THE STATE OF TEXAS § CITY OF HIDALGO
COUNTY OF HIDALGO §

INTERLOCAL AGREEMENT

I. PARTIES

A. Address

1. THIS INTERLOCAL AGREEMENT (the "Agreement") is made by and between the **CITY OF HIDALGO, TEXAS** (hereafter referred to as "CITY"), a Texas General Law City, acting through its City Manager pursuant to Ordinance #2006-07, passed and approved by the City Council on December 30 2006, **HIDALGO COUNTY,** a political subdivision of the State of Texas, and **REINVESTMENT ZONE NUMBER ONE, CITY OF HIDALGO, TEXAS,** a reinvestment zone created by the CITY pursuant to Chapter 311 of the Texas Tax Code, (hereafter referred to as the "ZONE", as hereafter defined). Collectively, the CITY, HIDALGO COUNTY, and ZONE may be referred to as the "Parties". This Agreement is made pursuant to Chapter 791, Texas Government Code and Chapter 311 of the Texas Tax Code for the participation of CITY and HIDALGO COUNTY in the Project set forth in the attached project plan (the "Project").

2. The initial addresses of the Parties are listed below. Each party may designate a different address by giving the CITY at least ten (10) days prior written notice.

CITY	**COUNTY**
Joe Vera III City Manager City of Hidalgo 704 E. Texano Drive Hidalgo, Texas 78557	J. D. Salinas County Judge County of Hidalgo P. O. Box 1356 Edinburg, Texas 78540

With Copy to:

ZONE BOARD

John David Franz
Chairman
Reinvestment Zone Number One,
City of Hidalgo, Texas
704 E. Texano Drive
Hidalgo, Texas 78557

B. Index

In consideration of the covenants set forth herein, and subject to the terms and conditions herein, the CITY, HIDALGO COUNTY, and ZONE BOARD hereby agree to the terms and conditions of this Agreement. This Agreement consists of the following sections:

Section	Description	Page
I.	Parties	1
II.	Definitions	3
III.	Background	5
IV.	Rights and Obligations of HIDALGO COUNTY, CITY and ZONE	5
V.	Term and Termination	10
VI.	Miscellaneous	11
Exhibit "A"	Project Plan	
Exhibit "B"	City of Hidalgo Ordinance	

C. Parts Incorporated

All of the above described exhibits are hereby incorporated into this Agreement by this reference for all purposes.

II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set out below:

1. "Administrative Costs" means reasonable costs directly incurred by a Participating Taxing Entity (as hereinafter defined) related to its agreement to participate in the development of the ZONE, as described in this Agreement. These costs include, but are not limited to, costs and expenses for legal review and financial analysis related to the ZONE incurred prior to entering into this Agreement, as well as any such costs and expenses incurred after this Agreement becomes effective. The Administrative Costs for all Participating Taxing Entities are estimated to be $1,000 annually ($25,000) over the life of the zone.

2. "Agreement" means this interlocal Agreement.

3. "Captured Appraised Value" means the captured appraised value of the ZONE, as defined by Section 311.012(b), Texas Tax Code (and as said Code may be amended from time to time); e.g., the total appraised value in a given year of all real property taxable by a participating taxing entity and located in the ZONE for that year less the total appraised value of that property in 2006, the base year of the ZONE.

4. "CITY" is defined in Article I of this Agreement and includes its successors and assigns.

5. "Participating Taxing Entity" or "Participating Taxing Entities" means, singularly, a taxing unit participating in the ZONE, and collectively, all taxing units participating in the ZONE.

6. "Project Costs" means the items set forth and described in Section 311.002(1), Texas Tax Code (as said Code may be amended from time to time), which are included in the Project Plan for the Project. The Project Costs include public infrastructure improvements and related

capital costs including Expansion of the existing sewer collection and treatment facilities to support new development, expansion of the water treatment and distribution system, new public safety initiatives, drainage needs that hinder both redevelopment initiatives and new development. provide funds for the redevelopment of the land surrounding the Historic Pump Station, provide funds for Historic Preservation, affordable housing and funds to support economic development; acquisition of property and educational initiatives.

7. "Project Plan" means the Final Project and Reinvestment Zone Financing Plan for the ZONE as adopted by the Board of Directors of the Zone on July 12, 2007 and approved by the City Council of the CITY on Aug. 14, 07 and attached hereto as Exhibit "A".

8. "Tax Increment" means the total amount of ad valorem taxes levied and collected each year by a Participating Taxing Entity each year on the Captured Appraised Value of taxable real property in the ZONE. Further, with respect to the COUNTY, this term means the total amount of ad valorem taxes levied and collected only on behalf of the COUNTY each year.

9. "Tax Increment Base" means the total appraised value of all real property taxable by a Participating Taxing Entity and located in the ZONE as of January 1, 2006 the year in which the ZONE was designated.

10. "Tax Increment Fund" means the tax increment fund created by the CITY for the deposit of Tax Increments for the ZONE, entitled "Reinvestment Zone Number One, City of Hidalgo, Texas Tax Increment Fund".

11. "Tax Increment Payment" means the amount of the Tax Increment that a Participating Taxing Entity agrees to deposit annually or semiannually into the Tax Increment Fund in accordance with this Agreement and the Project Plan.

12. "ZONE" means Reinvestment Zone Number One, City of Hidalgo, Texas, created by the CITY over the Zone Area on December 30, 2006 by Ordinance #2006-07, a description of which is contained in Exhibit "A", attached hereto.

13. "ZONE BOARD" means the Board of Directors of the ZONE.

III. BACKGROUND

A Resolution passed and approved by City Council of CITY on October 10, 2006, expressed the CITY's intent to create a tax increment financing reinvestment zone to support revitalization activities for the ZONE, commonly known as the Hidalgo City Project, pursuant to Chapter 311, Texas Tax Code. On December 30 2006, the City Council of CITY passed and approved Ordinance # 2006-07 which created the ZONE. The ZONE will provide funding for public improvements within the ZONE. The ZONE is projected to terminate on September 1, 2031, unless earlier termination occurs under this Agreement (the "term of the ZONE").

