



November 15, 2024

Ms. Anna Hudson, AICP  
Director of Development Services  
City of Fredericksburg  
126 W. Main Street  
Fredericksburg, Texas 78624

Ms. Hudson,

Thank you for the opportunity to provide consulting services to the City of Fredericksburg (City) related to a new tax increment reinvestment zone (TIRZ) centered along Main Street. TXP was asked to assist the City in determining if a TIRZ is feasible and practical. To answer these questions, TXP performed the following steps:

- **Step 1: Data Collection & Public Input** – TXP collected property data from the Gillespie County Appraisal District. In addition, TXP collected sales tax data from the Texas Comptroller of Public Accounts. On October 1, 2024, TXP held a series of meetings with local stakeholders to get their input on a Downtown TIRZ. In addition, a joint City of Fredericksburg/Gillespie County public workshop was held on November 13, 2024.
- **Step 2: Infrastructure Cost Analysis, Identification, and Evaluation** – TXP worked with City staff to identify eligible projects within the potential Downtown TIRZ. The projects identified are consistent with the City of Fredericksburg 2024 Comprehensive Plan and 2024 Master Parks Plan. As discussed, all the eligible projects identified cannot be funded through TIRZ dollars alone. The outcome of Step 2 was a list of projects that could be funded by the TIRZ.
- **Step 3: Preliminary TIRZ Tax Revenue Forecast** – Using the findings of Steps 1 and 2, TXP projected annual property tax revenues generated within the TIRZ for 25 years. As the TIRZ boundaries changed based on stakeholder feedback, TXP updated the property tax revenue forecast.
- **Step 4: Determine if a TIRZ is Feasible** – Based on Steps 1 to 3, TXP provided unbiased advice as to whether or not a TIRZ, the projected developments, and infrastructure can be advanced with a TIRZ.



The lack of development along West Main Street and in the Warehouse District compared to East Main Street indicates that private development is unlikely to occur in the reasonable foreseeable future without additional public investment, incentives, and other support. A review of property tax data and sales tax data for these two sections of Main Street highlights the differences. A TIRZ could be used to pay for eligible projects to improve public safety such as burying overhead powerlines, public restrooms for residents and tourists, lighting, and ADA sidewalk upgrades. The implementation of a Downtown TIRZ would allow the City and County to guide development while supporting new economic development projects.

Based on TXP's real estate development assessment and the City identified infrastructure projects, a TIRZ that collects 50 percent of the City's incremental property tax revenue for 25 years would be appropriate, feasible, and consistent with how other communities in Texas use TIRZs. Under this scenario, the City would contribute approximately \$10.0 million over 25 years. If Gillespie County chose to participate at 50 percent, the additional \$13.1 million in tax revenue increment could support additional eligible TIRZ projects and accelerate the timeline for project completion.

TXP's feasibility analysis was also designed to determine if a Downtown Fredericksburg TIRZ meets the general legal requirements of designating a TIRZ. The statutes governing tax increment financing are in Chapter 311 of the State of Texas Tax Code. The proposed Downtown TIRZ complies with these state rules.

Please do not hesitate to contact me with any questions or comments.

Best regards,

A handwritten signature in blue ink that reads "Travis D. James".

Travis D. James  
Vice President



## Downtown Fredericksburg, Texas TIRZ Feasibility Analysis

### **Existing Tax Increment Financing Districts in the City of Fredericksburg**

There are no existing TIRZ in Fredericksburg. According to state law, cities with less than 100,000 residents may not create a new TIRZ if the total appraised value of taxable real property in the proposed reinvestment zone and in the existing reinvestment zones would exceed 50.0 percent of the total appraised value of taxable real property within the city and its industrial districts. In addition, a TIRZ may not be created if more than 30.0 percent of the property in the proposed new TIRZ (excluding publicly-owned property) is used for residential purposes at the time of designation.

### **Properties within the Downtown TIRZ**

The parcels identified within the boundary map (Figure 1) provide sufficient detail to identify with ordinary and reasonable certainty the territory included in the zone. The boundary includes all parcels as well as public right of way, streets, parks, sidewalks, etc. not included in the parcel shapefile polygons.

