

THE STATE OF TEXAS
COUNTY OF HIDALGO

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CITY OF LA VILLA

INTERLOCAL AGREEMENT

In consideration of the covenants set forth herein, and subject to the terms and conditions herein, the Parties (as defined below) hereby agree to the terms and conditions of this Agreement (as defined below).

I. PARTIES & INDEX

A. Parties

1. THIS INTERLOCAL AGREEMENT (the "Agreement") is made by and between the CITY OF LA VILLA, TEXAS (hereafter referred to as "CITY"), a Texas General Law City, acting through its City Manager pursuant to Ordinance 2011-12-14, passed and approved by the City Commission on December 14th, 2011, HIDALGO COUNTY (hereafter referred to as "COUNTY"), a political subdivision of the State of Texas, and REINVESTMENT ZONE NUMBER ONE, CITY OF LA VILLA, 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) acting by and through its duly authorized Board of Directors, established to administer, manage, and/or operate the ZONE pursuant to Sections 311.009(b) and 311.010, Texas Tax Code ("Zone Board"). Collectively, the CITY, 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 COUNTY in the La Villa City Development Project.

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

CITY

Attention: Hector Elizondo, Mayor
City of La Villa
916 S. Mike Chapa
La Villa, Texas 78562

With Copy to:

ZONE BOARD

Attention: Hector Elizondo, Chairman
City of La Villa – TIF Reinvestment Zone #1
916 S. Mike Chapa
La Villa, Texas 78562

COUNTY

Ramon Garcia
Hidalgo County Judge
County of Hidalgo
P. O. Box 1356
Edinburg, Texas 78540

With Copy to:

HIDALGO COUNTY AUDITOR

Attention: Ray Eufrazio, CPA
Re: City of La Villa– TIF Zone #1
2808 South Business Hwy 281
Edinburg, Texas 78539

B. Index

This Agreement consists of the following sections:

<u>Section</u>	<u>Description</u>	<u>Page</u>
I.	Parties	1
II.	Definitions	2
III.	Background	4
IV.	Rights and Obligations of COUNTY	4
V.	Rights and Obligations of CITY and ZONE	9
VI.	Term and Termination	10
VII.	Miscellaneous	11
Exhibit "A"	Project Plan	
Exhibit "B"	City of La Villa Ordinances	

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 aggregate Administrative Costs over the life of the ZONE are estimated to be twenty thousand dollars (\$20,000). The only taxing entity to receive administrative expenses is the County.
2. "Agreement" means this Interlocal Agreement.
3. "Agreement Term" has the meaning set forth in Section VI.A. below.
4. "Available Tax Increment" shall mean the "Tax Increment," as defined below, less the Administrative Costs of the COUNTY.
5. "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 2011, the base year of the ZONE.
6. "CITY" has the meaning set forth in Section I.A.1 above, and includes its successors and assigns.

7. "COUNTY" has the meaning set forth in Section I.A.1 above.
8. "COUNTY M&O Tax Rate" means that portion of the ad valorem tax rate used by the COUNTY for Maintenance and Operation. The COUNTY M&O Tax Rate may change from time to time. The COUNTY M&O Tax Rate as of August 1st, 2011, is \$0.5225 per \$100 dollars of valuation on the Captured Appraised Value and may be changed by the COUNTY during the term of the ZONE.
9. "Participating Taxing Entity" or "Participating Taxing Entities" means, singularly, a taxing unit participating in the ZONE, and collectively, two or more taxing units participating in the ZONE, and may include CITY and COUNTY.
10. "Parties" has the meaning given such term in Section I.A.1 above.
11. "Project" refers to the City of La Villa Proposed Public Improvements identified in the Project Plan.
12. "Project Costs" means the items set forth and described in Section 311.002(1), Texas Tax Code, that are included in the Project Plan for the Project. The Project Costs include, but are not limited to, public infrastructure improvements and related capital costs; including streets; streetlights; drainage; gas, water and sewer utilities; sidewalks; landscaping; and related facilities; railroad facilities; fencing; and rights-of-way.
13. "Project Plan" means the Reinvestment Zone Project & Financing Plan, City of La Villa TIRZ #1 27 December 2012 as adopted by the Board of Directors of the ZONE on December 27, 2012 and approved by the CITY Commission of the CITY on December 27, 2012 and attached hereto as Exhibit "A".
14. "Tax Increment" for a Participating Taxing Entity means the total amount of ad valorem taxes levied and collected each year by that 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 shall be further limited to the total amount of ad valorem taxes levied and collected only on behalf of the COUNTY each year.
15. "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, 2011, the year in which the ZONE was designated.
16. "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 La Villa, Texas Tax Increment Fund".
17. "Tax Increment Payment" means the amount of the Tax Increment that a Participating Taxing Entity is required to deposit annually into the Tax Increment Fund in accordance with this Agreement and the Project Plan.
18. The "term of the ZONE" has the meaning set forth in Section III.A below.
19. "Transportation Zone" means Transportation Reinvestment Zone Number Two, Hidalgo County.

20. "ZONE" means Reinvestment Zone Number One, City of LA Villa, the description of which is contained in Exhibit "B", attached hereto.
21. "ZONE BOARD" has the meaning set forth in Section I.A.1 above.

III. BACKGROUND

A. The City Commission of CITY OF LA VILLA on August 10th, 2011, expressed the CITY's intent to create a tax increment financing reinvestment zone by approving Resolution 2011-08-03 to support revitalization activities for the ZONE, commonly known as the La Villa Redevelopment Project, pursuant to Chapter 311, Texas Tax Code. On December 14th, 2011, the City Commission of CITY passed and approved Ordinance 2011-12-14, which created the ZONE. The ZONE will provide funding for public improvements within the ZONE. The ZONE is projected to terminate on December 31, 2036, unless earlier termination occurs under this Agreement (the "term of the ZONE"), but the COUNTY's participation in the ZONE, including all obligations of the COUNTY to make Tax Increment Payments will be construed as if the term of the ZONE ended on December 31, 2032.

B. The CITY approved the Project Plan on December 27th, 2012. The CITY and the COUNTY agree to participate in the ZONE and to deposit their respective Tax Increment Payments to the Tax Increment Fund, in accordance with the terms, and in consideration for the agreements, set forth herein. The Tax Increment Fund was authorized by Ordinance No. 2011-12-14 attached hereto as Exhibit "B." The COUNTY hereby acknowledges receipt of notice of the initial creation of the ZONE. The CITY represents and warrants that it complied with all legal requirements and notice requirements in the creation of the ZONE.

C. The Parties hereto agree that, other than bonds or notes issued pursuant to §311.015 of the Texas Tax Code, no tax-supported public debt instrument will be issued by the CITY or the ZONE BOARD to finance any costs or improvements on the Project.

IV. RIGHTS AND OBLIGATIONS OF THE COUNTY

A. Tax Increment Participation by the COUNTY

1. Subject to the limitations set out in this Agreement, the COUNTY agrees to participate in the ZONE by contributing to the Tax Increment Fund an amount equal to 50% of the revenue generated from the COUNTY M&O Tax Rate of \$0.5225 as assessed and collected on the tax increment for the respective tax year. In no event shall the COUNTY contribution to the Tax Increment Fund be greater than one million, nine hundred and fifty two thousand, and fifty seven dollars (\$1,952,057), over the life of the ZONE (which for purposes of this provision will be deemed to end no later than December 31, 2032) beginning with the 2012 tax year (no tax increment shall be payable by the COUNTY for any prior tax year).

2. The Parties hereto agree that the COUNTY's contribution to the Tax Increment Fund shall be used to fund Project Costs including construction of public infrastructure improvements to support the development and revitalization efforts in the ZONE. The COUNTY's contributions to the Tax Increment Fund shall end when it has contributed the maximum total contribution provided for herein of greater than one million, nine hundred and fifty two thousand, and fifty seven dollars (\$1,952,057), or when it has made contributions of all Tax Increment Payments, as specified in the

Project Plan, attributable to all periods through the end of the COUNTY's fiscal year 2032 (ending on December, 2032), whichever occurs first.

B. Tax Increment Payment

1. a. COUNTY's obligation to contribute its Tax Increment Payment to the Tax Increment Fund, as provided in Section IV.A of this Agreement, shall accrue as the COUNTY collects its Tax Increment. The Parties hereto agree that all ad valorem property taxes collected each year by the 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, then the remaining ad valorem taxes collected shall constitute the Tax Increment.

b. COUNTY agrees to deposit its first Tax Increment Payment to the Tax Increment Fund for tax year 2012 by the later of (i) all tax accounts having been coded by the Hidalgo County Appraisal District, the Hidalgo County Tax Office having received the list of tax accounts, collection reports having been provided to the Hidalgo County Auditor's Office, and the information required under Section 311.016 of the Tax Code having been provided to the COUNTY, (ii) May 1st, 2013, and (iii) 30 days after the full execution and delivery of this Agreement by all Parties. The amount of the first Tax Increment Payment shall be based on the Tax Increments that were received up to January 31, 2013, but only for tax year 2012.

c. For subsequent payments, the COUNTY agrees to contribute its yearly Tax Increment Payment to the Tax Increment Fund annually not later than the 90th day after the delinquency date for the COUNTY's property taxes (or the first business day thereafter) following the end of each tax year. The amount of each Tax Increment Payment shall be based on the Tax Increments that are received up to January 31st following the end of the tax year, but which have not been previously deposited in the Tax Increment Fund, during the annual periods preceding each deposit date.

d. Under no circumstances shall the COUNTY be required to participate in the ZONE with taxes attributable to periods after 2032.

e. Administrative Costs in the amount of one thousand dollars (\$1,000) per year will be reimbursed to the County by deduction from the annual payment made to the Tax Increment Fund (with any Administrative Costs in excess of such amount being reimbursed to the County pursuant to Section V.3. below, not to exceed an aggregate amount of twenty thousand dollars (\$20,000).

f. The CITY shall request collection reports from the Hidalgo County Tax Assessor Collector and provide a copy of these reports along with a payment request detailing the payment calculation as illustrated in the chart in subsection g. below to the COUNTY one month prior to a payment required to be made under this Agreement.

g. The chart below is an example of the calculation of the COUNTY's Tax Increment Reinvestment Zone payment amount.