IV. RIGHTS AND OBLIGATIONS OF HIDALGO COUNTY, THE CITY AND THE ZONE

A. Tax Increment Participation by the COUNTY

1. Subject to the limitations set out in this Agreement, HIDALGO COUNTY agrees to participate in the ZONE by contributing to the Tax Increment Fund one hundred percent (100%) of its respective Tax Increments from the County Maintenance and Operations portion of the ad valorum tax collected each year during the term of this Agreement, beginning with the 2006 tax year. The maximum amount of the tax increment deposited into the Tax Increment Fund by HIDALGO COUNTY shall not exceed the lesser of the actual amount of such taxes collected by HIDALGO COUNTY in any year during the term of this Agreement and the tax for such year calculated at a tax rate of $0.5200 per $100 of valuation on the Captured Appraised Value. If the County Maintenance and Operation tax rate is less than $0.5200 per $100 valuation on Captured Appraised Valued during any year in such period, then the maximum tax increment paid by HIDALGO COUNTY into the Tax Increment Fund for such year shall not exceed the total amount of taxes collected by HIDALGO COUNTY at the actual tax rate during the year

HIDALGO COUNTY's tax rate is less than $0.5200 per $100 of valuation.. Taxes collected during such period by result of a County Maintenance and Operation tax levy at a tax rate greater than $0.5200 per $100 of valuation on the Captured Appraised Value shall be retained by the County.

2. The Parties hereto agree that HIDALGO COUNTY's contribution to the Tax Increment Fund shall be used to fund Project Costs consisting of public infrastructure improvements to support the development and revitalization efforts in the ZONE, including related Project Costs. HIDALGO COUNTY's contributions to the Tax Increment Fund shall end when it has contributed the maximum total contribution provided for herein, or when it has made contributions, as specified in the Project Plan, attributable to all periods through the end of HIDALGO COUNTY's fiscal year 2031 (ending on December, 2031), whichever occurs first.

B. Tax Increment Payment

1. HIDALGO COUNTY's obligation to contribute its Tax Increment Payment to the Tax Increment Fund, as provided in paragraph IV (A) (1) of this Agreement, shall accrue as HIDALGO COUNTY collects its Tax Increment. The Parties hereto agree that all real property taxes collected each year by HIDALGO COUNTY that are attributable to real property in the ZONE, shall first constitute taxes on the Tax Increment Base and after the total amount of taxes on the Tax Increment Base have been collected, shall then constitute the Tax Increment. HIDALGO COUNTY agrees to contribute its Tax Increment Payments to the Tax Increment Fund annually on May 1 {or the first business day thereafter) of each tax year commencing May 1, 2008. The amount of each Tax Increment Payment shall be based on the Tax Increments that are received, but which have not been previously deposited, during the annual period preceding each deposit date. The Parties agree that HIDALGO COUNTY's obligation to deposit Tax Increment Payments after December 31, 2031 shall only be for taxes collected and received after such date that are attributable to the time period during which HIDALGO COUNTY agreed to participate.

2. Any delinquent deposit of a Tax Increment Payment under this Agreement by HIDALGO COUNTY shall be administered as provided in Section 311.013(c) of the Texas Tax Code (or its successor provision). The Parties expressly agree that HIDALGO COUNTY shall not owe any penalty or interest on Tax Increments that have been levied, but not received by HIDALGO COUNTY. In addition, HIDALGO COUNTY shall not be obligated to contribute its Tax Increment Payment from any non-Tax Increment revenue sources.

3. The CITY or ZONE BOARD agrees to comply with the Project Plan. The CITY agrees to provide prior written notice to HIDALGO COUNTY of a proposed material change (by which is meant any change that would constitute a substantial change to the scope of the work or substantial increase in the costs incurred) to the Project Plan. CITY shall have the right to amend and modify the Project Plan without providing prior written notice to HIDALGO COUNTY so long as such amendment or modification does not constitute a material change. HIDALGO COUNTY shall have a period of 30 business days from the date of receipt of such notice of a material change to provide comment(s) and objection(s) to the proposed change. The absence of written objections or comments by HIDALGO COUNTY to the CITY will constitute approval of the proposed material change by HIDALGO COUNTY. If HIDALGO COUNTY provides written notice to the CITY that it objects to the proposed material change, and the objection, as set out in the notice, is not resolved within 45 business days from the date of such notice and the CITY approves such material change, then HIDALGO COUNTY may thereafter discontinue its Tax Increment Payments and terminate its participation in the ZONE.

4. If the CITY materially breaches this Agreement, then HIDALGO COUNTY may provide written notice to the CITY and ZONE Board stating its intent to terminate its participation in the ZONE and detailing its objection(s) or concern(s). If the objections and/or concerns as set out in the notice are not resolved within 120 business days from the date of such notice, then HIDALGO COUNTY may discontinue its Tax Increment Payments and terminate its participation in the ZONE.

5. Except for contributing its respective Tax Increment Payments to the Tax Increment Fund as set out in this Agreement, HIDALGO COUNTY shall not have any obligation or

responsibility for any costs or expenses associated with the development of the ZONE or the implementation of the Project Plan, including, without limitation, any obligation to pay or repay any debt.

6. Notwithstanding anything herein to the contrary, the CITY's total Tax Increment Payment to the Tax Increment Fund over the term of the ZONE shall not exceed; Eight Million, Eleven Thousand, One Hundred and Ninety Five ($8,011,195) in the aggregate. Notwithstanding anything herein to the contrary, HIDALGO COUNTY's total Tax Increment Payment to the Tax Increment Fund over the term of the ZONE shall not exceed; Thirteen Million, Four Hundred Fifty Thousand and Seven Hundred Fifty Three ($13,450,753.00) in the aggregate.

7. One month prior to a payment required under paragraph IV(B) of this Agreement, CITY shall provide to HIDALGO COUNTY an updated fact sheet that includes detail as to what portion of the Project has been completed to date, a schedule of what portion of the Project is to be completed in the following year and a current roster of the ZONE's board members, including the term of each board member, the entity that appointed the board member and the date for the annual meeting.

8. Pursuant to Chapter 311 of the Texas Tax Code, in the event there is a conflict between the Parties in regards to the amount of the Tax Increment owed by HIDALGO COUNTY, the Hidalgo Tax Assessor Collector will make the final determination as to the amount of any Tax Increment owed by HIDALGO COUNTY under this Agreement. The annual Captured Appraised Value for the property contained within the Zone shall be determined by the Hidalgo County Appraisal District on the assessed appraised values and the Hidalgo County Tax Offices' verification of collections in regards to the property contained within the ZONE.

C. Management of the ZONE

1. The CITY is the only Participating Taxing Entity with any responsibility for managing or administering the Project. HIDALGO COUNTY may inspect the Project site and review

Project plans and drawings at times and intervals, which will not interfere with ongoing operations.

2. The ZONE BOARD shall be composed of five (5) members, as provided under Section 311.009(a) of the Texas Tax Code. The member of the Texas Senate and the member of the Texas House of Representatives in whose district the ZONE is located are members of the BOARD or each may be represented by a designee who serves at their discretion. CITY may appoint the remaining ZONE BOARD members; however, HIDALGO COUNTY shall have the right to appoint one individual to the ZONE BOARD as provided by statute.

