BUDGET RESPONSE TO CITY COUNCIL MEMBERS

To the Mayor and Members of the City Council

No. 24-009

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SUBJECT: Property Tax Reduction: Impact on TIFs

The following is a budget response elaborating on TIFs and the effects of reductions to property tax rates.

Tax Increment Financing (TIF) is a public financing tool used by municipalities to promote economic development within a specific area. TIFs work by allocating a portion of the property tax revenue generated from a designated "tax increment district" (usually an underdeveloped or blighted area) to fund various infrastructure and development projects within that district. As property values increase due to development, the additional property tax revenue generated from the increase in assessed values goes towards funding these projects.

If there is a reduction in property tax rates within a TIF district, a few potential scenarios might unfold:

- **Reduced Revenue for TIF Projects:** A reduction in property tax rates could lead to lower overall property tax revenue within the TIF district. This would result in fewer funds being available to support the infrastructure and development projects that the TIF was intended to finance. The pace or scope of planned improvements might slow down or be scaled back.
- **Potential for Shortfall:** If the reduction in property tax rates is significant and the TIF district relies heavily on property tax revenue, there might be a shortfall in funding for ongoing or planned projects. The City might need to explore alternative funding sources or adjust their plans accordingly.
- **Reevaluation of TIF Projects:** With reduced revenue, local governments might need to reevaluate the feasibility of ongoing TIF projects. Some projects might need to be prioritized over others, or certain projects might be postponed or canceled if funding becomes inadequate.
- **Potential for Adjustments:** The City might consider adjusting the terms of the TIF agreement or seeking ways to supplement TIF funding from other sources, such as grants, impact fees, or public-private partnerships.

It's important to note that the specific impact of a reduction in property tax rates on TIFs can vary depending on the local context, the scale of the TIF district, the nature of the development projects, and other economic factors.

TIF Revenue Calculation:

Tax Increment Financing (TIF) revenue is calculated by determining the incremental increase in property tax revenue generated within a designated TIF district due to the growth in property values. Growth is assessed with respect to a base year; the base year is always the year in which the TIF was established. What follows is the general formula for calculating TIF revenue:

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TIF Calculation	Example	Explanation		
Taxable Value	\$1,043,917,060	Assessed property values in the current year.		
TIF Base Value	\$218,865,559	Assessed property values in the base year.		
Taxable Increment	\$825,051,501	The difference between Current Year and Base Year property values.		
Participation Rate	40%	Taxing entity's participation rate to the TIF.		
Tax Rate	0.22400%	The respective tax rates for each taxing entity.		
Gross TIF Contribution		The calculated TIF revenue for each year, which is the Tax Increment multiplied by		
	\$739,246.14	the Total Tax Rate.		

The table provided below illustrates a comparison of the 2022 Actual revenue, 2023 Estimated revenue, and 2024 Projected revenue for each TIF District, considering both a City of Fort Worth tax rate of \$.7125 and a revised rate of \$.6725. This presentation effectively showcases the impact of the tax rate reductions by the City of Fort Worth and the participating taxing entities within each specific TIF district.

TIF	FY2022 Actuals	FY2023 Estimated Revenue	CFW_FY2024 Projected Revenue @ \$.7125	CFW_FY2024 Projected Revenue @ \$.6725	Variance \$.6725 / \$.7125
TIF 2 - Speedway	\$ 617,786.05	\$ 586,527.32	\$ 532,866.34	\$ 532,866.34	\$-
TIF 2A - Speedway	1,390,460.81	1,312,690.30	1,271,095.38	1,271,095.38	-
TIF 3 - Downtown	4,062,133.58	3,968,821.09	4,036,049.41	4,036,204.79	155.38
TIF 3A - Downtown	937,866.42	987,961.76	963,950.58	963,795.22	(155.36)
TIF 4 - Southside	6,968,697.64	7,952,329.59	2,700,000.00	2,700,000.00	-
TIF 8 - Lancaster	2,564,868.85	2,588,699.48	2,871,131.79	2,732,104.40	(139,027.39)
TIF 9 - Trinity River	6,539,289.51	7,413,697.56	7,630,111.39	7,373,572.89	(256,538.50)
TIF 9A - Trinity River	683,155.08	680,323.72	748,727.59	724,617.03	(24,110.56)
TIF 10 - Lonestar	955,519.92	1,065,146.17	1,171,366.73	1,125,150.36	(46,216.37)
TIF 10A - Lonestar	117,042.07	151,793.83	723,677.48	694,472.62	(29,204.86)
TIF 12 - East Berry					
Renaissance	1,416,219.67	1,511,230.19	1,644,442.49	1,587,476.80	(56,965.69)
TIF 13 - Woodhaven	3,126,767.34	4,011,139.96	4,311,400.00	4,130,126.66	(181,273.34)
TIF 14 - Trinity Lakes	1,557,135.79	1,849,123.08	2,215,626.85	2,113,315.43	(102,311.42)
TIF 15 - Northside/Stockyards	1,022,623.34	1,390,221.49	2,320,884.49	2,232,274.71	(88,609.78)
Totals:	\$ 31,959,566.07	\$ 35,469,705.54	\$ 33,141,330.52	\$ 32,217,072.63	\$ (924,257.89)

• TIF 4 – Southside: As part of the extension of the term of the Southside TIF and beginning on January 1, 2023, the City will reduce its contribution into the Southside TIF fund by at least two-thirds.

The City routinely records annual adjustments to property tax rates for each taxing entity. However, the City typically forecasts revenue generated by TIF models without factoring in changes to future tax rates. It is worth noting that there are ample opportunities to assess various analytical methods for forecasting future tax rates through collaboration with the FWLab.

If you have questions concerning this information, please contact Robert Sturns, Economic Development Director at 817-392-2663.

David Cooke City Manager

ISSUED BY THE CITY MANAGER

FORT WORTH, TEXAS

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