Tax Increment Reinvestment Zone (TIRZ) Payment Calculation	EXAMPLE
TIRZ Real Property Certified Taxable Value as of January 31 (Provided by Hidalgo County Appraisal District (HCAD))	\$ 100,000.00
<i>(Multiplied by)</i> Hidalgo County Current (GHD) Tax Rate (.59/100)	0.0059
GHD Actual Tax Levy for all real property tax accounts located within the TIRZ	\$ 590.00
TIRZ Real Property Certified Taxable Value as of January 31 (Provided by Hidalgo County Appraisal District (HCAD))	\$ 100,000.00
<i>(Less)</i> Base Year Real Property Certified Appraised Value for Tax Accounts located within the TIRZ (Provided by HCAD)	\$ 10,000.00
Captured Appraised Value	\$ 90,000.00
Captured Appraised Value	\$ 90,000.00
<i>(multiplied by)</i> Contribution Rate (The lesser of actual tax year M&O rate or rate specified on agreement) (.51/100)	0.0051
Tax Levy Due to TIRZ	\$ 459.00
TIRZ Collections (for February 1 through January 31) as per Collections Reports provided by Hidalgo County Tax Office	\$ 300.00
<i>(divided)</i> GHD Actual Tax Levy for all Real Property tax accounts located within the TIRZ	\$ 590.00
Percent Collected of Actual Levy	50.85%
Tax Levy Due to TIRZ	\$ 459.00
<i>(Multiplied by)</i> Percent Collected of Actual Levy	50.85%
TIRZ PAYMENT AMOUNT	\$ 233.39

2. One month prior to a payment required under Section IV.B. of this Agreement, the CITY shall provide to the 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, the date for the next annual meeting and a formal request for payment. In addition to and as part of the CITY's fact sheet, the CITY shall supply the COUNTY with all information as required under Section 311.016 of the Texas Tax Code on or before the 90th day following the end of the fiscal year of the CITY.

3. In the event there is a conflict between the Parties in regards to the amount of the Tax Increment owed by the COUNTY, the Hidalgo County Auditor will make the final determination as to the amount of any Tax Increment owed by the COUNTY under this Agreement. The annual Captured Appraised Value for the real 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 real property contained with the ZONE. If the certified taxable value changes after the initial tax increment payment has been made, the change in value will not be included in the tax payment in the upcoming years.

4. Any delinquent deposit by the COUNTY of a Tax Increment Payment under this Agreement shall be administered as provided in Sections 3 I 1.013(c) and 311.013(c-1) of the Texas Tax Code, which states as follows:

"(c) Notwithstanding any termination of the reinvestment zone under Section 311.017(a) and unless otherwise specified by an agreement between the taxing unit and the municipality or county that created the zone, a taxing unit shall make a payment required by Subsection (b) [Tax Increment Payment] not later than the 90th day after the later of:

(1) the delinquency date for the unit's property taxes; or

(2) the date the municipality or county that created the zone submits to the taxing unit an invoice specifying the tax increment produced by the taxing unit and the amount the taxing unit is required to pay into the tax increment fund for the zone.

(c-1) A delinquent payment incurs a penalty of five percent of the amount delinquent and accrues interest at an annual rate of 10 percent."

The Parties expressly agree that the COUNTY shall not owe any penalty or interest on Tax Increments attributable to taxes that have been levied, but not received by the COUNTY. Further, the COUNTY shall not be liable for the payment of any penalties or interest if the fact sheet and payment request required under Section IV.B.2 and the report required under Section 31 1.016 of the Texas Tax Code are not timely submitted to the COUNTY or in any situation in which the CITY is not obligated to pay penalties and interest.

5. The CITY agrees to comply with the Project Plan. The CITY and the ZONE agree to provide prior written notice to all Participating Taxing Entities of a proposed material change (by which is meant any change that would constitute at least a twenty percent (20%) increase or decrease in either

the Project Cost or the scope and scale of the Project) to the Project Plan; provided that any change that is not approved by the COUNTY shall not change the amount of Tax Increment Payments due from the COUNTY. The CITY shall have the right to amend and modify the Project Plan without providing prior written notice to the Participating Taxing Entities so long as such amendment or modification does not constitute a material change.

6. If the CITY materially breaches this Agreement, then a Participating Taxing Entity may provide written notice to the CITY and the ZONE (with a copy to any other Participating Taxing Entity still contributing Tax Increment Payments) 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 90 business days from the date of such notice, then COUNTY may discontinue its Tax Increment Payments and terminate its participation in the zone.

7. Except for contributing its respective Tax Increment Payments to the Tax Increment Fund as set out in this Agreement, the 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 bond or other debt issued by another Participating Taxing Entity, the ZONE or the ZONE BOARD relating to the ZONE or any costs associated with the operation of ZONE, the Project or any other projects relating thereto.

8. Notwithstanding anything herein to the contrary, the COUNTY's total Tax Increment Payment to the Tax Increment Fund over the term of the ZONE shall not exceed one million, nine hundred and fifty two thousand, and fifty seven dollars (\$1,952,057), plus any applicable penalty, which penalties are, to the extent permitted by applicable law and/or interest allowed in Section 311.013 of the Tax Code, subject to the limitations in Section IV.B.4.

9. a. *General Provisions.* Subject to changes in the COUNTY M&O Tax Rate that addressed as set forth in section IV.B.9.b. and IV.B.9.c. below, the COUNTY agrees to participate at fifty percent (50%) of the COUNTY M&O Tax Rate (50% currently equaling \$0.26125 per \$100 valuation on the Captured Appraised Value) of real property in the ZONE. The CITY represents and warrants that none of the real property in the ZONE is in the Transportation Zone.

b. *Lower COUNTY M&O Tax Rate.* If the COUNTY M&O Tax Rate is less than \$0.5225 per \$100 valuation on the Captured Appraised Value during any year during the term of the Zone, then the maximum tax increment paid by the COUNTY into the Tax Increment Fund for such year shall not exceed the applicable percentage in Section IV.B.9.a above (50%) of the total amount of taxes collected by the COUNTY at the actual COUNTY M&O Tax Rate with respect to such year during which the COUNTY M&O Tax Rate is less than \$0.5225 per \$100 valuation.

c. *Greater COUNTY M&O Tax Rate.* If the COUNTY M&O Tax Rate is greater than \$0.5225 per \$100 valuation on the Captured Appraised Value during any year during the term of the Zone, the COUNTY shall retain all taxes collected in excess of \$0.26125 per \$100 valuation on the Captured Appraised Value and to the extent any such excess has been contributed into the Tax Increment Fund, such excess shall be promptly refunded to the COUNTY.

10. County taxes that are delinquent for more than five years will be considered uncollectible and shall not be included in the tax increment payment.

11. Upon the occurrence of any event that allows the CITY to terminate hereunder, the COUNTY shall have the right to withhold tax increment payments under this Agreement until such time as such event is cured, and the COUNTY shall not incur any penalties or interest with respect to any such withheld payments notwithstanding any provision herein to the contrary.

C. Management of the ZONE

1. The ZONE shall in all respects be managed by the ZONE BOARD, including the Director appointed by the COUNTY. The ZONE BOARD shall have all powers allowed under Chapter 311 of the Texas Tax Code to manage the ZONE and carry out the Project and Finance Plan. The Participating Taxing Entities, during the term of this Agreement, may inspect the Project site and review Project plans and drawings at times and intervals that will not interfere with ongoing operations.

2. The ZONE BOARD shall be composed of five (5) members, as allowed under Section 311.009(b) of the Texas Tax Code. The COUNTY shall have the right to appoint three members of the ZONE BOARD.

D. Expansion of the ZONE

Notwithstanding anything to the contrary contained herein, the obligation of the COUNTY to participate in the ZONE is limited to the description of the ZONE in Exhibit "B" attached hereto and is subject to the terms of this Agreement. The COUNTY's participation shall not extend to the Tax Increment on any additional real property added to the ZONE by the CITY unless the COUNTY approves such participation in writing.

V. RIGHTS AND OBLIGATIONS OF CITY AND ZONE

A. Tax Increment Participation by the CITY

Subject to the terms of this Agreement and the CITY agrees to participate in the ZONE by contributing to the Tax Increment Fund seventy five percent (75%) of its Tax Increment each year during the term of this Agreement, beginning with the 2011 tax year. The CITY's contributions to the Tax Increment Fund shall end when the CITY has contributed the maximum total contribution provided for herein or when it has contributed all Tax Increments attributable to periods before the ZONE termination date in 2036 whichever occurs first. In no event shall the CITY contribution to the tax increment fund be greater than five million eight hundred and ninety three thousand three hundred and ninety-nine dollars (\$5,893,399).

B. Tax Increment Payment

1. The CITY's obligation to contribute its Tax Increment Payment to the Tax Increment Fund as provided above in Section V of this Agreement shall accrue as the CITY collects its Tax Increment. The CITY agrees to deposit its first Tax Increment Payment to the Tax Increment Fund for tax years 2011 and 2012 by April 30, 2013. The amount of the first Tax Increment Payment shall be based on the Tax Increments that were received through January 31, 2013, but only for the tax years 2011 and 2012, beginning January 1, 2011. For subsequent Tax Increment Payments, the CITY agrees to contribute its Tax Increment Payment to the Tax Increment Fund semi-annually on or before March 10th and August 10th (or the first business day thereafter) of each tax year. Any delinquent deposit of a Tax Increment Payment by the CITY under this Agreement shall be administered as provided in Sections 311.013(c) and (c-1) of the Texas Tax Code (or its successor provision).

2. The COUNTY, the CITY and the ZONE expressly agree that the COUNTY and the CITY shall not owe any interest on Tax Increments that have been levied, but not received by the COUNTY or the CITY by the delinquency dates specified herein.

C. Financing of Project Costs

Each Participating Taxing Entity shall participate in the payment of Project Costs only to the extent described herein. The CITY and the ZONE shall be entitled to enter into any other agreements for the CITY or the ZONE to pay Project Costs and other reasonable expenses from the Tax Increments paid into the Tax Increment Fund without the consent of any other Participating Taxing Entity, but they will provide notice of such agreement(s) to each Participating Taxing Entity.

D. Disbursement of Funds in the Tax Increment Fund

1. Each Participating Taxing Entity agrees the ZONE BOARD shall administer the Tax Increment Fund on behalf of the ZONE, pursuant to Ordinance No. 2011-12-14 passed and approved by City Commission of the CITY on December 14th, 2011, and the Project Plan approved pursuant to Ordinance 2012-12-27 passed and approved by City Commission of the City on December 27th, 2012. No funds shall be disbursed from the Tax Increment Fund without the prior written approval of the ZONE BOARD, and notice of use and disbursement of funds by the ZONE shall be given at least annually to the COUNTY.

2. The parties agree and understand that under no circumstances shall reimbursable Administrative Costs exceed, in the aggregate, the amount set out and described in Section 11.1 above over the term of the ZONE.

3. In addition to Project Costs and any other allowable costs, the CITY and ZONE represent and warrant that they will use funds in the Tax Increment Fund to pay annual expenditures in the following order or priority of payment: (i) payment of any debt service on any Bonds issued with respect to the ZONE under Section 311.015 of the Texas Tax Code; and (ii) to reimburse Administrative Costs incurred by the COUNTY to the extent not previously recouped by the COUNTY as a reduction to the annual Tax Increment Payment. CITY acknowledges that the only entity to receive Administrative Costs is COUNTY.

VI. 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, 2032 unless earlier terminated as provided herein (the "Agreement Term"). Subject to the terms of this Agreement, the COUNTY agrees to participate under this Agreement, beginning with the 2012 tax year and ending in accordance with the terms provided herein. Notwithstanding the term of the ZONE extending until December 31, 2032, nor anything to the contrary contained in this Agreement, the Parties agree and understand that the COUNTY's Tax Increment Payments will not be made after December 31, 2032.