D. Expansion of the ZONE

The obligation of HIDALGO COUNTY to participate in the ZONE is limited to the description of the ZONE in Exhibit "A" attached hereto. HIDALGO COUNTY'S participation shall not extend to the Tax Increment on any additional property added to the ZONE by the CITY unless HIDALGO COUNTY approves in writing such participation.

E. Tax Increment Participation by the City

1. Subject to the limitations set out in this Agreement, the City agrees to participate in the ZONE by contributing to the Tax Increment Fund one hundred percent (100%) of its respective Tax Increments each year during the term of this Agreement, beginning with the 2006 tax year.

2. CITY's contributions to the Tax Increment Fund shall end when it has contributed the maximum total contribution provided for herein, or when it has made contributions, as specified in the Project Plan, attributable to all periods through the end of the CITY's fiscal year 2031, whichever occurs first.

F. Tax Increment Payment

1. CITY's obligation to contribute its Tax Increment Payment to the Tax Increment Fund, as provided in this Agreement, shall accrue as CITY collects its Tax Increment. The Parties hereto agree that all real property taxes collected each year by CITY that are attributable to real property in the ZONE, shall first constitute taxes on the Tax Increment Base and after the total amount of taxes on the Tax Increment Base have been collected, shall then constitute the Tax Increment. CITY agrees to contribute its Tax Increment Payments to the Tax Increment Fund annually on March 1 {or the first business day thereafter) of each tax year commencing March 1, 2008. The amount of each Tax Increment Payment shall be based on the Tax Increments that are received, but which have not been previously deposited, during the annual period preceding each deposit date.

2. Any delinquent deposit of a Tax Increment Payment under this Agreement by the CITY shall be administered as provided in Section 311.013(c) of the Texas Tax Code (or its successor provision). The Parties expressly agree that the CITY shall not owe any penalty or interest on Tax Increments that have been levied, but not received by the CITY. In addition, the CITY shall not be obligated to contribute its Tax Increment Payment from any non-Tax Increment revenue sources.

V. TERM AND TERMINATION

A. Agreement Term and Termination

This Agreement shall become effective as of the last date of execution by the Parties hereto, and shall remain in effect until December 31, 2031, unless earlier terminated as provided herein (the "Agreement Term"). Subject to the terms of this Agreement, HIDALGO COUNTY agrees to participate under this Agreement, beginning with the 2006 tax year and ending in accordance with the terms provided herein. The Parties agree and understand that HIDALGO COUNTY's Tax Increment Payments will not be made after December 31, 2031 as set out in paragraph IV. A. 2, of this Agreement.

B. Early Termination

Neither CITY nor the ZONE BOARD shall take any action to terminate the ZONE earlier than the duration of the ZONE as specified herein.

C. Disposition of Tax Increments

Upon expiration or termination of the ZONE, any money remaining in the Tax Increment Fund shall be paid to the Participating Taxing Entities on a pro- rata basis in accordance with Section 311.014(d) of the Texas Tax Code.

VI. MISCELLANEOUS

A. Understanding

Any and all costs incurred by the CITY are not, and shall never become general obligations or debt of HIDALGO COUNTY. The Project Costs incurred by the CITY shall be payable solely from the Tax Increment Fund in the manner and priority provided in this Agreement. There shall also be no recourse against any Participating Taxing Entity, public official, ZONE, or ZONE BOARD if all or part of the City's costs are not reimbursed. It is recognized by the ZONE BOARD that the Project Plan does not forecast sufficient tax revenues to reimburse the City for all its estimated contributions or costs.

B. Severability

1. In the event any term, covenant, or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term. covenant, or condition herein contained, provided that such invalidity does not materially prejudice any Party hereto in its respective rights and obligations contained in the valid terms, covenants, or conditions hereof.

2. In the event any term, covenant, or condition shall be held invalid and said invalidity substantially impairs a material right of a Participating Taxing Entity or the ZONE BOARD, then this Agreement shall be void as to that Participating Taxing Entity and that Participating Taxing Entity shall have no further obligation to contribute any future Tax Increment Payments to the Tax Increment Fund. In such a situation, the Parties hereto agree that the Tax Increment Fund shall not refund any prior Tax Increment Payments under this provision of this Agreement.

C. Entire Agreement

This Agreement merges the prior negotiations and understandings of the Parties hereto and embodies the entire agreement of the Parties.

D. Written Amendment

This Agreement may be changed or amended only by a written instrument duly executed on behalf of each Party hereto. All Parties to this Agreement understand and recognize that only the City Council of CITY and only the Commissioners Court of HIDALGO COUNTY have authority to approve a change or amendment to this Agreement on behalf of CITY or HIDALGO COUNTY, respectively.

E. Notices

All notices required or permitted hereunder shall be in writing and shall be deemed delivered the earlier of (i) when actually received or, (ii) on the third day following deposit in a United States Postal Service post office or receptacle with proper postage affixed (certified mail, return receipt requested) addressed to the respective other Party at the address prescribed in Section I of this Agreement, or at such other address as the receiving Party may have theretofore prescribed by notice to the sending Party.

F. Non-Waiver

Failure of any Party hereto to insist on the strict performance of any of the agreements herein or to exercise any rights or remedies accruing hereunder upon default or failure of performance shall not be considered a waiver of the right to insist on, and to enforce by any appropriate remedy, strict compliance with any other obligation hereunder or to exercise any right or remedy occurring as a result of any future default or failure of performance.

G. Assignment

Except for the CITY'S right to assign and delegate this Agreement and the performance of obligations to the ZONE BOARD, no Party shall assign this Agreement at law or otherwise without the prior written consent of the other Parties and no Party shall delegate any portion of its performance under this Agreement without the written consent of the other Parties. All Parties to this Agreement understand and recognize that only the City Council of CITY and only the Commissioners COURT of HIDALGO COUNTY have authority to approve a delegation or assignment (of any kind) of this Agreement on behalf of CITY or HIDALGO COUNTY, respectively.

H. Successors

This Agreement shall bind and benefit the Parties and their legal successors. This Agreement does not create any personal liability on the part of any elected official, or agent of a Party to this Agreement.

I. Project Plan

HIDALGO COUNTY acknowledges that it was permitted to review and comment upon the Project Plan before it was submitted to City Council for CITY approval. The Parties agree an amendment to the Project Plan shall not apply to HIDALGO COUNTY unless HIDALGO COUNTY approves the amendment as provided herein if such amendment to the Project Plan (i) has the effect of directly or indirectly increasing the percentage or amount of Tax Increment to be contributed by HIDALGO COUNTY to the Tax Increment Fund; or (ii) increases or reduces the geographical area of the ZONE set forth in the Project Plan.

