

**REINVESTMENT ZONE PROJECT &  
FINANCING PLAN**

**City of Pharr - Tax Increment Reinvestment  
Zone #1**

**City of Pharr International Logistics Development Program**



**February 21, 2012**

## Table of Contents

	Page
I. EXECUTIVE SUMMARY	3
II. PROJECT PLAN	7
III. PROJECT FEASIBILITY	11
IV. REINVESTMENT ZONE FINANCING PLAN	12
V. PHARR BOARD MEMBERS	21
 <b>EXHIBITS</b>	
A. MAP OF ZONE	22
B. MAP OF EXISTING CONDITIONS	23
C. TIRZ REQUIREMENTS	24
 <b>MAPS</b>	
1. EXISTING DRAINAGE CANELS	25
2. PROPOSED DRAINAGE CANELS	26
3. EXISTING WATER LINES	27
4. PROPOSED WATER LINES	28
5. EXISTING SANITARY SEWER LINES	29
6. PROPOSED SANITARY SEWER LINES	30
7. EXISTING CITY STREETS AND DRAINAGE	31
8. PROPOSED CITY STREETS AND DRAINAGE	32

## **SECTION I – EXECUTIVE SUMMARY**

### **Overview of Plan**

The City of Pharr Tax Increment Reinvestment Zone (“TIRZ”) Number One, The City of Pharr International Logistics Development Program represents an important opportunity for the City of Pharr in partnership with Hidalgo County to promote and encourage construction of produce warehouse facilities, industrial, commercial, office warehouse, and logistical facilities in an area of the City that has significant and varied impediments to development.

Large tracts of land in the southern sector of the city have remained vacant due to inadequate city street infrastructure, inadequately sized or no utility lines, drainage issues, water and sewer availability, and lack of adequate fire flow. The costs associated with the remediation of these development and redevelopment issues are of a magnitude that without additional sources of funds the growth of the city will be significantly impaired.

The creation of the TIRZ will provide the following benefits:

1. Funding for necessary public improvements associated with needed development in the southern sector of the City
2. Replace low value existing land uses with high value warehousing, commercial, industrial, and logistic centered land uses.
3. Offer employment opportunities and reduce commuting time for Pharr and Hidalgo County residents.
4. Provide a more efficient use of existing city and county services.
5. Help to address structural imbalances in the Pharr economy and housing market.

The proposed TIRZ is comprised of vacant land in the southern sector of the City. Also included within the TIRZ boundaries are the public rights of way and the associated alley ways of the streets as well as all utility easements, drainage easements, drainage structures and detention facilities located within the TIRZ boundaries.

### **Development Goals and Objectives**

The development goals and objectives, which are expected to meet the specific needs of the City of Pharr Tax Increment Reinvestment Zone, are:

- Provide for new commercial and industrial uses through the installation of new sewer and water lines sized for existing and future growth.
- Provide commercial and industrial opportunities for developers and companies seeking commercial building sites through the extension of existing City streets

- Provide for new commercial opportunities through the construction of additional lift station facilities.
- Provide employment opportunities to service increasing population growth within the City of Pharr and surrounding Hidalgo County.
- Solve long-range storm drainage issues that affect both City residents as well as, surrounding Hidalgo County residents.
- Provide for funds for the reconstruction of existing City Streets that impede redevelopment or new development.

The City of Pharr Tax Increment Reinvestment Zone Project Plan and Reinvestment Zone Financing Plan provides a long term program to increase business opportunities and population within the District and the City, using tax increment financing to fund required public improvements. This long-term program is expected to attract additional commercial and residential development to include affordable, work force and market rate housing.

## Planned Private Development

The City of Pharr TIRZ Private Development Program includes;

Phase 1	2012	\$	20,000,000	Industrial
Phase 2	2013	\$	21,000,000	Industrial
Phase 3	2014	\$	23,100,000	Industrial
Phase 4	2015	\$	25,410,000	Industrial
Phase 5	2016	\$	27,951,000	Industrial
Phase 6	2017	\$	30,746,100	Industrial
Phase 7	2018	\$	33,820,710	Industrial
Phase 8	2019	\$	37,202,781	Industrial
Phase 9	2020	\$	40,923,059	Industrial
Phase 10	2021	\$	9,500,000	Industrial
Phase 11	2022	\$	9,975,000	Industrial
Phase 12	2023	\$	10,473,750	Industrial
Phase 13	2024	\$	10,997,438	Industrial
Phase 14	2025	\$	11,547,309	Industrial
Phase 15	2026	\$	12,124,675	Industrial
Phase 16	2027	\$	12,730,909	Industrial
Phase 17	2028	\$	13,367,454	Industrial
Phase 18	2029	\$	14,035,827	Industrial
Phase 19	2030	\$	14,737,618	Industrial
Phase 20	2031	\$	7,500,000	Industrial
Phase 21	2032	\$	8,625,000	Industrial

The total private investment is expected to be in excess of \$ 395,768,629.