### **Existing Zoning and Land Use Guidelines Applicable to Downtown TIRZ**

Existing City of Fredericksburg land use, zoning guidelines, and policies would apply to all properties.

### **Taxing Jurisdictions Applicable to TIRZ**

The proposed Downtown is located within the following taxing jurisdictions:

- City of Fredericksburg
- Gillespie County
- Fredericksburg Independent School District

### **Proposed Changes in Master Plans, Zoning Ordinances, and Building Codes**

There are no anticipated changes to the master development and zoning ordinances.

### **Relocation of Displaced Persons**

This plan currently does not call for nor anticipate the displacement and relocation of persons for the proposed projects.



### Description of the Downtown Tax Increment Reinvestment Zone

The proposed TIRZ would cover approximately 276.5 acres (including roads and right of way). The 2024 baseline taxable property value of the proposed TIRZ is approximately \$285.3 million.

**Table 1: Existing Land Use within the Proposed Downtown TIRZ (2024)**

Land Use	Parcel Count	Acreage	City of Fredericksburg Taxable Value
A – Single Family	103	35.30	\$67,060,093
C – Vacant Lot	25	16.00	\$4,977,890
City	11	17.58	\$0
County	2	1.74	\$0
E – Farm and Ranch	4	13.71	\$2,525,340
F – Commercial	198	99.70	\$209,587,983
J – Utilities	1	0.69	\$1,101,350
Post Office	1	5.17	\$0
Religious	10	4.04	\$0
State	1	0.11	\$0
Exempt	5	1.81	\$0
<b>Grand Total</b>	<b>363</b>	<b>196.15</b>	<b>\$285,252,656</b>

Source: Gillespie County Appraisal District; TXP, Inc.

**Table 2: Downtown TIRZ Baseline Value as % of Total Property Tax Base (2024)**

Entity	Baseline Value	Total Taxable Value	% of Total
Fredericksburg	\$285,252,656	\$3,233,568,772	8.8%
Gillespie County	\$285,252,656	\$7,578,869,279	3.8%

