
2020 ANNUAL REPORT

**TAX INCREMENT REINVESTMENT ZONE
NUMBER ONE
TEXAS CITY, TEXAS**



Tax Year Ending December 2020

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CITY OF TEXAS CITY, TEXAS

2020 CITY COMMISSION

Mayor

Hon. Matthew T. Doyle (until May 2020)
Hon. Dedrick Johnson, Sr. (as of May 2020)

Commission Members

Hon. Phil Roberts (until May 2020)
Thelma Bowie (as of May 2020)
Commissioner At-Large
Mayor Pro-Tem

Hon. Bruce Clawson (until May 2020)
Hon. Kevin Yackly (as of May 2020)
Commissioner At-Large

Hon. Earl Alexander (until May 2020)
Hon. Keith Henry (as of May 2020)
District 1

Hon. Abel Garza (until May 2020)
Hon. Felix Herrera (as of May 2020)
District 2

Hon. Dorthea Jones Pointer
District 3

Hon. Jami Clark
District 4

**TAX INCREMENT REINVESTMENT ZONE
NUMBER ONE, CITY OF TEXAS CITY, TEXAS
2020 BOARD OF DIRECTORS**

| | |
|-------------------|--|
| Position 1 | Chris Doyle, Chair Texas City Designee |
| Position 2 | Kyle Dickson College of the Mainland Designee |
| Position 3 | James Torres Texas City Designee |
| Position 4 | Carlos Garza Texas City Designee |
| Position 5 | Rick Wilkenfeld Galveston County Designee |
| Position 6 | Genie Jennings Texas City Designee |
| Position 7 | Hon. Stephen Holmes Galveston County Designee |

DESCRIPTION OF ZONE

In accordance with the Tax Increment Financing Act (Chapter 311, Tax Code), Ordinance 06-45 of the City of Texas City, Texas (the “City”) established Reinvestment Zone Number One, City of Texas City, Texas (the “Zone”) on December 20, 2006. The Zone, also known as “The Lago Mar TIRZ”, consists of approximately 3,350 acres located in Galveston County, Texas (the “County”). The Project Plan (the “Plan”) was adopted by City Commission on January 2, 2008 by Ordinance 08-01. In addition to City participation in the Zone, the County and College of the Mainland (the “College”) agreed to participate in the Zone.

To aid and assist in the implementation of the Plan, the City created the Lago Mar Development Authority (the “Authority”), a Local Government Corporation incorporated on July 18, 2007. To further facilitate development within the Zone, the City, the Authority, the TIRZ and Galveston County Municipal Utility District No. 54 (“MUD 54”) entered into an agreement (the “Quad Party Agreement”), effective December 19, 2007, detailing the respective roles and responsibilities of the parties in implementing the Plan. The private sector developer for Lago Mar is Land Tejas Texas City Limited, a Texas Limited Partnership, whose General Partner is Land Tejas Corporation (the “Master Developer”). The Authority and the Master Developer entered into a Master Developer Reimbursement Agreement effective January 3, 2008.

On July 20, 2011, a new agreement was executed between the City, Zone, Authority, MUD 54, Master Developer, and Galveston Premium Outlets LLC (the “Omnibus Agreement”). The Omnibus Agreement modified and amended the terms of the Quad Party Agreement as it relates to the development of the Tanger Outlets Mall projects.

The Zone is situated near the western boundary of Texas City, is bisected by Interstate 45, and at creation was vacant. A map illustrating the location of the Zone within the City follows as Figure 1. Figure 2 depicts the Zone boundary

Figure 1: TIRZ 1 Location Map



Figure 2: TIRZ 1 Boundary Map



Project Plan and Reinvestment Zone Financing Plan Amendment #1

On May 16, 2019, the Board recommended approval of Plan Amendment #1. The amendment was approved by the Texas City City Commission on June 19, 2019. The amendment authorized the modification of the residential base participation rate of each entity for the final 10 years of the Zone from 0% to 40%. This amendment accounted for the nearly 10-year delay in the commencement of residential development in the Zone due to the 2008 housing crisis and recession. The amendment also authorized the addition of a public safety facility as an eligible project cost.