The projected values of future commercial development is based upon an analysis of the 2010 and 2011 building permits issued by the City of Pharr Consideration has also been given to visits to the City from third party developers looking at commercial and warehouse sites and enquiring about the availability of sewer, water and the construction of the new highway system in Mexico which will provide a direct link between the RGV and the agriculture production areas of Mexico.

## Planned Public Improvements

The public improvements enumerated in the Project Plan, with an estimated cost of \$84,459,000 provide for the extension of sewer and water trunk lines sized to provide service to the entire TIRZ area, sewer lift stations, drainage structures and detention facilities and the extension of streets, water and sewer line to service individual tracts of land. The improvements planned for the district are designed to help meet the long-term needs to secure and insure growth and investment in the City and in Hidalgo County.

**Planned Public Construction**

Planned Public Improvements Include:

Storm Water Collection and Detention	3.56 Miles	\$7,120,000
Sanitary Sewer Trunk Lines and Lift Stations	5.00 Miles	\$19,038,000
Water Distribution Trunk Lines	6.24 Miles	\$4,351,000
Street, Water, Sewer and Drainage	21.66 Miles	\$53,925,000

The Tax Increment Reinvestment Zone Financing Plan provides for tax increment allowable expenses in the approximate amount of \$ 38,616,817. The Reinvestment Zone Financing Plan provides for incremental financing and predicts revenues for the City of Pharr Tax Increment Reinvestment Zone Number One.

## **Section II – Project Plan**

### **Background**

On July 19, 2011 the City Commission of the City of Pharr approved a “Resolution of Intent,” Resolution # R2011-40, to consider the creation of the City of Pharr Tax Increment Reinvestment Zone Number One. On September 8, 2011 the City Commission approved Ordinance # 0-2011-46 authorizing the creation of the Tax Increment Reinvestment Zone.

Meetings and statutory presentations were held with individuals and taxing entities in Hidalgo County on the following dates:

- Hidalgo County Economic Development Office, July and August 2011
- Hidalgo County Commissioner Pct. 2 Staff, August 19, 2011
- Hidalgo Independent School District August 15, 2011
- Valley View Independent School District August 15, 2011
- Hidalgo County Commissioners Court on August 30, 2011.
- PSJA Independent School District on August 31, 2011
- County Judge Ramon Garcia and County Staff September 30, 2011
- County Judge Ramon Garcia and County Staff October 25, 2011

### **Program Concepts**

The City of Pharr Tax Increment Reinvestment Zone Number One, The City of Pharr International Logistics Development Program represents an important opportunity for the City of Pharr in partnership with Hidalgo County to develop a viable long-range plan for an area of the City, which has lacked a wide range of commercial, warehouse and industrial opportunities. New commercial, office/warehouse, industrial, and logistics/distribution construction are the key components of the development program. Increased employment opportunities for Pharr and surrounding county and community residents will be enhanced through the development activity within the Zone.

## **Development Goals and Objectives**

The planned public improvements within the City of Pharr Tax Increment Reinvestment Zone will insure the future of the City as a viable option as logistics and produce companies look to expand or relocate.

## **Description of District**

The City of Pharr Tax Increment Reinvestment Zone is located in the southern sector of the City. The market value of property within the Zone is estimated to be \$86,228,241, however, the total assessed value of the property in the Zone, the Base Value of the Zone, is estimated at \$65,228,241 per preliminary figures from the Hidalgo County Appraisal District. The City of Pharr TIRZ includes approximately 2,137+/- acres of public and privately held land as shown on the Exhibit "A"

## **Existing Uses and Conditions**

Exhibit "B" is an aerial photo of the proposed zone boundaries and reflects the existing uses and conditions of properties within the proposed Zone.

The City of Pharr has determined that the improvements in the Zone will significantly enhance the value of all of the taxable real property in the Zone and will be of general benefit to the municipality, and that the Zone area meets the requirements of Section 311.005 of the Act, being that the Zone area:

"is predominantly open or undeveloped, and because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impairs or arrests the sound growth of the City" and

The City of Pharr, pursuant to the Act, further finds and declares that:

1. the proposed zone is a contiguous geographical area located wholly within the City limits or extraterritorial jurisdiction of Pharr;
2. less than fifteen percent (15%) of the property in the proposed Zone is used for residential purposes, as the term "residential" is defined in Section 311.006(d) of the Act;
3. the total appraised value of the taxable real property in the proposed Zone or in existing reinvestment zones, if any, does not exceed fifty per cent (50%) of the total appraised value of taxable real property in the City and in industrial districts, if any, created by the City;
4. the proposed Zone does not contain more than fifty percent (50%) of the total appraised value of real property taxable by Hidalgo County and the PSJA, Hidalgo or Valley View Independent School Districts,

5. development or redevelopment within the boundaries of the proposed Zone will not occur solely through private investment in the reasonably foreseeable future.

