TIFs, TIRZs, and Dog's Head

Austin

Kimberly Olivares, Austin Financial Services
Trish Link, Austin City Attorney's Office
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Is it a TIF? Or a TIRZ?

- Tax Increment Financing (TIF) is a tool enabled by Texas Tax Code Ch. 311 to **encourage economic development**
- To allow for TIF, a city or county must establish a Tax Increment Reinvestment Zone (TIRZ), a **dedicated geographic zone**.
- Once established, the **baseline value** of property within the zone is **frozen**.
- Some, or all, of the tax revenue resulting from future growth in property value within the zone **(the tax increment) is collected to pay for the costs of the investments** anticipated to spur growth
- Can collect property tax and/or sales tax for investments, **typically infrastructure needs**
- Funds can be used for projects **outside of the zone**, but they must have a **direct benefit** to the zone.

Statutory Requirements

- The "but for" finding:
  - The City Council must determine that *but for public investment*, development or redevelopment within the zone would not occur solely through private investment in the *reasonably foreseeable* future.

- Conditions supporting a TIRZ include, but are not limited to:
  - Area's present condition substantially impairs growth
  - Substandard or deteriorating structures
  - Inadequate sidewalks or street layout
  - Unsanitary or unsafe conditions, conditions that endanger life or property
  - Predominantly open/undeveloped due to obsolete platting or deteriorating improvements

Statutory Requirements

- All property tax revenue returns to the taxing entity after all project costs have been paid or the debt associated with the TIRZ has been retired and the term of the TIRZ ends.

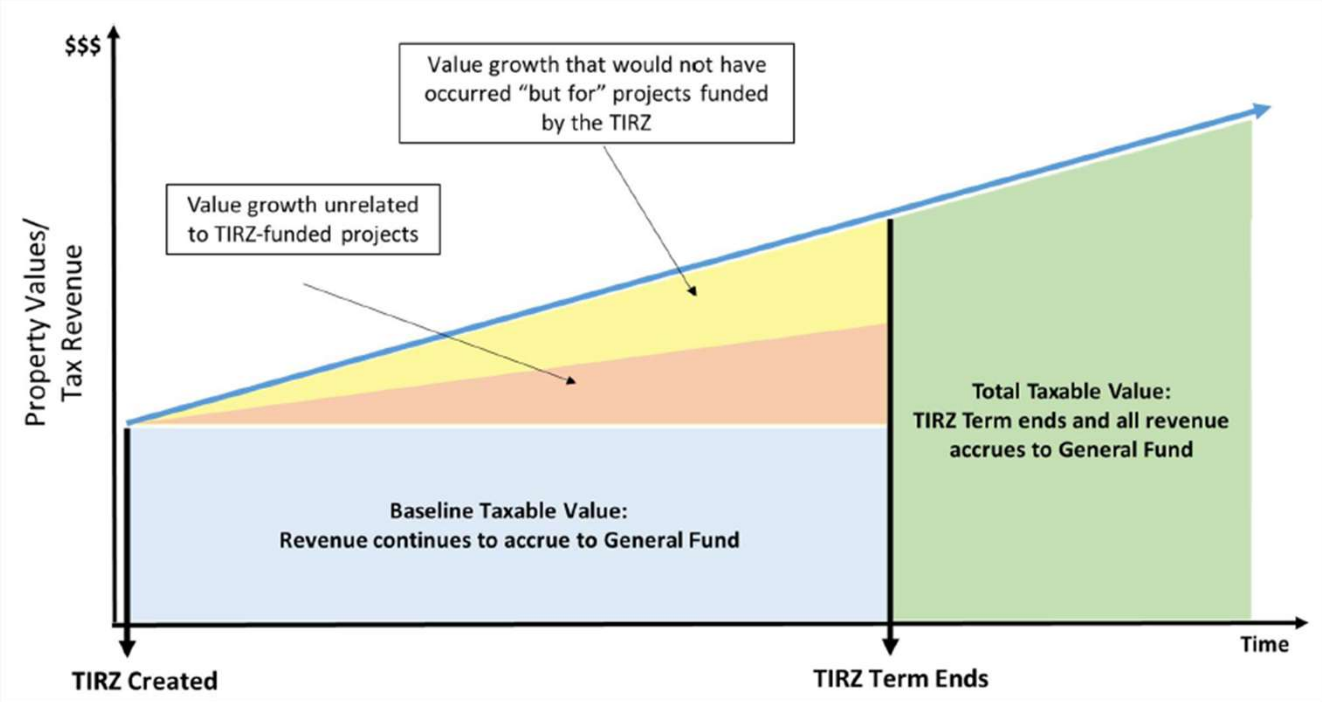
- Prohibitions for a zone
  - No more than 30% of property currently used for residential purposes
  - Limits on total AV of city that can be in a zone
    - Population >100,000 = 25%
    - Austin's policy is not to exceed 10%

- Other taxing units are not required to participate

- Government entity can contract with a local government corporation (LGC) to oversee projects/funds

How the TIRZ/TIF works over time

- When a TIRZ ends, all value in the zone will be subject to the 3.5% voter approval revenue limit.
  - The value of the property in the zone helps reduce the overall tax rate instead of creating an influx of revenue to the General Fund.