PURPOSE OF ZONE

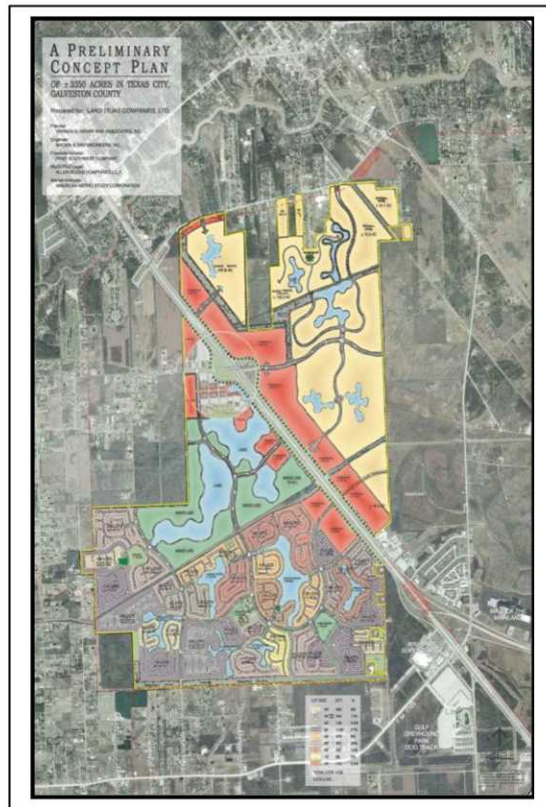
The purpose of the Zone is to facilitate the development of a quality master-planned community, including a large mixed-use component, with amenities and sustainability that will contribute to the growth of the tax base for the City, the County and the College.

The City Commission, in adopting the ordinance creating the Zone, found that the projects described in the Plan provided a focused planning and financing mechanism to promote and monitor this significant development effort to the benefit of all the citizens of the City, individual and corporate, as well as all participating jurisdictions. But for the creation of the Zone and the participating jurisdictions, this area would not likely experience the magnitude of private investment necessary for this property to develop in the proposed manner or to the standards and quality planned in the foreseeable future.

The City Commission further found that improvements in the Zone will enhance the value of all taxable real property within the Zone and will be of general benefit to the City. The methods of financing and the sources of funding available to the Zone, including the participation levels of the entities, are described in the Project Plan and Reinvestment Zone Financing Plan.

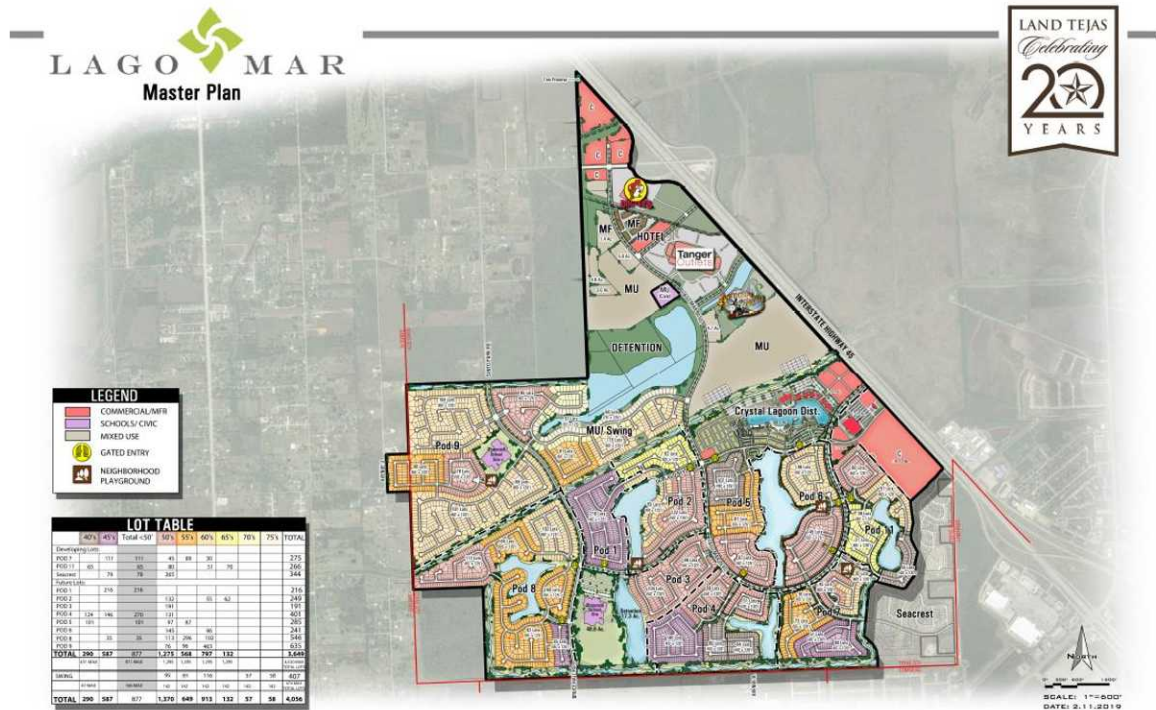
The Preliminary Concept Plan for Lago Mar Master Planned Community is shown below as Figure 3.