B. Early Termination

Neither the 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 and after all bonds have been paid and all reimbursements have been made, 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, or any successor thereto. Accounting to determine the pro rata distribution of remaining funds to the respective taxing entities shall be conducted according to generally accepted accounting principles, and shall be subject to review and audit by the COUNTY upon reasonable request. In the event a discrepancy occurs between the reviews conducted by the CITY and COUNTY, said dispute will be resolved by the respective audit offices of the CITY and COUNTY. In the event the dispute cannot be resolved it shall be submitted to mediation under the rules of the American Mediation Association with a mediator agreed upon by the County Judge of the COUNTY and the Mayor of the CITY.

VII. MISCELLANEOUS

A. Understanding

Any and all costs incurred by the CITY are not, and shall never become, general obligations or debt of any Participating Taxing Entity other than CITY. With respect to the CITY's costs, only eligible Project Costs and other allowable expenses under applicable law, if any, incurred by the CITY shall be payable from the Tax Increment Fund in the manner and priority provided in this Agreement and only to the extent that funds become available in the Tax Increment Fund. The Parties agree and understand that under no circumstance shall the eligible costs exceed the maximum specified in the final finance plan passed and approved in accordance with Ordinance 2012-12-27 dated December 27th, 2012. The CITY and the COUNTY are not obligated above and beyond what is actually collected as tax increment funds.

B. Severability

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.

C. Entire Agreement

This Agreement merges the prior negotiations and understandings of the Parties hereto and embodies the entire agreement of the Parties. There are no other agreements, assurances, conditions, covenants (express or implied), or other terms with respect to the covenants, whether written or verbal, antecedent or contemporaneous with the execution hereof.

With respect to the COUNTY's obligations, to the extent there is any discrepancy between this Agreement and any exhibit hereto, the terms of this Agreement shall control.

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 Commission of CITY and only the Commissioners Court of the COUNTY have authority to approve a change or amendment to this Agreement on behalf of the CITY or the COUNTY, respectively.

E. Notices

All notices required or permitted hereunder shall be in writing and delivered by personal delivery, facsimile or United States Postal Service (certified mail, return receipt requested) and 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. Such notices shall be deemed delivered the earlier of: (i) when actually received by personal delivery or

facsimile if received during normal business hours and on the next business day if received after normal business hours; or (ii), if sent by the United States Postal Service, on the date indicated by the United States Postal Service on the return receipt as the date on which it was received by the respective other 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, or 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

All Parties to this Agreement understand and recognize that only the City Commission of the CITY and only the Commissioners Court of the COUNTY have authority to approve a delegation or assignment of the COUNTY's or the CITY's rights in this Agreement on behalf of the CITY or the COUNTY, respectively.

H. Successors

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

I. Project Plan

The Parties agree a material change to the Project Plan shall not apply to the COUNTY unless the 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 the COUNTY to the Tax Increment Fund; or (ii) increases or reduces the geographical area of the ZONE set forth in the Project Plan.

J. Access to Financial Information

The ZONE agrees to conduct or to cause to be conducted, at a minimum, an annual financial review, a copy of which will be provided to the 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, the CITY agrees, during the term of this Agreement, to prepare and deliver an annual report to the COUNTY in accordance with Section 311.016 and 311.0101(c), Texas Tax Code. The COUNTY shall have the right to withhold or delay payments to the Tax Increment Fund until such time as it has received the financial or other report from the CITY for the applicable tax year, and shall not incur any penalties or interest with respect to any such withheld or delayed payments notwithstanding any provision herein to the contrary.

K. ZONE Designation

The CITY represents that its designation of the ZONE meets the criteria of Section 311.005(a), Texas Tax Code.

IN WITNESS HEREOF, the CITY OF LA VILLA; HIDALGO COUNTY AND REINVESTMENT ZONE NUMBER ONE, CITY OF LA VILLA, TEXAS have made and executed this Agreement in triplicate originals on this ___th day of May, 2013.

CITY OF LA VILLA

By: Hector Elizondo
Hector Elizondo
Mayor

HIDALGO COUNTY

By: Ramon Garcia
Ramon Garcia
County Judge

ATTEST/SEAL:

Lupita Suarez
Lupita Suarez
City Secretary

ATTEST/SEAL:

Arturo Guajardo, Jr.
Arturo Guajardo, Jr.
County Clerk

APPROVED AS TO FORM FOR
HIDALGO COUNTY:

ATLAS, HALL & RODRIGUEZ, LLP

By: SLC
Stephen L. Crain

REINVESTMENT ZONE NUMBER ONE, CITY
OF LA VILLA, TEXAS

By: Hector Elizondo
Hector Elizondo
Chairperson

APPROVED BY
COMMISSIONERS' COURT
ON: 5/14/13

Exhibit A

Project Plan

**REINVESTMENT ZONE PROJECT &
FINANCING PLAN**

City of La Villa TIRZ #1

27 December 2012

TABLE OF CONTENTS

SECTION I – EXECUTIVE SUMMARY	3
OVERVIEW OF PLAN	3
BENEFITS OF FORMING A TIRZ	3
DEVELOPMENT GOALS & OBJECTIVES	3
PLANNED PRIVATE DEVELOPMENT	5
PLANNED PUBLIC IMPROVEMENTS	6
PLANNED PUBLIC CONSTRUCTION	6
CONSTRUCTION OF PUBLIC IMPROVEMENTS	7
SECTION II – PROJECT PLAN	8
BACKGROUND	8
PROGRAM CONCEPTS	8
DEVELOPMENT GOALS & OBJECTIVES	8
DESCRIPTION OF THE DISTRICT	8
PROPOSED PUBLIC IMPROVEMENTS	9
SECTION III – PROJECT FEASIBILITY	15
FINANCIAL FEASIBILITY	15
MARKET OR ECONOMIC FEASIBILITY	15
ZONE FINANCING PLAN IS FEASIBLE	15
RELOCATION PLAN	15
SECTION IV – REINVESTMENT ZONE FINANCING PLAN	16
TAX INCREMENT FINANCING	16
FINANCING PLAN	16
DEVELOPMENT SCHEDULE & ASSUMPTIONS	17
PROPOSED DEVELOPMENT SCHEDULE	17
ADMINISTRATIVE COSTS	17
FINANCIAL ASSUMPTIONS	18
PROJECTED VALUE OF NEW TAX INCREMENT	19
SCHEDULE OF PROJECTED INCOME FROM NEW VALUE TIF	20
SUMMARY OF DEVELOPMENT CALCULATIONS	21
CONCLUSION	22
SECTION V – EXHIBITS	23
EXHIBIT 'A'	23
EXHIBIT 'B'	24
EXHIBIT 'C'	29
EXHIBIT 'D'	30
EXHIBIT 'E'	31
EXHIBIT 'F'	34
EXHIBIT 'G'	35

SECTION I – EXECUTIVE SUMMARY

OVERVIEW OF PLAN

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

Large and small tracts of land in and around the city have remained vacant or are in need of redevelopment due to inadequate city street infrastructure, unpaved and substandard streets, drainage issues, availability of sewer and water capacity and service, functional obsolescence and obsolete platting requirements. 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.

BENEFITS OF FORMING A TIRZ

The creation of the TIRZ will provide the following benefits:

1. Funding for necessary public improvements associated with needed development and redevelopment in the city.
2. Replace low value existing land uses with high value commercial, industrial, single and multi-family land uses.
3. Offer employment opportunities and reduce commuting time for La Villa and Hidalgo County residents.
4. Help to balance population growth in Hidalgo County.
5. Provide a more efficient use of existing city and county services and infrastructure.
6. Help to address structural imbalances in the La Villa economy and housing market.

The proposed TIRZ is comprised of vacant and improved land throughout the City of La Villa. Also included within the TIRZ boundaries are all existing public rights of way and the associated alley ways lying within the City of La Villa.

DEVELOPMENT GOALS & OBJECTIVES

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

- Provide commercial and industrial opportunities for developers and companies seeking commercial building sites through the extension and expansion of the water and sewer systems.
- Provide funds for the development of additional sewage treatment and collection system.

- Provide for new commercial and residential opportunities through the completion of new connector streets.
- Begin to address the need for expanded housing opportunities for La Villa residents and La Villa workers who have to commute to work.
- Provide employment opportunities to service increasing population growth within the City of La Villa and surrounding Hidalgo County.
- Solve long-range storm drainage issues that affect the City, County and the surrounding residents.
- Enhance the quality of life within the City and Hidalgo County through Economic Development Incentives to developers.
- Provide funds for the reconstruction of City Streets that impede redevelopment or new development.
- Provide funds for the construction and reconstruction of City Parks
- Provide funds for the construction, reconstruction, renovation, and or rehabilitation of City Facilities.
- Provide funds for the expansion and extension of the sewer and water systems to promote and protect the future tax base of the City.

The City of La Villa 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 and market rate housing.

PLANNED PRIVATE DEVELOPMENT

City of La Villa TIRZ #1

Summary Fact Sheet Years 1-5

27-Dec-12

Plan of Finance

Site Area		1,912 Acres
Base Market Value	2011	\$1,174,339 Value

Project:

Phase 1A	2011-2012	\$100,000 Commercial
Phase 1B	2011-2012	\$400,000 Residential
Phase 1C	2011-2012	\$4,500,000 Industrial
Phase 2A	2013	\$300,000 Commercial
Phase 2B	2013	\$2,070,000 Residential
Phase 2C	2013	\$5,000,000 Industrial
Phase 3A	2014	\$315,000 Commercial
Phase 3B	2014	\$2,500,000 Residential
Phase 3C	2014	\$5,000,000 Industrial
Phase 4A	2015	\$420,000 Commercial
Phase 4B	2015	\$4,625,000 Residential
Phase 4C	2015	\$750,000 Industrial
Phase 5A	2016	\$441,000 Commercial
Phase 5B	2016	\$787,500 Residential
Phase 5C	2016	\$787,500 Industrial

Totals:

5 Yr. Projected Commercial	\$1,576,000	5.6%
5 Yr. Projected Residential	\$10,382,500	37.1%
5 Yr. Projected Industrial	\$16,037,500	57.3%
Total New Units in 5 yrs.	307	
% of Demand for New Units in TIRZ	204.6%	
5 Year Est. Increase In Value	\$27,996,000	

PLANNED PUBLIC IMPROVEMENTS

The public improvements enumerated in the Project Plan, with an estimated cost of **\$34,033,650** (*Sources & Uses - Total City Infrastructure*) provide for the expansion of sewer and water distribution facilities, construction of a sewer treatment plant, new street construction, the extension of existing streets, addressing housing issues that are impeding economic development, remediation of the drainage issues that occur with all significant rainfalls, existing street reconstruction to include curbs and gutters, utility relocation, and Economic Development Incentives. Included in the plan are significant park and recreation expansions to include soccer fields. The public improvements planned for the City of the La Villa district are designed to help meet the long-term needs to secure and insure growth and investment in the City and Eastern Hidalgo County.