J. No Waiver of Immunity

No Party hereto waives or relinquishes any immunity or defense on behalf of itself, its trustees, officers, employees, and agents as a result of its execution of this Agreement and performance or non-performance of the covenants contained herein.

K. Access to Financial Information

The ZONE BOARD agrees to conduct or to cause to be conducted, at a minimum, an annual audit, a copy of which will be provided to HIDALGO COUNTY. Furthermore, each Party to this Agreement shall have reasonable access to financial information and audit reports regarding the operation of the ZONE, contribution of Tax Increment Payments to the Tax Increment Fund, and expenditures from the Tax Increment Fund for Project Costs. In addition, CITY agrees, during the term of this Agreement, to prepare and deliver an annual report to HIDALGO COUNTY in accordance with Section 311.016, Texas Tax Code.

L. ZONE Designation

CITY represents that its designation of ZONE meets the criteria of Section 311.005(a), Texas Tax Code, and that said designation also complies with Texas Attorney General Opinion No. JC-0152 (December 8, 1999).

IN WITNESS HEREOF, the CITY OF HIDALGO; the COUNTY OF HIDALGO; AND REINVESTMENT ZONE NUMBER ONE, CITY OF HIDALGO, TEXAS have made and executed this Agreement in triplicate originals on this 14th day August of 2007.

CITY OF HIDALGO

City Manager

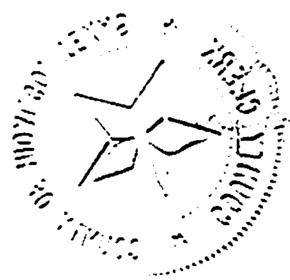
COUNTY OF HIDALGO

J.D. Salinas
County Judge

ATTEST/SEAL:

ATTEST/SEAL:

Arturo Guarjardo, Jr.
County Clerk



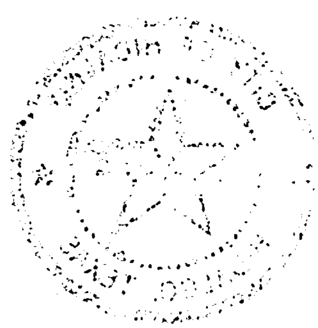


Exhibit A
City of Hidalgo Tax Increment Reinvestment Zone # 1
Project Plan

FINAL PROJECT PLAN
AND FINANCING PLAN
FOR

Reinvestment Zone Number One

City of HIDALGO, Texas

Hidalgo Re-Development Program

JULY 12, 2007

Table of Contents

		Page
I.	EXECUTIVE SUMMARY	3
II.	PROJECT PLAN	6
III.	PROJECT FEASIBILITY	13
IV.	REINVESTMENT ZONE FINANCING PLAN	14
V.	HIDALGO BOARD MEMBERS	21

EXHIBITS

A. APPRAISAL DISTRICT CERTIFICATION

B. MAP OF ZONE

SECTION I – EXECUTIVE SUMMARY

Overview of Plan

The City of Hidalgo Tax Increment Reinvestment Zone ("TIRZ") Number One represents an important opportunity for the City of Hidalgo in partnership with Hidalgo County to promote and encourage construction of mixed use industrial, commercial, office warehouse, retail, food service, lodging facilities, historic preservation, and affordable single family housing facilities in areas of the City that have significant impediments to development.

As the city has matured, certain tracts of land have remained vacant due lack of available City infrastructure, drainage issues, and the availability of sewer and water capacity. The costs associated with the remediation of 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 this project.
2. Increase property ad valorem tax revenue with higher value commercial developments and homes on the existing low value vacant land.
3. Offer employment opportunities to Hidalgo and Hidalgo County residents.
4. Help increase the population of the area.
5. Provide a more efficient use of existing City and County services and infrastructure.

The proposed TIRZ circles the City of Hidalgo using a series of public right-of-ways to connect the various areas of the City the make up the TIRZ . Also included within the TIRZ boundaries are the public right of ways of Coma, Datil, Ebano, Tampico, Monterrey, Saltillo, Victoria, Torreon, Valle Alto, Las Villas, Oak Court, Las Palmas, Russell Court, Bridge, Texano, Gardenia, Levee, Conchita, Flora, Esperanza, Dalia, Camelia, Bougambilla, Azales, Old Military Road, Brazil, First, Second, Third, Fourth, Fifth, Sixth, Kitty, Tenth, Eleventh, Thirteenth, Patsy, Dr. Jose, Lupita, Tuiulipan, Ranch, El Mercado, Brady and Bouganville.

Development Goals and Objectives

The development goals and objectives, which are expected to meet the specific needs of the City of Hidalgo TIRZ District, are:

- Provide commercial and industrial opportunities for developers and companies seeking commercial building sites through the expansion of the water and sewer systems.

- Provide employment opportunities to service increasing population growth within the area.

- Improve tourist visits at the World Birding Center through rehabilitation of Historic Structures in the area and the removal of substandard housing adjacent to the Center replacing it with affordable housing at other sites throughout the City.

- Solve the long-range storm drainage problems that affect the City.
- Enhance the quality of life within the City and Southern Hidalgo County through Economic Development Incentives.
- Expand the use of the Arena through the expansion of the parking lots and the addition of additional storage space.
- Begin to address public safety issues through the construction of a new Public Safety Building
- Provide for funds for the reconstruction of City Streets that impede redevelopment or new development.

The City of Hidalgo TIRZ District Project Plan and Reinvestment Zone Financing Plan provides a long term program to increase business opportunities and population within the District, 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 housing.

Planned Private Development

The City of Hidalgo TIRZ Development Program includes;

		Number	Value	
Project:				
Phase 1	2006		17,500,000	Commercial Development
Phase 2	2007		15,000,000	Commercial Development
Phase 2a	2007	100	7,500,000	Single Family Homes
Phase 3	2008		12,500,000	Commercial Development
Phase 3a	2008	100	7,875,000	Single Family Homes
Phase 4	2009		12,500,000	Commercial Development
Phase 5	2010		10,000,000	Commercial Development
Phase 6	2011		10,000,000	Commercial Development
Phase 7	2012		7,500,000	Commercial Development
Phase 8	2013		5,000,000	Commercial Development
Phase 9	2014		5,000,000	Commercial Development
Total			$95,000,000	Commecial Development
		200	$15,375,000	Single Family Homes

The total private investment is expected to be in excess of $ 110,375,000

The projected values of future commercial development and single family home construction is based upon an analysis of the 2005 and 2006 building permits issued by the City of Hidalgo.

