

THE STATE OF TEXAS
COUNTY OF HIDALGO

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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 among (i) the CITY OF PHARR, TEXAS (hereafter referred to as the "City"), a Texas Home Rule City, acting through its City Manager pursuant to the TIRZ II Ordinances (as defined below), (ii) HIDALGO COUNTY (hereafter referred to as the "County"), a political subdivision of the State of Texas, and (iii) REINVESTMENT ZONE NUMBER TWO, CITY OF PHARR, TEXAS, a reinvestment zone (hereafter referred to as the "Zone", as hereafter further defined) created by the City pursuant to the TIF Act (as defined below), acting by and through its duly authorized Board of Directors (the "Board"), established to administer, manage, and/or operate the Zone pursuant to Sections §311.009(b) and 311.010 of the TIF Act. Collectively, the City, the County, and the Zone may be referred to as the "Parties". This Agreement is made pursuant to Chapter 791, Texas Government Code and the TIF Act for the participation of City and County in the Pharr City Development Project.

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

CITY

Ambrosio Hernandez, MD
Mayor
CITY OF PHARR
118 S Cage Blvd
Pharr, Texas 78577

COUNTY

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

With Copy to:

BOARD

Attention: Chairman
CITY OF PHARR – TIF REINVESTMENT ZONE #2
118 S Cage Blvd, 4th Floor

HIDALGO COUNTY AUDITOR

Hidalgo County Auditor
Attention: Ray Eufrazio, CPA
Re: City of Pharr-TIRZ #2

B. Index

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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 reimbursement for Administrative Costs is the County.

2. "Agreement" means this Interlocal Agreement.
3. "Agreement Term" has the meaning set forth in Section VI.A. below.
4. "Applicable M&O Tax Rate" for any given year means the lesser of (i) the Base Year M&O Tax Rate and (ii) the County M&O Tax Rate for the given year. The Base Year M&O Tax Rate was \$0.5225 per \$100 dollars of valuation.
5. "Available Tax Increment" shall mean the "Tax Increment," as defined below, less the Administrative Costs of the County.
6. "Base Year" means the year in which a Tax Increment Reinvestment Zone is created by ordinance.
7. "Board" has the meaning set forth in Section I.A.1 above.
8. "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 2015, the Base Year of the Zone.
9. "City" has the meaning set forth in Section I.A.1 above, and includes its successors and assigns.
10. "City Commission" means the City Commission of the City.
11. "County" has the meaning set forth in Section I.A.1 above.
12. "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 is subject to change by the County in accordance with applicable law, and therefore may be changed by the County during the term of the Zone.
13. "Initial Plan" has the meaning set forth in Section III.B. below.
14. "Material Change" has the meaning set forth in Section IV.B.5 below.

15. "Participating Taxing Entity" or "Participating Taxing Entities" means, singularly, a taxing unit participating in the Zone" 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.
16. "Parties" has the meaning given such term in Section I.A.1 above.
17. "Project" refers to the City of Pharr Proposed Public Improvements identified in the Project Plan.
18. "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; and rights-of-way.
19. "Project Plan" (also referred to as "Amended Project Plan") means the Final Project Plan and Financing Plan for the Zone, which is attached hereto as Exhibit "A", as adopted by the Board on August 23, 2016, and as passed and approved by the City Commission by Ordinance No. O-2016-31 on the same date.
20. "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.
21. "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, 2015, the year in which the Zone was designated, plus, with respect to any real property taxable by a Participating Taxing Entity added to the Zone after the Base Year, the total appraised value of such added real property taxable by a Participating Taxing Entity as of January 1 of the year in which such real property was added to the Zone.
22. "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 Two City of Pharr, Texas Tax Increment Fund."
23. "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.
24. "TIF Act" means the Tax Increment Financing Act (Chapter 311 of the Texas Tax Code).
25. "TIRZ Ordinances" means the following ordinances passed and approved by the City Commission on the specified dates:

- a. O-2015-52 on November 17, 2015 (first reading on February 17, 2015 and second on March 3, 2015)
- b. O-2015-57 on December 8, 2015
- c. O-2016-15 on April 18, 2016
- d. O-2016-29 on July 22, 2016
- e. O-2016-31 on August 26, 2016

The TIRZ Ordinances are attached hereto as Exhibit “B”.

- 26. The “Term of the Zone” has the meaning set forth in Section III.B.8 below.
- 27. “Transportation Zone” means Transportation Reinvestment Zone Number Two, Hidalgo County.
- 28. “Zone” means REINVESTMENT ZONE NUMBER TWO, CITY OF PHARR, the description of which is contained in Exhibit “A”, attached hereto.

III. BACKGROUND

A. The City Commission on Tuesday February 3rd, 2015, expressed the City’s intent to create a tax increment financing reinvestment zone by approving Resolution # 2015-08 to support revitalization activities for the Zone, commonly known as the Pharr Redevelopment Project, pursuant to Chapter 311, Texas Tax Code.