Source: Gillespie County Appraisal District; TXP, Inc



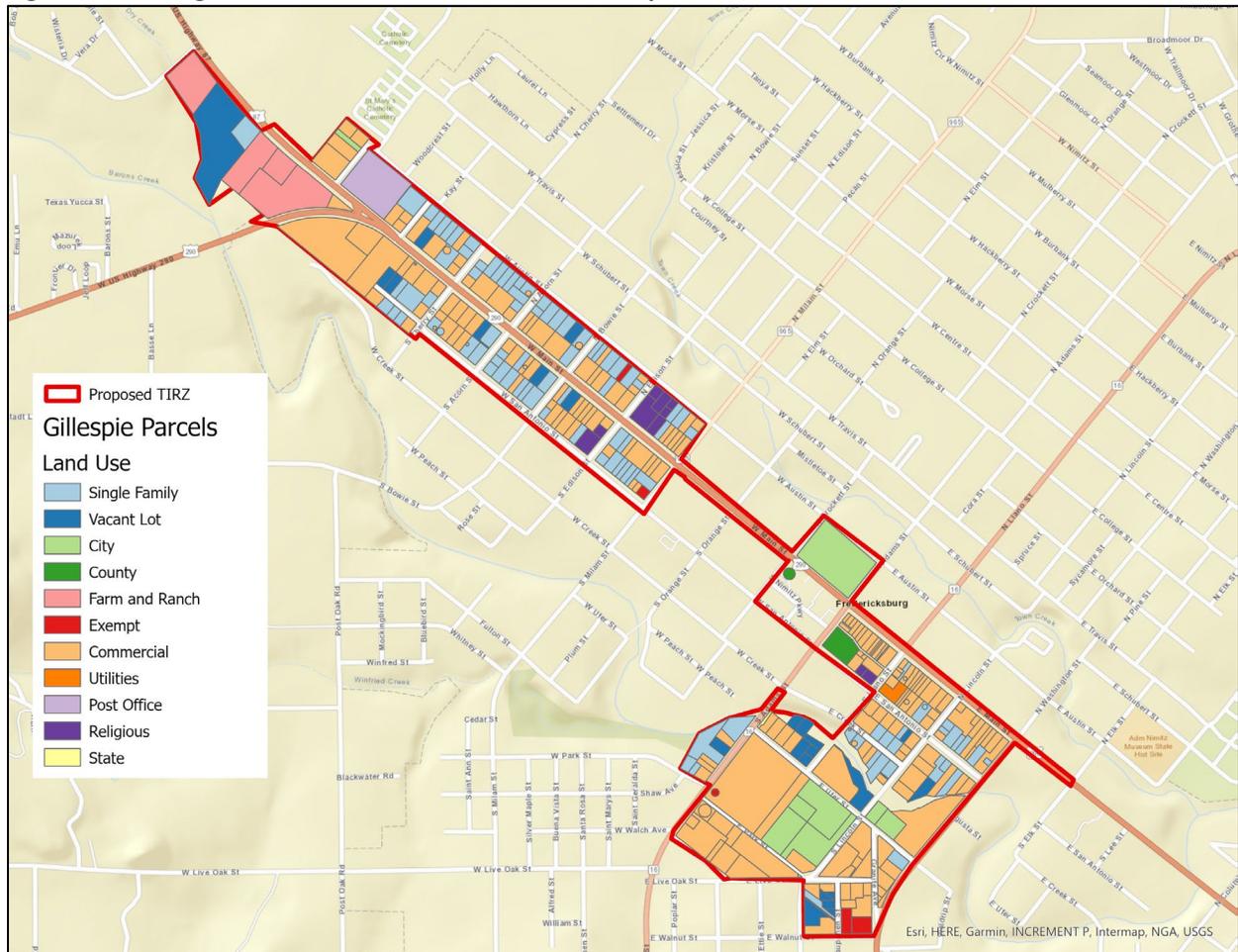
Figure 1: Proposed Downtown TIRZ Geographic Boundary



Source: TXP, Inc.