Consideration has also been given to visits to the City from third party developers looking at commercial sites and enquiring about the availability of sewer, water and the location of other utilities.

Public Improvements Project Plan

The public improvements enumerated in the Project Plan, with an estimated cost of $21,461,975, provide for the construction and expansion of the sewer and water treatment and distribution facilities, site improvements at the World Birding Center, the addressing of affordable housing issues that are impeding economic development, the remediation of the drainage issues that occur with all significant rainfalls, the need for additional public safety facilities, funding needed expansion of the parking and storage facilities at the Arena, funding of Historic preservation of Hidalgo Viejo, Courthouse Plaza and lighting for Bridges # 336 and 281, street reconstruction that is impeding economic development, improvements at the Border Training and Technology Center and the purchase of property for Economic Development Incentives. The public improvements planned for the City of Hidalgo TIRZ District are designed to fully meet the long-term needs to secure growth and investment in the City.

Financing Plan

The TIRZ Financing Plan provides for tax increment allowable expenses in the approximate amount of $21,461,975. The Reinvestment Zone Financing Plan provides for incremental financing and predicts revenues for the City of Hidalgo TIRZ District.

Conclusions

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

Section II – Project Plan

Background

On October 10, 2006, the City Council of the City of Hidalgo approved a "Resolution of Intent" to consider the creation of the City of Hidalgo TIRZ through Ordinance #2006-17. On December 30, 2006, the City Council will approve an ordinance which will authorize the creation of the TIRZ and appoint a Board of Directors for the Zone.

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

- Valley View Independent School District on November 20, 2006.
- Hidalgo Independent School District on. November 20, 2006
- Hidalgo County Commissioner Hector Palacios on December 14, 2006

Program Concepts

The City of Hidalgo TIRZ District represents an important opportunity for the City of Hidalgo to develop a viable long-range revitalization plan for areas of the City, which have lacked a wide range of commercial, and affordable single-family housing opportunities. New commercial/retail/food service/office warehouse/industrial and lodging construction is the key component of the revitalization plan. Increased employment opportunities for Hidalgo and surrounding community residents will be enhanced through the development and redevelopment activity within the Zone.

Development Goals and Objectives

The planned public improvements within the City of Hidalgo TIRZ District will insure the future of the City as a viable option as companies look to expand or relocate. The addition of lodging facilities will complement the Dodge Arena complex furthering the economic activity currently being generated by that facility. Additionally addressing the housing issues and historic preservation issues affecting the World Birding Center will truly make the Birding Center a world-class facility.

Description of District

The City of Hidalgo TIRZ District is located throughout the City. It uses a series of major through-fares and city street right-of-ways to connect the various properties within the Zone. The market value of property within the Zone is $26,319,347, however, the total assessed value of the property in the Zone, the Base Value of the Zone, is $20,429,550 per the Hidalgo County Appraisal District. The City of Hidalgo TIRZ zone includes approximately 629.6 acres of public and privately held land surrounding the City as shown on the map attached to this correspondence as Exhibit "A".

Existing Uses and Conditions

The City of Hidalgo 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:

2. is predominantly open, 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 Hidalgo, pursuant to the Act, further finds and declares that:

1. the proposed zone is a contiguous geographical area located wholly within the City limits of Hidalgo;
2. less than ten percent (10%) 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 fifteen per cent (15%) 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 fifteen percent (15%) of the total appraised value of real property taxable by Hidalgo County and the School Districts of Valley View and Hidalgo and
5. development or redevelopment within the boundaries of the proposed Zone will not occur solely through private investment in the reasonably foreseeable future.

Properties proposed to be in the Zone are currently zoned; C-1, Central Business District; C-2 Neighborhood Convenience District; G-3, General Business; I-1, Light Industrial; R-1 Low Density Residential District and R-3 Mobile Home

City of Hidalgo TIRZ Zoning

The only zoning changes anticipated are a change in the R-3, Mobile Home to P, Public Use and the creation of a new single-family zoning use plan to allow the development and construction of cottage homes. The cottage zoning may allow for shared driveways and zero lot line construction.

Proposed Public Improvements

STREET IMPROVEMENTS

Recent population growth and an expanding economy have increased the demands on City infrastructure, specifically streets. As a result, the City of Hidalgo has identified several streets for extensions and others for rehabilitation and resurfacing. The 5th Street extension (north/south) will connect Texano Road on the south to Dicker Road on the north, crossing Coma (Spur 281), Produce, and Arena Drive. The Ebano Street extension (east/west) will connect 1st to 4th Street. Estimated cost of all street extensions is $1,830,000. Older streets that have been identified for rehabilitation and resurfacing are Bridge Street, from Coma to Spur 115, Industrial Boulevard, from 15th Street to US 281, and partial resurfacing of other city streets totaling 35 miles. Estimated cost of street rehabilitation and resurfacing is $2,800,000. Total cost for street improvements is $4,630,000.

WASTEWATER TREATMENT CAPACITY AND SEWER COLLECTION

The City of Hidalgo currently has a capacity of 1.2 million gallons of water per day (MGD) at its wastewater treatment plant (WWTP) and is treating an average of 825,000 gallons per day or nearly 70% of the WWTP capacity. The Texas Commission of Environmental Quality (TCEQ) requires that a municipality selects an engineer and begins the planning process for a WWTP expansion at 75% of capacity and then start construction when capacity has reached 90%. Therefore the City has selected an engineer and is planning an expansion that provides sufficient wastewater treatment capacity for projected flows in the year 2030 and will add a belt press to facilitate sludge removal operations. The current budget for the expansion, engineering, and inspection is $4,333,100.

WATER TREATMENT CAPACITY & DISTRIBUTION IMPROVEMENTS

The City of Hidalgo currently consumes an average of over 1.2 million gallons of water per day (MGD), but has, at peak periods, consumed 2.7 MGD. The City has four wells producing at peak 1.7 MGD, three ground storage tanks totaling 900,000 gallons, and two elevated towers totaling 600,000 gallons. During peak demand periods, the City's water supply system is not able to keep up with the demand and pressure drops to between 30 and 40 psi. The City needs to increase its water treatment capacity to 3.2 MGD in the short-term and further increase its capacity by an additional 1.8 MGD for long-term growth. The City proposes to evaluate three alternatives for the additional treatment capacity:

1. Additional wells with high quality water and a new 1 MG ground storage tank.
2. Additional wells with lower quality water requiring filtration and a new 1 MG ground storage tank.
3. A surface water treatment plant and a new 1 MG ground storage tank.

