
TIRZ land annexed; customers in wings

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It's official: the Waterblastco property is now part of the City of Kilgore.

Let the economic development begin.

In their last regular meeting, the Kilgore city council voted unanimously to annex a parcel of land north and east of the corner of Fritz Swanson Road and St. Hwy. 31E as a voluntary annexation.

The Tax Increment Refinancing Zone (TIRZ) is a project with Waterblastco Properties, LLC and Merritt and Wilcox Properties LLC representing the Merritt Groups and Mike Wilcox of Benchmark Services.

There are still some "ifs" involved, however. Even starting the project hinges on the ability of Waterblastco Properties' sister company, Merritt & Wilcox, to get customers to support it. Deals in place, in ink on paper, will make it possible.

The good news is that the company has a good track record of attracting those customers, like Oil States Rubber

Co., just down 135.

The actual horizon for getting a business to either lease or purchase, relocate, build and hire employees could take about a year, so the TIRZ could technically bear industrial fruit by the middle of next summer.

According to Kilgore News Herald sources, there is a strong prospect for a first customer, a large distributor for oil field-related industry that is financially strong enough to undertake a relocation to Kilgore.

A first for Kilgore, the TIRZ is an emerging example of private industry and public entities working together in economic development.

Kilgore needed additional industrial areas, Waterblastco Properties owned the patch of property and was willing to help fund the infrastructure to prepare it for industrial use.

Now it's time to create the TIRZ itself.

"Towards the end of July, we will take action to create the zone. After the city is done, we'll go back to the county and the college with interlocal agreements asking for their participation," said Amanda Nobles, executive director of the Kilgore Economic Development Corporation, the entity engineering the project.

When packaged together with right-of-ways on State Highway 42 and a 12-block portion of downtown Kilgore between Martin and Commerce Streets, the TIRZ zone parcel is 305 acres strung together, roughly shaped like a lower-case letter "g."

In an economy where the tax base has taken a hit, asking city taxpayers to fund more infrastructure would place a burden on the public.

Private developers couldn't consider undertaking a project of such scope on their own.

"They had put an option on the land and looked at the cost of developing the land. The city would require concrete curb and gutter streets, and they couldn't justify the type of infrastructure the city requires," Nobles said.

In March, a Memorandum of Understanding (MOU) was signed between the City of Kilgore, the KEDC and Merritt and Wilcox Properties LLC to outline mutual interests with respect to development of the subject parcel and to cause the construction of a roadway or roadways within the parcel of land, and share the costs associated with the construction of the roadway for the first phase of development.

The developer will advance funding for and construct the first third of the road at an estimated cost of \$400,000, and will contribute \$10,000 for each acre sold in the development, which will combine with TIRZ revenues to finance other project costs.

The city would annex the related property.

The nice thing about a TIRZ is the options it creates, Nobles said.

“Banks aren’t going to loan money based on repayment projections - they want collateral and hard commitments. If the developer uses his money, he can be refunded (through the TIRZ’s eventual proceeds),” Nobles said.

The first phase of the irregular shaped development would front on Highway 31, which would allow companies to put in driveways instead of roads.

A portion of Highway 42 has been added into the zone so that should the county wish to widen the highway, TIRZ funds could be used for that.

“The reason for including Highway 42 which is currently under expansion at I- 20. It narrows to two lanes and a shoulder almost until it reaches SH 31. That makes it a bottleneck for traffic – we hope to widen it to a shoulder and central turn lane,” she said.

“Those are areas we know are on the long-term plan for the city, the county and possibly the state as public works projects – that’s why we included them in the zone,” she said.

In a town lacking wide open spaces for residential development, using the TIRZ concept for housing development has some appeal. Nobles noted that downtown renovations can be very expensive, especially with the cost of moving utilities. Under the current map, TIRZ funds could help fund downtown revitalization efforts.

“That has helped us aesthetically and economically – we’d like to keep that project going,” she said. “If this zone is generating excess revenue, it could generate enough to pay for some of the downtown infrastructure,” Nobles said. “That’s the nice part of the TIRZ flexibility - if it really does take off, you’re suddenly looking at projects you can’t do with normal city revenue. And it’s not going to develop if you don’t set it up,” Nobles said.

Once the TIRZ is created and the property developed, and companies move in, the “increment” begins to build.

Property tax revenue from new construction or increased taxable value is set aside to fund infrastructure improvements.

The TIRZ is not a tax abatement program. The relief comes to taxpayers from not having to raise taxes in order to do the project. Ideally, by the time Phase 2 would require road infrastructure, the TIRZ could be generating enough revenue to cover the cost of it.

On July 19, the project will go to the city commission. Kilgore College and Gregg County have both expressed a willingness to listen to proposals that would bring them in on the TIRZ, Nobles said. Another taxing entity, KISD, is not permitted by state law to participate because of how education is funded in Texas.

The lion's share of the tax contribution will come from the city, Nobles said.

An early 10-year projection from KEDC assumes a Phase I build-out and \$14.9 million in tax revenue. Right now, the property owned by Waterblastco is under an ag exemption for growing trees, so the difference between taxable values now and a decade from now could be astronomical, mounting into the millions.

"The entire industrial area of the TIRZ zone is valued at \$34,500 for 2009," Nobles said. "We just think that it's much better to have the opportunity to have new investment there, within the city limits, with frontage on 31. We think it will be a great development for the city of Kilgore," Nobles said. "This is the right project for us to be able to use this tool ... It's so nice to see business instead of woods," she said. "I like green, but we'd like to see some development there."

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