Figure 3: Lago Mar Preliminary Concept Plan



As part of the master planning effort, the City and the Master Developer agreed that a mixed-use component to the development would greatly enhance the economic diversification and tax base growth the City is seeking to promote. To that end the Master Developer has put forth a mixed-use concept plan for approximately 898 acres, planned to include large amenity lakes with detention function, trails connecting the mixed-use area to the broader community and a diversity of commercial uses. The mixed-use concept plan follows as Figure 4.

FIGURE 4: Lago Mar Conceptual Master Plan-February 2019



On October 19, 2012, Tanger Factory Outlet Centers held the ribbon cutting and grand opening of the Tanger Outlets Mall, Texas City. The new mall opened with more than 80 brand name and outlet tenants in approximately 350,000 square feet and has become a major tourist attraction. As of December 31, 2020, there are 1,142 completed homes within the Zone.

STATE OF THE ZONE AND PLAN IMPLEMENTATION IN 2020

Revenue

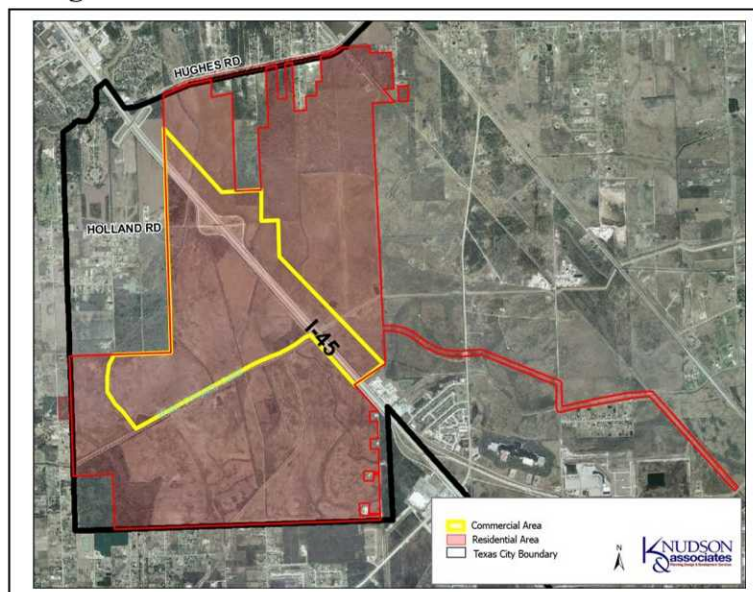
1. The information provided in the section is in accordance with § 311.016 (a) (1) of the Texas Tax Code, which requires inclusion of the amount and source of revenue in the tax increment fund established for the Zone.

In addition to the City's tax increment revenue, interlocal agreements with the County and the College provide for each taxing unit's participation in the Zone. The Plan sets forth a two-tiered participation schedule as follows:

Lago Mar is proposed to be a large master planned community with strong residential and commercial components. The commercial areas of the TIRZ are the very gateway of Texas City and the City seeks to promote the development of these critical areas with a distinctive urban design that establishes a sense of place unique in Galveston County. The City understands that the commercial areas will need time to reach the highest and best uses based on market conditions and to that end the City has proposed and secured a two-tiered participation structure: 100 % participation by the City for 31 years and by the County and the College for 30 years in the commercial area; and 60% for 10 years followed by 40% for 10 years by all entities in the residential areas. (modified by Amendment 1)

The boundaries of the residential and commercial areas within the TIRZ are shown below as Figure 5.

