

ORDINANCE NO. 2026-13

AN ORDINANCE OF THE CITY OF MERCEDES, TEXAS, AMENDING THE INTERLOCAL AGREEMENT BY AND BETWEEN THE CITY OF MERCEDES, AND HIDALGO COUNTY, EXECUTED ON JANUARY 25TH, 2011, RELATED TO HIDALGO COUNTY'S PARTICIPATION IN SAID ZONE, TO ENABLE THE AGREEMENT TO BE TERMINATED BY THE CITY OF MERCEDES AND HIDALGO COUNTY; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Commission of the City of Mercedes, Texas (the "City"), previously created Tax Increment Reinvestment Zone Number One, City of Mercedes, (the "Zone") pursuant to Chapter 311, Texas Tax Code, by adoption of Ordinance No. 2008-33, adopted on December 30, 2008; and,

WHEREAS, by Ordinance #2008-33, the City and the County approved an interlocal agreement, providing for the County of Hidalgo to partner with the City of Mercedes and participate in the Reinvestment zone, providing terms and conditions for their participation; and

WHEREAS, the City Commission, in negotiation with Hidalgo County has agreed to terminate both the zone and the Inter-local Agreement between both parties; and

WHEREAS Section VI (B) of the interlocal agreement provides that neither City nor the Zone board shall take any action to terminate the Zone earlier than the duration of the zone set forth in the creation ordinance or the Interlocal agreement; and

WHEREAS Hidalgo County has requested that the Interlocal Agreement first be amended to strike the language in Section VI (B), in order to enable the City of Mercedes to terminate the zone, as is Authorized by Section 311. 017, Texas Tax Code;

NOW, THEREFORE BE IT ORDAINED, BY THE CITY COMMISSION OF THE CITY OF MERCEDES, TEXAS:

**SECTION ONE:** The Interlocal agreement approved by and between the City of Mercedes and Hidalgo County is hereby amended as follows: Section VI (B) is deleted, and replaced with the following language: The City of Mercedes, upon determination that the reinvestment zone is no longer viable, or able to fulfill its original economic development plan, and upon providing notice to Hidalgo County of the same, can by Ordinance, terminate the reinvestment zone.

**SECTION TWO:** The City Commission finds the amendment is necessary and required in order to request that Hidalgo also approve the amendment to the Agreement, in order that both Jurisdictions may approved actions to terminate the reinvestment zone due to its lack of viability of benefit to either jurisdiction.

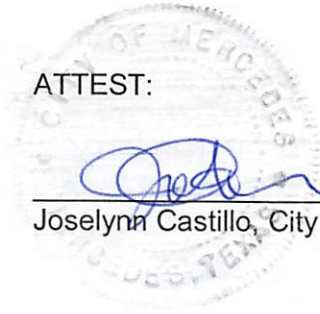
**SECTION THREE:** The Ordinance shall take effect immediately, upon its adoption as permitted by law.


Passed and approved on first reading this 21<sup>st</sup> day of April, 2026.

Passed and approved on this second reading this 5<sup>th</sup> day of May, 2026.


CITY OF MERCEDES, TEXAS

ATTEST:



  
\_\_\_\_\_  
Joselynn Castillo, City Secretary

  
\_\_\_\_\_  
Oscar D. Montoya Sr., Mayor

  
\_\_\_\_\_  
Martie Garcia-Vela, City Attorney

THE STATE OF TEXAS  
COUNTY OF HIDALGO

§  
§  
§

CITY OF MERCEDES

### 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 MERCEDES, TEXAS (hereafter referred to as "CITY"), a Texas General Law City, acting through its City Manager pursuant to Ordinance #2008-33, passed and approved by the City Commission on December 16 and December 30 2008, HIDALGO COUNTY (hereafter referred to as "COUNTY"), a political subdivision of the State of Texas, and REINVESTMENT ZONE NUMBER ONE, CITY OF MERCEDES, 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 Project.