The anticipated cost for the additional treatment capacity and ground storage is $5,000,000 and distribution improvements are an additional $650,000 to extend lines for looping purposes.

DRAINAGE IMPROVEMENTS

The City of Hidalgo is drained via two outfalls including a 54-inch storm sewer, draining the older part of town west to the Rio Grande, and an existing HCDD No. 1 ditch along the east side of HCID No. 3 canal. These outfalls are not able to take the increase in runoff that recent growth is causing and therefore additional outfalls need to be constructed. The Northwest Lateral ditch will parallel the HCID No. 3 Canal from Olmo Road north to the Floodway and will require ROW, road crossings and excavation. Anticipated cost is $750,000. The West HCID No. 2 Canal Lateral ditch will be adjacent to and on the west side of the HCID No. 2 Canal from US 281 north to the Floodway. The work requires ROW, road crossings, excavation, and gas line relocation. Anticipated cost is $2,100,000. The Val Mex Drive Drainage project is a combination of ditches and storm sewers to provide drainage to the area around Val Mex Drive west of 10th Street. The work requires ROW, storm sewer, and excavation. Anticipated cost is $850,000 (not including paving improvements). The Northeast Lateral HCDD No. 1 is currently improving this ditch and city expenditures are anticipated at $150,000. The East HCID No. 2 Canal Lateral ditch and US 281 crossing is currently being improved by HCDD No. 1 and city expenditures are anticipated at $150,000. Additional drainage is being explored to the South Relief Ditch, which would result in a combination of ditches and storm sewers to connect to the existing ditch at 15th Street and drain west or south to an outfall. This will require crossing the river levee. Anticipated costs are $650,000. Total costs for drainage improvements are $4,650,000.

NEW POLICE BUILDING AND DETENTION CENTER

The City of Hidalgo is currently the third largest port of entry on the Texas/ Mexico border. The City's population growth and increased pedestrian and vehicular traffic moving north across the border have resulted in higher incidences of crime, including juvenile crime, and pressure on the existing capacity of the Hidalgo Police Department. Crimes and enforcement within the City of Hidalgo are both local and federal (Border Patrol). To address the increased strain on resources, the city of Hidalgo will build a new Public Safety Building that will provide additional room for increased police manpower and a 50-bed detention facility to accommodate local and federal detainees. Increased staff includes additional officers, clerical staff, and maintenance personnel. Anticipated cost of acquisition of land and improvements is $6,000,000.

PUMP HOUSE AREA IMPROVEMENTS

The City of Hidalgo has designated approximately six square blocks, between Bridge and Third Streets and Esperanza and Gardenia Streets, as part of the Hidalgo Viejo Heritage Enhancement Project.

The project is to develop a portion of the original site of the City of Hidalgo into an attractive and inviting area for residents and tourists alike, giving a sense of pride to the citizens of one of the oldest cities in Texas. This is the Old Town portion of Hidalgo, the first Community in Hidalgo County and its most historic City. The Old Town contains many historic structures including three National Register Properties. These are the Hidalgo County Courthouse, built in 1886, the Hidalgo School and the Old Hidalgo Pump House. In addition to these; the Rodriguez General Store, the Castillo House and the Old Post Office building are part of the historic fabric. The entire area would be served by a system of hike and bike trails, the Hidalgo Pedestrian and Bicycle Access Project, which have the Historic District as their hub. A tour route has been laid out for conducted trolley tours of the area and for self-touring. As part of the restoration of the historic Old Town, a Hike-Bike Trail Cycling terminal facility will be developed in the heart of the City. The concept of TourHidalgo was initiated with the intention of celebrating the City's history, its background as an early transportation and agricultural hub, and its strategic location as the fourth busiest land port entry in the United States. The Old Town historic district currently sees 9,000 to 10,000 pedestrians. This area has the potential to become a major tourist attraction.

The Hidalgo School and the Old Hidalgo Pump House have been completely restored. The School is used for school district offices. The Old Hidalgo Pump House will soon be the site of the World Birding Center Satellite Center, increasing the visitation by nature oriented tourists, increasing the tourism numbers to the City.

The City government has expressed its dedication to the city's history by acquiring historic stores and homes in the Old Town area rather than allowing them to be demolished by neglect and is making plans to preserve them, working to restore them and put them to adaptive reuse complementing and enhancing the development of the World Birding Center.

The TIRZ would provide funds for the redevelopment of the land surrounding the Old Hidalgo Pump House.

HISTORIC PRESERVATION

The Old Town historic district of the City of Hidalgo holds the potential to become a major tourist destination in complement with the opening of the Satellite Center for the World Birding Center (WBC). The WBC will bring an increase in the number of nature-oriented tourists. Hidalgo has become deeply involved in its history and its natural setting beside the Rio Grande and the main bird migration pathways. Its history begs to be researched and celebrated. The City government has expressed its dedication to the City's history by acquiring the Rodriguez House and General Store and is looking at the Old Post Office Building and the Old Castillo house. The General Store is across the street from the Old Post Office which is across the street from the 1886 Hidalgo County Courthouse and Jail; all of these are a scant two blocks from the Old Hidalgo Pumphouse and WBC.

This is the front door to the WBC, an area that figures prominently in Hidalgo's history and heritage. The Rodriguez House and General Store is in a sad state of disrepair and is in danger of being lost. The City plans to restore the buildings as a Visitors Center for the new historic district being created in the Old Town area.

The City is looking to acquire and restore the second floor, roof and cupola to the Hidalgo County Courthouse, which was damaged in a fire and is currently a one story building. The City is also looking to renovate the Old Post Office Building. All of these historic structures would contribute to the creation of a 'Courthouse Square' as a focal point for the historic district.

To further enhance the bike and pedestrian trails, a bike trail terminal would be developed in the Old Castillo House right near the entrance to the WBC.

The TIRZ would provide funds for historic preservation.

The principal beneficiaries would be the citizens of Hidalgo and Hidalgo County plus the worldwide tourists who come to this area and an increased usefulness of these historic structures

AFFORDABLE HOUSING ISSUES

The effort to redevelop the Old Town historic district is hindered by the slum and blight condition of the blocks immediately surrounding the Old Hidalgo Pump House and World Birding Center. There are blocks of dilapidated and substandard housing stock intermingled with historic structures.

The City of Hidalgo proposes to acquire these substandard houses and relocate the families in these housing units to other sectors of the City. This will enhance the availability of affordable housing units and improve the quality of life for these families. The housing units are located within an area bordered by Bridge Street, Esperanza, Fourth Street, Conchita Street and Levee.

