

# **Houston Tax Increment Reinvestment Zones Regressively Redistribute the Property Tax Burden**

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# Tax Increment Reinvestment Zones - Houston

- In 1987, the Texas Legislature authorized certain local governmental entities to organize tax increment reinvestment zones (TIRZs).
- The city of Houston has been very active in creating and expanding TIRZs within its boundaries, forming 28 zones.
- The first zone, St. George Place, was created in 1990 with the most recent zone, Texas Medical Center, established in 2022
- The purpose of the legislation was to provide additional funding to areas with “a substantial number of substandard, slum, deteriorated, or deteriorating structures.”

# Methodology

- Selected census tracts within and surrounding the TIRZs' legal boundaries as areas that benefit from the TIRZs' projects.
- Initially included all census tracts where any portion of the tract was within 500 feet of a TIRZ boundary, and then adjusted to eliminate duplicates where a tract was within 500 feet of more than one TIRZ.
- Excluded some tracts if the 500-foot radii included a very small portion of the census tract.
- Made a subjective determination of the areas that would most likely benefit from any TIRZ investment based on natural boundaries, such as freeways, major thoroughfares, and bayous.
- Based this subjective determination on the historic identification of discreet neighborhoods, relying to some extent on Houston's Super Neighborhood boundaries
- To determine the median household incomes, we used the median household income data from the U.S. Census Bureau's [2023 American Community Survey](#), weighted by households

# Measures of Benefits

- **Current Tax Increment Revenue:**

- The tax increment revenue was obtained from the 2023 Annual Certified Financial Report (ACFR) for the 25 TIRZs in this analysis and used the total tax increment revenue as shown in each report.<sup>[5]</sup>
- Not all tax increment revenue comes from the city of Houston. Several other entities, primarily HISD, have also participated in some of the TIRZs.
- According to Houston's 2023 ACFR, the city contributed [\\$186 million](#) in tax increments, and other participating entities contributed [\\$50 million](#) in fiscal year (FY) 2023.<sup>[6]</sup>

- **Project Expenditures Since Inception:**

- The ACFRs for each TIRZ include a table that shows the amount of project expenditures that are planned by each TIRZ and the amount that has been spent on those projects from the inception of the TIRZ to the date of the report.

