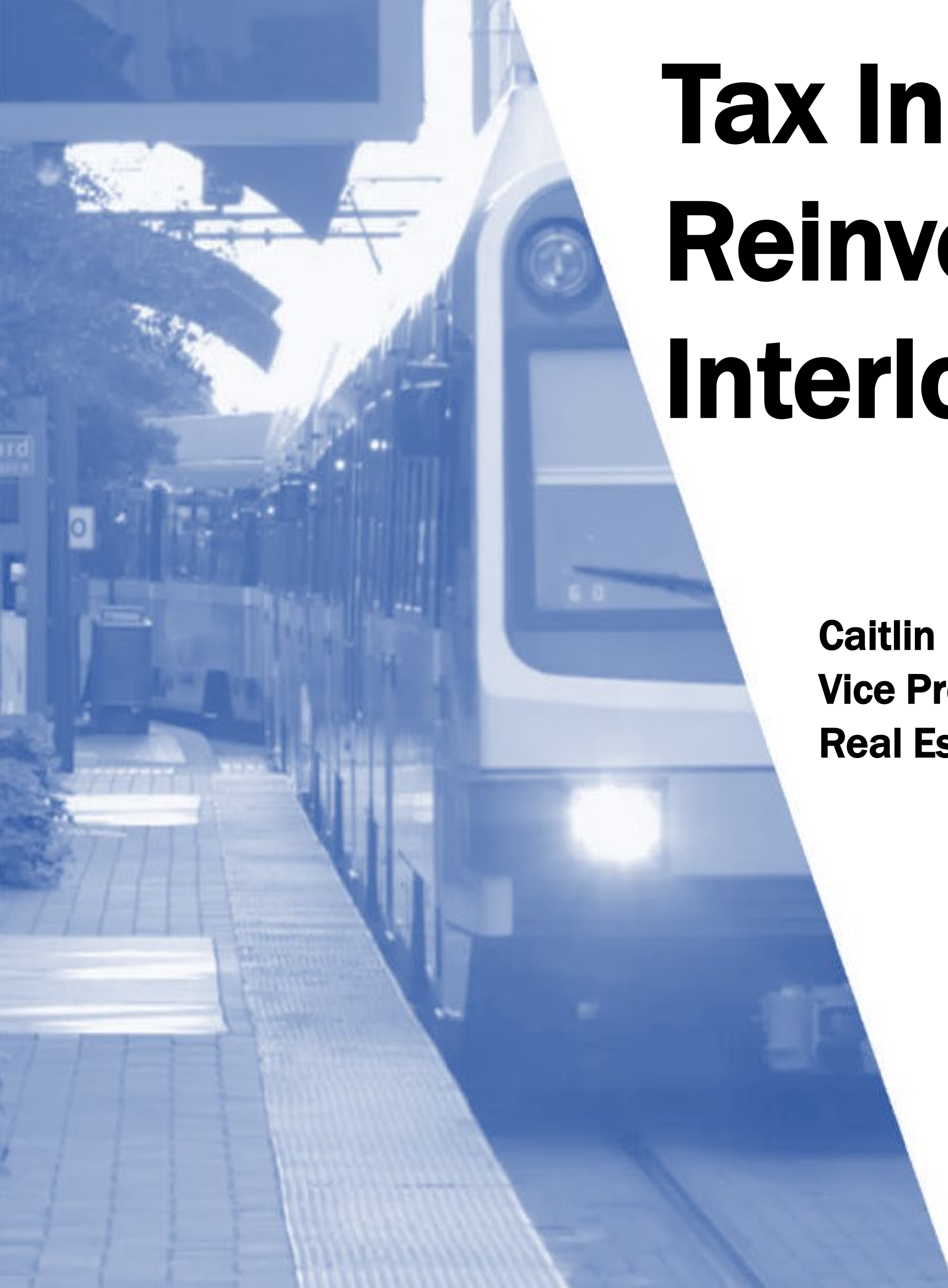


Tax Increment Reinvestment Zone Interlocal Agreement

Caitlin Holland
Vice President
Real Estate & Economic Development

DART® let's go.