B. The City represents as follows with respect to the Zone:

1. On November 17th, 2015, the City Commission passed and approved Ordinance No. O-2015-52, earlier versions of which had previously been read, passed and approved by the City Commission in on February 17th, 2015 and March 3rd, 2015. A certified copy of Ordinance No. O-2015-52 is attached hereto as Exhibit B-1. Due to a scrivener’s error, the Zone’s effective date of November 17, 2016, and the Zone’s termination date of December 31, 2035, which the City had intended to have inserted into the Ordinance, were not typed into section 4 of Ordinance No. O-2015-52 prior to its approval (although section 13 of the Ordinance specifies when the Zone takes effect).

2. On December 8th, 2015, the City Commission passed and approved Ordinance No. O-2015-57, a certified copy of which is attached hereto as Exhibit B-2, which approved the Reinvestment Zone Financing Plan dated December 4, 2015 (the “Initial Plan”), which had been adopted by the Board as set forth below in Section III.C.1. The description of the Zone boundaries included in the Initial Plan included land that had inadvertently been omitted from the boundaries established in Ordinance No. 2015-52.

3. Having become aware of the errors and omissions referenced above, among others, the City Commission declared an emergency and passed and approved Ordinance No. O-

2016-15 on April 18th, 2016, and, in effect, re-approved the terms of Ordinance O-2015-52 without referencing the changes or explaining the actions. A certified copy of Ordinance O-2016-15 is attached hereto as Exhibit B-3.

4. In order to amend the boundaries of the Zone and otherwise amend and correct Ordinance O-2015-52, the City Commission declared an emergency and passed and approved No. O-2016-29 on July 22nd, 2016. A certified copy of Ordinance O-2016-29 is attached hereto as Exhibit B-4. The added portions of the Zone do not include any real property that is currently subject to taxation by a Participating Taxing Entity, accordingly, tax account numbers have not been added to the TIRZ Ordinances for the real property added to the Zone.

5. On August 23rd, 2016, the City Commission passed and approved Ordinance O-2016-31, which adopted the Amended Project Plan.

6. The Zone will provide funding for public improvements within the Zone. The Zone commenced on November 17th, 2015, and is projected to terminate on December 31st, 2035, unless earlier termination occurs under this Agreement (the "Term of the Zone").

7. The Tax Increment Fund was authorized by Ordinance No. O-2015-52.

8. The City complied with all legal requirements, including those set forth in the TIF Act, and notice requirements in the creation and expansion of the Zone, and the Base Year for the Zone is 2015, provided, however, that the portions of the Zone added to the Zone in 2016 would have a 2016 base year should any of the added portions be subject to taxation by a Participating Taxing Entity during the Term of the Zone. The City's compliance with legal requirements with respect to the creation of the Zone is supported by the opinion letter of the City attorney of even date herewith, which has been provided to the County.

C. The Board represents and warrants as follows:

1. On December 1st, 2015, the Board met but did not take action. (The minutes of the meeting are attached hereto as Exhibit C-1.) On December 8th, 2015, in accordance with Section 311.011 of the TIF Act, the Board approved the Initial Plan. A certified copy of the minutes of the meeting at which the Board acted are attached hereto as Exhibit C-2 and a certified copy of Ordinance O-2015-01-TIRZ, which was passed and approved by the Board at such meeting, by which the Board approved the Initial Plan, is attached hereto as Exhibit C-3.

2. On July 22nd, 2016, in order, among other changes, to approve the amended boundaries of the Zone, the Board approved a motion accepting the amending of Ordinance O-2016-15. The City's amendment of Ordinance O-2016-15 is found in Ordinance O-2016-29, restating O-2016-15 as amended. A certified copy of the minutes of the meeting at which the Board acted are attached hereto as Exhibit C-4.

3. On August 23rd, 2016, in order to amend the Initial Plan, the Board approved a motion accepting the amending of Ordinance O-2015-57, which is the ordinance by which the City had previously approved the Initial Plan adopted by the Board in December 2015. The

recitals to Ordinance O-2016-31 state that the ordinance will serve to amend Ordinance O-2015-57 by approving the Amended Project Plan. A certified copy of the minutes of the meeting at which the Board acted are attached hereto as Exhibit C-5.

4. The Board complied with all legal requirements, including those set forth in the TIF Act, with respect to the adoption of the Initial Plan and the amendment of it through the adoption of the Amended Project Plan.

