

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

**SECOND AMENDED
PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN**

May 14, 2018

REINVESTMENT ZONE NUMBER ONE, CITY OF PENITAS, TEXAS

Second Amended Project Plan and Reinvestment Zone Financing Plan`

Table of Contents

Introduction.....3
History.....3
Second Amended Project Plan and Reinvestment Zone Financing Plan.....3
 A. Project Plan.....4
 B. Reinvestment Zone Financing Plan.....4

Schedule A - Residential Build-Out

Schedule B - Commercial Build-Out

Schedule C -Projected Assessed Valuations

Schedule D - Projected Zone Revenues

Schedule E - Project Costs financed or reimbursed to date.

Map 1 - Boundary Map

Map 2 - Aerial View of Property in and surrounding the Zone

Map 3 - Existing Land Use/Property Classification of Property in the Zone

Map 4 - Proposed Projects

Introduction

Tax Increment Reinvestment Zone One, City of Penitas, Texas ("Zone"), was created by the City Council of the City of Penitas, Texas ("City") on November 3, 2004.

The purpose of the Zone is to finance construction of public facilities and infrastructure necessary to catalyze residential and commercial development and redevelopment within the Zone boundaries.

Expenditures associated with the design and construction of public facilities infrastructure, as well as other specific project related costs, will be funded by tax increment revenues derived from increases in property values following new residential and commercial development.

History

The reinvestment zone covers approximately 717 acres and is generally bounded by Tom Gill Road, 2 Mile Line, Giles Road and U.S. 83. The Zone primarily consists of undeveloped or agricultural land with some commercial development. Since the creation of the Zone in 2004, development has been slow and has not occurred as originally anticipated, due to the economic downturn. Developments that have occurred since the Zone was created include a Walmart Supercenter which opened in 2009 and an apartment complex which was completed in 2016.

Second Amended Project Plan and Reinvestment Zone Financing Plan

The Board of Directors of the Zone and the City adopted a project plan and financing plan for the Zone in 2005 (the "Original Plan"). The Board of Directors of the Zone and the City adopted a First Amendment to the Project Plan and Reinvestment Zone Financing Plan (the "First Amended Plan"), in the fall of 2017, which Plan amended, and restated and replaced the Original Plan in its entirety. That First Amended Plan extended the duration of the Zone to December 31, 2047, to allow for continued improvements in the area and permit the Zone to complete the purposes for which it was established. That Amended Plan also permitted the Zone or the Penitas Redevelopment Authority (the "Authority") to incur debt and issue debt or obligations to satisfy developer reimbursements previously advanced for project costs or incur debt to undertake the projects on their own. Additionally, that Amended Plan allowed for updated development assumptions including Zone project costs, due to slow growth in the early years. In the Original Plan, development was expected to begin in 2005 with build out occurring thru 2018, however not much growth has occurred to date. The revised development plan includes a mixture of residential and commercial uses, including 1,681 single family homes. Commercial development was anticipated to begin in 2017, followed by residential development in 2019. Build out of the development is now projected to occur thru 2038. The increase in the term will allow additional time for the buildout to occur and for revenues to generate at levels adequate to pay the costs identified in this Amended Plan. In the Original Plan, annual revenue in 2014 was projected to equal approximately \$827,179, however due to slow growth, actual tax increment revenues collected in 2014 were \$138,000. Note: Schedule E reflects those project costs that have been paid or reimbursed to date. This Second Amendment clarifies a section of the Financing Plan pertaining to estimated bonded indebtedness, and sources of revenues which may be used to undertake financings of bonds, notes, and other obligations of the TIRZ and Redevelopment Authority.

Map 1 depicts the location of the Zone in context of the surrounding area.

A. Project Plan

Existing and Proposed Uses of Land (Texas Tax Code § 311.011(b)(1)):

Existing Conditions: Existing land uses within the Zone include predominately agriculture and undeveloped land with some commercial development, including a Walmart Supercenter and an apartment complex that were built after adoption of the Original Plan. Overall the area lacks adequate infrastructure including water, wastewater and drainage facilities, and a sufficient roadway network to support development of the land in the Zone. Maps 2 and 3 depict existing conditions.

Surrounding Land Uses: Land surrounding the Zone ranges from undeveloped/ farmland to single family residential, public and commercial uses. The aerial view shown in Map 2 shows surrounding land uses.

Proposed Land Use: Proposed land uses shall include single-family residential, commercial, retail, and parks and open spaces with increasingly diminished undeveloped land over time.

Proposed Changes of Zoning Ordinances, Master Plan of Municipality, Building Codes, and Other Municipal Ordinances (Texas Tax Code § 311.011(b)(2)):

All construction will be done in conformance with existing building code regulations of the City. There are no proposed changes of any city development ordinances, master plans, or building codes.

Estimated Non-Project Costs (Texas Tax Code § 311.011(b)(3)):

The project costs referenced in Table 1 are inclusive of project costs to be incurred by the Zone only. The costs that would otherwise be project costs but are derived from other parties, such as the City, the Texas Department of Transportation or private sources, are non-project costs. Non-Projects Costs were estimated at \$13,000,000 at the time the Original Plan was adopted.