Steps Required to Establish a TIRZ

Prepare the reinvestment zone preliminary financing plan

Publish public hearing notice in newspaper

Hold public hearing; provide information re: boundaries, amount of bonds, percentage of tax increment to be contributed, and estimated project costs

City Council vote on reinvestment zone ordinance and board of directors

Steps Required to Establish a TIRZ (Continued)

Zone's Board of Directors must prepare a project and financing plan to be reviewed and voted on by the City Council

→ Establish increment dedication by other taxing units within the zone, if applicable

→ Zone's Board of Directors must make recommendations to the City Council on implementing the TIF

→ Submit an annual report within 150 days of fiscal year end to the CEO of each taxing unit and State Comptroller

City of Austin TIF Financial Policy

- Major provisions
  - Project/finance plans must include **participation by the private sector** and/or other tax entities
  - City must conduct a **rigorous "but for" analysis** demonstrating development/redevelopment within the zone would not occur solely through private investment
  - Any **housing development** that is part of the TIF project plan must provide for at least 20% of the units to be affordable to households at or below 60% MFI for rental and 80% MFI for ownership
  - **Bonds** issued to fund TIF development are subject to **coverage tests, debt service reserve requirements**, and must mature on or before the termination date of the zone

City of Austin Active TIRZs

Mueller (2004)

- Created to support public infrastructure for the redevelopment of the former airport.
- City-owned land and included an extensive community input and planning process.
- Mueller LGC created to issue and manage debt issuances

Waller Creek (2007)

- Created to fund the Waller Creek Tunnel (flood control) and the chain of parks along Waller Creek.
- County participated in tunnel phase only with a 50% contribution rate.
- Waller Creek LGC created to oversee implementation of chain of parks portion of project and financing plan.

Colony Park (2022)

- Created to support public infrastructure for the mixed-use redevelopment in northeast Austin
- City-owned land and included an extensive community input and planning process

Dog's Head TIRZ Proposal

The Case for a Tax Increment Reinvestment Zone

- Dog's Head has virtually **zero infrastructure** on site
  - Roadways, Water/wastewater, Electric, Drainage

- Supports **community and economic benefits**
  - Creates new revenue sources
  - Positions Austin to attract major development/employers
  - Affordable housing
  - Reclamation of former mining site
  - Construction and permanent jobs
  - Opportunity to address food and health care deserts

- Why not a MUD?
  - **Density** is required to support much needed commercial uses (grocery, retail, etc.)
  - Project revenues are **insufficient** to support infrastructure required for a dense development that will support the region's needs.

Dog’s Head TIRZ Proposal

- Large scale developments normally include a public financing component for major infrastructure
  - Same approach was used for Mueller and Colony Park
  - Other examples include PIDs, MUDs, etc. that are typically used in low density development
- The Dog’s Head TIRZ is **NOT** a subsidy. It is **NOT** a tax incentive.
- TIRZ revenues will **reimburse** the costs of public infrastructure assets the City will own. Revenues are generated within the zone to invest in those assets.
- **Developer will only receive funds on a reimbursement basis.**
- Terminates December 31, 2061

Dog's Head TIRZ Proposal – Updated

- Economic/market analysis provides a strong rationale for a TIRZ
  - Current value of entire land area is approximately $17M
  - Conservative estimates indicate over $26 billion in property value by 2061 with infrastructure investments
  - Greater levels of buildout = Tax revenue generation begins to accelerate in mid-2030s
- Proposed City contribution rates (property & sales tax): 75% for 20 years and 66% for 15 years
  - No other General Fund revenue types are proposed to fund the TIRZ.
  - Travis County participation at 50% contribution rate would have added $520M for public infrastructure.
    - Absence of County's participation will require development scope reduction and negatively impact opportunities to address regional mobility and community needs.

Tax Years	City Property Tax to TIRZ	City Sales Tax to TIRZ	Remaining to Gen. Fund
2026-2036	$19,880,523	$1,856,250	$7,245,591
2037-2046	$167,592,361	$17,577,000	$62,137,120
2047-2056	$482,275,380	$36,135,000	$267,059,893
2057-2061	$430,629,327	$24,750,000	$234,589,350
TOTAL	**$1,100,377,591**	**$80,318,250**	**$571,031,954**

Dog's Head TIRZ Proposal – Updated

- Expected this TIRZ will support approximately 20% of overall estimated infrastructure costs. The developer will be responsible for remaining costs.
- Bonds will be issued by a Local Government Corporation (LGC) once revenues are sufficient to support debt service and other expenses under these conditions:

Bonds Secured by TIRZ and City Appropriations (Up to $275M)	Bonds Secured by TIRZ Only (Above $275M)
Debt service coverage - 1.0x	Debt service coverage - 1.25x
Debt service reserve fund; Stabilization account with $1.25M - $5M in funds	Debt service reserve fund
City consent required for all issuances	City consent required for all issuances
City appropriations credit enhancement **only** available for up to $275M in bonds	**No** City appropriations credit enhancement available

- The credit enhancement improves bond marketability. The likelihood of impact to the City is low because of the other issuance conditions.