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

##### CITY

Ricardo Garcia  
City Manager  
City of Mercedes  
400 S. Ohio  
Mercedes, Texas 78570

##### COUNTY

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

With Copy to:

ZONE BOARD

Attention: Chairman  
Reinvestment Zone Number One, City of Mercedes, Texas  
400 S. Ohio  
Mercedes, Texas 78570

With Copy to:

HIDALGO COUNTY AUDITOR

Attention: Ray Eufrazio, CPA  
Re: City of Mercedes TIRZ #1  
2808 South Business Hwy 281  
Edinburg, Texas 78539

## B. Index

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

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit "A"	Project Plan	
Exhibit "B"	City of Mercedes Ordinance	

## C. Parts Incorporated

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

## II. DEFINITIONS

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

1. "Administrative Costs" means reasonable costs directly incurred by a Participating Taxing Entity (as hereinafter defined) related to its agreement to participate in the development of the ZONE, as described in this Agreement. These costs include, but are not limited to, costs and expenses for legal review and financial analysis related to the ZONE incurred prior to entering into this Agreement, as well as any such costs and expenses incurred after this Agreement becomes effective. The aggregate Administrative Costs over the life of the ZONE are estimated to be \$ 25,000. 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 2008, the base year of the ZONE.
6. "CITY" has the meaning set forth in Section LA.1 above, and includes its successors and assigns.
7. "COUNTY" has the meaning set forth in Section LA.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 be changed by

- the COUNTY during the term of the Zone. The COUNTY M&O Tax Rate for the year 2009 was .5127
9. "Final Project Plan and Financing Plan" means the Final Project Plan and Financing Plan for Reinvestment Zone Number One City of Mercedes, Texas – Mercedes Development Program as adopted by the Board of Directors of ZONE on February 12, 2009, and approved by City Commission of CITY on May 5 and May 19, 2009, and attached hereto as Exhibit "A".
  10. "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.
  11. "Parties" has the meaning given such term in Section I.A.1 above.
  12. "Project" means the City of Mercedes Proposed Public Improvements identified in the Final Project and Financing Plan.
  13. "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.
  14. "Project Plan" means the Final Project Plan for the ZONE as adopted by the Board of Directors of the ZONE on February 12, 2009 and approved by the CITY Commission of the CITY on May 5 and May 19, 2009, and attached hereto as Exhibit "A".
  15. "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.
  16. "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, 2008, the year in which the ZONE was designated.
  17. "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 Mercedes, Texas Tax Increment Fund."
  18. "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.
  19. The "term of the ZONE" has the meaning set forth in Section III.A below.
  20. "ZONE" means Tax Increment Reinvestment Zone Number One, City of Mercedes, Texas, created by the CITY over the Zone Area on December 16, and December 30, 2008, by Ordinance No. 2008-33 a 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. A Resolution passed and approved by City Commission of CITY on Tuesday June 17 2008, expressed the CITY's intent to create a tax increment financing reinvestment zone to support revitalization activities for the ZONE, commonly known as the Mercedes Development Project, pursuant to Chapter 311, Texas Tax Code. On December 16 and 30, 2008, the City Commission of CITY passed and approved Ordinance # 2008-33 which created the ZONE. The ZONE will provide funding for public improvements within the ZONE. The ZONE is projected to terminate on December 31, 2032, unless earlier termination occurs under this Agreement (the "term of the ZONE").

B. The ZONE BOARD adopted the Project Plan on February 12, 2009. The CITY approved the Project Plan and Project Financing Plan on May 5 and 19, 2009. 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. 2008-33, 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 of Mercedes 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 100% of the revenue generated from the COUNTY M&O Tax Rate as assessed and collected on the tax increment for the respective tax year *less Administrative Costs as specified below*. For the purpose of this Agreement the COUNTY M&O Tax Rate shall be calculated as set forth in section IV.B.9 of this Agreement. In no event shall the COUNTY contribution to the Tax Increment Fund over the life of the ZONE (beginning with the 2009 tax year) be greater than ten million, two hundred thirty six thousand, three hundred thirty dollars \$10,236,330. Administrative Costs in the amount of \$1,000 per year will be reimbursed to the County by deduction from the annual payment made to the Tax Increment Fund, not to exceed the aggregate amount of \$25,000. The following calculation will be used to calculate the COUNTY's Tax Increment Reinvestment Zone payment amount.

The chart below is an example of a tax increment payment calculation pursuant to this Agreement.