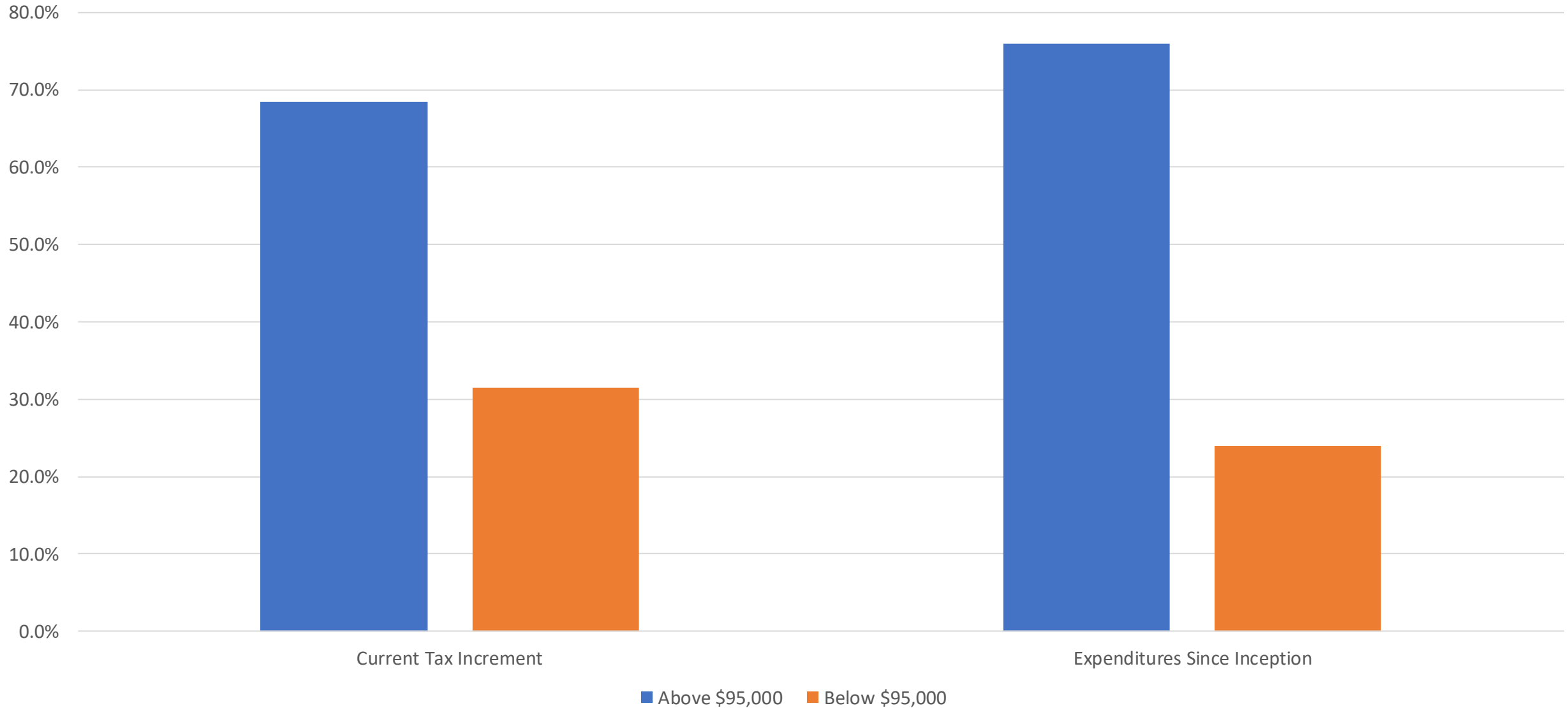
- **Captured Appraised Value:**

- The Texas State Comptroller's Office reports total appraised value within each TIRZ as [total appraised value](#), and the amount of that value used to calculate the tax increment each year as [captured appraised value](#).
- The value of property within the zone during the base year, formally known as the [tax increment base value](#), plus the captured appraised value equals the total appraised value.

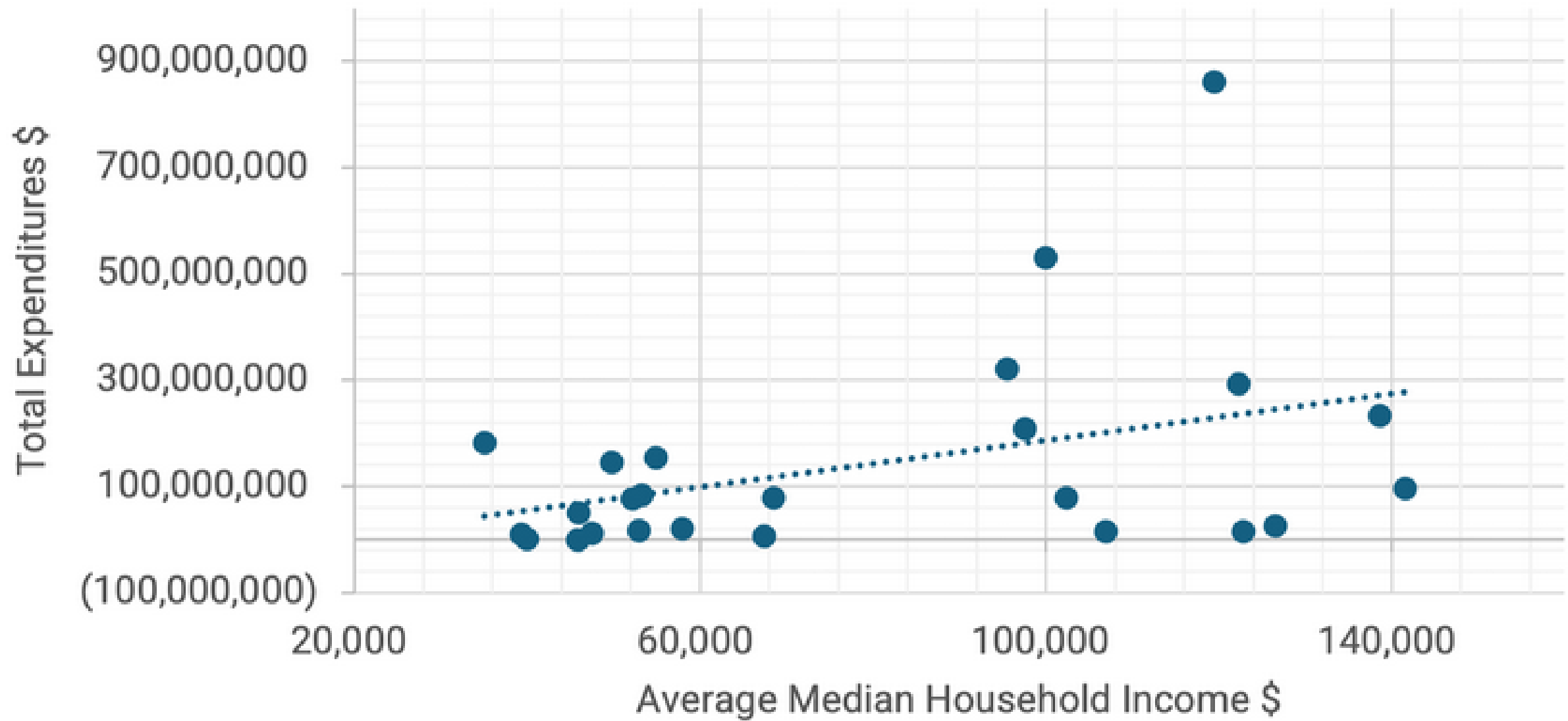
# Measures of the Distribution of Benefits