Figure 2: Existing State Land Use Codes within the Proposed Downtown TIRZ



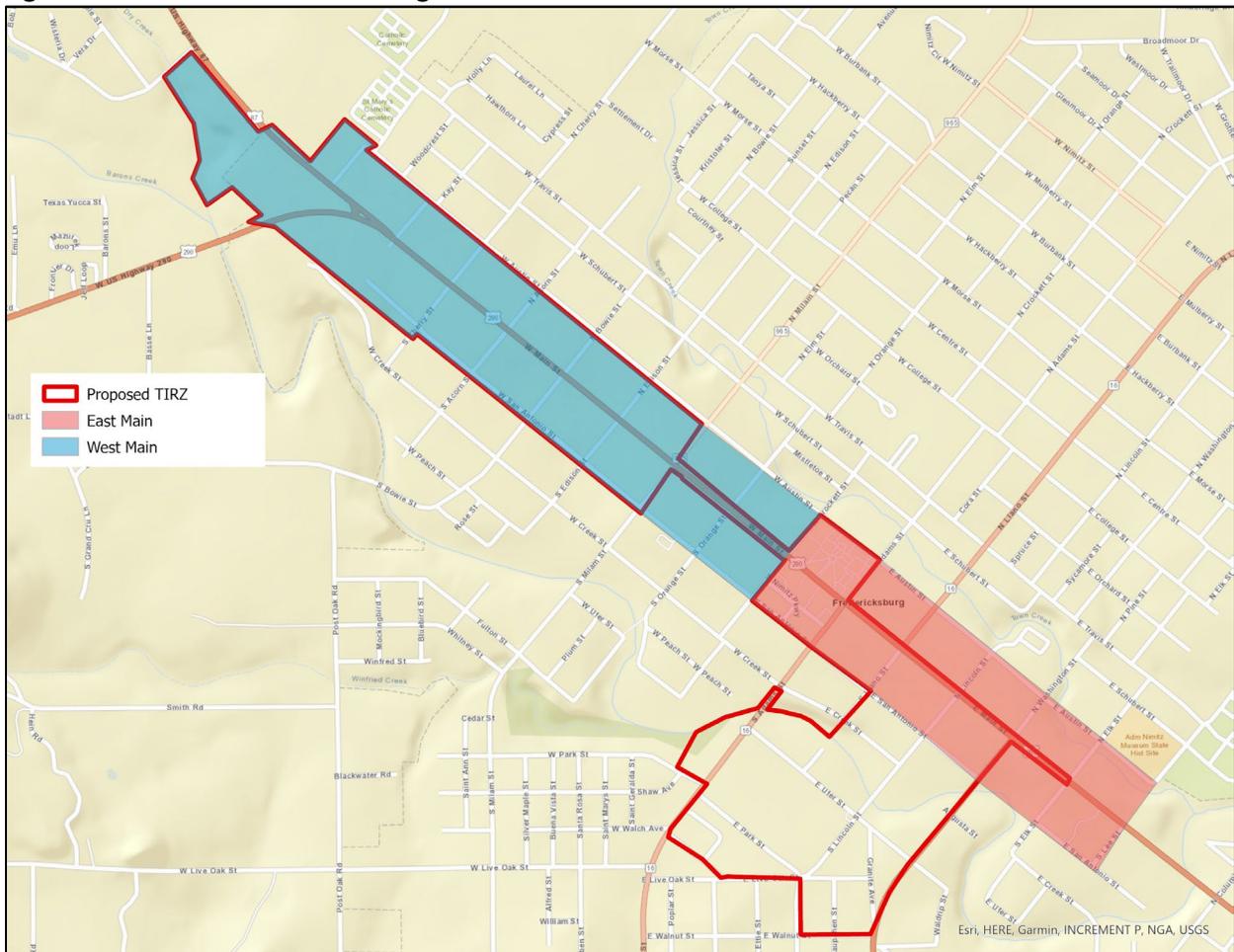
Source: Gillespie County Appraisal District; TXP, Inc.



### Economic Activity in Downtown Fredericksburg

To evaluate if West Main Street is underperforming East Main Street, TXP collected property tax and sales tax datasets. Between 2020 and 2024, for example, Fredericksburg sales tax collection on East Main Street increased by 41.7 percent versus 26.4 percent for West Main Street. Total annual collections for East Main Street are \$1.7 million compared to less than \$500,000 for West Main Street. In addition, the average value of a commercial acre in East Main Street is over \$5.3 million compared to \$2.3 million on West Main Street.

