

**Office of the City Manager**

City of Richland Hills, Texas

# Memorandum

To: Honorable Mayor Bill Agan and members of the Richland Hills City Council  
From: Eric Strong, City Manager  
Date: March 4, 2014  
Subject: Presentation of 2012-2013 End of Year Economic Development Report

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## **Council Action Requested:**

No action requested – Presentation and Discussion Only

## **Background Information:**

Annually, the office of the Economic Development Coordinator provides a report which reflects on the prior fiscal year and the state of the local economy. This report is provided to the City Council and the Type B Board.

The report is attached, and the basic premise is that FY 2012-2013 was an excellent year for Richland Hills. The report specifically discusses property taxes, sales taxes, hotel occupancy taxes and general business activities.

**Board/Citizen Input:** N/A

**Financial Impact:** N/A

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**Attachments:** FY 2012-2013 End of Year Economic Development Report



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ECONOMIC DEVELOPMENT

MEMORANDUM

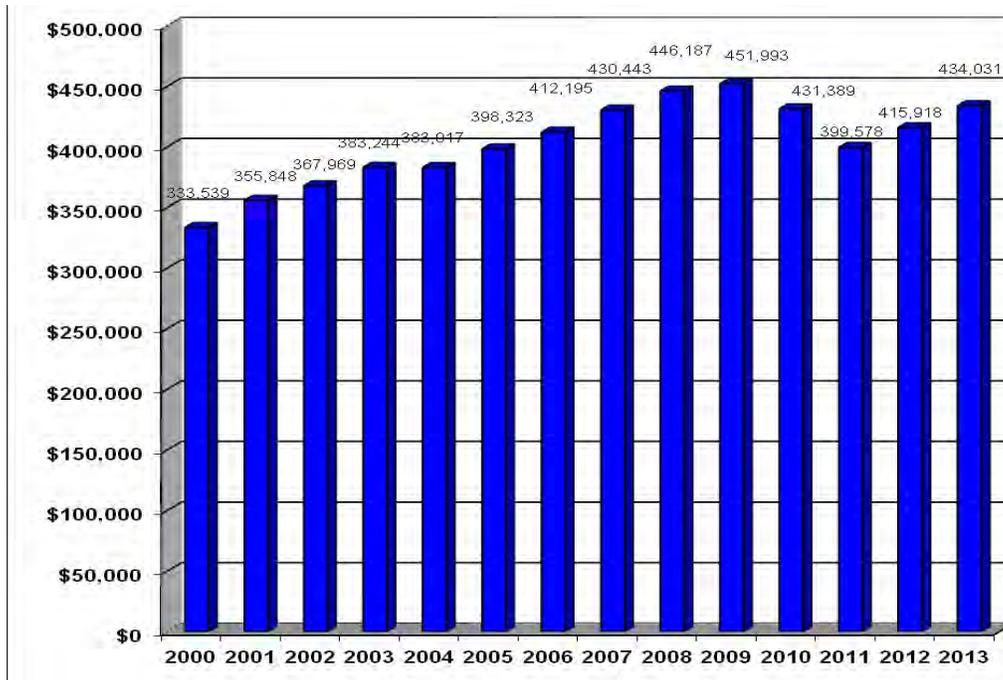
Date: March 4, 2014
To: Mayor and City Council, Type B Corporation Board of Directors
From: Eric Strong, City Manager
Subject: FY 2012-2013 End of Year Economic Development Report

Overview

This is the annual Economic Development Report for the Fiscal Year 2012-2013. FY 2012-2013 ran from October 1, 2012 through September 30, 2013. Hereinafter, it will simply be referred to as 2013. 2013 was a very good year for Richland Hills. As with most cities in the area, Richland Hills experienced an economic downturn from 2009-2011. In 2012, the economic conditions began to see their first signs of improvement, and that improvement gained strength in 2013.

Property Values

The property tax base for the city in 2013 was \$434,031,000, which is an increase of 4.35% over the previous year. This continues a three year trend of improvements since the downturn that ended in 2010.





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Richland Hills' recovery is on track with many of its peer cities. Staff anticipates continued gain in property values with recent the completion of some major projects, which include the Family Dollar and Buyers Barricades. Property values will also be strengthened by the major renovations to the former Sam's Club (now known as the Conti Building) and the projected construction of other new businesses, including the Advanced Glass Project and Wal-Mart Neighborhood Market Project.