TIRZ Overview

A TIRZ, also known as a "TIF District", is a financing tool that cities can use to promote economic development in a geographically-defined area.

Created and governed by **Chapter 311 of the Texas Tax Code.**

A city or county may create a TIRZ, and any taxing unit for the zone may elect or decline to participate.

A TIRZ obligates future tax revenues from each participating taxing unit to pay for certain project costs.

May be funded by property tax, municipal sales tax, or a combination of both.

- Property tax
- Municipal sales tax
- A combination of both

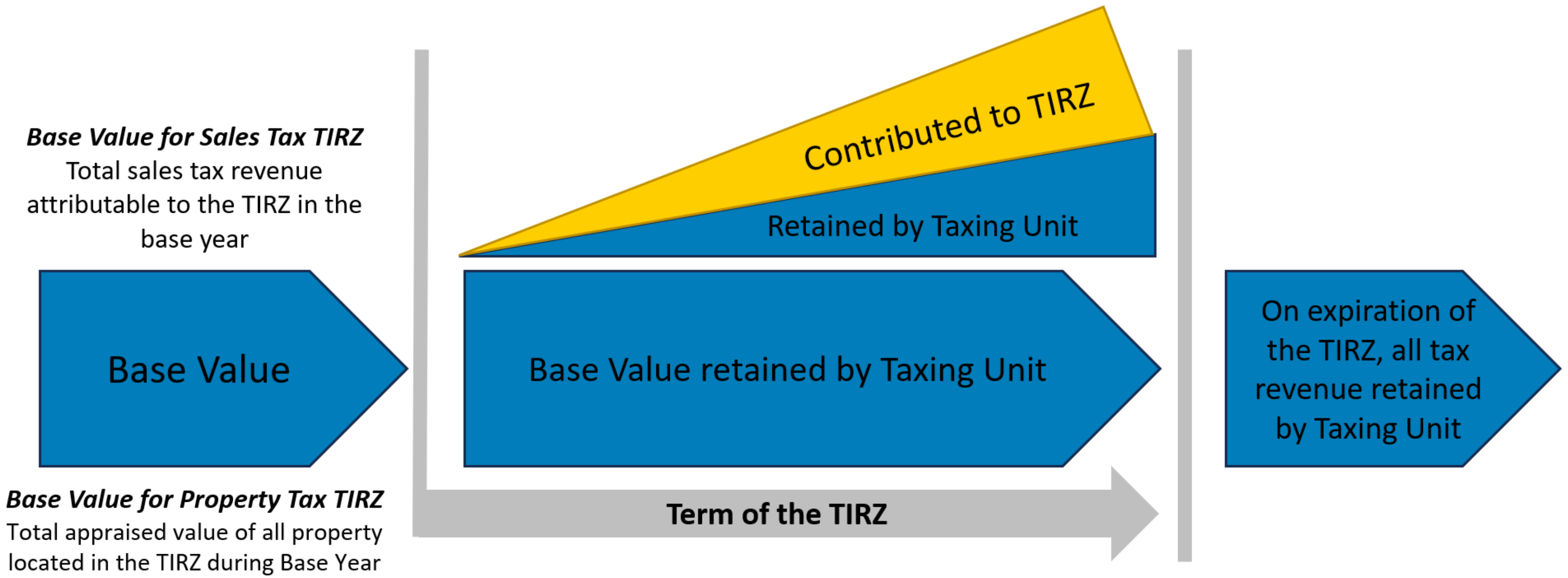
KEY BENEFIT

As economic activity and taxable sales increase within the zone, the resulting growth in tax revenues can be reinvested in infrastructure, redevelopment, and other projects that further support economic development.