D. The County hereby acknowledges receipt of notice of the initial creation of the Zone.

E. 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 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 Applicable M&O Tax Rate as assessed and collected on the Captured Appraised Value for each respective tax year during the Term of the Zone. For the purpose of this Agreement the Applicable M&O Tax Rate shall be calculated as set forth in Section IV(B)(2) of this Agreement. In no event shall the County contribution to the Tax Increment Fund be greater than two million twenty-six thousand two hundred and eight-nine dollars (\$2,026,289), over the life of the Zone beginning with the 2016 tax collection 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 (a) when it has contributed the maximum total contribution provided for herein of two million, twenty-six thousand, two hundred and eighty-nine dollars (\$2,026,289), or (b) 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 2035 (ending on December, 2035), 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 2016 by the latter to occur of:

- (i) all tax accounts having been coded by the Hidalgo County Appraisal District and the Hidalgo County Tax Office having received the list of tax accounts;
- (ii) collection reports having been provided to the Hidalgo County Auditor's Office;
- (iii) the information required under Section 311.016 of the Tax Code having been provided to the County;
- (iv) May 1st, 2017; and
- (v) thirty (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, 2017, but only for tax year 2016.

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 2035.

e. The County's Administrative Costs incurred but not previously reimbursed will be reimbursed to the County by deduction from the annual payment made to the Tax Increment Fund.

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 Payment.

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Assuming for the purpose of this example, the taxable value of the Zone for the year for which the calculation is being made is \$100,000.00, the Tax Increment Base is \$10,000.00, the unreimbursed Administrative Costs are \$100.00, the Applicable M&O Tax Rate is 0.52 and the overall County tax rate is \$0.0059.

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 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 <i>(multiplied by)</i> Contribution Rate (The lesser of actual tax year County M&O Tax Rate or rate specified on agreement) (0.52/100)	\$90,000.00 0.0052
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 <i>(divided by)</i> GHD Actual Tax Levy for all Real Property tax accounts located within the TIRZ	\$300.00 \$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
LESS ADMINISTRATIVE COSTS (amount deducted per year ex: \$100.00)	\$100.00
FINAL TIRZ PAYMENT AMOUNT	\$133.39

2. One month prior to a payment required under Section IV.B. of this Agreement, the City shall provide to the County the TIRZ annual audit report, 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 Office's 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 311.013(c) and (c-1) of the Texas Tax Code, which state 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 §311.016 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 Board 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 or which is otherwise specified herein (a "Material Change")) 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 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 two million, twenty-six thousand, two hundred and eighty nine dollars (\$2,026,289), plus any applicable penalty, 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.* The County agrees to participate at fifty percent (50%) of the Applicable M&O Tax Rate (50% of the Applicable M&O Tax Rate currently equaling \$0.26125 per \$100 valuation on the Captured Appraised Value) for 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. *Greater County M&O Tax Rate.* If the County M&O Tax Rate for any given year is greater than the Applicable M&O Tax Rate during any year during the Term of the Zone, the County shall retain all taxes collected in excess of 50% of the Applicable M&O Tax Rate 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.

C. Management of the Zone

1. The Zone shall in all respects be managed by the Board, including the Director appointed by the County. The 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 Board shall cause the Zone to comply with the Project 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 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 one member of the Board. If it is necessary for the City or the Board to make or confirm the appointment of the County's designee, the County and the Board, as applicable shall promptly appoint or confirm the County's designee.

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 2015 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 2035 whichever occurs first. In no event shall the City contribution to the Tax Increment Fund be greater than three million, three hundred eighty six thousand, one hundred and thirty-one dollars (\$3,386,131).

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 year 2015 by April 30, 2016. The amount of the first Tax Increment Payment shall be based on the Tax Increments that were received through January 31, 2016, but only for the tax year 2015 beginning January 1, 2015. For subsequent Tax Increment Payments, the City agrees to contribute its Tax Increment Payment to the Tax Increment Fund on or before

March 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 Board shall administer the Tax Increment Fund on behalf of the Zone, pursuant to the TIRZ Ordinances. Except for amounts to be reimbursed to the County for Administrative Costs, the payment of which are expressly approved hereby, no funds shall be disbursed from the Tax Increment Fund without the prior written approval of the 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 reimbursement to the County for Administrative Costs exceed, in the aggregate, the amount set out and described in Section II.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 only 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.

E. Implementation of Project Plan.

The City and Zone agree to implement the Project Plan in accordance with the terms thereof, without any Material Change. The City and Zone agree that the annual documentation provided to the County prior to any payment being due will include a detailed status update with documentation of the progress made with respect to the implementation of the Project Plan. In the event construction of the improvements set forth in the Project Plan is not commenced by 2020, or thereafter fails to diligently pursue completion of the Project Plan, the County may (i)

withhold payments until thirty (30) days following notice to the County from the Zone, with documentation satisfactory to the County, that such failure has been remedied and (ii) if not promptly remedied following notice from the County, to terminate its participation in the TIRZ. For the avoidance of doubt, the parties expressly agree that no such action by the County will result in a County Tax Increment Payment being delinquent (and, accordingly, neither interest nor penalties could be due from the County), because the County's exercise of its rights hereunder would prevent any Tax Increment Payment from being due hereunder from the 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, 2035, 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 2016 tax year and ending in accordance with the terms provided herein. Notwithstanding 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, 2035.