The following graph shows the property value gains made in net taxable property values over the low point in the recession for most cities, which occurred in 2011. The graph below shows Richland Hills and how the Richland Hills recovery has compared to several neighboring and/or comparable cities.



Sales Tax

Two years ago, Richland Hills conducted a sales tax audit which identified over \$400,000 in sales tax owed to the City which had been misreported to other agencies. A large majority of the back sales taxes owed to the City were collected in 2012, but a portion was collected in 2013. The result is that the 2013 sales tax receipts were the second strongest on record. The strongest year on record was 2012, and it was only the strongest due to the large majority of the collections from the sales tax audit occurring in that year. If we were to discount the collections due to the city from previous years, it is anticipated that 2013 would have been the strongest year on record.

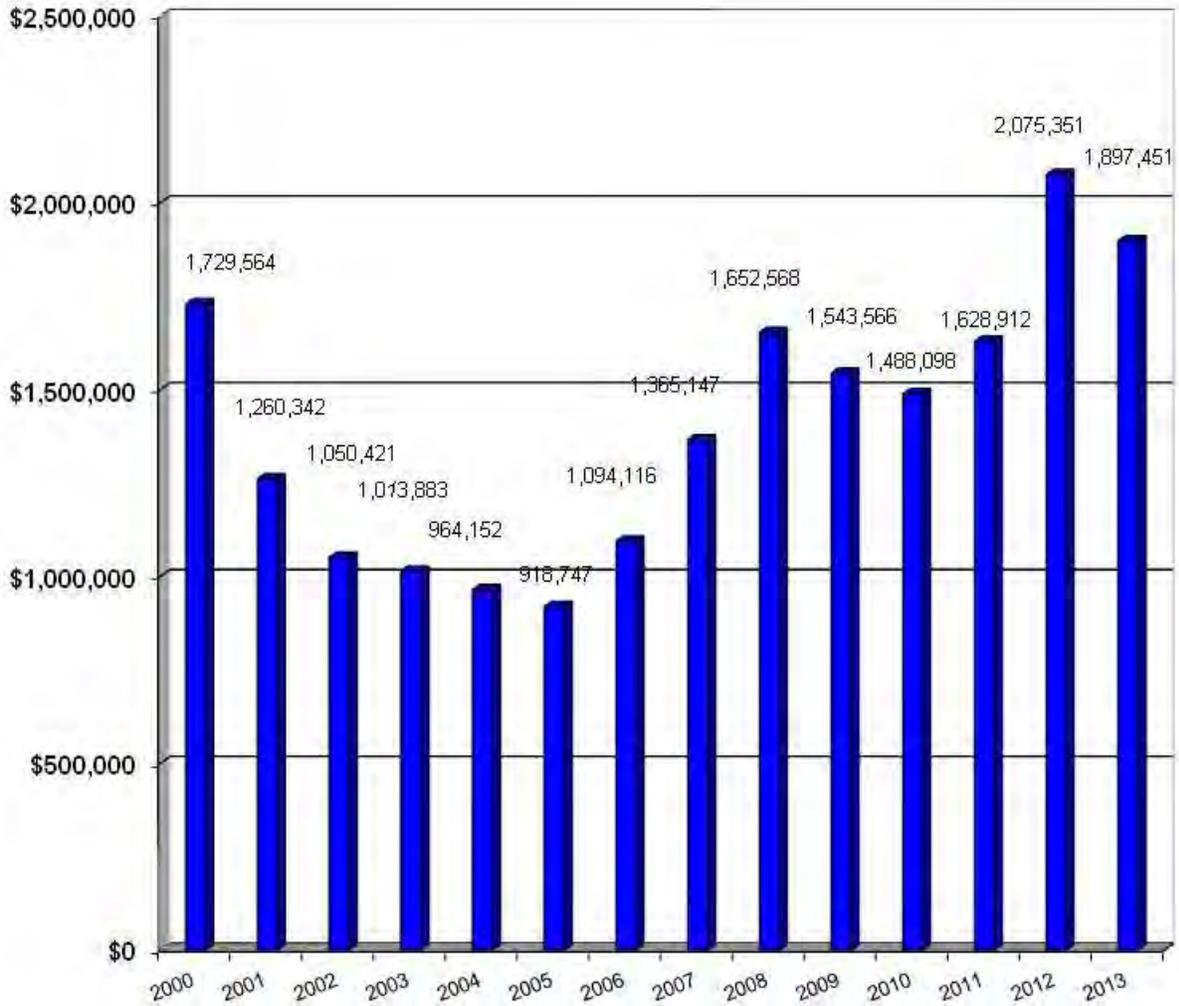
The chart on the following page shows the annual collections for the 1% General Fund portion of the sales tax.