PLANNED PUBLIC CONSTRUCTION

City of La Villa - TIRZ Reinvestment Zone #1 Sources & Uses 27-Dec-12

Sources of Funds	
*TIRZ Revenues	\$ 8,717,172
Total TIRZ Proceed Funds Less Loss of Collections	\$ 7,845,455
Total Sources of TIRZ Funds	<u>\$ 7,845,455</u>
Uses of Funds	
Begin Construction	1/1/2012
Construction Complete	12/1/2031

			County Increment	City Increment
Street Construction & Reconstruction	\$ 3,250,000	9.5%	50.00%	50.00%
Right of Way Acquisition	\$ 750,000	2.2%	50.00%	50.00%
Municipal Facilities Acquisition/Construction	\$ 750,000	2.2%	0.00%	100.00%
Parks: Community Parks, Soccer Fields, Other (consolidated RDF's)	\$ 1,750,000	5.1%	0.00%	100.00%
Storm Water Pollution Prevention Drainage & Drainage Detention	\$ 2,500,000	7.3%	80.00%	20.00%
Wastewater Treatment Plant Expansion	\$ 2,458,650	7.2%	50.00%	50.00%
Wastewater Collection System Improvements	\$ 2,750,000	8.1%	50.00%	50.00%
Water Treatment Plant Expansion	\$ 5,000,000	14.7%	50.00%	50.00%
Water Distribution System	\$ 1,900,000	5.6%	50.00%	50.00%
Water Rights Acquisitions/CCN Acquisitions	\$ 2,500,000	7.3%	70.00%	30.00%
Utility Relocations	\$ 750,000	2.2%	100.00%	0.00%
Street Scapes & Accessibility Program	\$ 1,500,000	4.4%	50.00%	50.00%
TIRZ Creation Expenses & County Administrative Expense	\$ 175,000	0.5%	50.00%	50.00%
Total City Infrastructure	\$ 26,033,650	76.5%		
Matching Infrastructure Funds for Grants	\$ 1,000,000	2.9%	50.00%	50.00%
Total Matching Infrastructure Funds for Grants	<u>\$ 1,000,000</u>	2.9%		
Developer Infrastructure - (streets, water, sewer)	\$ 7,000,000	20.6%	50.00%	50.00%
Total Developer Infrastructure Repayments	<u>\$ 7,000,000</u>	20.6%		
Total Costs	\$ 34,033,650	100.00%		
Project Financing Surplus (Shortage)	\$ (26,188,195)			

*Assumes 100% Collection Rate for City & County

CONSTRUCTION OF PUBLIC IMPROVEMENTS

Improvements are expected to be made on a 'pay as you go' system until such time as the annual income to the Zone shall equal an amount sufficient to address bonded indebtedness. The TIRZ Financing Plan provides for tax increment allowable expenses in the approximate amount of **\$8,717,172** (*Sources & Uses - Total TIF Proceed Funds*). The Reinvestment Zone Financing Plan provides for incremental financing and predicts revenues for the City of La Villa TIRZ District.

SECTION II – PROJECT PLAN

BACKGROUND

On August 10th, 2011 the City Council of the City of La Villa approved Resolution #2011-8-03 declaring the intent to create,

On December 10th, 2011 the City Council of the City of La Villa held a public hearing and approved Ordinance #2011-12-14 authorizing the creation of a Finance Plan and Ordinance.

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

- La Villa Independent School District on November 29th, 2011
- Hidalgo County Commissioner Joel Quintanilla on November 18th, 2011
- Hidalgo County Economic Development Director on November 18th, 2011
- Hidalgo County Commissioners Court on December 12th, 2011

PROGRAM CONCEPTS

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

DEVELOPMENT GOALS & OBJECTIVES

The planned public improvements within the City of La Villa 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 destination tourism, hunting and fishing industries.

DESCRIPTION OF THE DISTRICT

The City of La Villa TIRZ District is located throughout the City. The assessed value of property within the Zone is \$1,174,339 (*The Base Value of the Zone*) however; the total appraised value of the properties in the Zone is per the HIDALGO County Appraisal District. The City of La Villa TIRZ zone includes approximately 1.912 acres of public and privately held land in and around the City as shown on the Exhibit "A"

EXISTING USES & CONDITIONS

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

1. Less than ten percent 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;
2. 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 (50%) of the total appraised value of taxable real property in the City and in industrial districts, if any, created by the City;
3. Development or redevelopment within the boundaries of the proposed Zone will not occur solely through private investment in the reasonably foreseeable future.

ZONING

There currently is not a zoning ordinance but the City of La Villa is currently undertaking this initiative.

PROPOSED PUBLIC IMPROVMENTS

STREET CONSTRUCTION & RECONSTRUCTION

Summary of Roadway Estimates:

The City of La Villa has developed a street rating system using methods derived from a publication of the Asphalt Institute based on visual criteria while incorporating criteria from other organizations such as AASHTO and TXDOT. The rating system establishes a maximum value of 100 for newly constructed streets. As a street ages and deteriorates, the condition rating decreases. Using the rating system to give a ranking to the streets in the City of La Villa, a series of reports were composed to easily navigate through the data. An additional element of this study includes the analysis of the latest construction costs to determine cost estimates to refurbish or reconstruct current streets according to their respective rating; **100-90 Excellent (Oil Rejuvenation), 89-80 Good (Overlay), 79-70 Fair (Patching and Overlay), 69-0 Poor (Reconstruction)**. Using recent project costs and the street rating system developed, a cost estimate to improve a street was derived based on the severity of the deterioration to the street using the analysis of the latest construction costs. The following values have been assigned to the each of the different categories of street depending on its rating cost per square foot: **Reconstruction \$6.00.**

Poor 69-0	\$1,750,000.00	70%
Fair 79-70	\$750,000.00	30%
Good 89-80	\$0.00	0%
Excellent 100-90	\$0.00	0%
Total	\$2,500,000.00	100%

Summary of Thoroughfare Estimates:

This section of the report sorts the streets according to the thoroughfare designation of the Hidalgo County Thoroughfare Plan. According to the thoroughfare plan outlined and adopted, streets that fall within the designated 120', 100', or 80' thoroughfare are required to maintain certain criteria. The following value has been assigned for new construction for thoroughfare listings: **\$7.00 per square foot.**

80' ROW	66' Back to back	10' Streets	\$750,000.00
Total			\$750,000.00

The summary of improvements outlined above in Street Construction and Reconstruction (excluding Right of Way Acquisition) is estimated to be \$3,250,000 during the life of the TIRZ

RIGHT OF WAY ACQUISITION

The City of La Villa has large tracts of undeveloped agricultural use property within the City. Streets that were built for farm use when they were constructed need to be widened for future commercial development. To upgrade existing substandard streets the City will need to purchase additional right-of-way from contiguous landowners. Throughout the City there is a lack of street connectivity. As development has occurred the streets have been installed to take care of predominantly the new developments. The consequence of this is forcing traffic onto streets that were adequately sized as collector streets but not as arterials. The City will encourage street connectivity as part of its platting process but in those areas where plats have previously been approved additional right-of-way will need to be purchased at an estimated cost of **\$750,000**.

MUNICIPAL FACILITIES ACQUISITION/CONSTRUCTION

The City of La Villa municipal facilities would continue to grow. With expanded growth in population the city would want to continue to serve its resident and business in a timely manner. To be able to keep up with customer service new facilities would have to be built to accommodate growth and response time to the areas. The facilities would include-police & fire substation, public work & utilities substation both to the north and south of La Villa. The facilities would estimate close to **\$750,000**.

PARKS: COMMUNITY PARKS, SOCCER FIELDS, OTHER, (CONSOLIDATED RDF'S)

With the City of La Villa continues growth needs to secure land and park facilities. These parks must have the amenities to continue to give quality of life service. The facilities would include but not inclusive; soccer field, baseball fields, walking and bike trails, football field, picnic areas as well as consolidated regional detention facilities for community health and safety. The approximation cost would be \$1,750,000.

STORM WATER POLLUTION PREVENTION DRAINAGE & DRAINAGE DETENTION

The City of La Villa and Hidalgo County have always naturally flooded and will continue to be at risk of flooding in the future. This is because the geographical area within the city limits is relatively flat, receives intense rainfall, and has relatively non-absorbent soils. Also, because of the growth of the City, there are more roofs, parking lots, streets and other impervious surfaces of an urban environment. The runoff from these surfaces is collected and is discharged through a system that is over taxed to handle the quantity of runoff. The challenge facing City of La Villa is identifying ways to minimize flood damage.

One solution is to identify watersheds that drain to existing City of La Villa drainage ditches and then increase the capacities of these ditches to become

detention ponds. Detention ponds are designed to slow and store runoff until the peak flows of the county discharge ditches has passed the watershed area. Another solution is to partner with LA VILLA ISD to construct detention ponds that can be used as school and city parks.

The best estimated cost to provide the storm drainage system and detention ponds are about \$2,500,000 over term of the TIRZ period.

WASTEWATER TREATMENT PLANT & WASTEWATER COLLECTION SYSTEM

The City of La Villa has a population of approximately 1,325 according to US Bureau Census. In 2000 the City had seen a tremendous amount in growth increasing the population. With that spurt of growth the City had to expand its .2 MGD Wastewater Treatment Plant (WWTP) by additional .199 million gallons per day (MGD).

With a prediction approximately doubling the population of the City by 2050, the expansion of the WWTP must be considered because of this growth. Accordingly the WWTP would have to be expanded by additional .5 to .899 MGD. The cost associated with this expansion would estimate at \$2,458,650.

Additionally the City would have to expand and upgraded its wastewater collection system, which would include sewer line from 8" to 18", sewer force main, and lift stations. The estimated cost \$2,750,000.

WATER TREATMENT PLANT & WATER DISTRIBUTION SYSTEM

The City of La Villa has a population of approximately 1,325 according to US Bureau Census. In 2000 the City had seen a tremendous amount in growth increasing the population by 5 to 7 percent per year until 2008. The City needs to expand its .75 MGD Water Treatment Plant (WTP) by additional .75 million the growth of the City and its largest consumer a privately operated prison. Growth of the city population is not including the current 1,500 inmates full time at their facility. Municipal growth if it continues is predicted to reach 6,000 by 2051.

With a prediction approximately doubling the population of the City by 2051, the expansion of the WTP must be considered because of this growth and demand on the system and surrounding region. Accordingly, the WTP would have to be expanded by additional 20 MGD as part of the Delta Watershed. The cost associated with this expansion would estimate at \$5,000,000.

Additionally the City would have to expand its water distribution system and elevated water storage tanks. Several miles of additional 12" to 24" waterlines would have to be added and at least 3 more elevated water storage tanks would have to be built. The estimated cost of \$1,900,000.