B. Early Termination

Neither the City nor the 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 provision 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 Amended Project Plan passed and approved in accordance with Ordinance No. O-2016-31 dated August 23, 2016. The City and the County are not obligated above and beyond what is actually collected as its Available Tax Increment during the Term of the Zone.

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.

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. 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 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 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. No such assignments shall be made without the prior consent of the other parties hereto.

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 County acknowledges that it was provided with a copy of the Initial Plan for review and comment before the Amended Project Plan was finalized and approved by the City Commission. 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. Material Changes include, without limitation, and change or combination of changes that (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 or (iii) changes the nature of the improvements included in the Project.

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 or other 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 report (and other documentation and information pursuant to Section IV.B.2 above) 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.

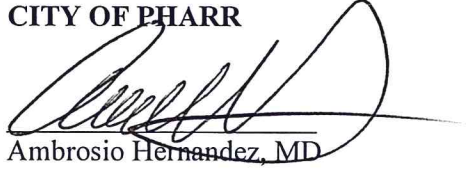
K. Zone Designation

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

[Signature page follows]

IN WITNESS HEREOF, the CITY OF PHARR; HIDALGO COUNTY and REINVESTMENT ZONE NUMBER TWO, CITY OF PHARR, TEXAS have made and executed this Agreement in triplicate originals on this 15th day of November, 2016.

CITY OF PHARR



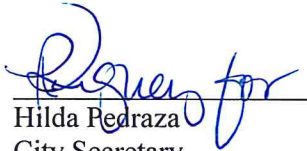
Ambrosio Hernandez, MD
Mayor

HIDALGO COUNTY

By: 

Ramon Garcia
County Judge

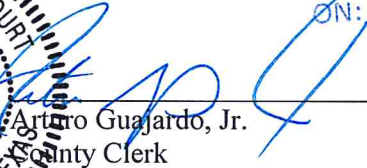
ATTEST/SEAL:



Hilda Pedraza
City Secretary



ATTEST/SEAL:



Arturo Guajardo, Jr.
County Clerk

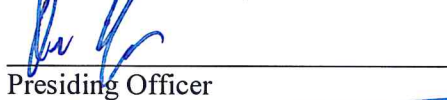
APPROVED BY
COMMISSIONERS' COURT
ON: 11/15/16 

APPROVED AS TO FORM FOR
HIDALGO COUNTY:

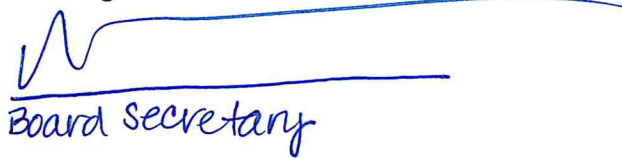
ATLAS, HALL & RODRIGUEZ, LLP

By: 
Stephen L. Crain

REINVESTMENT ZONE NUMBER 2,
CITY OF PHARR, TEXAS



Presiding Officer



Board Secretary

Exhibit A

**Tax Increment Reinvestment Zone Number 2, City of Pharr
Project Plan and Financing Plan**

[See attached – 19 pages]

**AMENDED REINVESTMENT ZONE
PROJECT & FINANCING PLAN**

**City of Pharr Tax Increment Reinvestment
Zone # 2**



August 23, 2016

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SECTION I – EXECUTIVE SUMMARY

Overview of Plan

The City of Pharr Tax Increment Reinvestment Zone (“TIRZ”) Number Two represents an important opportunity for the City of Pharr in partnership with Hidalgo County to promote and encourage construction of new retail, food service, mixed use commercial, multi-family, and senior, retired and assisted living facilities in areas of the City that has significant and varied impediments to development.

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

The creation of the TIRZ will provide the following benefits:

1. Funding for necessary public improvements, primarily drainage, associated with needed development in this sector of the City
2. Replace low value existing land uses with high value retail, commercial, food service and senior multi-family and assisted living facilities.
3. Offer employment opportunities and reduce commuting time for Pharr and Hidalgo County residents.
4. Provide a more efficient use of existing city and county services.
5. Help to address structural imbalances in the Pharr economy and housing market.

The proposed TIRZ is comprised of vacant and partially improved land in the western sector of the City. Also included within the TIRZ boundaries are the public rights of way and the associated ally ways of the streets as well as all utility easements, drainage easements, drainage structures and detention facilities located within the TIRZ boundaries. All of the right of way of Jackson Road from Ridge Road to Owassa Road as well as the Right of way of Ridge Road from Cage Road to Jackson Road and the right of way of the Business 83 and Hwy 83 turnaround are included within the boundaries of the Zone as well as all of the right of way, easements, alleys and drainage structures contemplated to be included in the “West Downtown Drainage Project.”