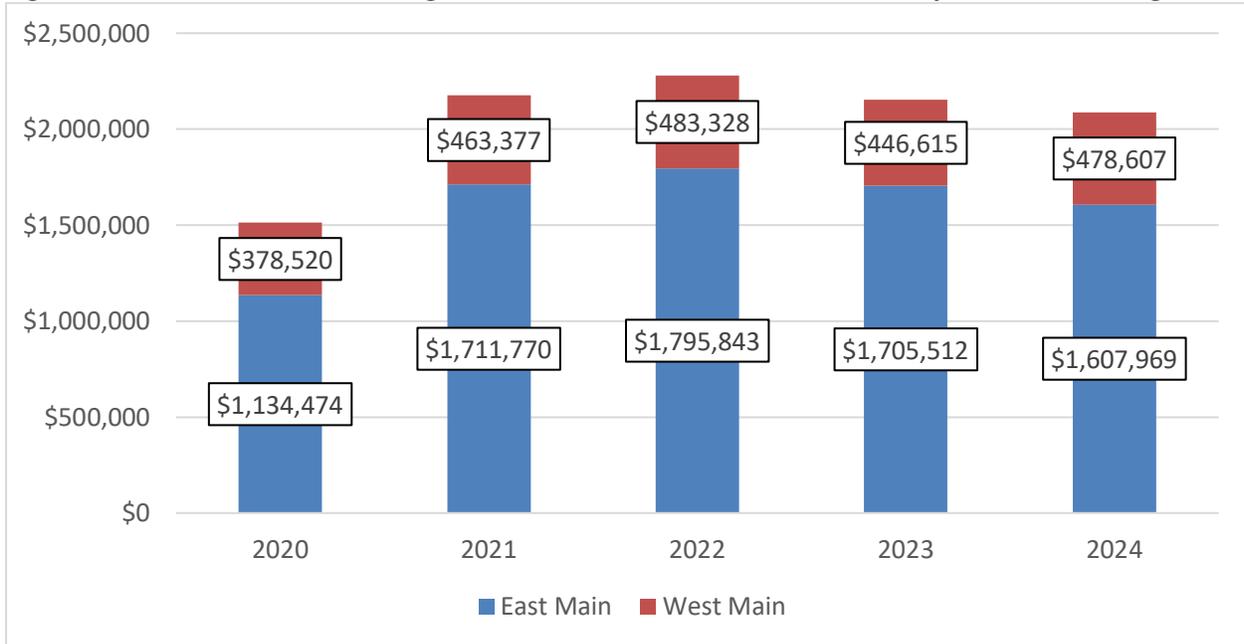
Figure 3: Downtown Fredericksburg West Main Street vs East Main Street



Source: TXP, Inc.



**Figure 4: Downtown Fredericksburg Sales Tax Revenue Generated for the City of Fredericksburg**



Source: Texas Comptroller of Public Accounts; TXP, Inc.

**Table 3: Main Street Property Values (2024)**

	Commercial Acres	Taxable Value	Value Per Acre
East Main	42.9	\$228,852,484	\$5,338,989
West Main	54.5	\$124,587,694	\$2,288,057

Source: TXP, Inc.; Gillespie County Appraisal District



## Financial Forecast Assumptions

- **TIRZ Duration** – The TIRZ will have a 25-year lifespan.
- **TIRZ Allocation** – The City of Fredericksburg and Gillespie County will contribute 50.0 percent of total incremental property tax collections.
- **Inflation & Appreciation Rate** – The inflation rate used for construction costs and the value of improvements is 3.0 percent per year.
- **Tax Rate** – While tax rates do change over time, the 2024 tax rate was held constant for the duration of the TIRZ.
- **Existing Properties** – The 2024 baseline property value of the TIRZ is approximately \$285.3 million.
- **Real Property** – Only taxable real property values are included in the tax increment calculations. By law, business personal property values are excluded from TIRZ.
- **Sales Tax** – Assumed no City sales tax revenue is contributed to the Downtown TIRZ, but new economic activity within the TIRZ will generate additional revenue for the City (ex. sales tax and Enterprise Funds).
- **Future Development Patterns** – To provide an order of magnitude estimate, TXP has projected the build out of the TIRZ based on the following projects:
  - New apartments (Barons Park) – 202 East Ufer
  - DC Partners project at the Y – 1293 North US Highway 87
  - New hotel on Ufer Street – 108 East Ufer



### Financial Forecast Summary Results

The following table depicts the anticipated revenue generated over 25 years. The revenue forecast assumes the TIRZ is established in 2024 (baseline year). The first TIRZ increment will occur in 2025 (2025 value less 2024 baseline value). Note, 2025 taxes are not due until January 2026.

