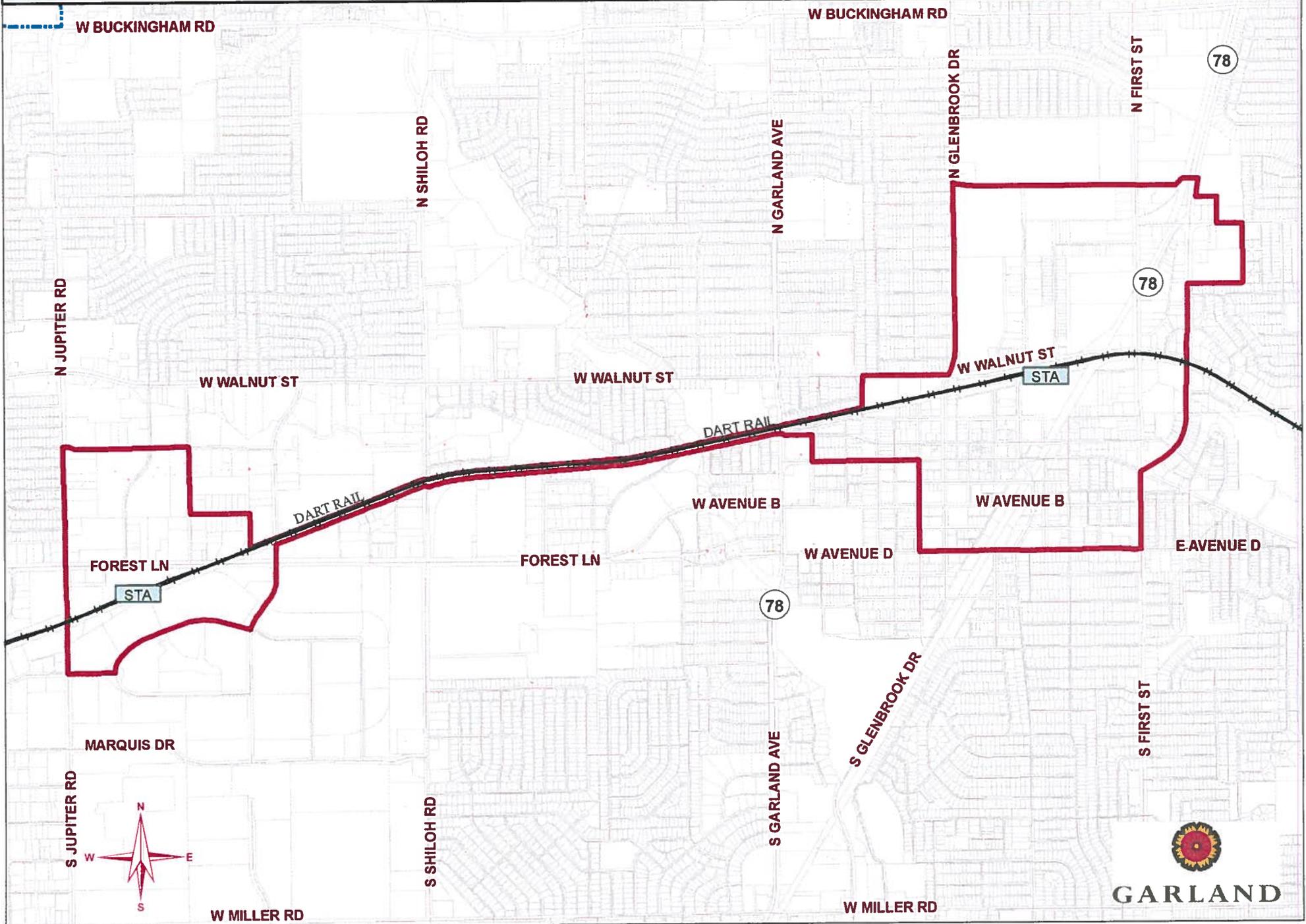
Annual Report

Texas law requires the governing body of the municipality which created the reinvestment zone to submit a report to the chief executive officer of each taxing entity that levies property taxes on real property within the reinvestment zone on or before the 90th day following the end of the fiscal year of the municipality. The annual report must include:

1. The amount and source of revenue in the tax increment fund established for the zone;
2. The amount and purpose of expenditures from the fund;
3. The amount of principal and interest due on outstanding bonded indebtedness;
4. The tax increment base and current captured appraised value retained by the zone;
5. The captured appraised value shared by the municipality and other taxing units, the total amount of tax increments received, and any other additional information necessary to demonstrate compliance with the tax increment financing plan adopted by the governing body of the municipality.

A copy of the City's TIF Annual Report is submitted to the Texas Comptroller of Public Accounts.