Development Goals and Objectives

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

- Provide for new commercial and retail uses through the installation of the “West Downtown Drainage System” improvements

- Provide commercial and industrial opportunities for developers and companies seeking commercial building sites through the extension of existing City streets
- Provide employment opportunities to service increasing population growth within the City of Pharr and surrounding Hidalgo County.
- Solve long-range storm drainage issues that affect both City residents as well as, surrounding Hidalgo County residents.

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

Planned Private Development

The City of Pharr TIRZ Private Development Program includes;

Phase 1	2016	\$	14,500,000	Commercial
Phase 2	2017	\$	6,500,000	Commercial
Phase 3	2019	\$	3,500,000	Commercial
Phase 4	2020	\$	2,750,000	Commercial
Phase 5	2021	\$	2,500,000	Commercial
Phase 6	2022	\$	10,000,000	Commercial
Phase 7	2323	\$	7,500,000	Commercial
Phase 8	2024	\$	3,750,000	Commercial
Phase 9	2525	\$	2,750,000	Commercial
Phase 10	2026	\$	3,750,000	Commercial

The total private investment is expected to be in excess of \$ 57,500,000.

The projected values of future commercial development are based upon an analysis of the 2014 and 2015 building permits issued by the City of Pharr. Consideration has also been given to visits to the City from third party developers looking at commercial sites and enquiring about the availability of sewer and water.

Planned Public Improvements

The public improvements enumerated in the Project Plan, with an estimated cost of \$11,518,117 provide for the extension of sewer and water lines sized to provide service to the entire TIRZ

area, drainage structures and detention facilities and the extension of streets, water and sewer line to service individual tracts of land. The improvements planned for the district are designed to help meet the long-term needs to secure and insure growth and investment in the City of Pharr and in Hidalgo County.

Planned Public Construction

Planned Public Improvements Include:

Street & ROW	\$ 2,650,000.00
Water Infrastructure	\$ 250,000.00
Sewer Infrastructure	\$ 350,000.00
Drainage Improvements	\$ 8,248,116.60

The Tax Increment Reinvestment Zone Financing Plan provides for tax increment allowable expenses in the approximate amount of \$ 5,438,873. The Reinvestment Zone Financing Plan provides for incremental financing and predicts revenues for the City of Pharr Tax Increment Reinvestment Zone Number Two.

Section II – Project Plan

Background

On February 03, 2015 the City Commission of the City of Pharr indicated its intent to create a tax increment reinvestment zone by Resolution # 2015-08 for the creation of the City of Pharr Tax Increment Reinvestment Zone Number Two. The City of Pharr TIRZ was created pursuant to Ordinance O-2015-52, O-2015-57, O-2016-15, O-2016-29 and O-2016-31 passed and approved by the City Commission on November 17th, 2015, December 8, 2015, April 18, 2016, July 22, 2016.

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

- Hidalgo County Economic Development Office, February, October and November 2015
- Hidalgo County Commissioner Pct. 2 and Staff, November 12, 2015
- Hidalgo County Commissioners Court Executive Session December 1, 2015.

Program Concepts

The City of Pharr Tax Increment Reinvestment Zone Number Two represents an important opportunity for the City of Pharr in partnership with Hidalgo County to develop a viable long-range plan for an area of the City, which has lagged in development of a wide range of commercial, retail and multi-family projects. New commercial retail, food service and multi-family are the key components of the development program. Increased employment opportunities for Pharr and surrounding county and community residents will be enhanced through the development activity within the Zone.

Development Goals and Objectives

The planned public improvements within the City of Pharr Tax Increment Reinvestment Zone Number Two will insure the future of the City as a viable option as national and regional companies looked to expand their presence in the Valley.

Description of District

The City of Pharr Tax Increment Reinvestment Zone Number Two is located in the western sector of the City. The market value of property within the Zone is estimated to be \$35,429,120 however, the total assessed value of the property in the Zone, the Base Value of the Zone, is estimated at \$29,333,786 per preliminary figures from the Hidalgo County Appraisal District. The City of Pharr TIRZ includes approximately 253.2149+/- acres of public and privately held land as shown on the Exhibit "A"

Existing Uses and Conditions

Exhibit "A" is a map of the proposed zone boundaries and reflects the existing uses and conditions of properties, being that the properties are vacant land, within the proposed Zone.

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

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

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

1. the proposed zone is a contiguous geographical area located wholly within the City limits or extraterritorial jurisdiction of Pharr;
2. less than 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 PSJA, Hidalgo or Valley View Independent School Districts,
5. development or redevelopment within the boundaries of the proposed Zone will not occur solely through private investment in the reasonably foreseeable future.