**City of Pharr TIRZ Zoning**

The City of Pharr has the following zoning categories. Properties in the Zone are primarily “District A-O,” Agriculture and/or open space district with some “District H-C,” Heavy Commercial and “District NC,” Neighborhood Commercial District.

District A-O	Agricultural and/or open space district
District R-1	Single-family residential district
District R-TH	Townhouse residential district
District R-2	Two-family residential district
District R-3	Medium-density multifamily residential district
District R-4	High-density multifamily residential district
District R-MH	Mobile home district
District OP	Office professional district
District NC	Neighborhood commercial district
District C	General business district
District C-2	Business district
District HC	Heavy commercial district
District LI	Limited industrial district
District HI	Heavy industrial district
District PUD	Planned unit development district

There are no proposed changes in zoning ordinances, the City of Pharr Comprehensive Master Plan, building codes or subdivision rules and regulations that would affect properties in the Zone. The City has from time to time updates its Comprehensive Master Plan, however, in any future update the City shall treat properties in the Zone the same as properties outside the Zone.

**Relocation of Area Residents**

The plan does not include the relocation of any existing residents located within the boundaries of the Zone

**Non Project Costs**

The plan does not contemplate any non-project costs. However, the Board shall reserve the right to incur non-project costs in the event that drainage issues that are affecting property within the

Zone require the expenditure of funds outside the boundaries of the Zone in order to ameliorate drainage issues within the Zone.

### **Proposed Public Improvements**

#### **DRAINAGE**

Over the past 20 years Pharr like almost every other City in the Valley has experienced unanticipated and unplanned economic growth. Many of the drainage improvements that were installed in prior decades have proved inadequate to carry increased runoff from this development. Additionally as land has been converted from farm use to other uses and often time to just vacant land, the land has lost some of its ability to retain water. The City needs to upgrade many of its existing drainage channels and to install additional channels and detention facilities as development occurs throughout the TIRZ boundaries. Maps One and Two in the attached addendum outline the existing drainage improvements and the proposed drainage improvements. The City will need to build approximately 3.56 miles of additional channels to service the proposed growth within the TIRZ boundaries at an estimated cost of \$7,120,000

#### **WATER**

The City will need to significantly upgrade its water distribution system in order for major development to occur within the TIRZ boundaries. New trunk lines along Las Milpas and Veterans Road and on Veterans Road and Hi Line Road will be needed to service development. The estimated costs associated with the installation of the approximate 6.24 miles or 32,947 feet of new trunk lines is \$4,351,000. Maps Three and Four outline the existing City of Pharr water distribution system and the additional lines needed for future development.

#### **SEWER - New Lines and Lift Stations**

While the City does not provide water service to the entire city it does provide sewer service. The amount of new outfall and forced main lines is over double the amount of new water mains needed by the City to service new development within the Zone. It is estimate that City will need to install approximately 5.00 miles or 26,400 feet of new outfall and forced main lines to facilitate development within the Zone. One new pump station is needed immediately to facilitate development and as the Zone develops out additional pump stations will be needed. The estimated cost of these new lines is approximately \$19,038,000. Maps Five and Six reflect the existing wastewater collection system and the location of the new lines required for the development of the Zone.

#### **Streets, Water Sewer and Drainage**

It is the intention of the City to partner with private developers whenever possible to facilitate the installation of the streets, water, sewer and drainage to individual tracts of land. However the City recognizes that private developers only have to install the infrastructure necessary for the

development of their tracts of land and a landowner ready to develop their property may not have the necessary infrastructure adjacent to or in close proximity to the property intended for development. The City may from time to time install streets, drainage improvements and sewer lines in order to facilitate the development of a project that is ready for development. The total estimated cost of these potential costs is \$53,925,000 for approximately 21.66 miles of improvements.

The planned improvements are designed to begin to meet the long-term needs to secure growth and investment in Pharr and central Hidalgo County.

## **CONCLUSIONS**

Based upon a set of conservative assumptions and analysis of the Project Plan and Zone Financing Plan, the City of Pharr has concluded that the Project Plan and Reinvestment Zone Financing Plan are feasible.

## **SECTION III - Project Feasibility**

The feasibility of any development has two aspects that must be considered:

1. Financial or economic feasibility
2. Market feasibility.

The purpose of the TIRZ is to address the financial or economic feasibility aspect of the development. TIRZ incremental funds provide for a portion of the development costs incurred for public improvements, thus insuring the financial feasibility of the Project. This project is financially feasible and can be developed with the funding of public improvements from TIRZ funds, however the City acknowledges that the incremental funds to be generated from the project do not cover all of the cost of the proposed public improvements and that other funding sources will be necessary.

Market feasibility addresses issues relating to product absorption, type of product, and demand. The changing pattern of distribution of all types of goods but primarily fruits and vegetables between Mexico and the US and Canada will have a dramatic long term effect on where distribution centers, logistic centers and warehouses are built. The Rio Grande Valley will become the major distribution hub of this future commerce. The creation of the Pharr Industrial District Tax Increment Reinvestment Zone will spur additional new distribution construction throughout Hidalgo County.