DOWNTOWN TIF DISTRICT



TIF Zone No. 1 (Downtown)

Board of Directors

City of Garland appointed:

Mayor – Allan Stafford

Council District 1 - vacant

Council District 2 – William Dunn

Council District 3 – Jason Bryant Curtis

Council District 4 – Bob Duckworth

Council District 5 – Margie Sloan

Council District 6 – Jay Jones

Council District 7 – Mark Zigler

Council District 8 – Rick Johnson

Dallas County – Rick Loessberg

Dallas County Community College District – John Robertson

Purpose

The City of Garland Tax Increment Reinvestment Zone Number One (Downtown) was established to provide a financing mechanism to facilitate transit oriented redevelopment in the downtown area in conjunction with Dallas Area Rapid Transit light rail service. The Downtown TIRZ was created by Ordinance No. 5785 on December 2, 2003. The TIRZ took effect on January 1, 2004 and will expire on December 31, 2024. The TIRZ's Base Year Value was \$102,575,503.

TIF Zone No. 1 was updated on July 1, 2008 by Ordinance No. 6238. The purpose for adopting Ordinance No. 6238 was to indicate the participation of Dallas County and the Dallas County Community College District in the downtown area TIRZ. A Project Plan and Financing Plan were included with Ordinance No. 6238.

The Project and Financing Plan outlines the financial strategy to encourage redevelopment and also provides estimates of revenues flowing into the tax increment fund. As of September 30, 2013, the undesignated fund balance of TIF Zone No. 1 is \$1,457,793.

Entity Participation

Because the City anticipated community wide benefits, the City requested Dallas County and Dallas County Community College District to apply portions of their respective real property tax increments from the zone to the bonded debt service.

Dallas County

55% of increment beginning on January 1, 2008 until December 31, 2023

Dallas County Community College District

50% of increment beginning on January 1, 2008 until December 31, 2023

(Note: Dallas County Community College District incremental revenues from fiscal year 2010 through fiscal year 2014 will flow to the TIF in fiscal year 2015.)

Revenues and Expenditures

**Tax Increment - Zone No. 1
Revenues and Expenditures**

Taxing Entity	Tax Increment Fund # 1 Revenues				
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Revenues					
City of Garland	\$240,544	\$270,932	\$289,457	\$239,170	\$234,586
Dallas County	0	44,372	56,989	40,912	54,318
Interest Income	6,935	4,523	2,879	3,643	4,338
Total Tax Increment No. 1 Revenues	\$247,479	\$319,827	\$349,325	\$283,725	\$293,242
	Tax Increment Fund # 1 Expenditures				
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Expenditures	\$0	\$0	\$164,528	\$100,925	\$114,472
Total Tax Increment No. 1 Expenditures	\$0	\$0	\$164,528	\$100,925	\$114,472
Revenues less expenditures	\$247,479	\$319,827	\$184,797	\$182,800	\$178,770

Appraised Value

Appraised value for FY2013 was \$39,697,654 above the 2003 base year appraised value.

Tax Increment - Zone No. 1

Appraised Value

	Appraised Value				
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Tax Increment Base (2003 base year)	\$102,575,503	\$102,575,503	\$102,575,503	\$102,575,503	\$102,575,503
Taxable Value	139,766,024	143,356,034	136,170,390	135,301,325	141,539,576
Captured Appraised Value Shared	<u>\$37,190,521</u>	<u>\$40,780,531</u>	<u>\$33,594,887</u>	<u>\$32,725,822</u>	<u>\$38,964,073</u>
Tax Increment					
City of Garland	\$240,544	\$270,932	\$289,457	\$239,170	\$234,586
Dallas County	0	44,372	56,989	40,912	54,318
Total tax increments	<u>\$240,544</u>	<u>\$315,304</u>	<u>\$346,446</u>	<u>\$280,082</u>	<u>\$288,904</u>