Method of Relocating Persons to be Displaced, if any, as a result of implementing the Amended Plan (Texas Tax Code § 311.011(b)(4)):

There will be no persons displaced as a result of implementing this Amended Plan.

B. Reinvestment Zone Finance Plan

Estimated Project Costs (Texas Tax Code § 311.011(c)(1)):

Table 1 lists the estimated project costs for the Zone including administrative expenses. As set forth in this Second Amended Plan, the dollar amounts are approximate and may be amended from time to time by the Board of Directors of the Zone with approval of the City Council. The financing costs are a function of project financing needs and will vary with market conditions from the estimates shown on Table 1. The County revenues contributed to the Zone prior to this Amendment will be credited toward the overall County contribution cap.

Table 1 - Estimated Project Costs

Project	Estimated Costs
Water Improvements including wells	\$1,698,373
Waste Water Improvements	\$1,552,032
Drainage Improvements	\$6,093,650
Demolition Costs	\$ -
Relocation of Utility Lines	\$ -
Sidewalks	\$671,304
Streets	\$6,414,058
3 Bridges	\$2,250,000
Lights	\$724,388
Engineering/Surveying	\$1,800,000
Contingency	\$1,000,000
Zone Administration	\$1,200,000
Financing costs including interest	\$6,800,000
Total	\$30,203,805

Note: The project costs in this Second Amended Plan are not an increase over the project costs listed in the Original Plan, and the burden to the participating jurisdictions has not increased. This Amended Plan recognizes that the County will cap its overall participation in the Zone at \$15 million dollars.

Proposed Kind, Number, and Location of all Proposed Public Works or Public Improvements to be Financed by the Zone (Texas Tax Code § 311.011(c)(2)):

These details are described throughout this Second Amended Plan, including but not limited to roadway construction/reconstruction, stormwater conveyance and management systems, water, wastewater improvements, sidewalks, intersection improvements, lighting, signage, park and greenspace improvements, and landscaping enhancements. Water and waste water are located along major road ways and throughout subdivisions and commercial oriented locations. The bridges called for in the Original Plan were projected to cross the District 6 canal at two locations Liberty Boulevard and 23rd Street and the District 16 canal as it crosses Liberty Boulevard. The number and location of proposed improvements are contained in Table 1 and Map 4. The TIRZ Board and the City of Penitas will make final determinations on exact locations of infrastructure improvements.

Economic Feasibility (Texas Tax Code § 311.011(c)(3)):

An economic feasibility study was prepared as part of the Original Plan to assess the market for the proposed development. While development did not occur as anticipated when the Zone was originally created, due to the economic downturn, the area is now prime for development. Current economic conditions and growth, along with recent/planned infrastructure improvements support commercial and residential development in the area.

Development assumptions were updated as part of this Second Amended Plan. This Plan includes 1,681 single family homes and commercial uses valued at over \$55 million. Commercial development is anticipated to begin in 2017, followed by residential development in 2019. Build out of the development is projected to occur in 2038. Build out assumptions for residential and commercial development are provided in Schedules A and B.

The City and the Zone find that the development plan in this Second Amended Plan is economically feasible, as projected revenue estimates will generate approximately \$30 million more than is required to pay project costs including interest on debt. This is subject to the development time line and buildout being met by the developer. Schedules C and D constitute incremental revenue estimates for this Second Amended Plan.

Estimated Amount of Bond Indebtedness: Estimated Time When Related Costs or Monetary Obligations Incurred (Texas Tax Code § 311.011(c)(4), § 311.011(c)(5)):

The Zone or the Authority may issue bonds or other obligations secured in whole or in part by tax increment revenues to be collected in the Zone to finance public improvements to benefit the Zone, including "project costs" as defined in Texas Tax Code § 311.002. Bonds or any other obligations by the Zone or the Authority for project costs may be issued when actual or projected tax increment revenues, alone or in combination with any other actual or projected revenue sources, are available to support debt service on the obligations. The amount and timing of the issuance of such obligations will be contingent on market conditions for the issuance of such bonds or obligations along with the availability of revenues provided in Table 1 and Schedule C and D or any other lawful revenue sources available for debt service.

The Authority is currently contemplating selling \$5 to \$6 million in bonds as soon as it is feasible.

Methods and Sources of Financing Project Costs and Percentage of Increment from Taxing Units Anticipated to Contribute Tax Increment to the Zone (Texas Tax Code § 311.011(c)(6)):

Project costs will be financed with bonds or any obligations authorized by law and will be funded by tax increment revenues, grants, or any other funding source pursuant to any interlocal agreements, development agreements, or any other agreements, by and between the Zone or the Authority, any governmental entity or political subdivision, or any public or private entity that is a party to such agreement. Tax increment will consist of contributions from the City and Hidalgo County (the "County"). This figure is calculated as follows:

City contribution of \$0.5060/\$100 of assessed valuation

County contribution, estimated at \$0.4800/\$100 of assessed valuation. **Note:** The amended plan does comply with with Section VI-7 of the Hidalgo County's Tax