A second project, vacant land consisting of an abandoned railroad spur, located between Ebano Avenue and Datil Avenue will be acquired by the City of Hidalgo and redeveloped into the Ebano Alley Cottage Development. The project will consist of up to 13 new single family homes. The City will replat the land and put in the public infrastructure to develop the lots. Improvements will be made to Ebano Avenue and the street will be extended from Fourth Street to Bridge Street. This will greatly improve the traffic circulation for Salinas Elementary School.

Additional infrastructure and land acquisition for affordable housing projects including both single family and multi-family developments may be undertaken by the City of Hidalgo to continue to provide for replacement housing.

The total project costs for these two projects are approximately $3,000,000 and will be funded by proceeds from the TIRZ.

ECONOMIC DEVELOPMENT

The City of Hidalgo, South Texas College and the University of Texas Pan Am have entered into a collaboration to develop the Rio Grande Valley Border Security and Technology Training Center. The Department of Homeland Security picked the City of Hidalgo for the location of this Center.
The 19,000 square foot Training Center will focus on 'first responders' and emerging technology, addressing language, security and customs operations. This Center will affect Cameron, Starr, Willacy and Hidalgo Counties. It is anticipated when the Center is completed by December 2007 that it will generate 500 new jobs and one million dollars of private investment.
The Training Center will cost $3,520,000 and will be funded with a contribution of $2,320,000 from the City of Hidalgo and an EDA Grant of $1,200,000. The Grant was awarded to the City in April 2006. The TIRZ will provide funds for the support of economic development, for acquisition of property for the Center, for public infrastructure improvements and for educational initiatives.

DODGE ARENA PARKING AND STORAGE

Dodge Area has proved to be a preeminent economic generator for all of Southern Hidalgo County but with success comes expense. Parking has become an issue as the arena continues to expand its use days plans are underway to use an additional 5.03 acres of City property between the Arena and Fifth Street to create an additional 529 parking spaces. Certain drainage and paving improvements will need to be done to Main Drive to integrate the new parking into the existing road infrastructure. The engineers estimate of the cost of the parking lot, drainage and street improvements is $656,900.13

The planned improvements are designed to begin to meet the long-term needs to secure growth and investment in the area.

Planned Private Improvements

An analysis of the commercial building permits issued by the City of Hidalgo for the period January 1, 2006 through October 31, 2006 reveals that the average cost per square foot to develop commercial property in the City of Hidalgo ranges from a low of $39.00 to a high of $95.28 per square foot. The average of all of the permits issued was $60.22. Using this number as the average for future construction the planned private improvements for the City of Hidalgo TIRZ are;

Year	Phase	Value Of Construction	Estimated Square Feet
2006	1	$17,500,000	268,405
2007	2	$15,000,000	230,061
2007	2a	$7,500,000	
2008	3	$12,500,000	191,718
2008	3a	$7,875,000	
2009	4	$12,500,000	191,718
2010	5	$10,000,000	153,374
2011	6	$10,000,000	153,374
2012	7	$7,500,000	115,031
2013	8	$5,000,000	76,687
2014	9	$5,000,000	76,687

New Commercial/Industrial Space	1,457,055
Estimated # New Single Family Homes	200

Chapter 311 of the Texas Tax Code limits the amount of single-family land that can be contained in a City created Tax Increment Reinvestment Zone to ten per cent of the Zone. It is anticipated that there will be extensive additional single-family and possible multi-family construction within the City of Hidalgo that will create additional new tax revenue for the County and City.

SECTION III - Project Feasibility

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

1. Financial feasibility
2. Market feasibility.

The purpose of the TIRZ is to address the financial 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 existing strong economic base is expected to increase due to new commercial opportunities that will be generated through the business expansion that is a result of the $17,500,000 in commercial building permits issued by the City of Hidalgo in the first 10 months of 2006. Additionally developers and builders have approached the City with preliminary plans for which they will be pulling permits in 2007 and 2008. The funding of the sewer and water plant expansions will insure that permits will be able to be issued to these builders and developers. There is strong interest from the lodging industry is securing sites for construction in the area of the Dodge Arena as Arena days continue to increase this demand will also increase. The City is working with a developer on a modern state of the art retail complex in the International Blvd. Area and expects there to be an announcement on the part of the developer in the Spring of 2007.

There is demonstrated demand for the type and size of the planned private improvements in the Zone. The public improvements schedule for the Zone will insure that these private improvements are built.

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 frozen 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 their tax rate during the life of the zone.

Financing Plan

The Reinvestment Zone Financing Plan developed by the City provides that potentially $21,461,978 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 Hidalgo 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

<u>Financing Method:</u>. 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

<u>Financing Policy:</u> The goal of the City of Hidalgo TIRZ District is to borrow only those funds needed as the necessity arises in order to reduce interest expense.

<u>Long Term Financing:</u> The developers of the commercial/industrial/Retail sites, and the affordable single family homes will arrange for long term financing for their individual projects.

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.

1. Wastewater Treatment Capacity And Sewer Collections
2. Water Treatment Capacity & Distribution Improvements
3. Drainage Improvements
4. Street Improvements
5. Dodge Arena Parking And Storage
6. Pump House Area Improvements and Historic Preservation
7. New Police Building And Detention Center
8. World Birding Center And Affordable Housing Issues
9. Economic Development

Financial Assumptions

No tax rate changes or inflation has been factored into the financial pro forma's for the District. All projections assume that taxable appraised value and tax rates will remain unchanged over the entire 25-year life of 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 90% 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 proof that the taxes are current.

Estimated Value of New Tax Increment

The estimates of new tax increment are based upon the development schedule.