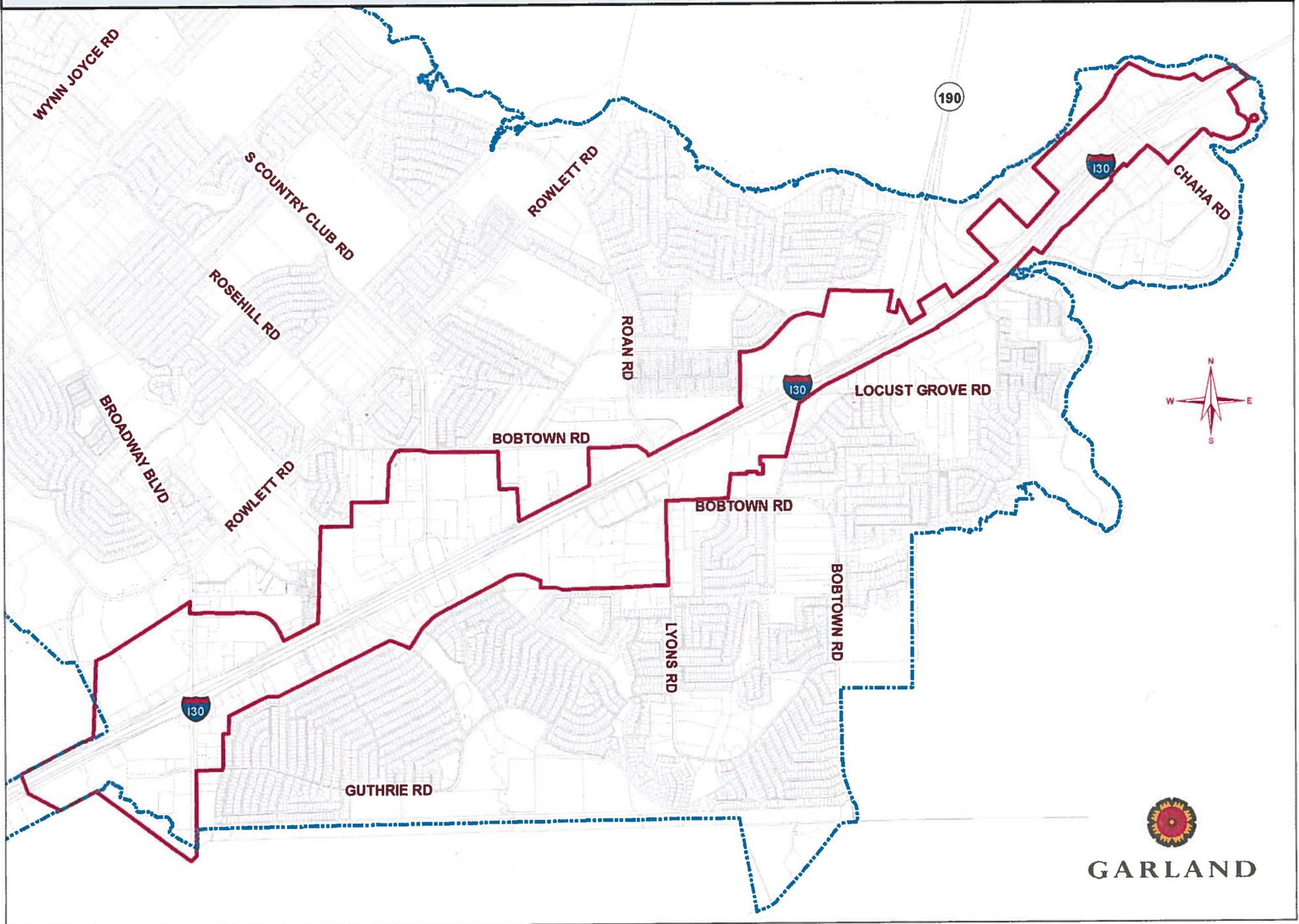
Bonded Debt

The City issued Certificates of Obligation in May, 2013 to provide funding of \$3,000,000 to be used in conjunction with the City Center project. The \$3,000,000 of bond proceeds is being used to replace the existing City Hall exterior façade.

Debt Service Schedule - Zone No. 1

Fiscal Year	Principal	Interest	Total
2014	55,000	98,716	153,716
2015	95,000	81,250	176,250
2016	125,000	78,425	203,425
2017	155,000	74,225	229,225
2018	185,000	68,200	253,200
2019	220,000	60,100	280,100
2020	250,000	51,950	301,950
2021	285,000	43,925	328,925
2022	320,000	34,850	354,850
2023	355,000	24,725	379,725
2024	390,000	15,012	405,012
2025	425,000	5,313	430,313
	<u>2,860,000</u>	<u>636,691</u>	<u>3,496,691</u>

I30 TIF DISTRICT



TIF Zone No. 2 (Interstate 30 Corridor)

Board of Directors

City of Garland appointed:

Mayor – Preston Edwards

Council District 1 – Bill Swisher

Council District 2 – Marie Purser

Council District 3 - vacant

Council District 4 – Jonathan Kelley

Council District 5 – Tom Jefferies

Council District 6 - vacant

Council District 7 - vacant

Council District 8 - vacant

Dallas County – Rick Loessberg

Purpose

The City of Garland Tax Increment Reinvestment Zone Number Two (I-30 Corridor) was established to facilitate economic development of the Interstate Highway 30 corridor in accord with Chapter 311 of the Texas Tax Code (the TIF Act), specifically at and near the Harbor Point development, including a Bass Pro sporting goods specialty store, on Lake Ray Hubbard at the interchange of Interstate Highway 30 and Chaha Road. The City recognized the Lake Ray Hubbard waterfront area as an underutilized asset. Much of the land was vacant even though urban development reaches into adjacent Rockwall County. Various conditions, including difficulty of land assembly, obsolete platting, unfinished structures, faulty lot layout, inadequate access and unusual conditions of title have substantially impaired sound growth. The City believed that development near the waterfront and much of the I-30 Corridor was unlikely to occur solely through private investment in the foreseeable future. The I-30 Corridor zone contains approximately 553 acres of land. Taxable land is approximately 520 acres.