MUNICIPAL SALES TAX TIRZ PROCESS

1. Businesses **collect** sales taxes from customers and remit all state and local sales tax revenues to the Texas Comptroller.
2. The Comptroller **distributes** the municipality's share of sales tax revenues to the city.
3. The city **calculates** the portion of municipal sales tax revenue attributable to the TIRZ.
4. The city **transfers** the required amount to the TIRZ fund and retains the remaining sales tax revenues for general municipal purposes.

How a TIRZ Works



Why a DART-Dallas TIRZ ILA

DART **cannot** currently participate in a TIRZ as a taxing unit under Ch. 311

The ILA approach will allow DART to contribute future sales tax revenues to the TIRZ in nearly the same manner as other taxing units without legislative action.

The TIRZ ILA allows for DART's automatic contribution to a qualifying zone without additional DART Board approval.

In addition to this TIRZ ILA, City may also negotiate for DART's contribution to a TIRZ using a stand-alone agreement that contains unique terms and requires DART Board approval.

GOALS OF TIRZ ILA

- Economic development partnership between DART and the City
- Streamlined process that allows movement at the speed of business
- Sales and property tax growth
- Increase in transit-oriented development
- DART ridership growth
- Greater ability to attract and retain businesses

TIRZ ILA Timeline

FALL 2024

Initial discussions regarding the concept of DART's participation in City-created TIRZ.

FEBRUARY–MAY 2025

Meetings of Economic Development City Manager Working Group every 2 weeks

Participants:
Dallas, Richardson, Irving, Carrollton, Rowlett, Glenn Heights, DART

MAY 27, 2026

DART Board approved framework for TIRZ ILA.

JUNE – NOVEMBER 2025

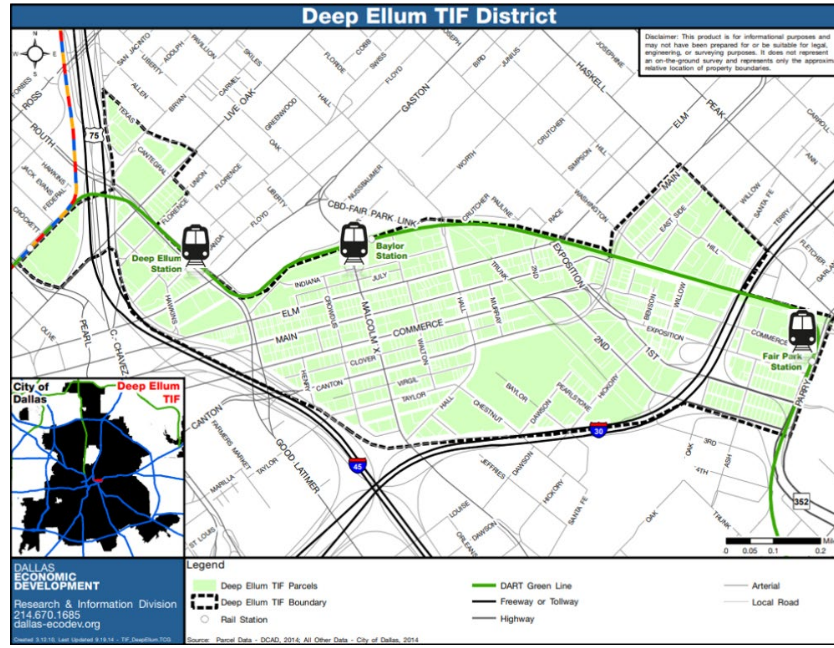
TIRZ ILA drafted, revised and finalized

- Revisions made in response to feedback from staff for Dallas, Richardson, Irving, Carrollton, Rowlett, Glenn Heights
- Approved by legal counsel for DART, Richardson, Irving & Carrollton

NOVEMBER 25, 2025

Final form of TIRZ ILA provided to City Managers for execution.