Projected New Value of Tax Increment

Year	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Phase 7	Phase 8	Phase 9
2006	17,500,000								
2007		22,500,000							
2008			20,375,000						
2009				12,500,000					
2010					10,000,000				
2011						10,000,000			
2012							7,500,000		
2013								5,000,000	
2014									5,000,000
2015									
2016									
	17,500,000	22,500,000	20,375,000	12,500,000	10,000,000	10,000,000	7,500,000	5,000,000	5,000,000

Projected Value of New Tax Increment

	Tax Increment Zone				City of Hidalgo			Hidalgo County				
Tax Year	Beginning Assessed Value	Annual Value of New Development	Projected Year-End Assessed Value	Projected Captured Value	Captured Taxable Value	Tax Rate Contribution	Tax Increments	Captured Taxable Value	Tax Rate Contribution	Tax Increments	Combined TIF Collections	Fis Ye End
2007	20,429,550		20,429,550		-	0.351400		-	0.590000			200
2008	20,429,550	17,500,000	37,929,550	17,500,000	17,500,000	0.351400	59,958	17,500,000	0.590000	100,669	160,626	200
2009	37,929,550	22,500,000	60,429,550	40,000,000	40,000,000	0.351400	137,046	40,000,000	0.590000	230,100	367,146	200
2010	60,429,550	20,375,000	80,804,550	60,375,000	60,375,000	0.351400	206,854	60,375,000	0.590000	347,307	554,161	20
2011	80,804,550	12,500,000	93,304,550	72,875,000	72,875,000	0.351400	249,681	72,875,000	0.590000	419,213	668,894	20
2012	93,304,550	10,000,000	103,304,550	82,875,000	82,875,000	0.351400	283,942	82,875,000	0.590000	476,738	760,681	20
2013	103,304,550	10,000,000	113,304,550	92,875,000	92,875,000	0.351400	318,204	92,875,000	0.590000	534,263	852,467	20
2014	113,304,550	7,500,000	120,804,550	100,375,000	100,375,000	0.351400	343,900	100,375,000	0.590000	577,407	921,307	20
2015	120,804,550	5,000,000	125,804,550	105,375,000	105,375,000	0.351400	361,031	105,375,000	0.590000	606,170	967,200	20
2016	125,804,550	5,000,000	130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2017	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2018	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2019	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2020	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2021	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2022	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2023	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2024	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2025	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2026	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2027	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2028	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2029	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2030	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
2031	130,804,550		130,804,550	110,375,000	110,375,000	0.351400	378,161	110,375,000	0.590000	634,932	1,013,093	20
		$ 110,375,000					$8,011,195			$ 13,450,783		

Tax Increment Zone		City of Hidalgo		Hidalgo County		
Existing Annual Value Growth Factors						
Years 2006-2007	0.00%	Participation Level	100%	Participation Level	100%	21,461,978
Thereafter	0.00%	Tax Rate Growth Factor	0.00%	Tax Rate Growth Factor	0.00%	
Combined Compound Growth Rate		Tax Rate Collection Factor	97.50%	Tax Rate Collection Factor	97.50%	$21,461,978

Projected Value Of New Tax Increment Continued:

Fiscal Year Ending	TIF Revenue	Cumulative TIF Revenues
2007		
2008	160,626	160,626
2009	367,146	527,772
2010	554,161	1,081,933
2011	668,894	1,750,827
2012	760,681	2,511,508
2013	852,467	3,363,975
2014	921,307	4,285,282
2015	967,200	5,252,482
2016	1,013,093	6,265,576
2017	1,013,093	7,278,669
2018	1,013,093	8,291,763
2019	1,013,093	9,304,856
2020	1,013,093	10,317,950
2021	1,013,093	11,331,043
2022	1,013,093	12,344,137
2023	1,013,093	13,357,230
2024	1,013,093	14,370,324
2025	1,013,093	15,383,417
2026	1,013,093	16,396,511
2027	1,013,093	17,409,604
2028	1,013,093	18,422,698
2029	1,013,093	19,435,791
2030	1,013,093	20,448,885
2031	1,013,093	21,461,978

Project Budget

1.	Wastewater Treatment Capacity And Sewer Collections	$ 4,333,100
2.	Water Treatment Capacity & Distribution Improvements	$ 5,000,000
3.	Drainage Improvements	$ 4,650,000
4.	Street Improvements	$ 4,630,000
5.	Dodge Arena Parking And Storage	$ 656,900
6.	Pump House Area Improvements and Historic Preservation	$ 2,500,000 est
7.	New Police Building And Detention Center	$ 6,000,000
8.	World Birding Center And Affordable Housing Issues	$ 3,000,000
9.	Economic Development	$ 2,320,000
Total		**$ 33,090,000**

Financial Feasibility

Based upon a set of conservative assumptions and analysis of the project-financing plan, the City of Hidalgo has concluded that the plan is feasible.

Conclusions

Based upon a set of conservative assumptions and analysis of the City of Hidalgo Tax Increment Reinvestment Zone District Project Plan and Reinvestment Zone Financing Plan, The City of Hidalgo TIRZ has concluded that the City of Hidalgo TIRZ District Project Plan and Reinvestment Zone Financing Plan is feasible.

The success of the City of Hidalgo TIRZ District project plan will encourage other mixed-use commercial/industrial/retail/lodging and market rate residential and affordable housing.. The new residential population base; will support an expanding retail base, will supplement the existing job market, will attract additional private development into the City of Hidalgo and South Hidalgo County and will serve to stabilize and enhance future property values.

STATE OF TEXAS §

COUNTY OF HIDALGO § ORDINANCE #2006-10

CITY OF HIDALGO §

SETTING THE SIZE OF THE BOARD AND APPOINTING FIVE (5) MEMBERS TO THE PREVIOUSLY ESTABLISHED BOARD OF DIRECTORS FOR TAX INCREMENT REINVESTMENT ZONE NUMBER ONE, CITY OF HIDALGO REDEVELOPMENT PROJECT

WHEREAS, the City Council adopted Ordinance #2006-10, which created a Board of Directors for Tax Increment Reinvest Zone Number One consisting of five (5) members.

THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HIDALGO:

The following members are hereby appointed to the Board of Directors for Tax Increment Reinvestment Zone Number One for a three (3) year term;

1. John David Franz, Chairman
2. Alvin Samano
3. Frank Garcia
4. Juan Zambrano
5. Valde Guerra, County Appointed

Considered, Passed and Approved and Signed this 30 day *of* December *, 2006, at a regular meeting of the City Council of the City of Hidalgo at which a quorum was present and which was held in accordance with Chapter 551 of the Texas Government Code.*

CITY OF HIDALGO

By: ______________________

John David Franz, Mayor

ATTEST:

By: ______________________

Joe Vera, III, Acting City Secretary

TIF Services of South Texas
7300 Blanco Road, Suite 602
San Antonio, Texas 78216
210-804-1919 ~ 210-804-1904 (fax)

Tax Increment Reinvestment Zones
Public Improvement Districts
Neighborhood Empowerment Zones
Feasibility Studies
Board Management
Zone and District Management
Reimbursement Certification

To: Hidalgo County Appraisal District

I am working on a project in the City of Hidalgo and County Commissioner Hector Palacios has asked me what the total appraised value of real property in the City of Hidalgo is as of January 1, 2006. Could you call me with that number of fax it back on this page. This is for a presentation to Commissioners Court on December 28

Thank Your for your help with this.

Lance Elliott

City of Hidalgo Appraised Value 373,455,910.00