Figure 5: Commercial and Residential TIRZ Areas



Further within the Residential Area the Plan sets forth a performance-based, enhanced level of participation by the City as follows:

In recognizing the reality of market forces, while wishing to foster the highest quality of single family residential possible, the City has established a base participation level and a second performance-based participation level when certain average value per dwelling unit levels are exceeded in the aggregate. The base participation is shown below and will be enacted when the average value of the single family residential is less than \$180,000. The performance-based participation will be enacted when the average value of the single family residential is greater than \$180,000.

Schedules outlining the varying levels and lengths of participation for both the Commercial Area and the Residential Area follow as Table A and Table B respectively.

Table A: Participation Schedule Commercial Area

| Jurisdiction | 2020 Tax Rate | 2019 Tax Rate | 2018 Tax Rate | Years | Participation % |
|-------------------------|---------------|---------------|---------------|-----------|-----------------|
| Texas City | \$.5100 | \$.5400 | \$.5500 | 2007-2037 | 100% |
| Galveston County | \$.516137 | \$.531898 | \$.5519 | 2008-2037 | 100% |
| College of the Mainland | \$.204254 | \$.212755 | \$.216791 | 2008-2037 | 100% |

Tax Rate Source: Galveston County Central Appraisal District

Table B: Participation Schedule Residential Area

| Jurisdiction | 2020 Tax Rate | 2019 Tax Rate | 2018 Tax Rate | Years | Base Participation % | Performance Based % |
|-------------------------|---------------|---------------|---------------|--------------|----------------------|---------------------|
| Texas City | \$.5100 | \$.5400 | \$.5500 | 2007-2016 | 60% | 75% |
| | | | | 2017-2026 | 40% | 50% |
| | | | | 2027-2037(1) | 40% | 0% |
| Galveston County | \$.516137 | \$.531898 | \$.5519 | 2008-2017 | 60% | |
| | | | | 2018-2027 | 40% | n/a |
| | | | | 2028-2037(1) | 40% | |
| College of the Mainland | \$.204254 | \$.212755 | \$.216791 | 2008-2017 | 60% | |
| | | | | 2018-2027 | 40% | n/a |
| | | | | 2028-2037(1) | 40% | |

(1) Modified from 0% to 40% by Plan Amendment #1 and related interlocal agreements with Galveston County and College of the Mainland in 2019.

The obligations of the participating taxing jurisdictions, as defined in their respective interlocal agreements, include the timely deposit of tax increment revenue into the City's tax increment revenue fund. Table C below illustrates the growth in appraised value from the base year 2006 compared to the previous 3 years including 2020 for each participating jurisdiction.

Table C: Base Year Market Value by Jurisdiction

| COMMERCIAL | TAX YEAR | | | | |
|-------------------------|---------------------------|----------------------|----------------------|----------------------|--------------------------------------|
| Taxing Entity | 2006 Base Value (Taxable) | 2018 Value (Taxable) | 2019 Value (Taxable) | 2020 Value (Taxable) | Captured Appraised Value (Increment) |
| Texas City | \$82,650 | \$131,972,482 | \$136,046,160 | \$154,074,610 | \$153,991,960 |
| Galveston County | \$82,650 | \$131,972,482 | \$136,046,160 | \$154,074,610 | \$153,991,960 |
| College of the Mainland | \$82,650 | \$131,972,482 | \$136,046,160 | \$154,074,610 | \$153,991,960 |

| RESIDENTIAL | TAX YEAR | | | | |
|-------------------------|---------------------------|----------------------|----------------------|----------------------|--------------------------------------|
| Taxing Entity | 2006 Base Value (Taxable) | 2018 Value (Taxable) | 2019 Value (Taxable) | 2020 Value (Taxable) | Captured Appraised Value (Increment) |
| Texas City | \$321,530 | \$88,132,532 | \$142,650,113 | \$171,493,806 | \$171,172,447 |
| Galveston County | \$321,530 | \$88,132,532 | \$142,650,113 | \$171,493,806 | \$171,172,447 |
| College of the Mainland | \$321,530 | \$88,132,532 | \$142,650,113 | \$171,493,806 | \$171,172,447 |

Table D illustrates the amount of each jurisdiction's incremental revenue to the tax increment fund for the Residential and Commercial Areas for the previous 5 tax years, including 2020.