WATER RIGHTS ACQUISITIONS/CCN ACQUISITIONS

With additional capacity to the WTP the system must have the water rights to meet the demand. The City would have to double its water rights from approximately 8500 acre/feet to 17,000 acre/ft. The cost associated with the purchase of these water rights would be estimated at \$2,500,000.

UTILITY RELOCATIONS

The City of La Villa waterline and sewer force mains are relocated due to improvement of streets widening or development. These relocations would be approximately \$750,000.

STREETSCAPES & ACCESSIBILITY IMPROVEMENT PROGRAM

The City of La Villa Streetscapes & Accessibility Improvement Program is focused on acquiring the necessary right of way and installation of sidewalks, and streetscape improvements. These projects will be one-time investments in community infrastructure throughout the City of La Villa. This project will include further unified streetscape improvements, and unified directional signage throughout La Villa. Public health and safety improvements will focus on providing safe access for children, elderly, and the disabled in and around schools, parks, and community facilities in strategic areas of La Villa where sidewalks have been neglected or absent as the city rapidly developed and lacked these essential infrastructure improvements. In some cases additional right of way acquisitions may also be necessary to achieve these improvements. It is estimated that the total expenses of this program are **\$1,500,000.**

SECTION III – PROJECT FEASIBILITY

The feasibility of any development has two aspects that must be considered; The Financial Feasibility for the TIRZ, and the Market or Economic Feasibility. Although La Villa and its citizens benefit from its low cost of governance La Villa's unprecedented growth over the past ten years has put tremendous demand on its infrastructure and the cost of rebuilding and augmenting capital improvements is great.

FINANCIAL 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 OR ECONOMIC FEASIBILITY

Market or economic feasibility addresses issues relating to product absorption, type of product, and demand. The existing 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 over **10** in commercial and residential building permits issued by the City of La Villa in 2010 and **7,500,000** as of December 31st, 2011. Additionally developers and builders have approached the City with preliminary plans for which they will be pulling larger numbers of permits in 2012 and 2013. The funding of the sewer and water extensions will insure that permits will be able to be issued to these builders and developers. The new arterials planned for the northern and southern sectors will open traditionally landlocked areas of the City for development and the procurement of adequate water rights will insure future employers that water will be available to meet their needs.

ZONE FINANCING PLAN IS FEASIBLE

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 creating the highest and best use of future development.

RELOCATION PLAN

None, There are no residential components of the plan that would require demolition and reconstruction at this time, but the board reserves the right to declare such areas in the future.

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 estimated Captured Appraised Value for TIF Zone #1 is: \$82,694,888. 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 their tax rate during the life of the zone.

FINANCING PLAN

The Reinvestment Zone Financing Plan developed by the City provides that potentially \$8,717,172 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 La Villa 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. Expected captured revenues will include but are not limited to LCS Prison Expansion, assuming 100K per new home built, a hotel, restaurants, development of a large regional detention facility, wetland, small lake, and multiple subdivisions.

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. It is not anticipated that the bonded indebtedness of the Zone will exceed \$8,717,172

FINANCING POLICY

The goal of the_ is to borrow only those funds needed as the necessity arises in order to reduce interest expense.

LONG TERM FINANCING

The developers of the commercial/industrial/retail sites and the single and multi-family homes will arrange for private long term financing for their individual projects.

Non-Project Costs – Creation expenses and County Legal Expenses

Estimated at **\$175,000** for the lifetime of the zone reimbursable directly to Hidalgo County & the City of La Villa for TIRZ Creation Expenses should the board so approve. There shall be zero administration or non-project costs for City of La Villa – TIF reinvestment zone #1. This estimate is for expenses related to the creation of the zone, Creation of Zoning, Code of Ordinances, Building Standards Manual, Certificate of Occupancy Ordinance, Demographic & Employment Study, 10 Year Plan, Planning & Zoning, and the annual Hidalgo County administrative & maintenance fee.

DEVELOPMENT SCHEDULE & 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.

PROPOSED DEVELOPMENT SCHEDULE

Uses of Funds

Begin Construction		1/1/2012
Construction Complete		12/1/2031
Street Construction & Reconstruction	\$ 3,250,000	9.5%
Right of Way Acquisition	\$ 750,000	2.2%
Municipal Facilities Acquisition/Construction	\$ 750,000	2.2%
Parks: Community Parks, Soccer Fields, Other (consolidated RDF's)	\$ 1,750,000	5.1%
Storm Water Pollution Prevention Drainage & Drainage Detention	\$ 2,500,000	7.3%
Wastewater Treatment Plant Expansion	\$ 2,458,650	7.2%
Wastewater Collection System Improvements	\$ 2,750,000	8.1%
Water Treatment Plant Expansion	\$ 5,000,000	14.7%
Water Distribution System	\$ 1,900,000	5.6%
Water Rights Acquisitions/CCN Acquisitions	\$ 2,500,000	7.3%
Utility Relocations	\$ 750,000	2.2%
Street Scapes & Accessibility Program	\$ 1,500,000	4.4%
TIRZ Creation Expenses & County Administrative Expense	\$ 175,000	0.5%
Total City Infrastructure	\$ 26,033,650	76.5%
Matching Infrastructure Funds for Grants	\$ 1,000,000	2.9%
Total Matching Infrastructure Funds for Grants	\$ 1,000,000	2.9%
Developer Infrastructure - (streets, water, sewer)	\$ 7,000,000	20.6%
Total Developer Infrastructure Repayments	\$ 7,000,000	20.6%
Total Costs	\$ 34,033,650	100.00%

ADMINISTRATIVE COSTS

The Inter-local agreement by and between the City, County and Zone include administrative costs in the amount of **\$20,000** payable to the County (**\$1,000** to be deducted annually from the county contribution, as per the inter-local agreement no other administrative costs shall be incurred by the Zone).

FINANCIAL ASSUMPTIONS

No tax rate changes have been factored into the pro forma for the District. A **0.00%** per year inflation rate in the value of the private improvements has been factored into the pro-forma as well as a **5.00%** per year growth rate. All projections assume that taxable appraised value and tax rates will remain unchanged, with the exception of the noted inflation factor, over the entire **20** year life of. 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 **90.0%** because approximately **72.10%** of the TIRZ Zoned land is classified in the form of commercial; the long-term lenders who do the permanent financing for these types of projects generally require proof that the taxes are current. Residential projects that receive incentive financing will have, as a term of the assistance, to have property taxes included in the mortgage payments. 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.

PROJECTED VALUE OF NEW TAX INCREMENT

City of La Villa TIRZ #1
Projected Captured Taxable Value
12/27/2012

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
2012	5,000,000										5,000,000
2013		12,370,000									12,370,000
2014			20,185,000								20,185,000
2015				25,980,000							25,980,000
2016					27,996,000						27,996,000
2017						30,112,800					30,112,800
2018							32,335,440				32,335,440
2019								34,669,212			34,669,212
2020									37,119,673		37,119,673
2021										39,692,656	39,692,656
	5,000,000	12,370,000	20,185,000	25,980,000	27,996,000	30,112,800	32,335,440	34,669,212	37,119,673	39,692,656	

SCHEDULE OF PROJECTED INCOME FROM NEW VALUE TIF
City of La Villa TIRZ #1
Projected Tax Entity Contributions
12/27/2012

Tax Increment Zone				City of La Villa			Hidalgo County			TIRZ REVENUES	
Tax Year	Annual Value of New Development	12/31/2011 Assessed Value	Projected Captured Value	Captured Taxable Value	Tax Increment	*Less City Collections	Captured Taxable Value	Tax Increment	Less County Collections	Combined TIRZ Collections	Cumulative TIRZ Revenues
1/1/2011	5,000,000	6,174,339		-	0	-	-	0	0	-	-
1/1/2012	7,370,000	13,544,339	5,000,000	5,000,000	39,180	35,262	5,000,000	29,500	11,680	46,942	46,942
1/1/2013	7,815,000	21,359,339	12,370,000	12,370,000	96,931	87,238	12,370,000	72,983	28,896	116,134	163,076
1/1/2014	5,795,000	27,154,339	20,185,000	20,185,000	158,170	142,353	20,185,000	119,092	47,151	189,504	352,579
1/1/2015	2,016,000	29,170,339	25,980,000	25,980,000	203,579	183,221	25,980,000	153,282	60,688	243,909	596,489
1/1/2016	2,116,800	31,287,139	27,996,000	27,996,000	219,377	197,439	27,996,000	165,176	65,397	262,836	859,325
1/1/2017	2,222,640	33,509,779	30,112,800	30,112,800	235,964	212,368	30,112,800	177,666	70,342	282,710	1,142,035
1/1/2018	2,333,772	35,843,551	32,335,440	32,335,440	253,381	228,042	32,335,440	190,779	75,534	303,576	1,445,611
1/1/2019	2,450,461	38,294,012	34,669,212	34,669,212	271,668	244,501	34,669,212	204,548	80,986	325,487	1,771,098
1/1/2020	2,572,984	40,866,995	37,119,673	37,119,673	290,870	261,783	37,119,673	219,006	86,710	348,492	2,119,590
1/1/2021	2,701,633	43,568,628	39,692,656	39,692,656	311,032	279,928	39,692,656	234,187	92,720	372,649	2,492,239
1/1/2022	2,836,714	46,405,343	42,394,289	42,394,289	332,202	298,981	42,394,289	250,126	99,031	398,012	2,890,251
1/1/2023	2,978,550	49,383,893	45,231,003	45,231,003	354,430	318,987	45,231,003	266,863	105,657	424,644	3,314,896
1/1/2024	3,127,478	52,511,371	48,209,554	48,209,554	377,770	339,993	48,209,554	284,436	112,615	452,608	3,767,504
1/1/2025	3,283,852	55,795,222	51,337,031	51,337,031	402,277	362,049	51,337,031	302,888	119,921	481,970	4,249,474
1/1/2026	3,448,044	59,243,266	54,620,883	54,620,883	428,009	385,208	54,620,883	322,263	127,592	512,800	4,762,274
1/1/2027	3,620,446	62,863,713	58,068,927	58,068,927	455,028	409,525	58,068,927	342,607	135,646	545,171	5,307,445
1/1/2028	3,801,469	66,665,181	61,689,373	61,689,373	483,398	435,058	61,689,373	363,967	144,103	579,161	5,886,607
1/1/2029	3,991,542	70,656,723	65,490,842	65,490,842	513,186	461,868	65,490,842	386,396	152,983	614,851	6,501,458
1/1/2030	4,191,119	74,847,843	69,482,384	69,482,384	544,464	490,018	69,482,384	409,946	162,307	652,325	7,153,783
1/1/2031	4,400,675	79,248,518	73,673,503	73,673,503	577,306	519,575	73,673,503	434,674	172,098	691,673	7,845,455
	\$82,694,888	\$83,869,227	\$82,694,888		\$6,548,221	\$5,893,399		\$4,930,386	\$1,952,057		
	Average Growth (2011-2015)		\$5,599,200	City Participation Level		100.00%	County Participation Level		43.99%		
	Thereafter		5.00%	City Tax Rate Average		0.4014	County Tax Rate Average		0.3022		
	Comp Ann Growth Rate (CAGR)		11.26%	*Tax Rate Collection Factor		90.00%	*Tax Rate Collection Factor		90.00%		