Qualifying TIRZs



1. **Created by City of Dallas pursuant to Chapter 311 of the Tax Code**

2. **Contains a "Transit Anchor"**

- Light rail station, commuter rail station, streetcar station, bus transit center, park-and-ride, bus shelter, or GoLink rally point
- Located on DART-owned property (fee simple or easement interest)
- Served by DART-operated or contracted transit services
- Pre-existing or established within 5 yrs of Concurrence Letter

  If it is not feasible for the Transit Anchor to be completed in 5 years, City must make satisfactory progress within 5 years and continue towards completion
- May substitute initial Transit Anchor with another qualifying Transit Anchor at another location within the Zone

Contribution Opportunities

CONTRIBUTION

Percentage of DART's increment available to contribute to the TIRZ

20-50% for any qualifying TIRZ

55% if TIRZ includes DART property subject to a TOD ILA ("Joint Development Project")

60% if TIRZ includes Joint Development Project + DART property is FTA-funded OR affordable housing criteria is met

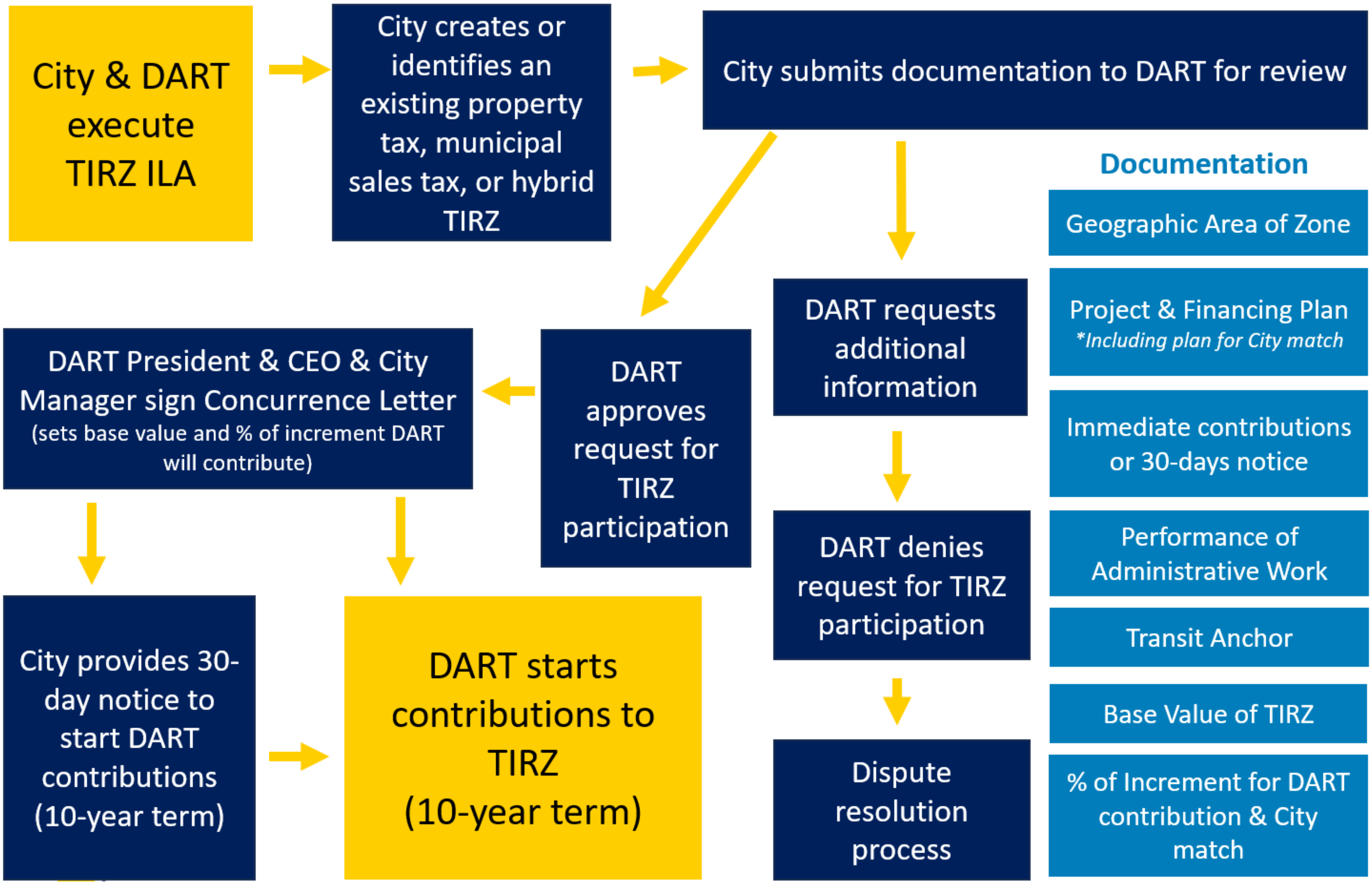
65% if TIRZ includes Joint Development Project + DART property is FTA-funded + affordable housing criteria is met