- We show that in areas with median household incomes (>\$95,000) well above the city's median income
  - 68.5% of the current tax increment is spent in these areas,
  - 76% of the expenditures made by TIRZs since their inception are in these areas,
  - Those expenditures directly benefit about 33.6% of the population
- We also show that tax increment revenue and total expenditures for TIRZs were positively correlated with higher household median incomes

# Current (2023) Tax Increment and Expenditures Since Inception by Average Median Income

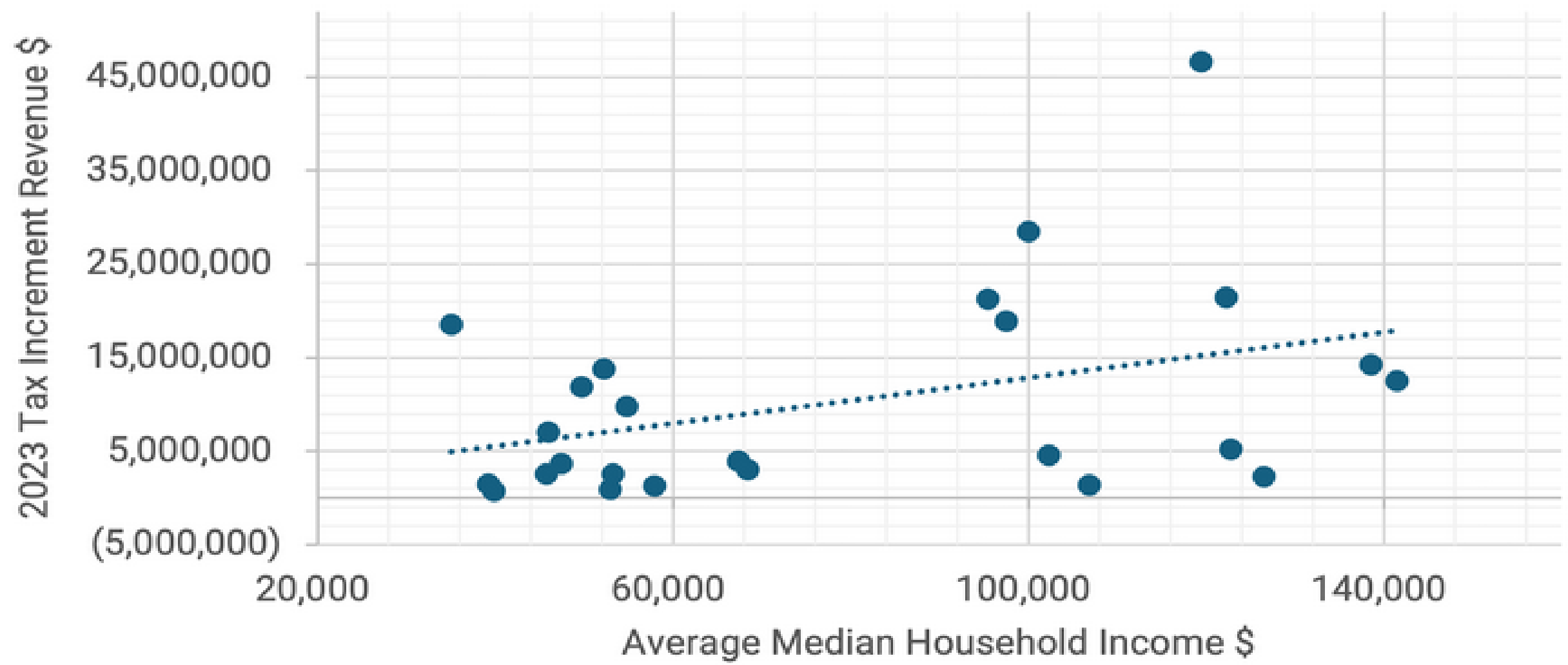


**Figure 3 — Total Expenditures and Average Median Household Income**



**Source:** Authors analysis city of Houston TIRZ ACFRs.

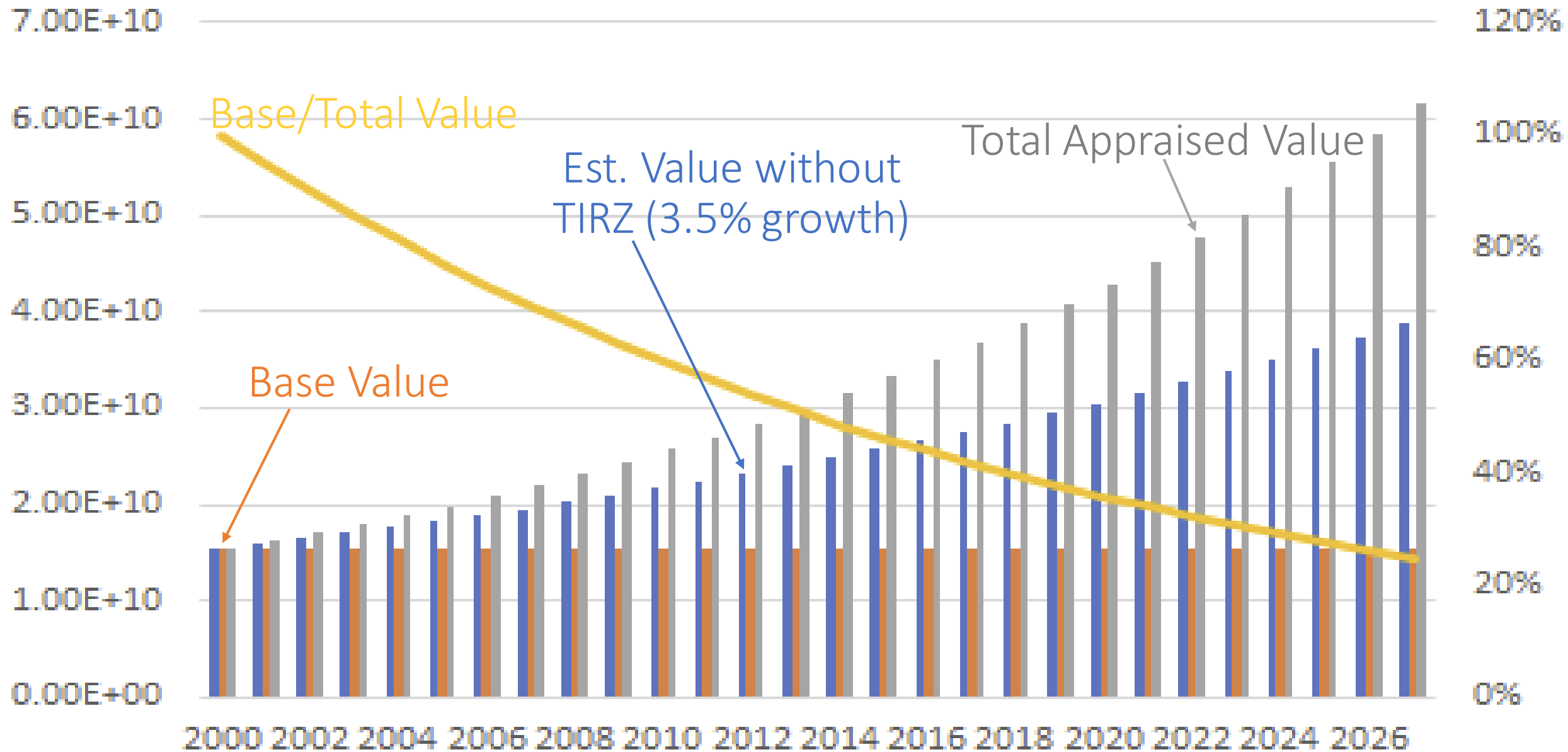
**Figure 2 — 2023 Tax Increment Revenue and Average Median Household Income**



