



Agenda Item Report

Legislative Board: City Council
Date: September 17, 2024
Contact: Micah Grau
Agenda Item ID / Number: 2024-766- / I.4

ITEM TITLE: Public hearing, deliberation, and possible action to consider an Ordinance on first and final reading and to adopt said Ordinance of the City Council of the City of Buda, Texas designating an area within its corporate limits as Reinvestment Zone Number Three (TIRZ#3), City of Buda, Texas (Persimmon Development), for tax increment financing purposes, pursuant to Chapter 311, as amended, Texas Tax Code; creating a Board of Directors for such zone; providing for an Effective Date and Termination Date; and containing findings and provisions related to the foregoing matters (City Manager Micah Grau, Jon Snyder of P3 Works, and Patrick Bourne of Sundance Analytics) [PUBLIC TESTIMONY]

1. EXECUTIVE SUMMARY

Approval of this Ordinance would establish the Tax Increment Refinance Zone Number Three (TIRZ #3) for the Persimmon Development.

2. BACKGROUND/HISTORY

One June 18, 2024, the Buda City Council approved a Development Agreement with Milestone Community Builders. The DA specifies that Buda would create a Public Improvement District (PID) and a TIRZ to finance the public improvements related to the development. Also in June, the City entered into an interlocal agreement with Hays County to jointly participate in the proposed TIRZ. Under the terms of that agreement, both the City and County will rebate 50% of increased ad valorem revenue generated by the project into the Zone to pay for public improvements. With the agreement, Hays County will also appoint two members to serve on the TIRZ Board.

At the September 3, 2024, City Council meeting, the City Council authorized publication of the notice regarding the creation of the TIRZ. The notice for the public hearing was published in the Hays Free Press on September 4, 2024.

3. ANALYSIS

The action on this Ordinance establishes the TIRZ. This is the third TIRZ established by the City of Buda, the first being the Cabela's TIRZ (expired) and the second being for The Colony at Cole Springs Road.

Like The Colony at Cole Springs TIRZ #2, it is recommended that City Council serve as the TIRZ board representatives from the City, at least initially. The Ordinance contemplates a nine-member TIRZ board consisting of all seven City Councilmembers and two Hays County representatives. Hays County has established that County Commissioner Walt Smith and Development Services Director Marcus Pacheco will serve as the Hays County representatives.

The TIRZ shall terminate at the earlier of December 31, 2069 or at the time that all project costs have been paid, whichever is earlier.

Future actions are required for the TIRZ. If the Council creates the TIRZ, the next steps will be for the appointed TIRZ board to review the proposed Project and Financing Plan and make a recommendation to City Council. Future City Council action will involve adopting the Project and

Financing Plan and entering into an agreement with the landowner to reimburse TIRZ proceeds

4. FINANCIAL IMPACT

The proposed TIRZ is for 50% of the increase in property value for the 774-acres of the Persimmon development for the City of Buda, and 50% of the increase in property value for the acreage located in Hays County. A portion of the project is located in Travis County and would not be subject to the County TIRZ. The property will need to be annexed into the Buda city limits at a future date in order to be effective.

The Preliminary Project and Financing Plan estimates \$178 million in costs for the TIRZ.

The TIRZ does not plan to issue TIRZ bonds. Instead, the TIRZ revenue will be rebated to the landowner to pay down PID bonds, thus reducing the PID assessment fee for individual homeowners.

5. STRATEGIC PLAN/GOALS

BALANCED AND INTENTIONAL GROWTH

6. STRATEGIC PLAN OBJECTIVES

Balance residential and commercial growth.

7. PROS AND CONS

Pros: creates a financing mechanism to help pay for public improvements associated with the Persimmon development including the construction of new roadways and roadway improvements in line with the City's transportation plans.

Cons: the City will not receive the full tax benefit of the development to support the General Fund as 50% of the property tax revenue will be dedicated to the TIRZ.

8. ALTERNATIVES

The terms for the creation of the TIRZ were negotiated through the Development Agreement. The City would need to seek amendments to the DA for substantial alterations.

9. REQUESTED ACTION / SUGGESTED MOTION / RECOMMENDATION

Staff recommends approval of the Ordinance on first and final reading. The City's financial advisors and attorneys have reviewed the proposed ordinance. The recommended motion is, "to approve the ordinance creating Tax Increment Reinvestment Zone #3 for the Persimmon Development and to appoint the Buda City Councilmembers to Board Places 1 - 7 and to appoint Hays County Commissioner Walt Smith to Board Place 8 and Hays County Development Services Director Marcus Pacheco to Place 9."

Attachments:

[Persimmon TIRZ #3 Project and Financing Plan](#)
[TIRZ Ordinance MH 091124.pdf](#)
[Ex A_Property Description \(all\).pdf](#)
[Ex B_TIRZ - Overall.pdf](#)
[Ex C_TIRZ - Zone A.pdf](#)
[Ex D_TIRZ - Zone B.pdf](#)