City of Pharr TIRZ Zoning

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

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

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

Relocation of Area Residents

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

Non Project Costs

The plan does not contemplate any non-project costs. However, the Board shall reserve the right to incur non-project costs in the event that drainage issues that are affecting property within the Zone require the expenditure of funds outside the boundaries of the Zone in order to ameliorate drainage issues within the Zone.

Proposed Public Improvements

DRAINAGE

Over the past 20 years Pharr like almost every other City in the Valley has experienced unanticipated and unplanned economic growth. Many of the drainage improvements that were installed in prior decades have proved inadequate to carry increased runoff from this development. Additionally as land has been converted from farm use to other uses and often time to just vacant land, the land has lost some of its ability to retain water. The City has proposed a massive and comprehensive drainage project for the western sector of the City, which is called the "West Downtown Drainage Project." It will control flooding in the Business 83 to Ridge Road corridor.

WATER, SEWER and STREETS

The construction of the "Westside Downtown Drainage" project will cause a number of streets to be reconstructed including new sewer and water lines.

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

CONCLUSIONS

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

SECTION III - Project Feasibility

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

1. Financial or economic feasibility
2. Market feasibility.

The purpose of the TIRZ is to address the financial or economic feasibility aspect of the development. TIRZ incremental funds provide for a portion of the development costs incurred for public improvements, thus insuring the financial feasibility of the Project. This project is financially feasible and can be developed with the funding of public improvements from TIRZ funds, however the City acknowledges that the incremental funds to be generated from the

project do not cover all of the cost of the proposed public improvements and that other funding sources will be necessary.

Market feasibility addresses issues relating to product absorption, type of product, and demand. As properties are brought out of flood zones and as new fast food and retail begins to agglomerate it will expand the economy of the City of Pharr and Hidalgo County thereby attracting additional retail, fast food, commercial and multi-family development.

SECTION IV – REINVESTMENT ZONE FINANCING PLAN

Tax Increment Financing

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

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

Financing Plan

The Reinvestment Zone Financing Plan developed by the City provides that potentially \$5,438,873 of public improvements will be paid for with TIF funds. The Reinvestment Zone Financing Plan also projects incremental funds for financing and revenues for the City of Pharr TIRZ# 2. It is not anticipated that tax increment funds in an amount to fully reimburse the City for all approved project costs will be generated over the projected life of the Zone

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

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

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

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

Development Schedule And Assumptions

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

Begin Construction	2017
Construction Complete	2025
Street & ROW	\$ 2,650,000.00
Water Infrastructure	\$ 250,000.00
Sewer Infrastructure	\$ 350,000.00
Drainage Improvements	\$ 8,248,116.60
Administrative Expense	\$ 20,000
Total Costs	\$ 11,518,117

Financial Assumptions

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

City of Pharr Project Review

City of Pharr - TIF Reinvestment Zone # Two B

Summary Fact Sheet December 4, 2015

Plan of Finance

Site Area		253.2149	Acres
Base Value (January 1, 2015 estimate)		\$29,333,786	

Project:

Phase 1	2016	\$	14,500,000	Commercial
Phase 2	2017	\$	6,500,000	Commercial
Phase 3	2019	\$	3,500,000	Commercial
Phase 4	2020	\$	2,750,000	Commercial
Phase 5	2021	\$	2,500,000	Commercial
Phase 6	2022	\$	10,000,000	Commercial
Phase 7	2323	\$	7,500,000	Commercial
Phase 8	2024	\$	3,750,000	Commercial
Phase 9	2525	\$	2,750,000	Commercial
Phase 10	2026	\$	3,750,000	Commercial

Totals		\$	57,500,000
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Assumptions	Captured Value		\$	57,500,000
	Growth Factor			0.00%
	Collection Rate			97.50%
	Estimated Total TIF Revenues		\$	5,412,420
	Estimated TIF Life			20 Years