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))	\$ 1,000,000.00
<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	\$ 5900.00
TIRZ Real Property Certified Taxable Value as of January 31 (Provided by Hidalgo County Appraisal District (HCAD))	\$ 1,000,000.00
<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	\$ 900,000.00
Captured Appraised Value	\$ 900,000.00

<b>(multiplied by) Contribution Rate (The lesser of actual tax year COUNTY M&amp;O Tax Rate or rate specified on agreement) (.51/100)</b>	<b>0.0051</b>
<b>Tax Levy Due to TIRZ</b>	<b>\$ 4,590.00</b>
<b>TIRZ Collections (for February 1 through January 31) as per Collections Reports provided by Hidalgo County Tax Office</b>	<b>\$ 3,000.00</b>
<b>(divided) GHD Actual Tax Levy for all Real Property tax accounts located within the TIRZ</b>	<b>\$ 5,900.00</b>
<b>Percent Collected of Actual Levy</b>	<b>50.85%</b>
<b>Tax Levy Due to TIRZ</b>	<b>\$ 4,590.00</b>
<b>(Multiplied by) Percent Collected of Actual Levy</b>	<b>50.85%</b>
<b>TIRZ PAYMENT AMOUNT</b>	<b>\$ 2,334.02</b>
<b>LESS ADMINISTRATIVE COSTS</b>	<b>\$ 1,000.00</b>
<b>FINAL TIRZ PAYMENT AMOUNT</b>	<b>\$ 1,334.02</b>

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 be subject to section 311.013 (d) of the Tax Code and end when it has contributed the maximum total contribution provided for herein of ten million, two hundred thirty six thousand, three hundred thirty dollars \$10,236,330, 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. 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. COUNTY agrees to deposit its first Tax Increment Payment to the Tax Increment Fund for tax year 2009 once all tax accounts have been coded by the Hidalgo County Appraisal District, the Hidalgo County Tax Office has received the list of tax accounts, collection reports have been provided to the Hidalgo County Auditor's Office, the information required under section 311.016 of the Tax Code and the fully executed Interlocal Agreement have been received by the COUNTY. The amount of the first Tax Increment Payment shall be based on the Tax Increments that were received up to January 31, 2010,

but only for tax year 2009 beginning January 1, 2009. For subsequent payments, the COUNTY agrees to contribute its yearly Tax Increment Payment to the Tax Increment Fund annually not later than the 90<sup>th</sup> 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 31<sup>st</sup> 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. Under no circumstances shall the COUNTY be required to participate in the ZONE with taxes attributable to periods after 2032.

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 and the date for the next annual meeting. 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 90<sup>th</sup> day following the end of the fiscal year of the CITY. The CITY shall also request collection reports from the Hidalgo County Tax Assessor Collector and provide a copy of those reports and a payment request to the COUNTY one month prior to a payment required under Section IV.B of this agreement.

3. Pursuant to Chapter 311 of the Texas Tax Code, in the event there is a conflict between the Parties in regards to the amount of the Tax Increment owed by 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.

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

"A taxing unit shall make a payment required by the Subsection (b) [Tax Increment Payment], not later than the 90<sup>th</sup> day after the delinquency date for the unit's property taxes. A delinquent payment incurs a penalty of five percent of the amount delinquent and accrues interest at an annual rate of ten 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 required under section IV.B.2 and the report required under section §311.016 of the Texas Tax Code is 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 ten million, two hundred thirty six thousand, three hundred thirty dollars (\$10,236,330), 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. The County agrees to participate at one hundred percent (100%) of its COUNTY M&O Tax Rate equal to \$0.5127 per \$100 valuation on the Captured Appraised Value less Administrative Costs as provided in section IV.A.1 above. In the event that the COUNTY M&O Tax Rate is less than \$0.5127 per \$100 valuation on the captured appraised value during any of the years 2009 through 2032, then the maximum tax increment paid by the COUNTY into the Tax Increment Fund shall not exceed the designated percentage of the total amount of taxes collected by the COUNTY at the actual COUNTY M&O Tax Rate during the year the COUNTY tax rate is less than \$0.5127 per \$100 valuation. In the event that the COUNTY M&O Tax Rate is greater than \$0.5127 per \$100 valuation on the captured appraised value during any of the years 2009 through 2032, the COUNTY shall retain all taxes collected above the maximum amount of tax increment deposited in the Tax Increment Fund at the designated percentage of the COUNTY M&O Tax Rate contribution equal to a tax rate of \$0.5127 per \$100 valuation on the captured appraised value. The Captured Appraised Value will be the value provided to COUNTY by the Hidalgo County Appraisal District as of January 31<sup>st</sup> of the year the tax increment payment is due for such tax roll. 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. 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 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 one member 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 one hundred percent (100%) of its Tax Increment each year during the term of this Agreement, beginning with the 2009 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 2032, whichever occurs first. Notwithstanding anything herein to the contrary, the total CITY Tax Increment Payments over the term of the ZONE shall not exceed sixteen million, seven hundred thirty two thousand, four hundred sixty three dollars (\$16,732,463).