**Table 4: Proposed Downtown TIRZ Property Value Forecast**

Year	Period	Baseline Appreciation	New Development	TIRZ Total Value	TIRZ Property Value Increment
2024	0	\$285,252,656	\$0	\$285,252,656	\$0
2025	1	\$293,810,236	\$15,500,000	\$309,310,236	\$24,057,580
2026	2	\$302,624,543	\$57,955,000	\$360,579,543	\$75,326,887
2027	3	\$311,703,279	\$172,349,559	\$484,052,838	\$198,800,182
2028	4	\$321,054,377	\$194,348,526	\$515,402,904	\$230,150,248
2029	5	\$330,686,009	\$200,178,982	\$530,864,991	\$245,612,335
2030	6	\$340,606,589	\$206,184,351	\$546,790,940	\$261,538,284
2031	7	\$350,824,787	\$212,369,882	\$563,194,669	\$277,942,013
2032	8	\$361,349,530	\$218,740,978	\$580,090,509	\$294,837,853
2033	9	\$372,190,016	\$225,303,208	\$597,493,224	\$312,240,568
2034	10	\$383,355,717	\$232,062,304	\$615,418,021	\$330,165,365
2035	11	\$394,856,388	\$239,024,173	\$633,880,561	\$348,627,905
2036	12	\$406,702,080	\$246,194,898	\$652,896,978	\$367,644,322
2037	13	\$418,903,142	\$253,580,745	\$672,483,887	\$387,231,231
2038	14	\$431,470,236	\$261,188,168	\$692,658,404	\$407,405,748
2039	15	\$444,414,344	\$269,023,813	\$713,438,156	\$428,185,500
2040	16	\$457,746,774	\$277,094,527	\$734,841,301	\$449,588,645
2041	17	\$471,479,177	\$285,407,363	\$756,886,540	\$471,633,884
2042	18	\$485,623,552	\$293,969,584	\$779,593,136	\$494,340,480
2043	19	\$500,192,259	\$302,788,671	\$802,980,930	\$517,728,274
2044	20	\$515,198,027	\$311,872,331	\$827,070,358	\$541,817,702
2045	21	\$530,653,968	\$321,228,501	\$851,882,469	\$566,629,813
2046	22	\$546,573,587	\$330,865,356	\$877,438,943	\$592,186,287
2047	23	\$562,970,794	\$340,791,317	\$903,762,111	\$618,509,455
2048	24	\$579,859,918	\$351,015,057	\$930,874,975	\$645,622,319
2049	25	\$597,255,716	\$361,545,508	\$958,801,224	\$673,548,568

Source: TXP, Inc.



**Table 5: Proposed Downtown TIRZ – City of Fredericksburg Tax Revenue Forecast**

Year	Period	TIRZ Property Value Increment	TIRZ Contribution @ 50%	General Fund @ 50%	Total Tax Revenue
2024	0	\$0	\$0	\$0	\$0
2025	1	\$24,057,580	\$24,698	\$24,698	\$49,396
2026	2	\$75,326,887	\$77,333	\$77,333	\$154,666
2027	3	\$198,800,182	\$204,094	\$204,094	\$408,188
2028	4	\$230,150,248	\$236,279	\$236,279	\$472,558
2029	5	\$245,612,335	\$252,153	\$252,153	\$504,306
2030	6	\$261,538,284	\$268,503	\$268,503	\$537,006
2031	7	\$277,942,013	\$285,344	\$285,344	\$570,687
2032	8	\$294,837,853	\$302,689	\$302,689	\$605,379
2033	9	\$312,240,568	\$320,556	\$320,556	\$641,111
2034	10	\$330,165,365	\$338,958	\$338,958	\$677,915
2035	11	\$348,627,905	\$357,912	\$357,912	\$715,824
2036	12	\$367,644,322	\$377,435	\$377,435	\$754,869
2037	13	\$387,231,231	\$397,543	\$397,543	\$795,086
2038	14	\$407,405,748	\$418,255	\$418,255	\$836,510
2039	15	\$428,185,500	\$439,588	\$439,588	\$879,176
2040	16	\$449,588,645	\$461,561	\$461,561	\$923,122
2041	17	\$471,633,884	\$484,193	\$484,193	\$968,387
2042	18	\$494,340,480	\$507,505	\$507,505	\$1,015,010
2043	19	\$517,728,274	\$531,515	\$531,515	\$1,063,031
2044	20	\$541,817,702	\$556,246	\$556,246	\$1,112,493
2045	21	\$566,629,813	\$581,719	\$581,719	\$1,163,438
2046	22	\$592,186,287	\$607,956	\$607,956	\$1,215,912
2047	23	\$618,509,455	\$634,980	\$634,980	\$1,269,961
2048	24	\$645,622,319	\$662,815	\$662,815	\$1,325,630
2049	25	\$673,548,568	\$691,485	\$691,485	\$1,382,970
		<b>\$10,021,317</b>	<b>\$10,021,317</b>	<b>\$10,021,317</b>	<b>\$20,042,634</b>

Source: TXP, Inc.