**Source:** Authors analysis city of Houston TIRZ ACFRs and census tract data.



# TIRZ Growth



# Difficulty in Accounting for Growth

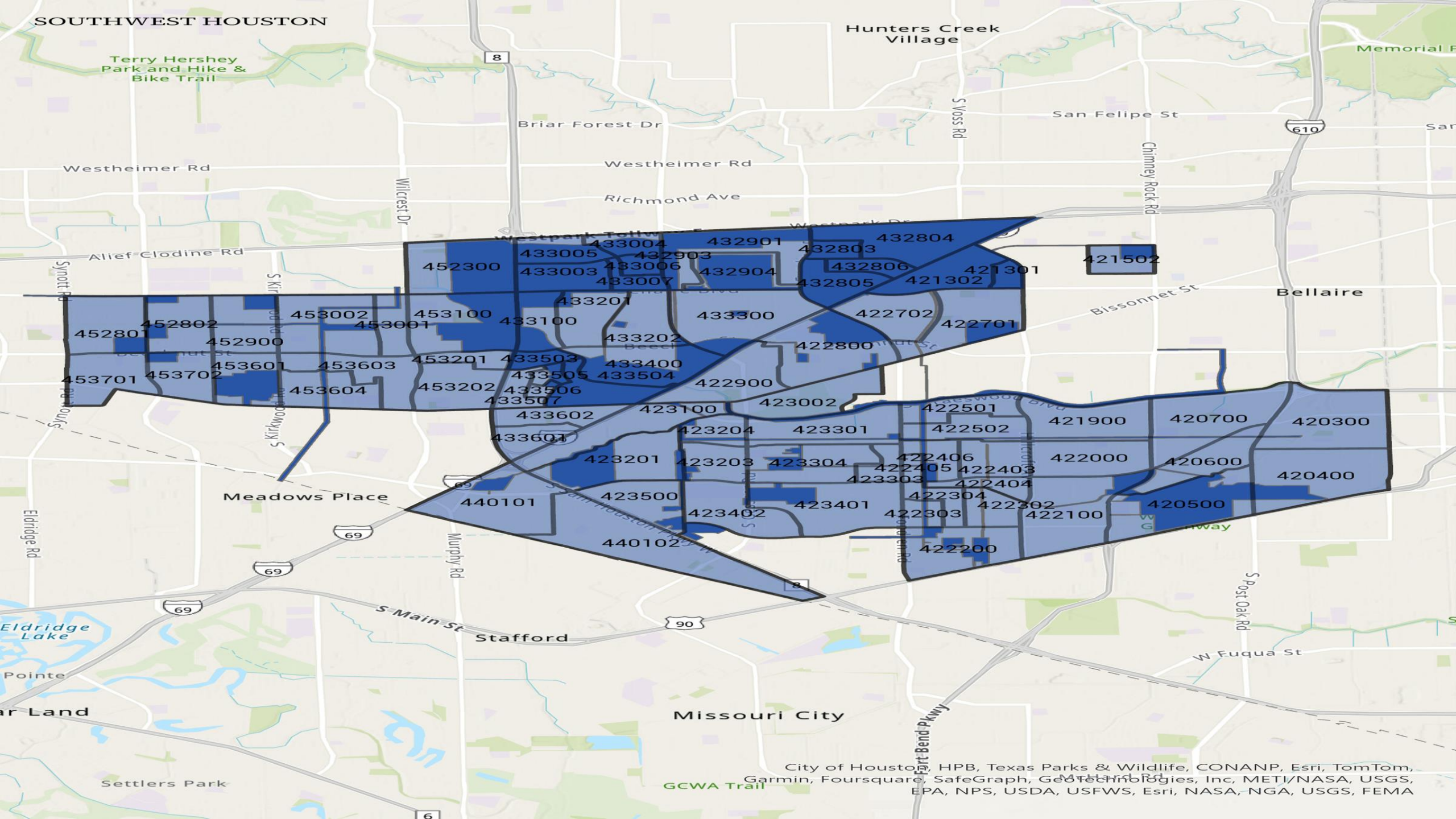
- Investing significant sums of money will create growth and development, but
  - Is that growth that would have occurred elsewhere in the city?
    - If so, this would increase growth near the TIRZ and slow growth in other areas of the city exacerbating the regressive effects.
- Dye and Merriman (2000; 2003) suggest that at least some of the growth in commercial TIF districts is offset by reduced growth in other nearby areas.
  - They estimate that cities that adopt TIF grow between 0.78% and 2.18% slower than those that do not.
  - Looking solely at how fast the area around a TIRZ grows does not provide enough information to determine the benefits to the rest of the city as a whole.