## SECTION IV – REINVESTMENT ZONE FINANCING PLAN

### **Tax Increment Financing**

The Tax Increment Financing Act (Chapter 311 of the Tax Code), provides for municipalities to create “reinvestment zones” within which various public works and improvements can be undertaken, using tax increment revenues, bonds or notes, to pay for those improvements. At the time an area is designated a reinvestment zone for tax increment financing (“TIF”), the existing total of appraised value of real property in the zone is identified and designated as the “tax increment base.” Taxing units levying taxes in the zone during its life are limited to revenues from this base.

Public improvements are made in the area to attract private development that would not otherwise occur. As the costs of new development are added to the tax rolls, property values will rise. This rise in new value is called the “captured appraised value.” The taxes that are collected by the participating taxing jurisdictions on the increment between the base value and the new higher value, the tax increment, are then deposited into a TIF Trust Fund, which is used to pay for the public improvements. Once the public improvements are completed and paid for, the TIF is dissolved and any remaining amounts of taxes collected are kept by the taxing jurisdiction. In effect, the taxing jurisdictions are “investing” future earnings to receive the benefit of higher tax revenues from new development. Taxing jurisdictions are not restricted from raising or lowering their tax rate during the life of the zone.

### **Financing Plan**

The Reinvestment Zone Financing Plan developed by the City provides that potentially \$38,616,817 of public improvements will be paid for with TIF funds. The Reinvestment Zone Financing Plan also projects incremental funds for financing and revenues for the City of Pharr TIRZ. It is not anticipated that tax increment funds in an amount to fully reimburse the City for all approved project costs will be generated over the projected life of the Zone

Financing Method: Incremental funds will be spent as they accrue and TIF Revenue Bonds may be issued for larger projects and paid for with annual TIRZ proceeds

Financing Policy: The goal of the City of Pharr Tax Increment Reinvestment Zone is to borrow only those funds needed as the necessity arises in order to reduce interest expense.

Long Term Financing: The developers of the warehouse/commercial/industrial/retail sites will arrange for long term financing for their individual projects.

Tax Increment Bonds: The City may at some point in the future issue bonds for capital improvements within the Zone. However, the City will issue no bonds without sufficient Zone revenue to service the principal and interest on the bonds.

Sales Tax Revenue: The City will, in addition to its ad valorem taxes, deposit an amount equal to one half of any additional sales tax revenue generated from the addition of retail facilities on zone properties. The period of time for which sales tax revenue will be deposited in the tax increment fund shall be five (5) years from the date a new facility begins generating sales tax revenue.

### **Development Schedule And Assumptions**

The Development Schedule is based upon the immediate needs of the City and the public works are listed by priority. The City intends to remain flexible in order to leverage other funds with TIRZ funds to maximize the efficiency of the City's funds.

Begin Construction		2012
Construction Complete		2035
Storm Water Collection and Detention	3.6 Miles	\$7,120,000
Sanitary Sewer Trunk Lines and Lift Stations	5.01 Miles	\$19,038,000
Water Distribution Trunk Lines	2.29 Miles	\$4,351,000
Street, Water, Sewer and Drainage	21.66 Miles	\$53,925,000
Administrative Expense		\$ 25,000
<b>Total Costs</b>		<b>\$ 84,459,000</b>

### **Financial Assumptions**

No tax rate changes have been factored into the financial pro forma's for the District. It has also been assumed that the taxing entities will continue to collect tax revenues at the same rate and that homestead and other exemption rates will remain unchanged. The finance plan assumes a collection rate of 97.5% because 100% of the new development will be in the form of commercial construction. The long-term lenders who do the permanent financing for these types of projects generally require annual proof that the taxes are current. The City acknowledges that in any given year the collection rate will initially be lower with the balance of the taxes due being paid in arrears over a 5 year period of time.

# City of Pharr Project Review

## City of Pharr - TIF Reinvestment Zone # One

### Summary Fact Sheet February 21, 2012

Plan of Finance

Site Area	2137+/- Acres
Base Value (January 1, 2011 estimate)	\$65,228,241

Project:

Phase 1	2012	\$	20,000,000	Industrial
Phase 2	2013	\$	21,000,000	Industrial
Phase 3	2014	\$	23,100,000	Industrial
Phase 4	2015	\$	25,410,000	Industrial
Phase 5	2016	\$	27,951,000	Industrial
Phase 6	2017	\$	30,746,100	Industrial
Phase 7	2018	\$	33,820,710	Industrial
Phase 8	2019	\$	37,202,781	Industrial
Phase 9	2020	\$	40,923,059	Industrial
Phase 10	2021	\$	9,500,000	Industrial
Phase 11	2022	\$	9,975,000	Industrial
Phase 12	2023	\$	10,473,750	Industrial
Phase 13	2024	\$	10,997,438	Industrial
Phase 14	2025	\$	11,547,309	Industrial
Phase 15	2026	\$	12,124,675	Industrial
Phase 16	2027	\$	12,730,909	Industrial
Phase 17	2028	\$	13,367,454	Industrial
Phase 18	2029	\$	14,035,827	Industrial
Phase 19	2030	\$	14,737,618	Industrial
Phase 20	2031	\$	7,500,000	Industrial
Phase 21	2032	\$	8,625,000	Industrial