**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 2009 by April 30, 2011. The amount of the first Tax Increment Payment shall be based on the Tax Increments that were received through January 31, 2010, but only for the tax year 2009 beginning January 1, 2009. 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 Section 311.013(c) 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. 2008-33 passed and approved by City Commission of the CITY on December 16 and 30, 2008. 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 Administrative Costs, in the aggregate, exceed the amount set out and described in Section II.1 above.

3. No funds will be paid from the Tax Increment Fund to a Participating Taxing Entity for its financial or legal services incurred in any dispute arising under this Agreement with another Participating Taxing Entity.

**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 2009 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, 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 No. 08-04-09 dated April 05, 2009. 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.

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 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 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.

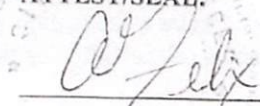
**K. ZONE Designation**

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

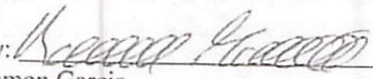
IN WITNESS HEREOF, the CITY OF MERCEDES; HIDALGO COUNTY AND TAX INCREMENT REINVESTMENT ZONE NUMBER ONE (1), CITY OF MERCEDES, TEXAS have made and executed this Agreement in triplicate originals on this 25<sup>th</sup> day of January, 2011.

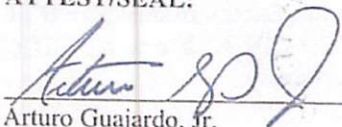
CITY OF MERCEDES

  
\_\_\_\_\_  
Ricardo Garcia  
City Manager

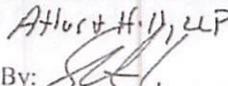
ATTEST/SEAL:  
  
\_\_\_\_\_  
City Secretary

HIDALGO COUNTY

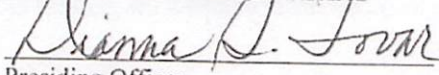
By:   
\_\_\_\_\_  
Ramon Garcia  
County Judge

ATTEST/SEAL:  
  
\_\_\_\_\_  
Arturo Guajardo, Jr.  
County Clerk

APPROVED AS TO FORM FOR  
HIDALGO COUNTY:

