City Council
City of Hillsboro, Texas
Special Session Meeting
January 31, 2023

The Hillsboro City Council and City Staff conducted a City Council Special Session Meeting on Tuesday, January 31, 2023. The meeting was held at Historic City Hall, 127 E. Franklin Street in Hillsboro, Texas at 6:00 p.m.

Present were:
Andy Smith, Mayor
Scott Johnson, Mayor Pro Tem
Dana Robinson, Councilmember
Frances Zarate, Councilmember
Larry Lloyd, Councilmember
Leann Richmond, Councilmember

Megan Henderson, City Manager
Tony Cain, Assistant City Manager
Art Mann, Economic Dev. Admin.
Dale Snyder, Finance Director/HR
Christi Ward, Admin. Assistant

Others present:
Lynette Finley, Chamber Executive Director
Robert Innis, Hillsboro citizen

Mayor Smith called the Special Session Meeting to order at 6:00 p.m.

Hear Statements from Persons Wishing to Address Council.
No one addressed Council.

(Agenda Item #3)
Hold a Public Hearing Under Section 311.003(c) of the Texas Tax Code for the Creation of Tax Increment Reinvestment Zone Number Two (2) Within the City of Hillsboro, Texas.
The City Manager informed Council that a Public Hearing is required to create a tax increment reinvestment zone. Notice of the Public Hearing is required to be printed in the newspaper (The Reporter) at least seven (7) days prior to the Public Hearing. The notice of the Public Hearing was printed in the newspaper (The Reporter) on Monday, January 23, 2023. There are four (4) topics required for the Public Hearing which includes a discussion on the concept of a tax increment fund (TIF); providing an opportunity for all interested persons to speak for or against the designation of a reinvestment zone; address the boundaries for the zone; and a discussion on the benefits to the municipality and to the property in the proposed zone.

The City Manager said a tax increment fund (TIF) is to create a way to solve development challenges. A circle is drawn around an area with development challenges, identifies ways to encourage development, allows a city or county to do those things, and directs a portion of the regular tax revenue to pay for them. Taxpayers will not be directly paying the costs for the tax increment reinvestment zone (TIF). Taxpayers will receive their regular tax statement and the city will take a portion of tax proceeds to fund toward the solution. There is need for understanding that taxpayers will not be paying additional taxes because of the creation of this zone. For example, an area would develop if it had better infrastructure, the city puts in the infrastructure, development comes, and a portion of the tax revenue from the development helps pay for the infrastructure. The City Manager said once the tax revenue collected reaches the cost of the reinvestment zone, the tax increment reinvestment zone is dissolved, and the tax revenue will go to the city. The City Manager paused to allow questioning. Mayor Smith asked if anyone attending has questions. There were no questions so Mayor Smith advised the City Manager to proceed.

The City Manager said the next required section is to address the boundaries of the proposed zone. The properties include the Outlet Mall and two other properties that are not developed. A map was displayed to provide boundaries of commercial zoning. The appraisal information was displayed to show current owners, parcel numbers, acreage amounts, and values of the properties.

The City Manager said the final section to discuss is the potential benefits to the city and the properties for creating the zone. The properties in the proposed zone are not developed in a way that are going to allow healthy economic growth due to market forces alone. The area is substantial impairment to the sound growth of Hillsboro. The property has gone from close to 100 national brands to, today, one (1). The occupancy has steadily dropped over the past 20 years. It was less than 35 percent ten (10) years ago and has plummeted since. The predominantly vacant buildings are in a state of deterioration, and the decades of decline indicate that deterioration is likely to accelerate unless action is taken. In a thorough public input process conducted in 2021, MRB Group found the Outlet Mall ranked in the top three (3) weaknesses identified by Hillsboro citizens as threatening the city's growth and development.

The City Manager said that considering together, the properties in the zone constitute an economic liability in their present condition and use because their layout is either obsolete or absent. The Outlet Mall property is a mixture of paved open space used for parking, and buildings designed around an obsolete model of retail delivery. The vast majority of the existing retail space is vacant and deteriorating. For today's uses, the lot layout is faulty and the street layout is inadequate. The adjourning parcels are completely undeveloped, with neither lot nor street layout. Considering the large obsolete open parking area and the undeveloped areas, the proposed zone is predominantly open and/or undeveloped. It will be almost wholly so once obsolete structures have been removed. All of that language speaks to the components of the tax code.