Totals	\$	395,768,629
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Assumptions	Captured Value	\$	395,768,629
	Growth Factor		0.00%
	Collection Rate		97.50%
	Estimated Total TIF Revenues	\$	38,616,817
	Estimated TIF Life		20 Years

**Projected Value of New Tax Increment**

Year	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Phase 7	Phase 8	Phase 9
2012	20,000,000								
2013		21,000,000							
2014			23,100,000						
2015				25,410,000					
2016					27,951,000				
2017						30,746,100			
2018							33,820,710		
2019								37,202,781	
2020									40,923,059
2021									
2022									
2023									
2024									
2025									
2026									
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
Total	20,000,000	21,000,000	23,100,000	25,410,000	27,951,000	30,746,100	33,820,710	37,202,781	40,923,059

**Projected Value of New Tax Increment Continued**

Phase 10	Phase 11	Phase 12	Phase 13	Phase 14	Phase 15	Phase 16	Phase 17	Phase 18	Phase 19	Phase 20	Phase 21
9,500,000											
	9,975,000										
		10,473,750									
			10,997,438								
				11,547,309							
					12,124,675						
						12,730,909					
							13,367,454				
								14,035,827			
									14,737,618		
										7,500,000	
											8,625,000
9,500,000	9,975,000	10,473,750	10,997,438	11,547,309	12,124,675	12,730,909	13,367,454	14,035,827	14,737,618	7,500,000	8,625,000



### Schedule of Projected Income From Value of New Tax Increment Continued

Fiscal Year Ending	TIF Revenue	Cumulative TIF Revenues
2011		
2012		
2013	150,394	150,394
2014	308,307	458,701
2015	482,012	940,713
2016	673,087	1,613,800
2017	883,270	2,497,070
2018	1,114,471	3,611,541
2019	1,368,792	4,980,333
2020	1,648,546	6,628,879
2021	1,956,274	8,585,153
2022	2,027,711	10,612,864
2023	2,102,720	12,715,584
2024	2,181,479	14,897,064
2025	2,264,177	17,161,240
2026	2,351,009	19,512,249
2027	2,442,183	21,954,432
2028	2,537,915	24,492,347
2029	2,638,434	27,130,781
2030	2,743,979	29,874,760
2031	2,854,801	32,729,562
2032	2,911,199	35,640,761
2033	2,976,056	38,616,817

\$ 38,616,817

## Exhibit C

### TIRZ REQUIREMENTS

Section 311 of the State Tax Code (Tax Increment Financing Act) specifies that TIRZ (TIF) project and financing plans meet certain requirements. These requirements are listed below, along with a reference indicating where these elements can be located in the plan.

#### **Project Plan**

- |  |           |
|--|-----------|
| 1. Map of existing uses and conditions   | Exhibit B |
| 2. List proposed improvements and uses   | Page 15   |
| 3. Description of Zone Property          | Exhibit A |
| 4. Project Feasibility                   | Page 13   |
| 5. Proposed zoning changes               | Page 9    |
| 6. Estimated non-project costs           | Page 9    |
| 7. Relocation plan for current residents | Page 9    |