Projected Value of New Tax Increment

Tax Year	Tax Increment Zone			City of Pharr			Hidalgo County		
	Beginning Assessed Value	Annual Value of New Development	Projected Year-End Assessed Value	Captured Taxable Value	Tax Rate Contribution	Tax Increments	Captured Taxable Value	Tax Rate Contribution	Tax Increments
2015	25,236,179		25,236,179	-	0.436575		-	0.261250	
2016	25,236,179	14,500,000	39,736,179	14,500,000	0.436575	61,721	14,500,000	0.261250	36,934
2017	39,736,179	6,500,000	46,236,179	21,000,000	0.436575	89,389	21,000,000	0.261250	53,491
2018	46,236,179	3,500,000	49,736,179	24,500,000	0.436575	104,287	24,500,000	0.261250	62,406
2019	49,736,179	2,750,000	52,486,179	27,250,000	0.436575	115,993	27,250,000	0.261250	69,411
2020	52,486,179	2,500,000	54,986,179	29,750,000	0.436575	126,634	29,750,000	0.261250	75,779
2021	54,986,179	10,000,000	64,986,179	39,750,000	0.436575	169,200	39,750,000	0.261250	101,251
2022	64,986,179	7,500,000	72,486,179	47,250,000	0.436575	201,125	47,250,000	0.261250	120,355
2023	72,486,179	3,750,000	76,236,179	51,000,000	0.436575	217,087	51,000,000	0.261250	129,907
2024	76,236,179	2,750,000	78,986,179	53,750,000	0.436575	228,793	53,750,000	0.261250	136,911
2025	78,986,179	3,750,000	82,736,179	57,500,000	0.436575	244,755	57,500,000	0.261250	146,463
2026	82,736,179	-	82,736,179	57,500,000	0.436575	244,755	57,500,000	0.261250	146,463
2027	82,736,179		82,736,179	57,500,000	0.436575	244,755	57,500,000	0.261250	146,463
2028	82,736,179		82,736,179	57,500,000	0.436575	244,755	57,500,000	0.261250	146,463
2029	82,736,179		82,736,179	57,500,000	0.436575	244,755	57,500,000	0.261250	146,463
2030	82,736,179		82,736,179	57,500,000	0.436575	244,755	57,500,000	0.261250	146,463
2031	82,736,179		82,736,179	66,550,000	0.436575	244,755	66,550,000	0.261250	146,463
2032	94,250,000		94,250,000	66,550,000	0.436575	201,125	66,550,000	0.261250	120,355
2033	94,250,000		94,250,000	66,550,000	0.436575	201,125	66,550,000	0.261250	120,355
2034	94,250,000		94,250,000	66,550,000	0.436575	201,125	66,550,000	0.261250	120,355
				\$ 57,500,000		\$ 3,386,131		\$ 2,026,289	
Annual Growth Factors Years 2016-2017				0.00%		75%			50%
Thereafter				0.00%		0.00%			0.00%
Combined Compound Growth Rate						97.50%			97.50%

Schedule of Projected Income From Value of New Tax Increment Continued

Fiscal Year Ending	TIF Revenue	Cumulative TIF Revenues
2015		
2016	-	98,655
2017	98,655	241,535
2018	142,880	408,228
2019	166,693	593,631
2020	185,403	796,044
2021	202,413	1,066,495
2022	270,451	1,387,974
2023	321,479	1,734,967
2024	346,993	2,100,671
2025	365,704	2,491,889
2026	391,218	2,883,108
2027	391,218	3,274,326
2028	391,218	3,665,544
2029	391,218	4,056,762
2030	391,218	4,447,980
2031	391,218	4,769,460
2032	321,480	5,090,940
2033	321,480	5,412,420
2034	321,480	

\$ 5,412,420

Project Budget

City of Pharr - TIF Reinvestment Zone

Sources & Uses

Sources of Funds

TIF Revenues	\$	5,412,420
Total TIF Proceed Funds	\$	5,412,420
Total Sources of Funds	\$	<u>5,412,420</u>

Uses of Funds

Begin Construction		2017
Construction Complete		2025
Street & ROW	\$	2,650,000.00
Water Infrastructure	\$	250,000.00
Sewer Infrastructure	\$	350,000.00
Drainage Improvements	\$	8,248,116.60
Administrative Expense	\$	20,000
Total Costs	\$	11,518,117
Project Financing Surplus (Shortage)	\$	(6,105,696)

Financial Feasibility

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

Conclusions

Based upon a set of conservative assumptions and analysis of the City of Pharr Tax Increment Reinvestment Zone District Project Plan and Reinvestment Zone Financing Plan, The City of Pharr TIRZ Board has concluded that the City of Pharr TIRZ Project Plan and Reinvestment Zone Financing Plan is feasible. The success of the City of Pharr TIRZ project plan will encourage other mixed-use commercial/food service/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 Pharr and Hidalgo County and will serve to stabilize and enhance future property values.