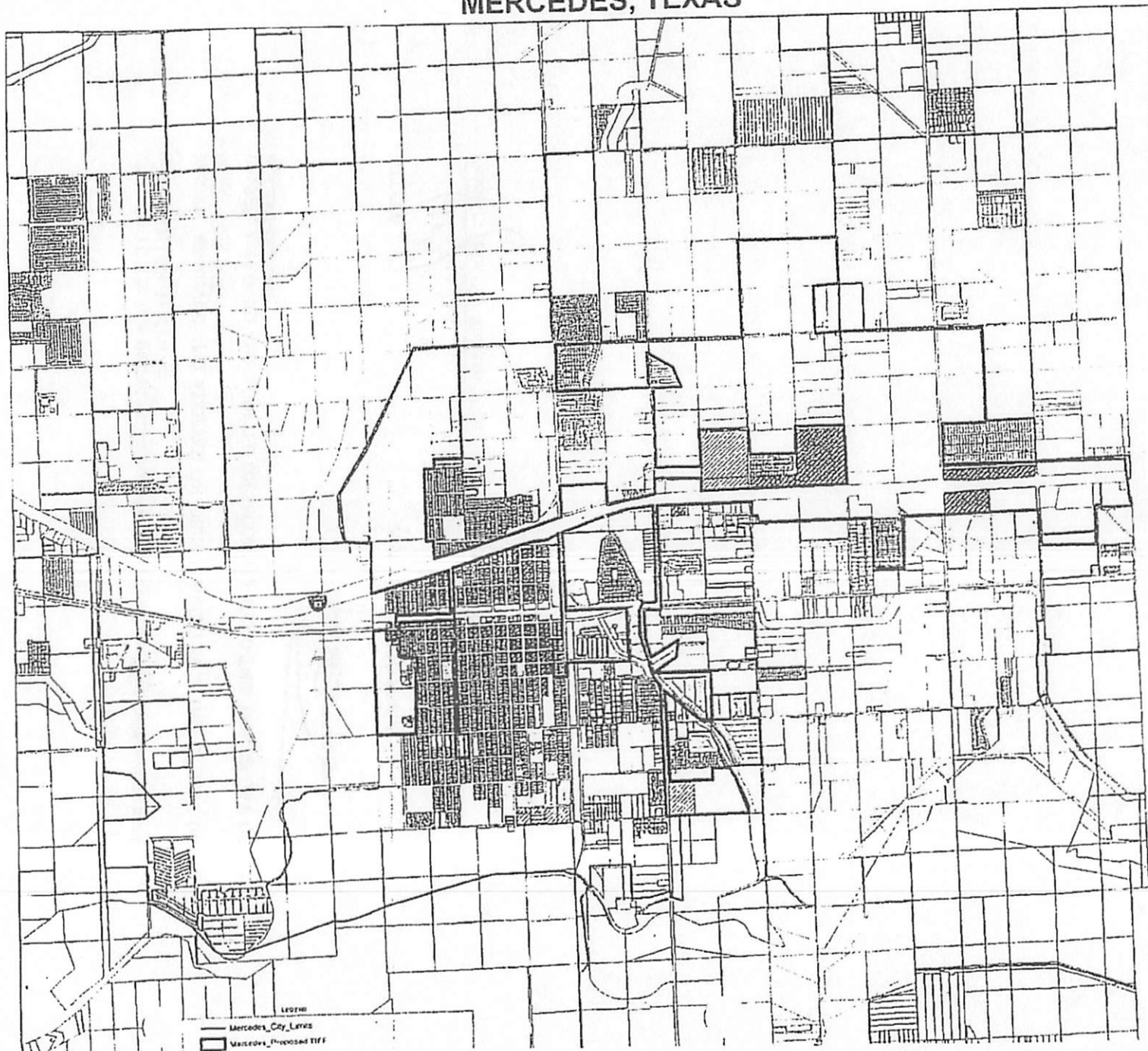
  
\_\_\_\_\_  
By: Stephen L. Crain  
Atlas & Hall, L.L.P.

REINVESTMENT ZONE NUMBER ONE,  
CITY OF MERCEDES, TEXAS

  
\_\_\_\_\_  
Diana D. Jovan  
Presiding Officer

APPROVED BY  
COMMISSIONERS' COURT  
ON: 1/25/11 

# MERCEDES, TEXAS



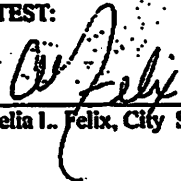
**SECTION 11. The Zone shall take effect immediately upon passage of this Ordinance, pursuant to Section 311.004(3) of the Act**


**PASSED, APPROVED AND ADOPTED ON FIRST READING THIS THE 16<sup>th</sup> DAY OF DECEMBER, 2008.**

**PASSED, APPROVED AND ADOPTED ON SECOND READING THIS THE 30<sup>th</sup> DAY OF DECEMBER, 2008.**



Joel Quintanilla, Mayor

**ATTEST:**  
  
Arcelia L. Felix, City Secretary

**APPROVED AS TO FORM:**  
  
Juan R. Molina, City Attorney

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 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 30, 2008 and continue till its termination date of December 31, 2032 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 are 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 MERCEDDES, 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, 2008, 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 MERCEDDES, 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 311.005 of the Act, being that the Zone area 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 MERCEDDES, pursuant to the Act, further finds and declares that:

1. the proposed zone is a contiguous geographical area located wholly within the City limits of MERCEDDES;
2. less than ten percent (10%) of the property in the proposed Zone is used for residential purposes, as the term "residential" is defined in Section 311.006(d) of the Act;
3. the total appraised value of the taxable real property in the proposed Zone or in existing reinvestment zones, if any, does not exceed fifteen per cent (15%) of the total appraised value of taxable real property in the City and in industrial districts, if any, created by the City;
4. the proposed Zone does not contain more than fifteen percent (15%) of the total appraised value of real property taxable by MERCEDDES County and the School Districts of Valley View and MERCEDDES 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