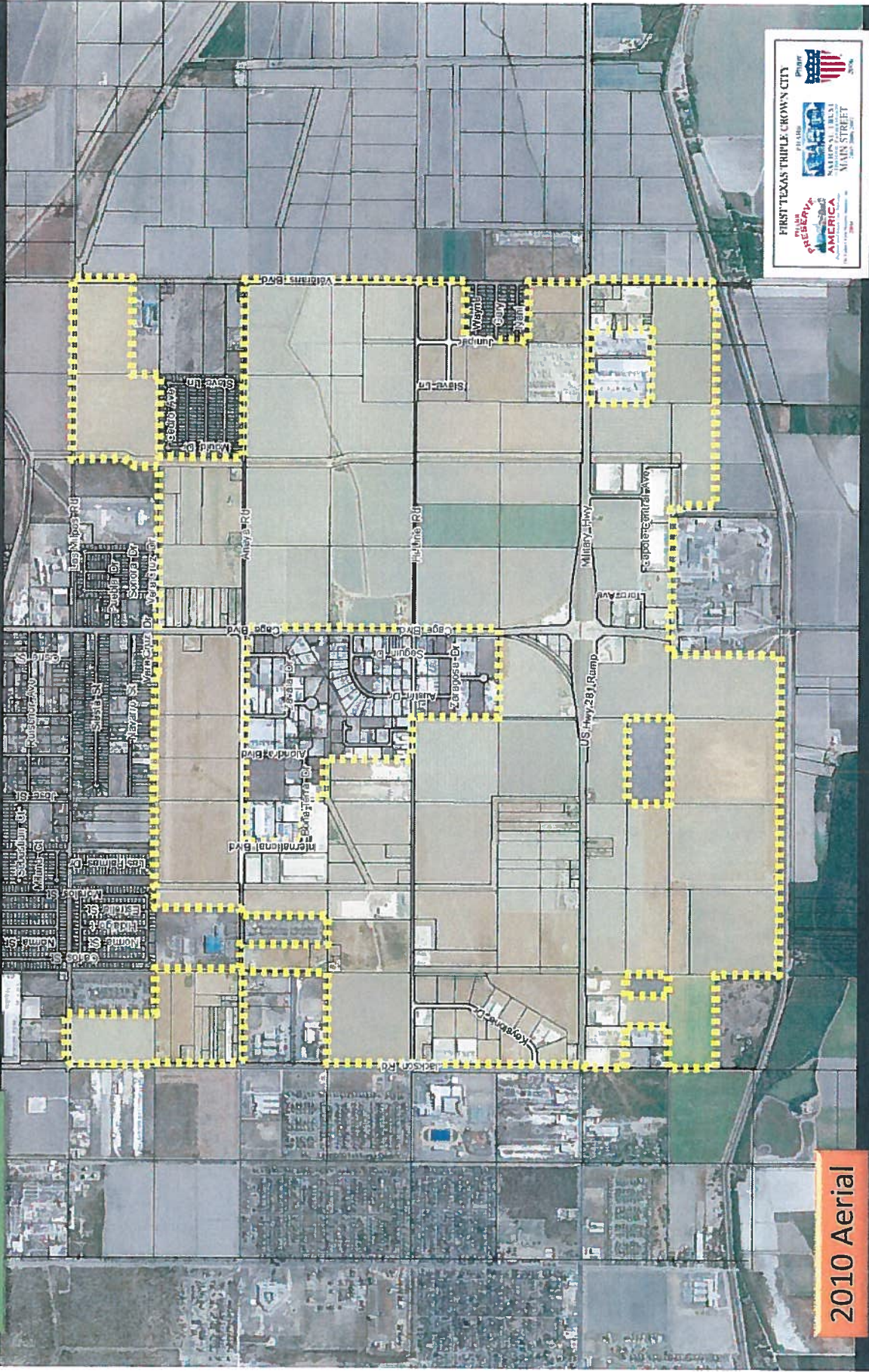
#### **Financing Plan**

- |   |         |
|---|---------|
| 1. Detailed estimate of project costs.          | Page 15 |
| 2. Proposed public improvements                 | Page 15 |
| 3. Project Timeline                             | Page 15 |
| 4. Estimated amount of bonded indebtedness      | Page 14 |
| 5. Time when costs/obligations will be incurred | Page 15 |
| 6. Methods of financing, sources of Revenue     | Page 20 |
| 7. Current total appraised value.               | Page 17 |
| 8. Estimated captured appraised value           | Page 17 |
| 9. Duration of Zone                             | Page 20 |