CITY OF PHARR - PROPOSED TIRZ 2 2015 -Exhibit A

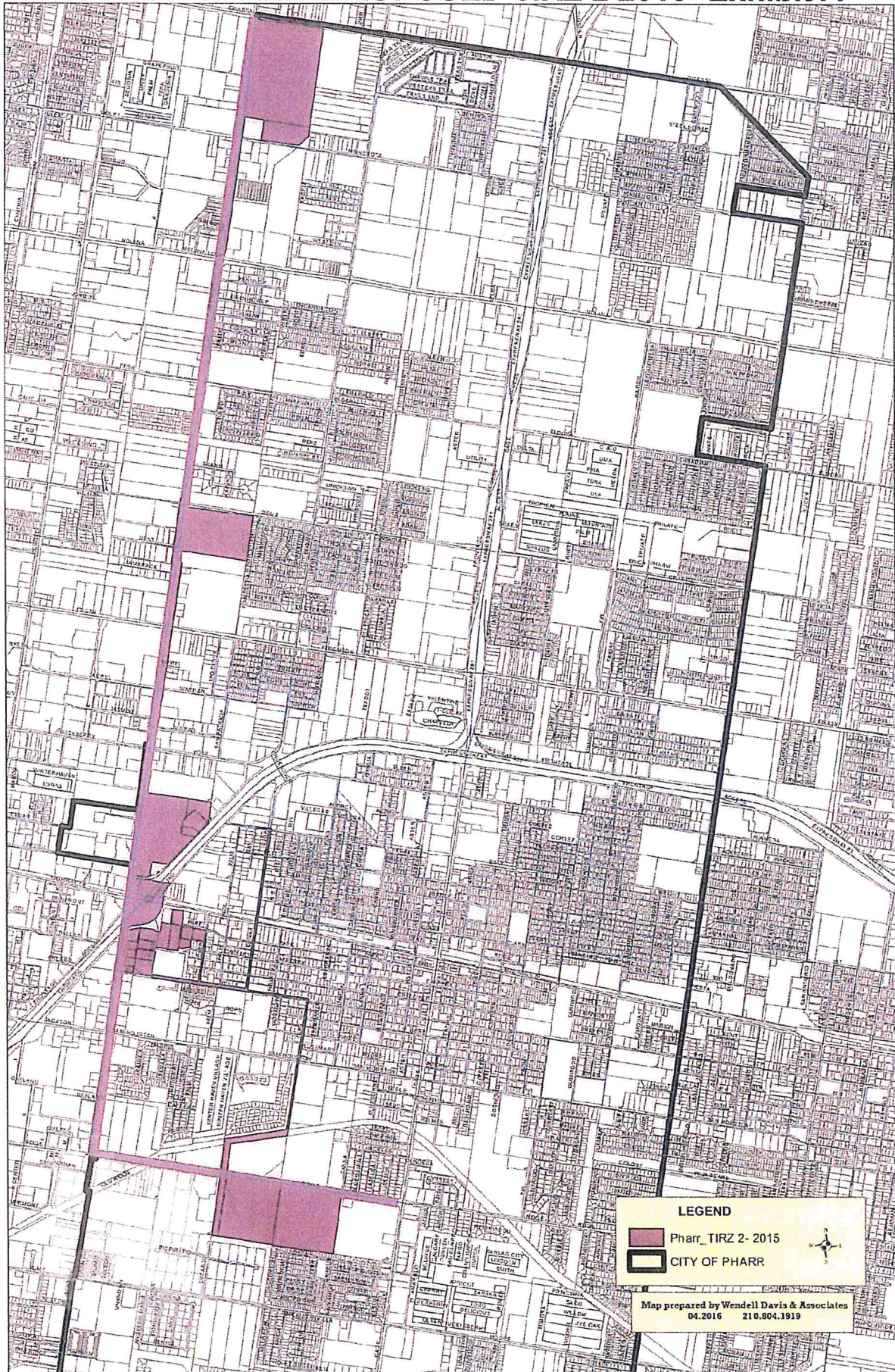


EXHIBIT "A" Continued Zone Account Numbers

Prop ID

202890
657111
1013055
1013056
1013311
1013310
1013309
1013305
897870
897871
897872
897873
258877
902654
230524
258891
258876
816221
846991
961801
719457
719456
719455
231082
1013404
230950

Source: Hidalgo County Appraisal District

Exhibit B

Zone Board Members

Chairperson	Oscar Elizondo
Vice-Chairperson	Eleazar Guajardo
Secretary	Mario Bracamontes
Board Member	Ricardo Medina
Board Member	Hidalgo County Appointee

Exhibit C

TIRZ REQUIREMENTS

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

Project Plan

- | | |
|--|-----------|
| 1. Map of Zone Properties | Exhibit A |
| 2. List proposed of sources and uses | Page 15 |
| 3. Description of Zone Property | Exhibit A |
| 4. Project Feasibility | Page 9 |
| 5. Proposed zoning changes | Page 8 |
| 6. Estimated non-project costs | Page 8 |
| 7. Relocation plan for current residents | Page 8 |

Financing Plan

- | | |
|---|----------|
| 1. Detailed estimate of project costs | Page 15 |
| 2. Proposed public improvements | Page 15 |
| 3. Project Timeline | Page 15 |
| 4. Estimated amount of bonded indebtedness | Page N/A |
| 5. Time when costs/obligations will be incurred | Page 15 |
| 6. Methods of financing, sources of Revenue | Page 13 |
| 7. Current total appraised value | Page 13 |
| 8. Estimated captured appraised value | Page 14 |
| 9. Duration of Zone | Page 13 |

Exhibit B

City of Pharr Ordinances

Exhibit B-1:	O-2015-52
Exhibit B-2:	O-2015-57
Exhibit B-3:	O-2016-15
Exhibit B-4:	O-2016-29
Exhibit B-5 :	O-2016-31