SUMMARY OF DEVELOPMENT CALCULATIONS

Summary Fact Sheet Years 1-5

27-Dec-12

Plan of Finance

Site Area		1,912 Acres
Base Market Value	2011	\$1,174,339 Value

Project:

Phase 1A	2011-2012	\$100,000 Commercial
Phase 1B	2011-2012	\$400,000 Residential
Phase 1C	2011-2012	\$4,500,000 Industrial
Phase 2A	2013	\$300,000 Commercial
Phase 2B	2013	\$2,070,000 Residential
Phase 2C	2013	\$5,000,000 Industrial
Phase 3A	2014	\$315,000 Commercial
Phase 3B	2014	\$2,500,000 Residential
Phase 3C	2014	\$5,000,000 Industrial
Phase 4A	2015	\$420,000 Commercial
Phase 4B	2015	\$4,625,000 Residential
Phase 4C	2015	\$750,000 Industrial
Phase 5A	2016	\$441,000 Commercial
Phase 5B	2016	\$787,500 Residential
Phase 5C	2016	\$787,500 Industrial

Totals:

5 Yr. Projected Commercial	\$1,576,000	5.6%
5 Yr. Projected Residential	\$10,382,500	37.1%
5 Yr. Projected Industrial	\$16,037,500	57.3%
Total New Units in 5 yrs.	307	
% of Demand for New Units in TIRZ	204.6%	
5 Year Est. Increase In Value	\$27,996,000	

CONCLUSION

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

The success of the City of La Villa 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 La Villa and Eastern Hidalgo County and will serve to stabilize and enhance future property values.

SECTION V – EXHIBITS

EXHIBIT ‘A’

INITIAL BOARD MEMBERS

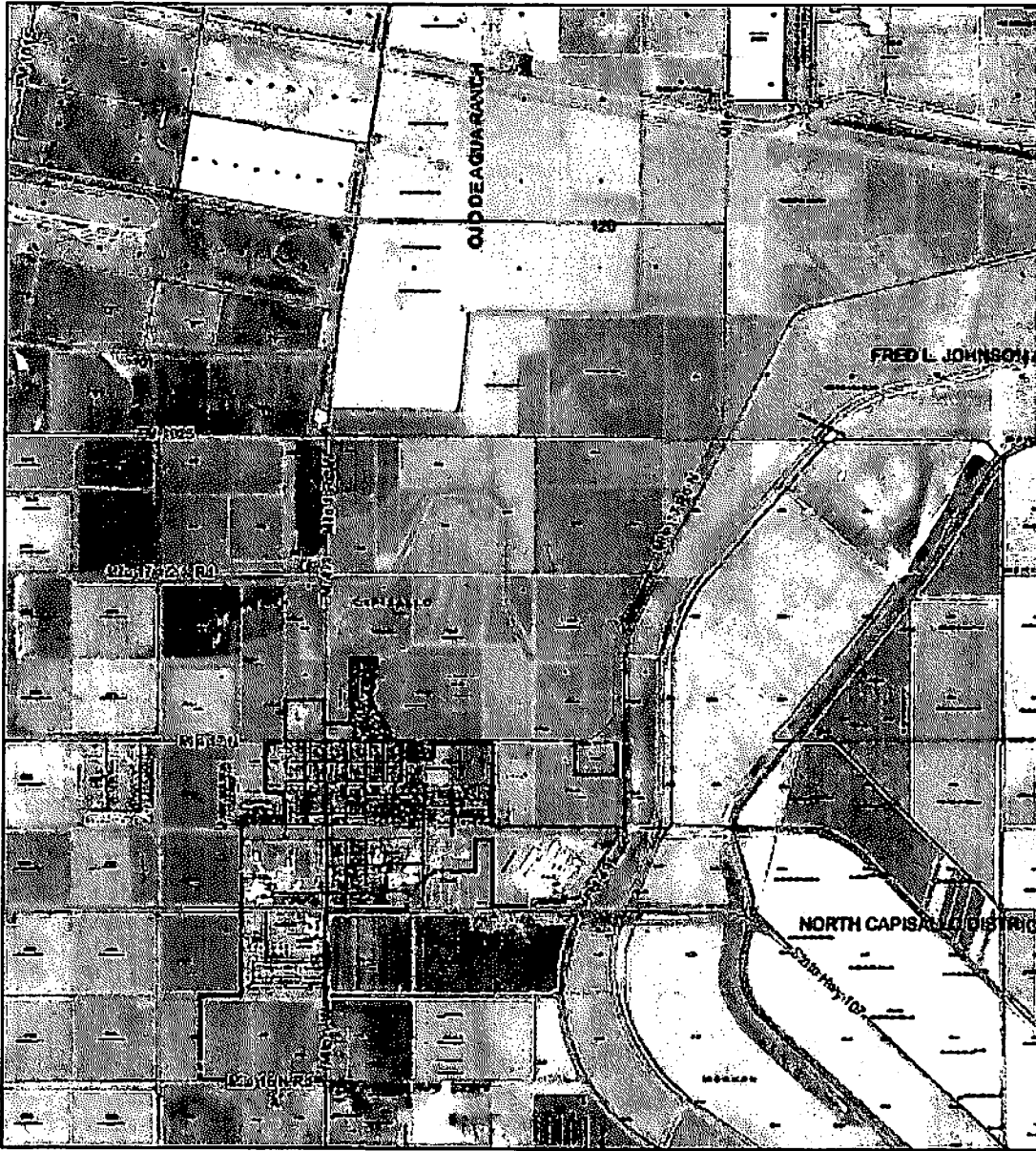
Tax Increment Reinvestment Zone Number One, City of La Villa

- | | | |
|-----------|------------------------------------|------------------------------------|
| 1. | Chairman | Mayor Hector Elizondo |
| 2. | Member (Drainage Dist Dir.) | James Godfrey Garza |
| 3. | Member (Comm Pct 1) | Comm Pct 1 Joel Quintinilla |
| 4. | Member (City Appointee) | Noel Bernal |
| 5. | Member (Judge Appointee) | Erika Reyna |

EXHIBIT 'B'
MAP, LEGEND, LIST OF STREET NAMES, & HIDALGO COUNTY
APPRAISAL DISTRICT GIS LIST OF INCLUDED PROPERTIES

MAP & LEGEND

City of La Villa, TX - Preliminary Land Use



- CITY OF LAVILLA**
- Land Use**
- Agriculture
 - Commercial
 - Residential



Data sources: Hidalgo County Appraisal District - Parcel Data (August 2012)
 Texas Natural Resources Information System (TNRIS) - 2010 Aerials
 In cooperation with Dornierbaum Engineering McAllen, TX



December 21, 2012

Prepared by: Simply GIS, LLC
www.simplygis.net
 L. David Flores, Jr. CPM

CITY OF LA VILLA-LIST OF STREET NAMES

**1ST ST
2ND ST
3RD ST
4TH ST
5TH ST
6TH ST
7TH ST
8TH ST
9TH ST
10TH ST**

**Alamo Ave
Almendra Ave
Blue Jay Lane
Brazil Ave
Cardinal Ave
Cardinal Lane
Cottonwood Ave
Dove Lane
Emmanuel Ave
Encino Ave
Finch Lane
Fresno Ave
Gumwood Ave
Hummingbird Lane/ MSG Mario A. Solis Lane
Laurel Ave
Magnolia Ave
Mike Chapa Ave
Mockingbird Lane
Natalia Ave
Nogales Ave
Palm Ave
San Juanita Ave
Sauz Ave**

HIDALGO COUNTY APPRAISAL DISTRICT GIS LIST OF INCLUDED PROPERTIES

B1750-00-113-0014-02	L2088-00-000-0053-00	N3400-00-000-2181-01
B1750-00-113-0014-10	L2088-00-000-0054-00	N3400-00-000-2181-05
B1750-00-113-0015-00	L2088-00-000-0057-00	N3400-00-000-2189-03
B1750-00-113-0015-10	L2088-00-000-0060-00	N3400-00-000-2189-08
B1750-00-120-0001-00	L2088-00-000-0067-00	N3400-00-000-2189-09
B1750-00-120-0001-05	L2088-00-000-0073-00	N3400-00-000-2217-00
B1750-00-120-0002-00	L2088-00-000-0076-00	N3400-00-000-2225-00
B1750-00-120-0003-00	L2088-00-000-0079-00	N3400-00-000-2226-00
B1750-00-120-0006-00	L2088-00-000-0080-00	N3400-00-000-2227-00
B1750-00-120-0007-00	L2088-00-000-0081-00	N3400-00-000-2227-10
B1750-00-120-0008-00	L2088-00-000-0082-00	N3400-00-000-2228-00
B1750-00-120-0008-05	L2088-00-000-0083-00	N3400-00-000-2230-00
J1200-00-001-0000-00	L2088-00-000-0084-00	N3400-00-000-2233-00
J1200-00-001-0000-04	L2088-00-000-0085-00	N3400-00-000-2234-00
J1200-00-001-0000-05	L2088-00-000-0086-00	N3400-00-000-2235-00
J1200-00-001-0000-06	L2088-00-000-0087-00	N3400-00-000-2237-00
J1200-00-001-0000-07	L2088-00-000-0088-00	N3400-00-000-2241-00
J1200-00-001-0000-08	L2088-00-000-0089-00	N3400-00-000-2242-00
J1200-01-018-0000-10	L2088-00-000-0092-00	N3400-00-000-2243-02
J1200-01-029-0000-00	L2088-00-000-0093-00	N3400-00-000-2243-05
J6900-00-000-0018-00	L2088-00-000-0094-00	N3400-00-000-2245-00
J6900-00-000-0018-20	L2088-00-000-0095-00	N3400-00-000-2248-00
J6900-00-000-0019-00	L2088-00-000-0096-00	N3400-00-000-2464-00
L2050-00-001-0001-00	L2088-00-000-0097-00	O2100-00-001-0000-00
L2088-00-000-0001-00	L2088-00-000-0098-00	O2100-00-001-0000-11
L2088-00-000-0002-00	L2088-00-000-0099-00	S0710-00-000-0000-00
L2088-00-000-0003-00	L2088-00-000-0100-00	234286
L2088-00-000-0004-00	L2088-00-000-0122-00	234287
L2088-00-000-0005-00	L2088-00-000-0128-00	198585
L2088-00-000-0006-00	L2088-00-000-0130-00	234283
L2088-00-000-0007-00	L2088-00-000-0135-00	234284
L2088-00-000-0009-00	N3400-00-000-2169-00	234288
L2088-00-000-0010-00	N3400-00-000-2171-00	233431
L2088-00-000-0011-00	N3400-00-000-2171-00	233438
L2088-00-000-0012-00	N3400-00-000-2171-05	233440
L2088-00-000-0013-00	N3400-00-000-2173-00	232981
L2088-00-000-0014-00	N3400-00-000-2174-00	232324
L2088-00-000-0015-00	N3400-00-000-2174-05	232325
L2088-00-000-0016-00	N3400-00-000-2176-00	232333
L2088-00-000-0026-00	N3400-00-000-2176-01	232413
L2088-00-000-0027-00	N3400-00-000-2177-00	231799
L2088-00-000-0037-00	N3400-00-000-2178-01	231800
L2088-00-000-0039-00	N3400-00-000-2181-00	231832