# Difficulty in Accounting for Growth

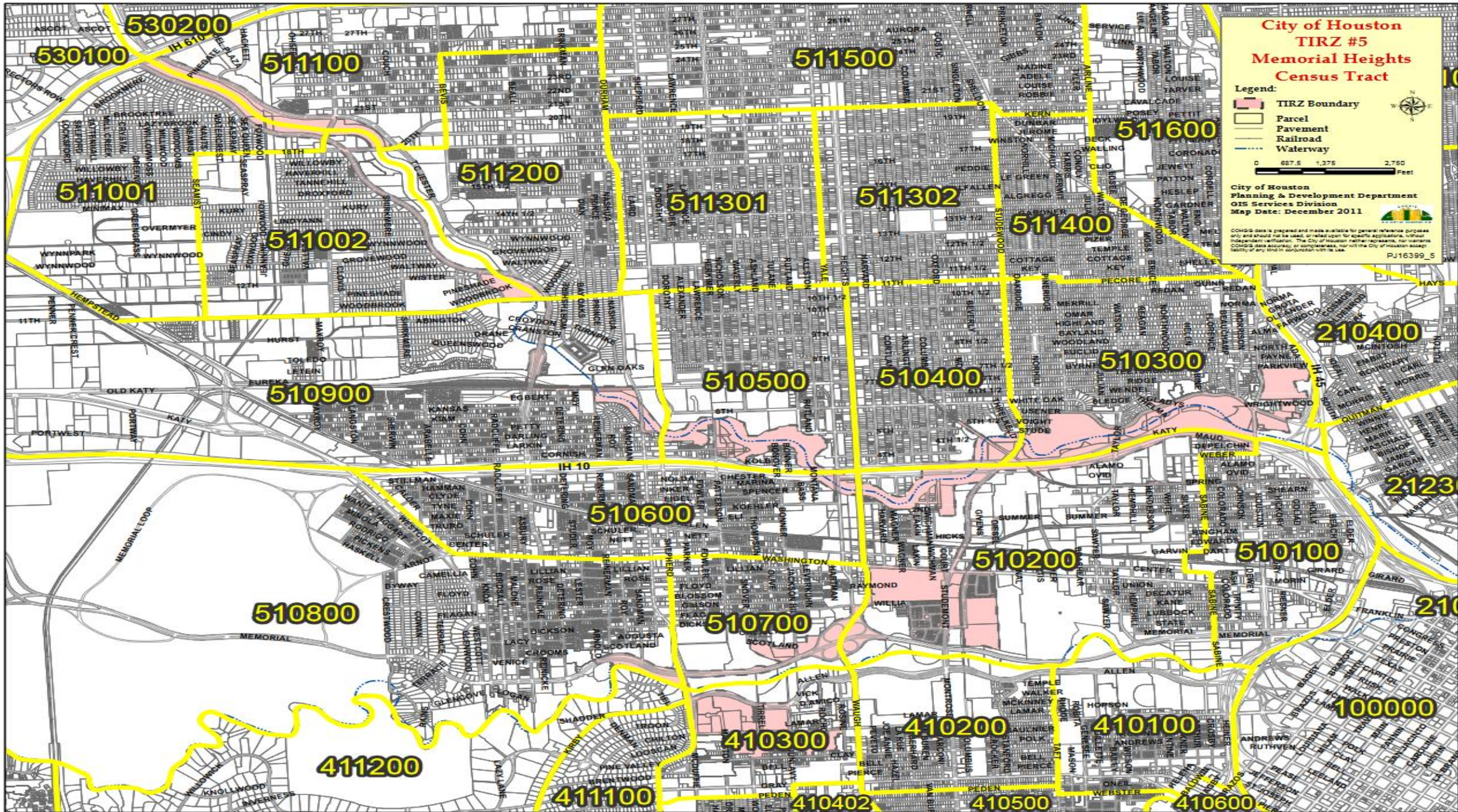
- David Merriman (of the Lincoln Land Institute) published an expansive book on TIRZs which lists 31 TIRZ studies
  - 18 finding positive benefits (mainly focused on property values, employment effects, etc....)
  - 13 find either negative or neutral benefits
  - Merriman's view is that "the most recent studies, which tend to have the strongest data and best methodologies, are much less positive than earlier studies. Taken together, this review of the rigorous evaluation literature suggests that in most cases, TIF has not accomplished the goal of promoting economic development."
  - <https://www.lincolninst.edu/publications/policy-focus-reports/improving-tax-increment-financing-tif-economic-development/>