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City of Richland Hills
Local Sales Tax 1%
Fiscal Year Collections



Economic Development Sales Tax/Richland Hills Development Corporation

The City of Richland Hills collects a 1/8 of a cent economic development sales tax which is administered by the Richland Hills Economic Development Corporation (RHDC). For 2013 the RHDC collected \$237,181. As with the General Fund Sales Tax, when the collections attributed to the previous year due to the sales tax audit are discounted, this would be the strongest year on record for the Type B Sales Tax.



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## ECONOMIC DEVELOPMENT

The Richland Hills Development Corporation continues to be the city's primary funding source for the city's economic development projects. Nearly one-half of the RHDC annual operating budget is used to support the debt service on the 2001 certificates of obligation issued for the reconstruction of Burns Street. This debt will be satisfied in 2015, which will free up resources which can then be allocated to other Economic Development projects and activities.

### Business Development

The economic development departments business development activities are concentrated on three major categories; business retention & expansion, business attraction & recruitment and tourism.

### Business Retention & Expansion

The Economic Development Department continues to serve as liaison to the business community.

One notable ongoing business expansion project is the city working with Advanced Glass Systems (AGS). AGS has been operating in Richland Hills for over 20 years. They are currently located in a 10,000 square foot facility on Handley Ederville Road. Although the business has done exceptionally well over the years, their ability to continue growing has been limited by the size of the building that they currently occupy. City staff worked with the owner of the company to find a new location to relocate to inside the city limits. With the assistance of various City Representatives, the business owner decided to build a new facility that would more than double the size of the existing location. The new facility will be on Baker Boulevard, making it one of the more visible buildings in the city. The design of the building will make it one of the more attractive buildings on Baker Boulevard.

The City also hosted the first ever Business Roundtable event. All businesses in the city were invited to attend, and approximately 25 representatives from local businesses were able to be in attendance. The event provided an opportunity for the business community to receive updates from city staff on various economic development projects, infrastructure projects and future plans. The event also gave business owners an opportunity to ask questions about various issues and events in the city. The event was highly successful and well received by those that were in attendance.

### Business Attraction & Recruitment

There were several exciting business recruitments that occurred during the last fiscal year. The most notable was the announcement of a new Wal-Mart Neighborhood Market that will be located at the corner of Boulevard 26 and Rufe Snow. It is anticipated that Wal-Mart will break ground on this project in the Spring/Summer of 2014. One of the long stated desires from a majority of the community is the need for a grocery store inside the city limits. This project will satisfy that demand and will also be a significant boost to the local economy.

The other major recruitment that occurred was the occupancy of the former Sam's Club building, now known as the Conti building. This building has sat vacant for nearly 15 years. The City Council and staff worked with a developer to create a Planned Development that would allow for several productive uses