Table D: Tax Increment Revenue by Year

| COMMERCIAL | TAX YEAR | | | | |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Taxing Entity | 2016 | 2017 | 2018 | 2019 | 2020 |
| Texas City | \$637,094 | \$747,248 | \$723,574 | \$701,682 | \$772,575 |
| Galveston County | \$699,965 | \$707,072 | \$697,040 | \$655,417 | \$704,600 |
| County Road & Flood | \$7,372 | \$7,448 | \$2,719 | \$15,256 | \$16,318 |
| College of the Mainland | \$267,015 | \$280,670 | \$279,898 | \$265,410 | \$366,538 |
| Commercial Total | \$1,611,446 | \$1,742,438 | \$1,703,231 | \$1,637,765 | \$1,860,031 |

| RESIDENTIAL | TAX YEAR | | | | |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| Taxing Entity | 2016 | 2017 | 2018 | 2019 | 2020 |
| Texas City | \$83,058 | \$123,704 | \$192,942 | \$296,534 | \$351,145 |
| Galveston County | \$91,255 | \$117,001 | \$183,886 | \$273,451 | \$314,983 |
| County Road & Flood | \$961 | \$1,232 | \$715 | \$6,319 | \$7,225 |
| College of the Mainland | \$34,811 | \$46,459 | \$74,664 | \$111,891 | \$166,345 |
| Residential Total | \$210,085 | \$288,396 | \$452,207 | \$688,195 | \$839,698 |

| | |
|--|--------------------|
| Total TIRZ Increment Revenue 2020 | \$2,699,730 |
|--|--------------------|

Expenditures

2. The information provided in this section is in accordance with § 311.016 (a) (2) of the Texas Tax Code, which requires inclusion of the amount and purpose of expenditures from the fund.

In accordance with the Quad Party Agreement and the Omnibus Agreement, the Authority may from time to time contract TIRZ revenue to one or more of the Municipal Utility Districts within the TIRZ boundary to facilitate the financing of TIRZ improvements. Additionally, the Authority may reimburse the Master Developer for improvements and may construct improvements directly from increment revenue or bond issuance.

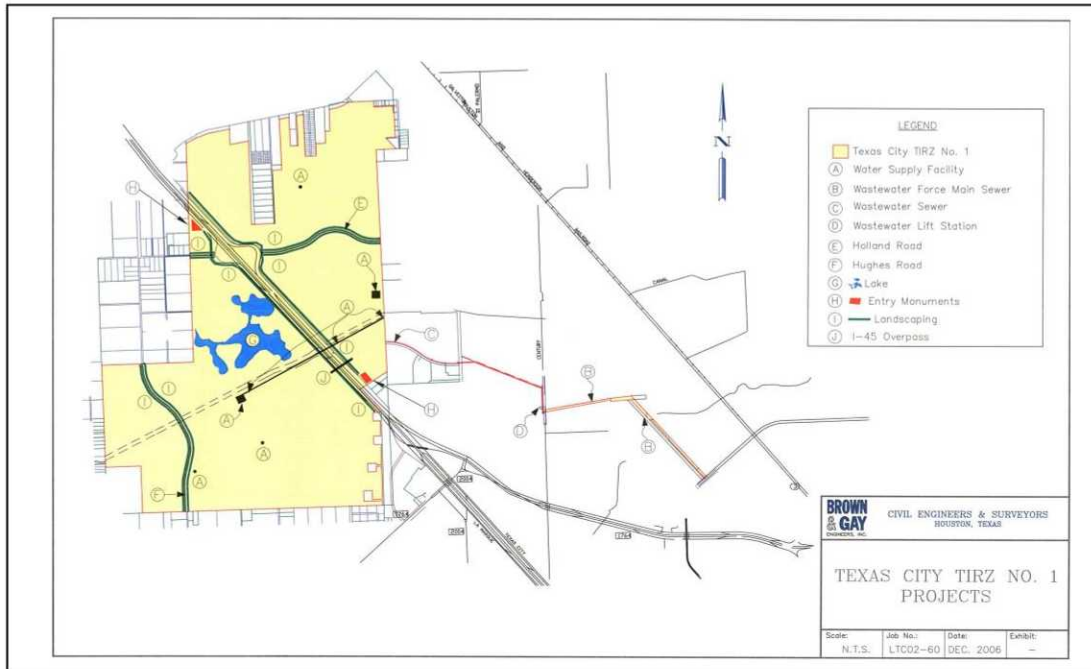
In 2020, the Authority paid \$93,332.52 for legal, accounting/bookkeeping, administrative, and insurance expenses; and \$177,575.44 toward the I-45 Branding and Identity Project. Additionally, \$1,425,653.35 was transferred to MUD 54 in accordance with the requirements of the Omnibus Agreement. In support of the Series 2020 bond issue, \$350,000 was contributed toward project costs and a debt service payment of \$381,982.16.