REQUIREMENTS

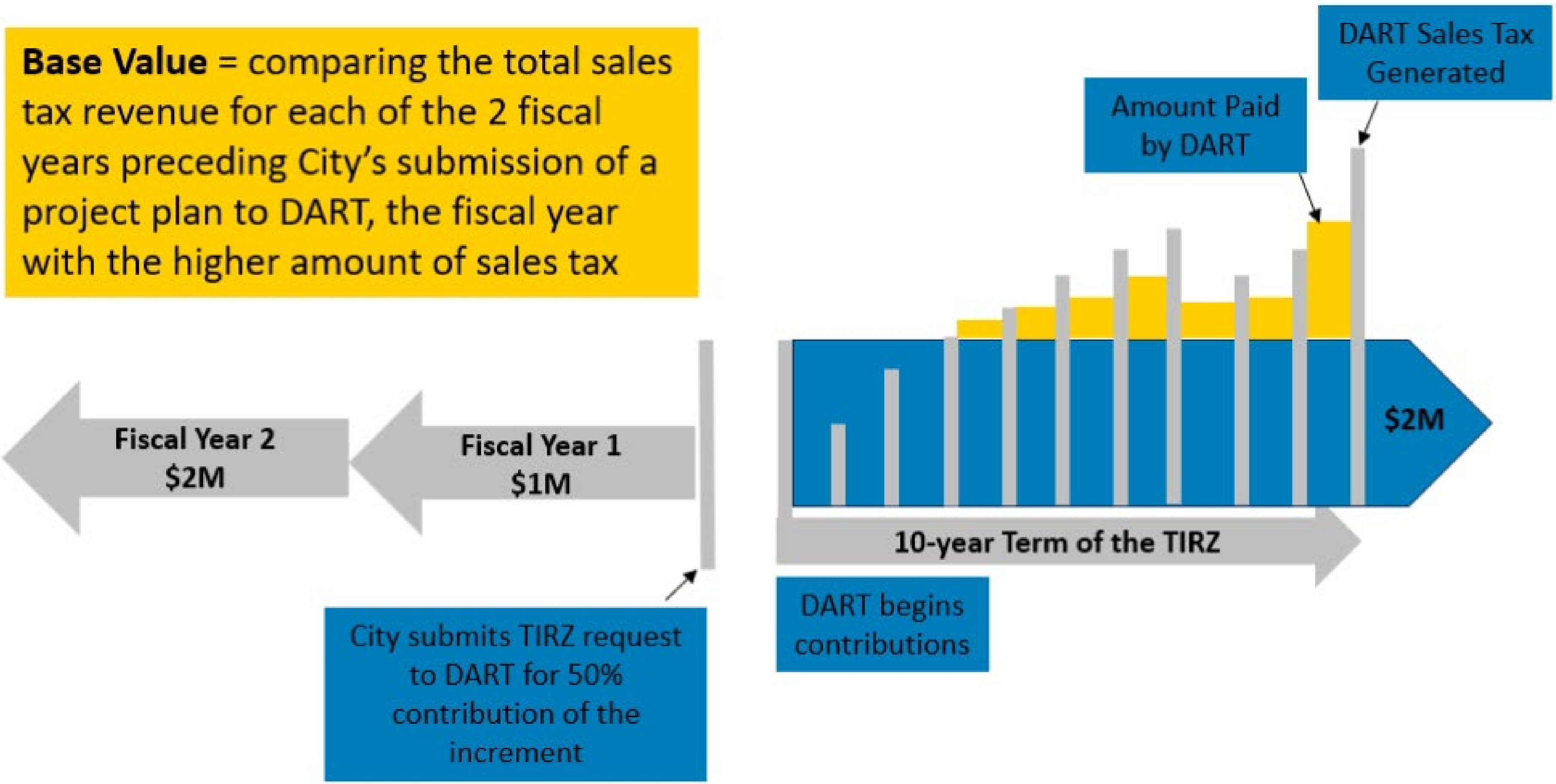
- City must match DART's contribution plus any interest earned on DART funds while held in tax increment fund
- City must match within 90 days following Year 5 Annual Review and Year 10 Annual Review
- City may match with any source of funds
- No liability to DART for debt issued by TIRZ
- DART sales tax funds must be used in ways compliant with Chapter 452