231913

231914

231560

230216

229852

221964

208224

180011

1732

81456

229812

**Some HCAD parcels
are unidentified and
listed with Object ID in
the place.*

EXHIBIT 'C' PROJECT PLAN

1. INITIAL BOARD OF DIRECTORS EXHIBIT 'A'	Page 23
2. LIST OF PROPOSED IMPROVEMENTS & LAND USES	Page 6
3. DESCRIPTION OF ZONE EXHIBIT 'B'	Page 24
4. PROJECT FEASIBILITY	Page 15
5. PROPOSED ZONING CHANGES	Page 9
6. ESTIMATED NON-PROJECT COSTS	Page 17
7. RELOCATION PLAN FOR CURRENT RESIDENTS	Page 15
8. ADMINISTRATIVE COSTS	Page 17

EXHIBIT 'D'

FINANCING PLAN

1. DETAILED ESTIMATE OF PROJECT COSTS	Page 6
2. PROPOSED PUBLIC IMPROVEMENTS	Page 6
3. PROJECT TIMELINE	Page 18
4. ESTIMATED AMOUNT OF BONDED INDEBTEDNESS	Page 16
5. TIME WHEN COST/OBLIGATIONS WILL BE INCURRED	Page 7
6. METHODS OF FINANCING, SOURCES OF REVENUE	Page 16
7. CURRENT TOTAL APPRAISED VALUE	Page 8
8. ESTIMATED CAPTURED APPRAISED VALUE	Page 16
9. DURATION OF ZONE	Page 18

EXHIBIT 'E'

SECTION 311 TIRZ REQUIREMENTS

(Quoted from Biennial Reports Susan Combs Texas Comptroller)

(Recent changes to TIRZ laws are not completely reflected below)

2009 HB 1770F & 2011 HB 2853F are to be referenced in the next Biennial Report

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.

Tax increment financing is a tool that local governments can use to publicly finance needed structural improvements and enhanced infrastructure within a defined area. These improvements usually are undertaken to promote the viability of existing businesses and to attract new commercial enterprises to the area. Tax Code Chapter 311 governs tax increment financing.

The cost of improvements to the area is repaid by the contribution of future tax revenues by each taxing unit that levies taxes against the property. Specifically, each taxing unit can choose to dedicate all, a portion of, or none of the tax revenue that is attributable to the increase in property values due to the improvements within the reinvestment zone. The additional tax revenue that is received from the affected properties is referred to as the tax increment. Each taxing unit determines what percentage of its tax increment, if any, it will commit to repayment of the cost of financing the public improvements.

Tax increment financing may be initiated only by a city or county 1 if a property is located outside of the city limits (within the city's extraterritorial jurisdiction or beyond), it is not eligible for city tax increment financing unless annexed into the city. Once a city has begun the process of establishing a tax increment financing reinvestment zone, other taxing units are allowed to consider participating in the tax increment financing agreement. These zones are commonly referred to as either a tax increment financing zone (TIF) or a tax increment financing reinvestment zone (TIRZ).

Cities and counties are permitted to exercise any action that is necessary to carry out tax increment financing. They may acquire real property through purchase or condemnation, enter into necessary agreements, and construct or enhance public works facilities and other public improvements. The power to acquire property prevails over any law or municipal charter to the contrary. The use of tax increment financing for improvements to certain educational facilities is prohibited unless those facilities are located in a reinvestment zone created on or before September 1, 1999.

An area may be considered for tax increment financing only if it meets at least one of the following criteria:

- The area's present condition must substantially impair the city or county's growth, retard the provision of housing, or constitute an economic or social liability to the public health, safety, morals or welfare. Further, this condition must exist because of the presence of one or more of the following conditions:
 - a substantial number of substandard or deteriorating structures,
 - inadequate sidewalks or street layout,
 - faulty lot layouts,

- unsanitary or unsafe conditions,
- deterioration of site or other improvements,
- a tax or special assessment delinquency that exceeds the fair market value of the land,
- defective or unusual conditions of title,
- conditions that endanger life or property by fire or other cause, or,
- if the city has a population of 100,000 or more, structures (which are not single-family residences) in which less than 10 percent of the square footage has been used for commercial, industrial, or residential purposes during the preceding 12 years;
- The area is predominantly open and, because of obsolete platting, deteriorating structures or other factors, it substantially impairs the growth of the local government;
- The area is in or adjacent to a "Federally assisted new community" as defined under Tax Code Section 311.005(b); or

1 Although counties are statutorily able to implement tax increment financing, the Texas Constitution only allows the legislature to authorize incorporated cities or towns to implement tax increment financing. Thus county-initiated tax increment financing may potentially be subject to constitutional challenge until such time as the constitution is amended (see TEX. CONST. art VIII § 1-g (b).16

- The area is described in a petition requesting the area be designated as a reinvestment zone. The petition must be submitted by the owners of property constituting at least fifty (50) percent of the appraised property value within the proposed zone.

Within a city or county's developed areas, the criterion usually cited to justify a reinvestment zone is that the area's present condition substantially impairs the local government's growth because of a substantial number of substandard or deteriorating structures. If the area is not developed, the city or county often cites the criterion that the area is predominately open, and that it substantially impairs the growth of the city because of obsolete platting, deteriorating structures or other factors.

A reinvestment zone for tax increment financing may not be created if:

- More than 10 percent of the property within the reinvestment zone (excluding publicly owned property) may be used for residential purposes. This requirement, however, does not apply if the district is created pursuant to a petition of the landowners; or
- A reinvestment zone contains property that cumulatively would exceed either:
 - 15 percent of the total appraised value of taxable real property within the city and its industrial districts, or
 - 20 percent of the total appraised value of taxable real property within the city and its industrial districts if the city is the county seat of a county that is adjacent to Harris County and is a planned community of 20,000 or more acres of land originally established under the Urban Growth and New Community Development Act and is subject to specified restrictive covenants; or
- The reinvestment zone would contain more than 15 percent of the total appraised value of real property taxable by a county or school district.

The boundaries of an existing reinvestment zone for tax increment financing may be reduced or enlarged by ordinance or resolution of the governing body that created the zone. There are limitations if a city makes any changes to an existing reinvestment zone's boundaries. A city may

not change the boundaries if it includes more than 10 percent of property used for residential purposes, excluding property dedicated to public use, or if it includes more than 15 percent of the total appraised value of taxable real property within the city and the industrial districts. Also, a city may not change the boundaries if the proposed boundaries contain more than 15 percent of the total appraised value of real property by a county or school district.

EXHIBIT 'F'

ASSUMPTIONS

City of La Villa TIRZ #1

Assumptions

Assumptions from linked worksheets

TIRZ Life of Program in Years	20
TIRZ Base Year Date (BYR)	1/1/2011
TIRZ Conclusion Year	1/1/2031
Estimated Lifetime Available TIRZ Revenues	\$7,845,455
City Total Assessed Value for Base Year	\$44,647,171
Total Appraised Value of Zone for Base Year	\$1,174,339
City Maximum TIRZ Zone	\$22,323,586
City of La Villa Size in Acres	520
TIRZ #1 Acreage	1912
TIRZ Total Assessed Value (BYR)	\$1,174,339
TIRZ Commercial (BYR)	\$846,659
TIRZ Residential (BYR)	\$0
TIRZ Industrial (BYR)	\$0
TIRZ Agricultural (BYR)	\$327,680
TIRZ Institutional (Government, Churches, & Schools) (BYR)	\$0
TIRZ Total Assessed Increase Year 1 (BYR - First Year Increase in TIRZ Value)	\$5,000,000
TIRZ Total Single Family Population Housed over life of TIRZ	599
TIRZ Total Multi-Family Population Housed over life of TIRZ	187
TIRZ % of future population housed from new construction in TIRZ	10%
TIRZ # of future population housed from new construction in TIRZ	786

Tax Rates & Participation Percentages

City Tax Rate	0.007836
City Participation 90% Less M & O	100.00%
City Adjusted Participation Tax Rate	0.7836%
County Tax Rate	0.001900
County Participation 100% Less M&O	100.00%
County Adjusted Participation Tax Rate	0.002596

General Assumptions

2006-2011 Total Increase in Appraised Value (*City of La Villa City Administrator)	\$15,000,000
City Predicted New Home Construction Average Value	\$325,000
City Predicted Multi Family Construction Price Per Unit	\$65,000
City Predicted Tax Collection Rate (5 yr. Historical average is 86%)	90.0%
City Predicted Annual Growth Rate	5.00%
City Predicted Annual Appreciation Rate (Historical 10 yr. average is -4.65%)	0.00%
City Predicted Population 2051	6,000
City Predicted Population Growth by 2051	4,675
City Predicted Total Assessed Value 2051	\$141,424,362
City Predicted Increase Value for Commercial by 2050	\$41,812,303
City Predicted Increase Value for Single Family dwelling units by 2050	\$32,360,577
City Predicted Increase Value for Commercial for Family dwelling units by 2050	\$5,255,833
City Predicted New Single Family Residents by 2050	1,010
City Predicted New Multi-Family Residents by 2050	315
City Predicted Demand for new dwelling units by 2050 (Based on 3.6 residents per unit)	1,199
City Predicted Demand for Single Family dwelling units by 2050	913
City Predicted Demand for Average New Units/Yr.	30
City Predicted Growth Rate for Commercial by 2050	20%
City Predicted Growth Rate for Residential by 2050	50%
City Predicted Growth Rate for Industrial by 2050	30%

Quoted Statistics From "Sperling's Best Places to Live"

Median Asking Price Single Family	\$33,860
Base Year Population	1,325
Population who Own Single Family	76.2%
Residents per Unit	3.9
Previous 10 Yr. Average Appraised Annual Appreciation Rate	-4.65%

EXHIBIT 'G'
NON-PARTICIPATING TAX ENTITY REVENUE FORECASTS
City of La Villa TIRZ #1
Other Taxing Entities
12/27/2012