**Table 6: Proposed Downtown TIRZ – Gillespie County Tax Revenue Forecast**

Year	Period	TIRZ Property Value Increment	TIRZ Contribution @ 50%	General Fund @ 50%	Total Tax Revenue
2024	0	\$0	\$0	\$0	\$0
2025	1	\$24,057,580	\$32,297	\$32,297	\$64,595
2026	2	\$75,326,887	\$101,126	\$101,126	\$202,253
2027	3	\$198,800,182	\$266,889	\$266,889	\$533,778
2028	4	\$230,150,248	\$308,977	\$308,977	\$617,953
2029	5	\$245,612,335	\$329,735	\$329,735	\$659,469
2030	6	\$261,538,284	\$351,115	\$351,115	\$702,230
2031	7	\$277,942,013	\$373,137	\$373,137	\$746,274
2032	8	\$294,837,853	\$395,820	\$395,820	\$791,640
2033	9	\$312,240,568	\$419,183	\$419,183	\$838,366
2034	10	\$330,165,365	\$443,247	\$443,247	\$886,494
2035	11	\$348,627,905	\$468,033	\$468,033	\$936,066
2036	12	\$367,644,322	\$493,563	\$493,563	\$987,125
2037	13	\$387,231,231	\$519,858	\$519,858	\$1,039,716
2038	14	\$407,405,748	\$546,942	\$546,942	\$1,093,884
2039	15	\$428,185,500	\$574,839	\$574,839	\$1,149,678
2040	16	\$449,588,645	\$603,573	\$603,573	\$1,207,146
2041	17	\$471,633,884	\$633,168	\$633,168	\$1,266,337
2042	18	\$494,340,480	\$663,652	\$663,652	\$1,327,304
2043	19	\$517,728,274	\$695,050	\$695,050	\$1,390,100
2044	20	\$541,817,702	\$727,390	\$727,390	\$1,454,781
2045	21	\$566,629,813	\$760,701	\$760,701	\$1,521,401
2046	22	\$592,186,287	\$795,010	\$795,010	\$1,590,020
2047	23	\$618,509,455	\$830,349	\$830,349	\$1,660,698
2048	24	\$645,622,319	\$866,748	\$866,748	\$1,733,496
2049	25	\$673,548,568	\$904,239	\$904,239	\$1,808,478
			<b>\$13,104,641</b>	<b>\$13,104,641</b>	<b>\$26,209,282</b>

Source: TXP, Inc.



**Table 7: Proposed Downtown TIRZ – TIRZ Tax Revenue Forecast**

Year	Period	Fredericksburg Contribution @ 50%	Gillespie County Contribution @ 50%	Total TIRZ Revenue
2024	0	\$0	\$0	\$0
2025	1	\$24,698	\$32,297	\$56,996
2026	2	\$77,333	\$101,126	\$178,459
2027	3	\$204,094	\$266,889	\$470,983
2028	4	\$236,279	\$308,977	\$545,256
2029	5	\$252,153	\$329,735	\$581,888
2030	6	\$268,503	\$351,115	\$619,618
2031	7	\$285,344	\$373,137	\$658,481
2032	8	\$302,689	\$395,820	\$698,509
2033	9	\$320,556	\$419,183	\$739,738
2034	10	\$338,958	\$443,247	\$782,205
2035	11	\$357,912	\$468,033	\$825,945
2036	12	\$377,435	\$493,563	\$870,997
2037	13	\$397,543	\$519,858	\$917,401
2038	14	\$418,255	\$546,942	\$965,197
2039	15	\$439,588	\$574,839	\$1,014,427
2040	16	\$461,561	\$603,573	\$1,065,134
2041	17	\$484,193	\$633,168	\$1,117,362
2042	18	\$507,505	\$663,652	\$1,171,157
2043	19	\$531,515	\$695,050	\$1,226,566
2044	20	\$556,246	\$727,390	\$1,283,637
2045	21	\$581,719	\$760,701	\$1,342,420
2046	22	\$607,956	\$795,010	\$1,402,966
2047	23	\$634,980	\$830,349	\$1,465,329
2048	24	\$662,815	\$866,748	\$1,529,563
2049	25	\$691,485	\$904,239	\$1,595,724
		<b>\$10,021,317</b>	<b>\$13,104,641</b>	<b>\$23,125,958</b>