Role of the Local Government Corp.

- The Dog's Head Local Government Corporation (LGC) will be responsible for:
  - Oversight of the implementation of the project and financing plan
  - Management of TIRZ funds and debt issuances

- Will be created in accordance with Texas Transportation Code Ch. 431
  - Subject to open meetings, etc.
  - Examples: Mueller LGC and Waller Creek LGC

- Membership
  - Three government representatives
  - Three Dog's Head representatives

Operating Budget Impact Analysis

- Assumptions
  - Population – Approx. 25,000 residents at full build out
  - Costs – Personnel, vehicles, equipment, facility operations/maintenance
  - Police – 50 new Sworn personnel added over time
  - Fire/EMS – New station estimated for 2048/2049
    - 16 new Sworn Fire personnel
    - 12 new Sworn EMS personnel
- Approximately $133M of additional revenues to support other future costs/community needs
  - Examples: Library, parks, etc.

Tax Years	New Gen. Fund Dollars	Est. Operating Costs	Gen. Fund Over/(Under)
2026-2036	$7,245,591	$6,922,536	$323,055
2037-2046	$62,137,120	$42,145,238	$19,991,883
2047-2056	$267,059,893	$220,247,534	$46,812,359
2057-2061	$234,589,350	$168,537,084	$66,052,266
TOTAL	**$571,031,954**	**$437,852,392**	**$133,179,563**

Additional Updates and Clarification

Anti-Displacement Efforts

- Developer and City recognize displacement and gentrification pressures can be accelerated by new development.
- Developer has agreed to fund a community needs assessment to develop an affirmative plan to ensure the existing surrounding community will be able to enjoy the amenities and economic opportunities anticipated through Dog’s Head.
- Assessment will focus on the area’s demographics, economics, housing cost burden, and existing community amenities.
- Analysis will inform City investments in the surrounding area to mitigate displacement pressures and help identify gaps in community-serving infrastructure.

Labor Standards

- Developer has agreed to labor standards that:
  - Reduce project risk
  - Improve jobsite safety
  - Support predictable scheduling
  - Strengthen the workforce pipeline needed for Austin's future infrastructure demands

- Standards Include:
  - Prevailing Wages on All Job Classifications
  - OSHA-10 and OSHA-30 Safety Training
  - Workers' Compensation Coverage
  - Registered Apprenticeships and On-the-Job Training
  - Austin Infrastructure Academy Partnership
  - Responsible Contractor Standards

Development At Dog’s Head

- First User
  - In the permitting process to construct an advanced manufacturing facility plus related utilities.

- Dog’s Head
  - Current: In the permitting process to construct public infrastructure (Dalton Lane and Patton Avenue).
  - Next steps: Construct infrastructure and secure additional users for development and uses based on market demand/conditions.
  - Anticipated uses: Single-family, multi-family, industrial, retail, office, and hospitality.

Comparison of Development Agreement Modifications

	Development Agreement	Land Development Code
Variances	Sec. 3.03: Administrative except for zoning	Boards/Commission
Critical Water Quality Zone	Sec. 5.07a.: 200 feet	Sec. 25-8-92(F): Between 200 and 400 feet
Cut and Fill	Sec.5.12: Except within the CWQZ, not subject to Sec. 25-8-341 and 25-8-342.	Sec. 25-8-341: Max is 4 feet. Sec. 25-8-342: Max is 4 feet.
Drainage Area	Sec 5.01a: 640 acres (FEMA Standard)	1.2.6 of the DCM: 64 acres
Floodplain Modification	Sec. 5.01b. Floodplain modifications can be approved without demonstrating an environmental benefit but cannot create an adverse impact.	Sec. 25-8-263, 1.7.0 of the ECM Modifications are only allowed based on the standards established in these provisions.
Impervious Cover Limit	Sec. 3.07 and Exhibit C: MXD: 100% Open Space: 20%	Watershed: 50% to 80% (based on use). Zoning: 90% (CS Zoning)

Next Steps

Task	Details	Date
TIRZ Creation Public Hearing	Required per State statute	July 23, 2026
TIRZ Creation and Preliminary Project and Financing Plan	**City Council** to vote on TIRZ creation and the preliminary project and financing plan.	July 23, 2026
Financing Agreement	Per the Development Agreement, City and Dog's Head finalize financing agreement in compliance with TIRZ and associated term sheet.	August 4, 2026
Regulating Plan	Following review by **Planning Commission, City Council** to vote on land development regulations that are consistent with Development Agreement	Fall, 2026
Austin Strategic Mobility Plan	Following review by **Planning Commission** and **Urban Transportation Commission**, **City Council** to vote on revisions to accommodate mobility improvements.	Fall, 2026
LGC Creation	**City Council** to create LGC to oversee implementation of project and financing plan and manage TIRZ funds	March 2027
Final Project and Financing Plan	**City Council** to vote on final project and financing plan	March 2027

Questions