Exhibit Map - B



FIRST TEXAS TRIPLE CROWN CITY

PLANNED BY  
NATIONAL TRUST  
MAIN STREET

2006

PLANNED BY  
NATIONAL TRUST  
MAIN STREET

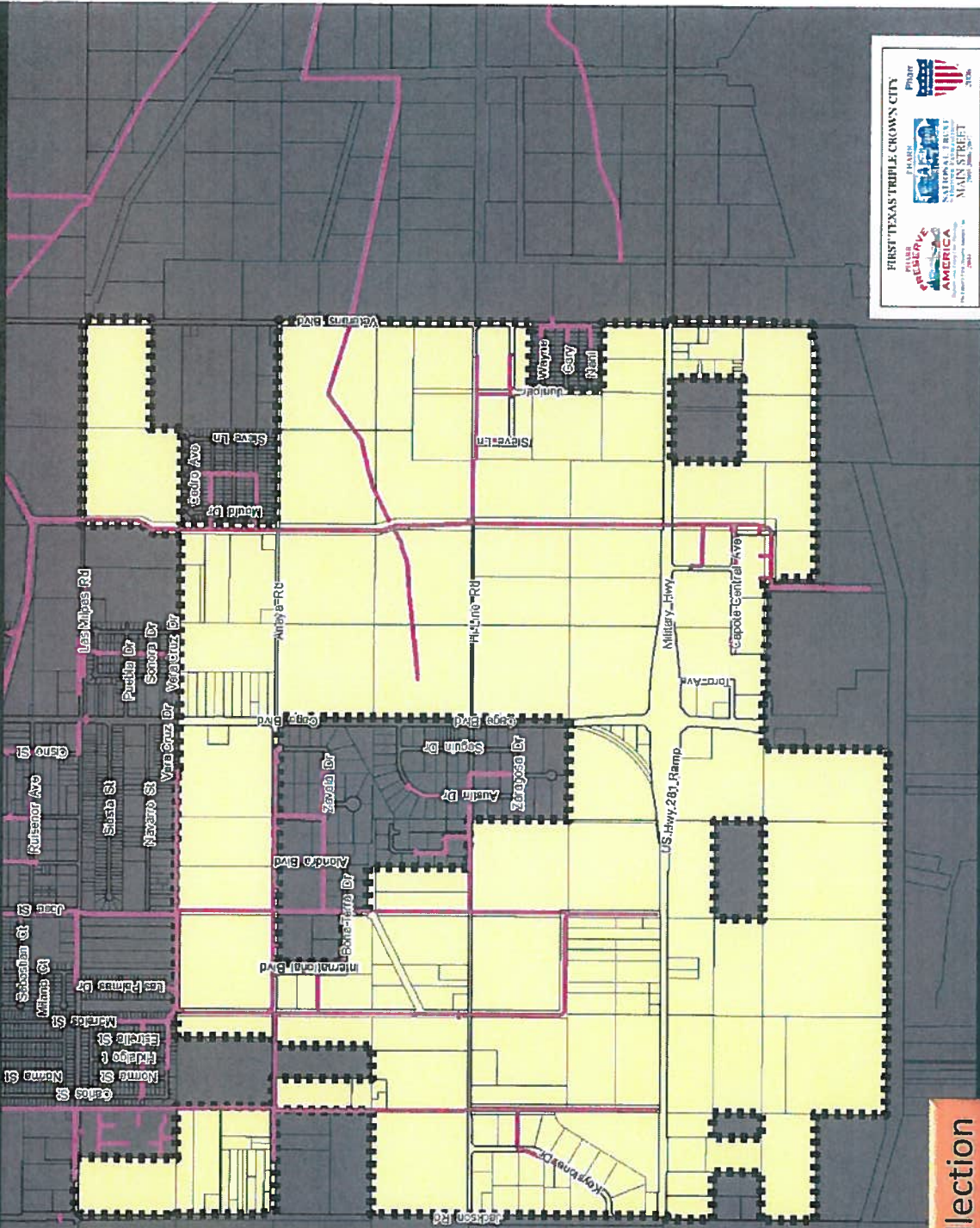
2006

PLANNED BY  
NATIONAL TRUST  
MAIN STREET

2006

2010 Aerial