Source: TXP, Inc.



## Potential TIRZ Eligible Projects and Costs

The TIRZ will provide support for catalytic infrastructure and economic development projects that will facilitate the development of properties within the downtown area of Fredericksburg. Due to its size, location, ADA sidewalks, parking availability, and other physical characteristics, new private sector development and redevelopment in the TIRZ will not likely occur solely through private investment. Proposed public improvements would likely include new and refurbished utilities, sidewalks, streets, streetscapes, open spaces, and parking facilities. The following table outlines a list of preliminary projects and estimated costs. Depending on who joins the TIRZ, some or all of these projects could be funded.

**Table 8: Preliminary TIRZ Projects and Costs**

Project	Category	Cost
Public Restrooms (ex. West Main, Golden Blocks, and Marktplatz)	Public Works	\$300,000 to \$400,000 for each restroom facility
Relocate overhead utilities along West Main	Public Works	\$6,000,000 to \$8,000,000
Utility upgrades at Peanut Factory	Public Works	TBD
Wayfinding signage	Public Works	TBD
ADA accessible sidewalks	Public Works	\$50 per foot
Decorative lighting to match Golden Blocks	Public Works	\$1,000,000
Surface or structured parking (ex. Old Fair Park and Peanut Factory)	Public Works	\$25,000 per spot
Lighting at Old Fair Park	Parks	\$450,000 to \$500,000
One Square Improvements	County	TBD
Old Clinic redevelopment	County	TBD
Parking	County	TBD

Source: City of Fredericksburg



## Conclusion

Based on anticipated ad valorem tax revenue and long-term market demand projections, a Downtown TIRZ is economically and financially feasible. The TIRZ could generate substantial revenue to pay for infrastructure and other development costs. Over the next 25 years, the TIRZ could generate between \$10.0 million and \$25.0 million in nominal TIRZ revenue depending on which taxing entities participate at 50.0 percent. In addition to this ad valorem tax revenue, new economic activity within the TIRZ will generate additional revenue for the City (ex. sales tax, HOT, and Enterprise Funds). If the taxing entities chose to allocate a lower percentage to the TIRZ, fewer eligible projects could be funded. If the TIRZ contribution was lowered to under 10.0 percent and only the City participated, for example, it would likely take 10 years to generate enough increment to pay for new restrooms. Under this scenario, a TIRZ might not be an appropriate financing tool.

After all project costs and other obligations have been paid, any money remaining in the TIRZ fund is disbursed back to the participating taxing units in proportion to each jurisdiction's share of the total tax increments collected.

Beyond tax revenue projections, each taxing entity must decide whether or not the TIRZ is appropriate based on local considerations. These local considerations are sometimes independent of the tax revenue projections and the eligible projects list.

These projections are based on the best available datasets and information related to market conditions in the region. The substantial commitment of a few large developers could have a significantly positive impact on both the level and timing of future growth. Moreover, the financial projections make no allowance for positive spillover to the value of other properties in area as a result of new development (beyond inflation), could occur. At the same time, a slowdown in development as a result of a weaker national economy, negative changes in key drivers of regional economy, or other unforeseen issues could materially reduce the volume of construction put in place, and resulting tax revenue, over the next 25 years.



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