Table E: Estimated Project Plan Costs

| Estimate of Project Costs | |
|--|------------------------|
| Project | Estimated Project Cost |
| Water | |
| Water Supply Plant | 3,469,594 |
| Remote Water Well and Collection Line(s) | 1,682,835 |
| Elevated Water Storage Tank(s), Transmission Line(s), and Related Water Plant Items | 7,701,308 |
| Water Well(s), Lines, and Related Water Plant Items | 7,638,733 |
| Sub-total | 20,492,471 |
| Sanitary Sewer | |
| Wastewater Plant and Related Force Main(s) | 1,571,608 |
| Sanitary Sewer Transmission Line(s) | 2,468,238 |
| Other Wastewater Projects and Lift Station(s) | 2,355,092 |
| Other Force Main(s) | 2,519,492 |
| Sub-total | 8,914,429 |
| Roadway and Mobility Improvements | |
| Holland Road Construction and Landscaping | 7,447,717 |
| Hughes Road Construction and Landscaping | 6,471,177 |
| I-45 / Overpass | 5,000,000 |
| I-45 Landscaping | 3,901,309 |
| Sub-total | 22,820,203 |
| Detention / Retention / Place Making Amenities | |
| 125 ± Acre Lake | 28,973,505 |
| Lake Landscaping | 2,259,922 |
| Monumentation | 2,323,052 |
| Sub-total | 33,556,479 |
| Zone Administration | |
| Legal, Auditing, Planning, Architectural, Engineering, Administration, etc. | 2,850,000 |
| Total Estimated Project Costs | 88,633,582 |
| <p>Note: It is understood that land costs for major CIP dedications (water plants, water wells, etc.) and professional fees (engineering, planning, architectural, geotechnical, surveying, etc.) are necessary expenses that will be incurred on behalf of the Zone. These fees have been estimated and included in the line-item projections.</p> | |

- (1) Project Plan Amendment #1 added a public safety facility with an estimated cost of \$5,000,000.

Figure 6: Location of Proposed TIRZ Improvements



TIRZ Authorized Projects in 2020:

On February 20, 2020, the issuance of Series 2020 Bonds in the amount of \$7,610,000 was approved by the LMDA Board. Debt service on the bonds will be paid from future tax increments. The bond proceeds were dedicated two infrastructure projects to be constructed by MUD 54 via interlocal agreements with the LMDA. The interlocal agreement for Hughes Road improvements was approved on March 31, 2020, with a maximum LMDA contribution of \$5,500,000. The interlocal agreement for the elevated water storage tank was approved on May 28, 2020, with a maximum LMDA contribution of \$2,200,000.

Interest Due on Outstanding Bonds

3. The information provided in this section is in accordance with § 311.016 (a) (3) of the Texas Tax Code, which requires inclusion of the amount of principal and interest due on outstanding bonded indebtedness.

The Omnibus Agreement calls for TIRZ Increment Revenue attributable to land and improvements within MUD 54 to be paid by the Authority annually to cover the debt service on bonds issued by the MUD for TIRZ-eligible improvements until the bonds fully paid. Table F below shows the principal and interest due on all such bonds issued by MUD 54.

Table G below shows the principal and interest due on the direct debt issued by the LMDA.