For example: street maintenance, sidewalks, traffic signals, bike lanes, parking garages, TOD project costs (such as property acquisition, construction costs, ground lease for DART property, etc.)

Initiating DART's Contribution



Calculating Base Value - Example



Years 1-5 of Contribution Period

DART begins contributions to TIRZ in accordance with Concurrence Letter

Comptroller submits monthly sales tax reports to DART

DART or City calculates amount of sales tax due per Concurrence Letter

DART pays to City the % of increment due on a quarterly basis

City remits DART funds to TIRZ

TIRZ uses DART $ for eligible projects
Used in compliance with Ch. 452

Annual Review

Verify Ch. 452 compliance, DART contributions & City Match (or amount of match outstanding)

Note: For a Ch. 311 TIRZ, the Texas Comptroller remits the participating taxing unit's percentage of the increment directly to the TIRZ

Annual Progress Report to DART Board

Year 5 Annual Review

City matches DART Funds + any interest accrued

DART claws back unmatched funds & suspends payments

Costs to perform administrative work are deducted from DART's contribution or City's match, depending on the performing party

Years 5-10 of Contribution Period

DART continues to pay to City the % of increment due on a quarterly basis

City remits DART funds to TIRZ

TIRZ used for projects to support redevelopment of the Zone

TIRZ ILA expires Jan. 1, 2031

Year 10 Annual Review End of Contribution Period

City matches DART Funds

DART claws back unmatched funds

DART funds continue to be used for TIRZ purposes

Continue Annual Audit (Verify Ch. 452 compliance) & Annual Progress Reports to DART Board until DART funds are expended

TIRZ expires

City reimburses any DART funds not spent or obligated

Consequences for Breach

Disqualification from initiating DART's contribution to a TIRZ

- Resolution to call pull-out election and vote is still pending
- Unpaid debt of more than $500k for more than 180 days
- Statutory change results in the reduction or reallocation of DART's 1 percent sales tax rate

Suspension of DART's contribution to a TIRZ

- Removal of service at anchor transit facility at <u>City's</u> direction
- Unpaid debt of more than $500k for more than 180 days

Termination of the TIRZ ILA

- City has terminated its DART membership
- City has breached a material term of the ILA and failed to remedy (for example: failure to match, improper use of DART funds)
- DART contributions stop immediately, any DART funds not spent or obligated by TIRZ must be returned

Claw Backs

- Claw back for failure to establish transit
- Claw back for failure to match
- Any unpaid claw back amount is included in the City's debt obligation
- DART may deduct any unpaid claw back amount from any payment due under the General Mobility Program, PTI Funds ILA, TRIP, etc.

Next Steps

- City Council consideration/approval of TIRZ ILA in September
- Execution of TIRZ ILA by DART and City
- City staff submits request for DART's contribution for a new or existing Zone
- DART CEO and City Manager sign Concurrence Letter for the Zone
- DART begins contributing a portion of its sales tax to the Zone in accordance with the Concurrence Letter