City Council Ordinance No. 5867, adopted on December 21, 2004, created the TIRZ. The I-30 Corridor TIRZ took effect on January 1, 2005 and will expire on December 31, 2025, or at an earlier date to be designated by the City Council. The

TIRZ's Base Year Value for 2004 was \$82,326,779. The Project and Financing Plan outlines the financial strategy to encourage development and redevelopment and also provides estimates of revenues into the tax increment fund. At September 30, 2013, the undesignated fund balance of the I-30 Corridor zone was \$131.

Entity Participation

Because the City anticipated regional benefits from the I-30 Corridor zone, the City requested Dallas County to apply portions of their real property tax increment from the zone to the bonded debt service.

Dallas County

55% of increment beginning on January 1, 2007 until December 31, 2025

Revenues and Expenditures

**Tax Increment - Zone No. 2
Revenues and Expenditures**

Taxing Entity	Tax Increment Fund # 2 Revenues				
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Revenues					
City of Garland	\$377,357	\$322,286	\$247,589	\$244,009	\$252,916
Dallas County	47,013	38,680	38,864	45,435	46,755
Interest Income	1,113	1,015	109	270	283
Total Tax Increment No. 2 Revenues	\$425,483	\$361,981	\$286,562	\$289,714	\$299,954
	Tax Increment Fund # 2 Expenditures				
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Expenditures					\$59,637
Debt Service	268,645	362,067	286,795	232,467	297,554
Total Tax Increment No. 2 Expenditures	\$268,645	\$362,067	\$286,795	\$232,467	\$357,191
Revenues less expenditures	\$156,838	-\$86	-\$233	\$57,247	-\$57,237

Appraised Value

Appraised value for FY2013 was \$38,037,270 above the 2004 base year appraised value.

**Tax Increment - Zone No. 2
Appraised Value**

	Appraised Value				
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Tax Increment Base (2004 base year)	\$75,252,851	\$75,252,851	\$75,181,891	\$75,181,891	\$75,181,891
Taxable Value	117,968,797	110,041,765	109,651,346	110,213,252	113,219,161
Captured Appraised Value Shared	<u>\$42,715,946</u>	<u>\$34,788,914</u>	<u>\$34,469,455</u>	<u>\$35,031,361</u>	<u>\$38,037,270</u>
Tax Increment					
City of Garland	\$377,357	\$322,286	\$247,589	\$244,009	\$252,916
Dallas County	47,013	38,680	38,864	45,435	46,755
Total tax increments	<u>\$424,370</u>	<u>\$360,966</u>	<u>\$286,453</u>	<u>\$289,444</u>	<u>\$299,671</u>

Note: The Tax Increment Base changed in Fiscal Year due to a recalculation at Dallas Central Appraisal District.

Bonded Debt

\$23,745,000 taxable General Obligation Bonds were issued by the City in 2005. The Bonds were refunded by the General Obligation Refunding Bonds, Series 2007B. The Series 2007B bonds will be refunded in fiscal year 2015.

The annual tax increments are currently insufficient to pay all of the annual debt service. The General Obligation Debt Service Fund provides the funding for the debt service remaining after tax increments are applied. The City will continue to support TIF Zone No. 2 debt obligations until the Zone becomes self-supporting or until all debt has been repaid, whichever comes first.

Debt Service Schedule - Zone No. 2

Fiscal Year	Principal	Interest	Total
2014	228,094	109,243	337,337
2015	225,813	853,797	1,079,610
2016	1,585,446	3,234,409	4,819,855
2017	1,665,000	2,990,625	4,655,625
2018	1,735,000	2,735,625	4,470,625
2019	1,810,000	2,469,750	4,279,750
2020	1,890,000	2,192,250	4,082,250
2021	1,970,000	1,902,750	3,872,750
2022	2,060,000	1,600,500	3,660,500
2023	2,155,000	1,284,375	3,439,375
2024	2,255,000	953,625	3,208,625
2025	5,230,000	392,250	5,622,250
	<u>22,809,353</u>	<u>20,719,199</u>	<u>43,528,552</u>