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**ECONOMIC DEVELOPMENT**

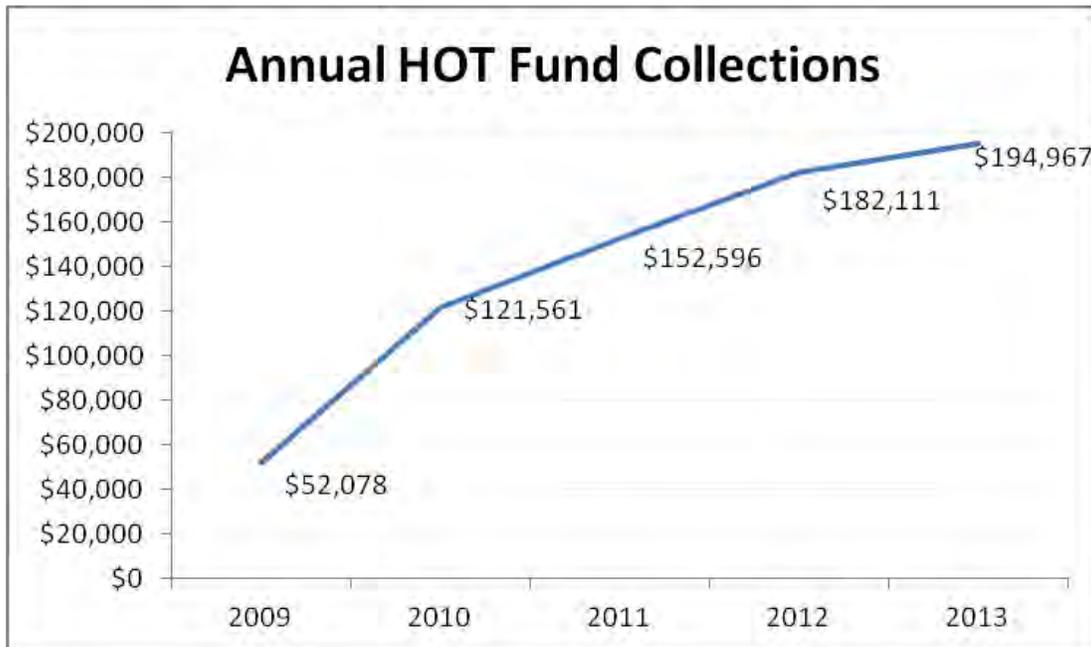
for the property. The developer has created several smaller retail/wholesale spaces out of the building. When the develop is finished, the property will have a much improved look to it and will be actively generating sales tax for the first time in nearly 15 years.

Several other notable recruitments include: Buyers Barricade, Family Dollar and Smith Lawn and Tree. Of these three, two built new facilities and one renovated a dilapidated eye sore. These projects will all not only generate sales tax, but have added substantial property tax valuation to our property tax rolls.

Tourism

Tourism is a strong growth sector for Richland Hills. The primary revenue source and indicator of the tourism sector is the Hotel Occupancy Tax Funds (HOT Funds). 2013 experienced an all-time high in HOT collections with a total of \$194,967.21. This is an increase over the previous year of 7% and an increase over the annual budgeted estimate of 4.1%.

This graph shows the city’s annual hotel occupancy tax collections over the past five years, which is when the two hotels in the City were constructed and opened for business.



Baker Boulevard Tax Increment Reinvestment Zone

In January 2009 the city council created the Baker Boulevard Reinvestment Zone and partnered with Tarrant County, Tarrant County College, and the JPS Hospital District to reinvest future property tax collections from the zone into a special fund to be used to improve the zone. In the two years following



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the creation of the TIRZ, the property values experienced declines due to the recession. Property values have begun to recover in the last two years, but have still not reached the baseline that was set in 2009. It is anticipated that in the next two years, property values will rise above the baseline level. Projects such as the renovations at the Conti Building and the new Neighborhood Wal-Mart should greatly assist in adding value to the TIRZ

In addition to the property tax component of the TIRZ, there is also a small sales tax component. The sales tax portion of the TIRZ has actually done better than the property tax, and has experienced a small amount of positive growth over the baseline year of 2009. The new retail growth that will be seen from Buyers Barricades, Advanced Glass Systems, Wal-Mart, and the Conti Building will be a significant boost to the sales tax component of the TIRZ going forward.

### Transit Oriented Development

The city has a transit oriented development (TOD) plan for redeveloping the area around the TRE commuter rail station. During 2013, staff and members of Planning and Zoning Commission and City Council have been working on an updated Comprehensive Plan. One of the major components of the updated Comprehensive Plan is how to best utilize and maximize the TOD asset. If developed properly, the TOD has the potential to play a significant role in the future economic growth and stability of Richland Hills.

### Summary

Following the difficult years experienced in 2010 and 2011, Richland Hills has continued to experience a very strong recovery over the past two years. All indicators point toward continued growth in property and sales tax, which will be a great benefit to the local economy. The amount and quality of business development in the community over the past year is extremely encouraging, and it is expected that development will continue on a positive growth trend for the foreseeable future.