Years of TIRZ B/Y	Drainage District		STC Tax Rates		South Texas Schools		La Villa ISD			
	Tax Rate	Collection Rate	Tax Rate	Collection Rate	Tax Rate	Collection Rate	Tax Rate	Collection Rate	% Zoned Included	Collection Rate
	0.073	\$0	0.15	\$0	0.049	\$0	1.359	\$0	100.00%	\$0
1/1/2012	0.0725	\$3,263	0.1497	\$6,737	0.0492	\$2,214	1.3592	\$61,164	100%	\$61,164
1/1/2013	0.0725	\$8,071	0.1497	\$16,666	0.0492	\$5,477	1.3592	\$151,320	100%	\$151,320
1/1/2014	0.0725	\$13,171	0.1497	\$27,195	0.0492	\$8,938	1.3592	\$246,919	100%	\$246,919
1/1/2015	0.0725	\$16,952	0.1497	\$35,003	0.0492	\$11,504	1.3592	\$317,808	100%	\$317,808
1/1/2016	0.0725	\$18,267	0.1497	\$37,719	0.0492	\$12,397	1.3592	\$342,469	100%	\$342,469
1/1/2017	0.0725	\$19,649	0.1497	\$40,571	0.0492	\$13,334	1.3592	\$368,364	100%	\$368,364
1/1/2018	0.0725	\$21,099	0.1497	\$43,566	0.0492	\$14,318	1.3592	\$395,553	100%	\$395,553
1/1/2019	0.0725	\$22,622	0.1497	\$46,710	0.0492	\$15,352	1.3592	\$424,102	100%	\$424,102
1/1/2020	0.0725	\$24,221	0.1497	\$50,011	0.0492	\$16,437	1.3592	\$454,078	100%	\$454,078
1/1/2021	0.0725	\$25,899	0.1497	\$53,478	0.0492	\$17,576	1.3592	\$485,552	100%	\$485,552
1/1/2022	0.0725	\$27,662	0.1497	\$57,118	0.0492	\$18,772	1.3592	\$518,601	100%	\$518,601
1/1/2023	0.0725	\$29,513	0.1497	\$60,940	0.0492	\$20,028	1.3592	\$553,302	100%	\$553,302
1/1/2024	0.0725	\$31,457	0.1497	\$64,953	0.0492	\$21,347	1.3592	\$589,738	100%	\$589,738
1/1/2025	0.0725	\$33,497	0.1497	\$69,166	0.0492	\$22,732	1.3592	\$627,996	100%	\$627,996
1/1/2026	0.0725	\$35,640	0.1497	\$73,591	0.0492	\$24,186	1.3592	\$668,166	100%	\$668,166
1/1/2027	0.0725	\$37,890	0.1497	\$78,236	0.0492	\$25,713	1.3592	\$710,346	100%	\$710,346
1/1/2028	0.0725	\$40,252	0.1497	\$83,114	0.0492	\$27,316	1.3592	\$754,634	100%	\$754,634
1/1/2029	0.0725	\$42,733	0.1497	\$88,236	0.0492	\$28,999	1.3592	\$801,136	100%	\$801,136
1/1/2030	0.0725	\$45,337	0.1497	\$93,614	0.0492	\$30,767	1.3592	\$849,964	100%	\$849,964
1/1/2031	0.0725	\$48,072	0.1497	\$99,260	0.0492	\$32,623	1.3592	\$901,233	100%	\$901,233
Estimated Reven		\$1,081,836		\$2,233,806		\$734,157				\$20,281,820
Estimated Collec		\$973,653		\$2,010,425		\$660,741				\$18,253,638

Exhibit B
City of La Villa Ordinances

ORDINANCE NO. 2011-12-14

AN ORDINANCE OF THE CITY OF LA VILLA DESIGNATING AN AREA KNOWN AS THE CITY OF LA VILLA DEVELOPMENT PROJECT AS A TAX INCREMENT REINVESTMENT (TIRZ) ZONE; DESCRIBING THE BOUNDARIES OF THE ZONE; CREATING A BOARD OF DIRECTORS FOR THE ZONE; PROVIDING FOR AN EFFECTIVE DATE AND TERMINATION DATE FOR THE ZONE; NAMING THE ZONE "REINVESTMENT ZONE NUMBER ONE CITY OF LA VILLA; AND ESTABLISHING A TAX INCREMENT FUND; AND CONTAINING OTHER PROVISIONS RELATED THERETO.

WHEREAS, the Board of Aldermen (the "Board") of the City of La Villa, Texas (the "City") desires to support development and redevelopment in the City to be funded in whole or in part, through the creation of a Tax Increment Reinvestment Zone (TIRZ) (the "Zone"), as hereinafter more specifically defined and named and with boundaries as hereinafter provided, pursuant to the provisions of the Tax Increment Financing Act (the "Act"), Texas Tax Code, Chapter 311; and

WHEREAS, the City indicated its intent to create the Zone by approving Resolution No. 2011-08-04 for the creation of a Zone at the regularly scheduled City Council meeting on August 10, 2011; and

WHEREAS, the Project will support financing of costs associated with the construction of public improvements related to several possible development and redevelopment projects, which may include (i) street construction and other infrastructure improvements, (ii) Wastewater Treatment Plant expansion, and (iii) Water Rights acquisition and CCN Acquisitions; and

WHEREAS, pursuant to the Act, the City may designate a contiguous geographical area within the City and the City's Extraterritorial Jurisdiction (ETJ); and

WHEREAS, Pursuant to the Act, the City has directed that a Preliminary Reinvestment Zone Financing Plan (the "Preliminary Plan") be prepared for the proposed Zone; and

WHEREAS, A Public Hearing was held on December 14, 2011 in the City Council Board Room to consider the creation of a TIRZ for the Project and its respective benefits to the City and to property in the proposed Zone; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code; NOW THEREFORE:

BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF LA VILLA:

SECTION 1. DESIGNATING THE AREA AS A REINVESTMENT ZONE. The area described in Section 2 below and more commonly referred to as the "La Villa Development Project" and officially assigned the name as designated in Section 5 below (which reinvestment zone so described, named and designated is hereinafter referred to as the "Zone"), is hereby designated as a Tax Increment Reinvestment Zone.

SECTION 2. DESCRIPTION OF THE BOUNDARIES OF THE REINVESTMENT ZONE. Attached hereto as Exhibit "A", which is incorporated herein by reference for all purposes is a Hidalgo County Appraisal District Map with the parcels, area and boundaries of the Zone shaded in purple.

SECTION 3. CREATION AND COMPOSITION OF A BOARD OF DIRECTORS FOR THE ZONE. There is hereby created a Board of Directors (the "Board") for the Zone, with all the rights powers and duties as provided by the Act to such Boards or by action of the City Council. Pursuant to Section 311.009(a) of the Texas Tax Code the Board shall consist of not less than five (5) and not more than fifteen (15) members. The City of La Villa Tax Increment Reinvestment Zone Board shall consist of five members; four appointees from the City of La Villa, and one appointee from Hidalgo County. Each taxing unit other than the City that levies taxes on real property in the Zone may appoint one member to the Board. A unit may waive its right to appoint a member. The City Council shall appoint the remaining directors. Appointees shall be for a two (2) year term. Upon expiration of their respective terms of office, replacements to the Board shall be appointed. Vacancies on the Board shall be filled by the respective taxing unit making such appointments for the remainder of the unexpired term.

SECTION 4. EFFECTIVE DATE AND TERMINATION DATE OF THE ZONE. The Zone shall take effect on December 14, 2011 and continue until its termination date of December 31, 2036 unless otherwise terminated earlier as a result of payment in full of all project costs, tax increment bonds, if any, including interest on said bonds as authorized or permitted by law.

SECTION 5 ASSIGNING A NAME TO THE ZONE. The Tax Increment Reinvestment Zone created hereby is assigned the name of "REINVESTMENT ZONE NUMBER ONE, CITY OF LA VILLA, TEXAS."

SECTION 6. TAX INCREMENT BASE. The tax increment base for the Zone is the total assessed value of all real property taxable by the City and located in the Zone, determined as of January 1, 2011, the year in which the Zone was designated as a Reinvestment Zone (the "Tax Increment Base").

SECTION 7. ESTABLISHMENT OF A TAX INCREMENT FUND. There is hereby created and established in the depository bank of the City, a fund to be called the "REINVESTMENT ZONE NUMBER ONE, CITY OF LA VILLA, TEXAS TAX INCREMENT FUND" (HEREIN CALLED THE "Tax Increment Fund"). Money in the Tax Increment Fund, from whatever source, may be disbursed from the Tax Increment Fund, invested, and paid as permitted by the Act or by any agreements entered into pursuant to the Act, or as otherwise authorized by law.

SECTION 8. FINDINGS. The City hereby finds and declares that (a) improvements in the Zone will significantly enhance the value of all the taxable real property in the Zone and will be of general benefit to the City; and (b) the Zone meets the requirements of Section 311.005 of the Act, being that the Zone area:

“be 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 municipality...”

The City of La Villa, 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 La Villa;
2. less than thirty percent (30%) 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 Point Isabel Independent School District, and
5. development or redevelopment within the boundaries of the proposed Zone will not occur solely through private investment in the reasonably foreseeable future.

SECTION 9. DESIGNATION OF A SECTION 311.005(a) ZONE. The Zone is designated pursuant to Section 311.005(a) of the Act.

SECTION 10. SEVERABILITY. If any of the provisions of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstance shall nevertheless be valid, as if such invalid provisions had never appeared herein, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision


SECTION 11. The Zone shall take effect immediately upon passage of this Ordinance, pursuant to Section 311.004 (a)(3) of the Act

PASSED, APPROVED AND ADOPTED this 14th day of December 2011.

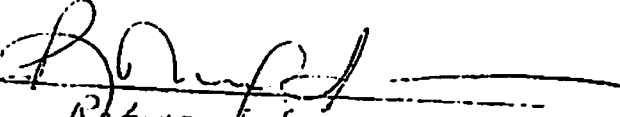
ATTEST

Lupita Suarez, City Secretary

CITY OF LA VILLA, TEXAS


Hector Elizondo, MAYOR

APPROVED As to Form


Robert L. Sullivan
City Attorney

Ordinance # 2012-12-27

AN ORDINANCE APPROVING A FINAL PROJECT PLAN AND FINANCING PLAN, TAX INCREMENT REINVESTMENT ZONE NUMBER ONE, CITY OF LA VILLA

WHEREAS, Section 311.011(a) of the Texas Tax Code requires the Board of Directors to prepare and adopt a finance plan and project plan and submit it to the Board of Aldermen for approval, and

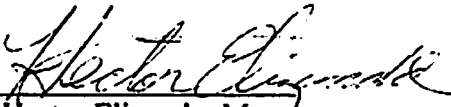
WHEREAS, A finance plan and project plan must be approved by the City prior to signing a contract with the County for the County's participation in the Zone.

BE IT ORDAINED BY THE BY THE BOARD OF ALDERMEN OF THE CITY OF LA VILLA:


The attached Project and Finance Plan is approved.

Considered Passed and Approved and Signed this 27th day of December, 2012 at a special meeting of the Board of Aldermen for the City of La Villa at which a quorum was present and which was held in accordance with Chapter 551 of the Texas Government Code

CITY OF LA VILLA

By: 
Hector Elizondo, Mayor

ATTEST:

By: 
Lupita Suarez, City Secretary

APPROVED AS TO FORM:


Robert Salinas
City Attorney