The City Manager said that in terms of benefits, the property in the zone is an impediment to Hillsboro's sound development. The impediments to the development of the property in the zone are: the presence of obsolete improvements, which will be expensive to remove; the absence of infrastructure and public improvements, which will be expensive to construct; the overall size and layout of the site parcels, which would require major investment and make it difficult to do a phased development; the fact that Hillsboro is a small market, and there is limited market visibility for large-footprint commercial concepts today. These impediments are expenses that bring no return on investments (ROI). That means the private sector is unlikely to address them on its own. Tearing down buildings and roads is not going to make anyone money and is considered impediments in keeping the private sector from getting involved.

The proposed Tax Increment Reinvestment Zone would give the city the ability and a potential funding stream to remove the impediments to the development of the property in the Zone. It cannot force the property's development, but the City could use the TIRZ funds to do things that will not bring a return on investment. The draft project plan for TIRZ # 2 includes addressing specific development impediments and would enable the city to do things like demolish obsolete improvements, build needed new public improvements such as roads or drainage, or purchase some of the property.

The City Manager said that with some of the expensive impediments removed, existing or potential future owners could direct their dollars to things that will make a return on investment, such as new buildings or businesses. The opportunity for return will attract more investment, which will make the property more valuable. That benefits the property in the zone. Redevelopment of the property will benefit Hillsboro. We will no longer be known by an empty outlet mall. New businesses will benefit residents and the economy. Lack of new business activity was another top result in our community input process of 2021, and a huge priority for our citizens.

The City Manager said all of the required information has been covered. Mayor Smith asked Councilmembers if there were any questions. There were no questions from Councilmembers. With no further comments, the Mayor opened the Public Hearing at 6:15 p.m.

Hillsboro citizen, Robert Innis, said he has lived in Hillsboro nearly 30 years and is a teacher. Mr. Innis said he is excited about changes going on in the community and it has been a long time coming. Mr. Innis said he recalls 30 years ago when there were discussions about passing bonds for the roads to be better. Mr. Innis said he has seen positive things on social media and is energized about this (Tax Increment Reinvestment Zone). Mr. Innis said his question is on the boundary zone and asked if the two (2) lots behind the Outlet Mall, toward Hill College. Mr. Innis also asked how close that will be to the soccer field or little pool. The Economic Development Administrator referred to the visual presentation and provided the answers for Mr. Innis. There was another question from Mr. Innis asking about not breaking down buildings and if it has been decided what is going to happen. Mr. Innis asked if roads will be ripped out and replaced, if ripping everything down, and does not understand the process. The City Manager said that creating the Zone does not empower the City to do anything to the property. The property is privately owned and creating the Zone does not change that. The City Manager said that it sends a signal to either the existing owner or potential future owners that says the City is prepared to participate in some way in a retail development plan. By setting aside a funding stream and a project plan, and at this point would include things like demolishing existing structures. The City would not know at this time whether that would mean everything or a portion. The City Manager said the market has clearly proven that much retail space is not rented so if we (the City) take some of it out, and the City has the ability to do that if someone were in the position to own the property and do that. Mr. Innis said that information leads to another question and mentioned he has twenty years of experience with Wal-Mart. Mr. Innis said he actually drove a Wal-Mart executive out to the Outlet Mall back in 2015 so they could survey, take photos, and see if there was a possibility of opening a store at the location. Mr. Innis said there is an unstable foundation (at the current Wal-Mart) and the costs to remodel would be too much and that is why the location has not been remodeled in the past five (5) years when they (Wal-Mart) has been slated to. Mr. Innis said he does not understand the TIR as much as he should but his concern is if whoever develops and does business there, will the tax dollars go directly to that development zone fund. The City Manager said sales tax is not part of the proposed TIRZ, just the property tax. Mr. Innis said he was concerned with missing (sales) tax dollars and that it (the TIRZ) sounds really good.

Mayor Smith asked if anyone else would like to speak regarding this agenda item before closing the public hearing. There was no response. Mayor Smith announced closure of the public hearing at 6:20 p.m. Mayor Smith stated the item is not an action item.

The Mayor asked if there were any comments by Council. No comments were made. There being no further business, the meeting was adjourned at 6:21 p.m.

Andrew L. Smith

Andrew L. Smith, Mayor

ATTEST:

Sharon McFadden

Sharon McFadden, City Secretary