Table F: GCMUD 54 Debt Service Schedule for TIRZ-Eligible Bonds

| Year | Principal | Interest | Total |
|--------------|----------------------|------------------------|-------------------------|
| 2021 | \$ 585,000 | \$ 589,648.75 | \$ 1,174,648.75 |
| 2022 | 605,000 | 572,986.25 | 1,177,986.25 |
| 2023 | 630,000 | 554,548.75 | 1,184,548.75 |
| 2024 | 655,000 | 535,178.75 | 1,190,178.75 |
| 2025 | 680,000 | 513,773.75 | 1,193,773.75 |
| 2026 | 710,000 | 490,208.75 | 1,200,208.75 |
| 2027 | 740,000 | 463,943.75 | 1,203,943.75 |
| 2028 | 770,000 | 435,063.75 | 1,205,063.75 |
| 2029 | 805,000 | 404,753.75 | 1,209,753.75 |
| 2030 | 840,000 | 372,553.75 | 1,212,553.75 |
| 2031 | 880,000 | 338,953.75 | 1,218,953.75 |
| 2032 | 915,000 | 302,972.50 | 1,217,972.50 |
| 2033 | 960,000 | 264,467.50 | 1,224,467.50 |
| 2034 | 1,000,000 | 224,057.50 | 1,224,057.50 |
| 2035 | 1,050,000 | 181,557.50 | 1,231,557.50 |
| 2036 | 1,100,000 | 134,970.00 | 1,234,970.00 |
| 2037 | 1,150,000 | 86,145.00 | 1,236,145.00 |
| 2038 | 800,000 | 34,800.00 | 834,800.00 |
| Total | \$ 14,875,000 | \$ 6,500,583.75 | \$ 21,375,583.75 |

Source: Masterson Advisors

Table G: LMDA Debt Service Schedule

| Year | Principal | Interest | Total |
|--------------|---------------------|------------------------|------------------------|
| 2021 | \$ 340,000 | \$ 209,625.00 | \$ 549,625.00 |
| 2022 | 350,000 | 199,425.00 | 549,425.00 |
| 2023 | 360,000 | 188,925.00 | 548,925.00 |
| 2024 | 370,000 | 178,125.00 | 548,125.00 |
| 2025 | 385,000 | 167,025.00 | 552,025.00 |
| 2026 | 395,000 | 155,475.00 | 550,475.00 |
| 2027 | 405,000 | 143,625.00 | 548,625.00 |
| 2028 | 420,000 | 131,475.00 | 551,475.00 |
| 2029 | 430,000 | 118,875.00 | 548,875.00 |
| 2030 | 445,000 | 105,975.00 | 550,975.00 |
| 2031 | 455,000 | 92,625.00 | 547,625.00 |
| 2032 | 470,000 | 78,975.00 | 548,975.00 |
| 2033 | 485,000 | 64,875.00 | 549,875.00 |
| 2034 | 500,000 | 50,325.00 | 550,325.00 |
| 2035 | 515,000 | 35,325.00 | 550,325.00 |
| 2036 | 525,000 | 23,737.50 | 548,737.50 |
| 2037 | 530,000 | 11,925.00 | 541,925.00 |
| Total | \$ 7,380,000 | \$ 1,956,337.50 | \$ 9,336,337.50 |

Source: Masterson Advisors

Base Value & Captured Appraised Value

4. The information provided in this section is in accordance with § 311.016 (a) (4) of the Texas Tax Code, which requires inclusion of the tax increment base and current captured appraised value retained by the Zone.

The captured appraised value of the Zone is the total appraised value of all real property located within the Zone, less the tax increment base value. In each year subsequent to the base year, the Zone will receive tax increment revenue based on ad valorem property taxes levied and collected by each participating taxing unit on the captured appraised value of the Zone.

Base Year:

As of January 1, 2006, the base year for the Zone, the total appraised value of the TIRZ was \$404,180, comprised of \$321,530 for the residential area and \$82,650 for the commercial area.

2020 Total Taxable Value:

On January 1, 2020, the Zone had a total assessed value of \$325,568,416, comprised of \$171,493,806 for the residential area and \$154,074,610 for the commercial area. (See Table C)

2020 Captured Appraised Value:

The total captured appraised value (total taxable value - base year value) as of January 1, 2020 was \$325,164,407, comprised of \$171,172,447 for the residential area and \$153,991,960 for the commercial area. (See Table C.)

Increment Received by Taxing Entities

5. The information provided in this section is in accordance with § 311.016 (a) (5) of the Texas Tax Code, which requires inclusion of the captured appraised value shared by the City and other taxing units, the total amount of tax increments received, and any additional information necessary to demonstrate compliance with the Plan.

For Tax Year 2020 the total increment paid into the increment fund was \$2,699,730. (See Table D.)

**TAX INCREMENT REINVESTMENT ZONE NUMBER ONE
TEXAS CITY, TEXAS
2017 ANNUAL REPORT
Tax Year Ending December 31, 2020**

Prepared by Marsh Darcy Partners, Inc.