TIRZ NAME	Household Median Income	Total Expenditures since Inception	2023 Tax Increment Revenue	Captured Appraised Value	% of Tax Roll Captured by TIRZ	Population	No. of Households	% of City Median HH Income	Area (sq.mi.)
Memorial Heights	141,522	96,172,000	12,528,000	863,935,045	93%	80,091	35,647	226%	10.99
Upper Kirby	138,595	233,127,000	14,245,000	3,065,249,206	76%	27,984	14,818	221%	4.4
Old Sixth Ward	126,519	27,202,000	2,308,000	540,746,486	84%	12,653	5,590	202%	1.94
Montrose	122,785	15,755,000	5,203,000	814,827,924	42%	39,222	20,612	196%	3.9
Lake Houston	122,265	293,637,000	21,435,000	718,872,279	98%	77,964	26,175	195%	44.89
Uptown	119,496	862,641,000	46,625,000	5,388,686,336	73%	35,661	18,412	191%	6.92
City Park	106,879	15,190,000	1,437,000	330,000,000	53%	27,249	11,592	171%	7.39
East Downtown	102,330	79,559,000	4,576,000	494,191,760	80%	8,846	3,927	163%	2.04
Midtown	100,002	530,789,000	28,494,000	2,478,965,044	90%	21,588	12,643	160%	2.02
Memorial City	97,586	209,909,000	18,885,000	3,386,833,257	87%	70,280	26,084	156%	14.22
Market Square	95,481	321,400,000	21,249,000	3,436,887,099	93%	17,612	4,250	152%	1.77
Fourth Ward	68,486	78,435,000	2,994,000	561,567,868	91%	6,320	3,358	109%	0.47
Hiram Clark/Ft Bend	67,380	7,269,000	3,990,000	527,431,704	65%	38,082	11,425	108%	9.49
South Post Oak	57,945	20,707,000	1,343,000	162,223,795	57%	63,891	22,190	93%	21.91
Southwest Houston	54,846	154,769,000	9,757,000	1,935,844,191	61%	270,373	95,158	88%	36.4
St. George Place	53,257	84,817,000	2,567,000	661,212,427	40%	19,298	8,575	85%	1.71
Hardy/Near Northside	52,931	17,980,000	978,000	220,423,144	29%	37,737	13,432	85%	8.34
Eastside	52,215	78,223,146	13,830,900	539,596,689	58%	6,787	1,878	83%	3.07
OST/Amelda	49,755	145,173,000	11,864,000	1,732,739,945	91%	51,217	20,797	79%	9.89
Harrisburg	47,433	11,702,000	3,693,000	577,796,377	63%	46,591	17,597	76%	9.65
Gulfgate	46,015	51,515,000	7,035,000	852,211,153	44%	83,102	28,341	73%	23.22
Sunnyside	45,859	434,000	2,623,000	230,467,426	30%	61,937	20,396	73%	20.36
Leland Woods	39,930	1,834,000	789,000	84,274,822	40%	57,256	18,735	64%	29.64
Fifth Ward	39,268	9,858,000	1,457,000	195,675,700	60%	50,270	17,555	63%	20.37
Greenspoint	35,071	183,064,000	18,569,000	1,165,168,518	59%	37,139	13,372	56%	7.73
<b>Totals</b>		<b>3,531,161,146</b>	<b>258,474,900</b>	<b>30,965,828,195</b>		<b>1,249,150</b>	<b>472,559</b>		<b>302.73</b>

# SOUTHWEST HOUSTON







**City of Houston**  
**TIRZ #5**  
**Memorial Heights**  
**Census Tract**

**Legend:**

- TIRZ Boundary
- Parcel
- Pavement
- Railroad
- Waterway

0 687.5 1,375 2,750 Feet

City of Houston  
Planning & Development Department  
GIS Services Division  
Map Date: December 2011

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