# Exhibit Map - 1



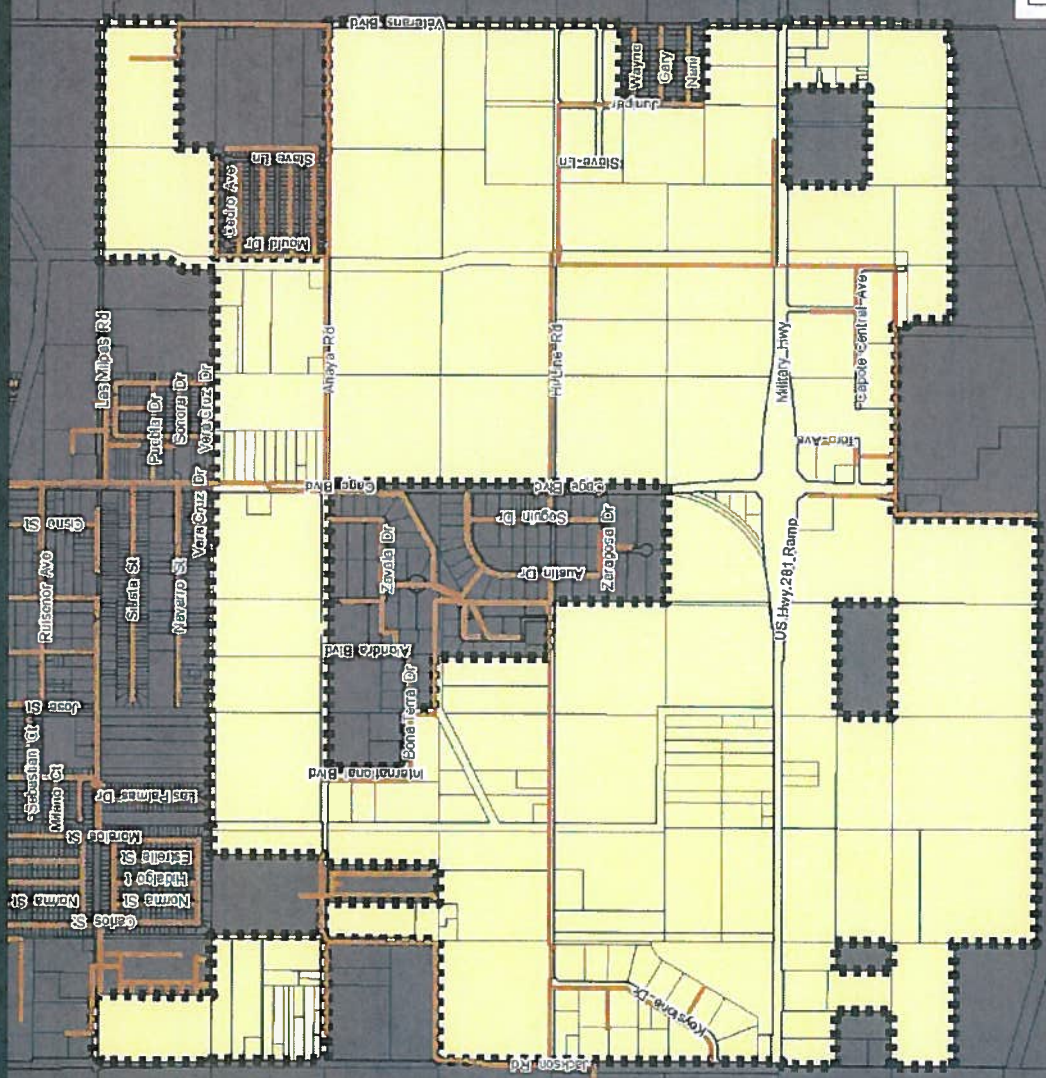
# Existing Storm Collection





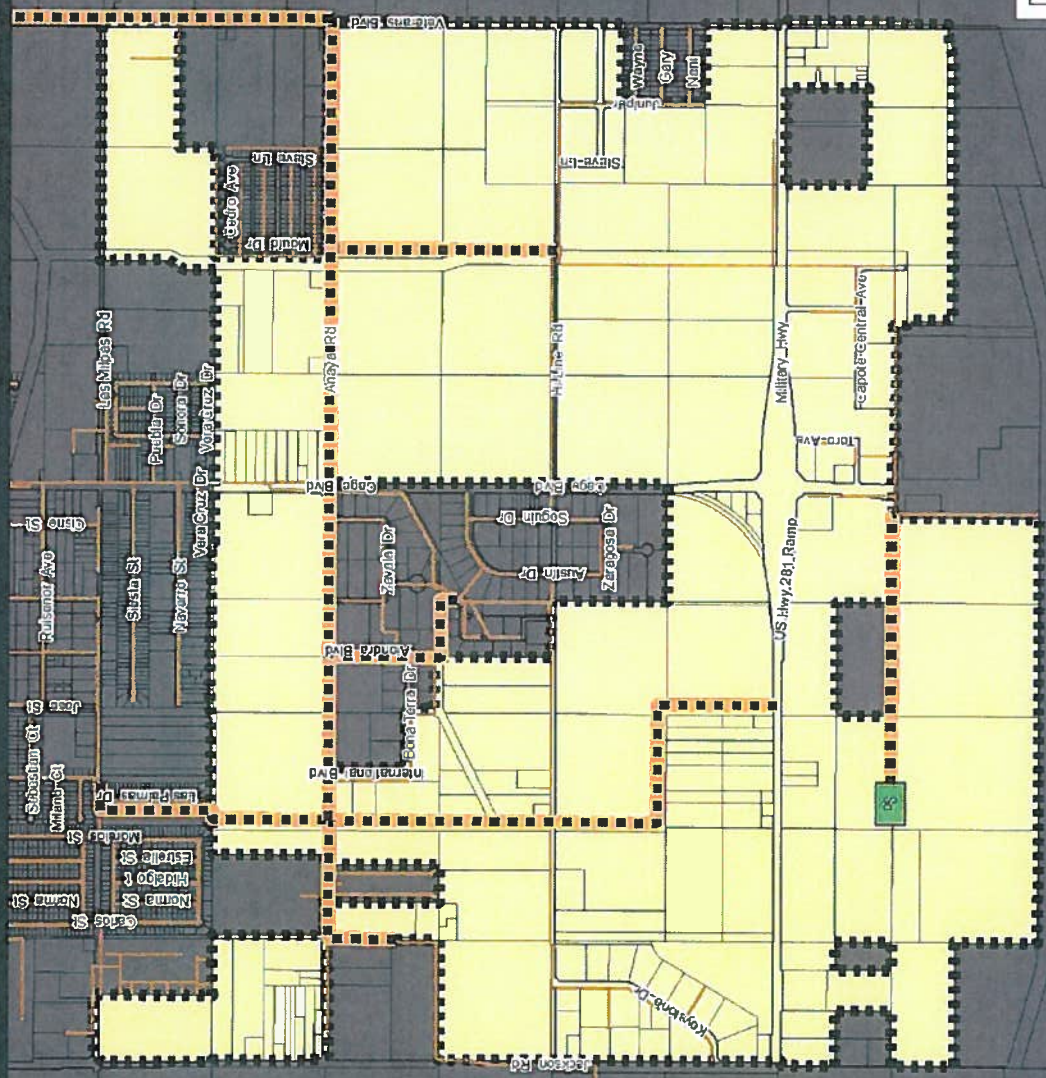


Exhibit Map - 5



Existing Sanitary Sewer

Exhibit Map - 6



Proposed Sanitary Sewer – 5.00 Miles of Improvements