ORDINANCE #2008-33

AN ORDINANCE DESIGNATING AN AREA KNOWN AS THE CITY OF MERCEDES REDEVELOPMENT PROJECT AS A TAX INCREMENT REINVESTMENT 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 MERCEDES; AND ESTABLISHING A TAX INCREMENT FUND

WHEREAS, the City Council (the "Council") of the City of MERCEDES, 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 (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 through resolution # 2008-05 on June 17, 2008; 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 Reconstruction, (ii) Wastewater Treatment Capacity and Sewer Collection, (iii) Water Treatment Capacity and Distribution Improvements, (iv) Drainage Improvements, (v) New Municipal Facilities, (vi) Right-of-Way Acquisition and New Arterials and Collector Streets, (vii) Utility Relocation, (viii) Park Facilities, (ix) Economic Development, (x) and Water Rights Acquisition; and

WHEREAS, pursuant to the Act, the City may designate a contiguous geographical area within the City; 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 16 at 6:30 p.m. in the City Commission Chambers, City Hall to consider the creation of a Tax Increment Reinvestment Zone 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 CITY COUNCIL OF THE CITY OF MERCEDES:**

**SECTION 1. DESIGNATING THE AREA AS A REINVESTMENT ZONE.** The area described in Section 2. below and more commonly referred to as the "MERCEDES Redevelopment 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 outlined in red, all public streets in the City of Mercedes are considered to be in the Zone.

**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.

**Exhibit B**  
**City of Mercedes Ordinance No. 2008-33**

**Exhibit A**  
**City of Mercedes Tax Increment Reinvestment Zone # 1**  
**Project Plan and Financing Plan**

**FINAL  
PROJECT PLAN  
AND FINANCING PLAN  
FOR**

**Reinvestment Zone Number One**

**City of MERCEDES, Texas**

**MERCEDES Development Program**

**February 17, 2009**

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## **SECTION I – EXECUTIVE SUMMARY**

### **Overview of Plan**

The City of Mercedes Tax Increment Reinvestment Zone (“TIRZ”) Number One represents an important opportunity for the City of Mercedes 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 and multi-family housing, and destination recreational facilities in areas of the City that have significant and varied impediments to development.

Large tracts of land in and around the City have remained vacant due to incomplete and lack of available City street infrastructure, drainage issues, and the availability of sewer and water service. The costs associated with the remediation of development and redevelopment issues are of a magnitude that without additional sources of funds the growth of the City will be significantly impaired.

The creation of the TIRZ will provide the following benefits:

1. Funding for necessary public improvements associated with 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 Mercedes 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 Mercedes economy and housing market.

The proposed TIRZ is comprised of vacant land throughout the City of Mercedes. Also included within the TIRZ boundaries are the public rights of way and alleys of Dyanez St., Jessica St., Aaron St., Joey St., Mockingbird Ln., Oak Tree Ln., Mile 1 ½ E, Eastland St., County Roads 1730, 1731 and 1741, East 8<sup>th</sup> St., Date Palm Dr., Palmetto St., Royal Palm, Sabal Palm Dr., Mile 1 East, Diego Dr., Micaela Dr., Progress St., Industrial, Park St., Vogel t., Mile 7 North, Las Palmas Dr., Orange St., Alamo St., E 2<sup>nd</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, 10<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup> and 13th Sts., Franco Drive, Santos Ave., Normalinda Ave. Caroline Ave., Alexandria, Arroyo Cir., Normalinda Cir., LA Cir., Belinda, Closner Blvd. Valle Verde Dr., Hereford, Brahman, Angus and Beefmaster Sts., Mercedes Dr., N and S Garden St., Lantana Ln., Mirasol St., Cenizo St., Esperanza St., David Reyes, David Dominguez, Pedro Martinez, St., J A Garcia St., N, E, S, and West Melton Park Dr., San Jacinto Ave., Dawson Rd., Maerose Ave., Palmetto Ave., Loretta Ave., Patricia Ave., Brooks Ave., N Capisallo Rd., Chapman St., Ebony Blvd., Ash, Birch, Cedar, Dogwood., Amigos Ln., Avenue C, Nevada, Kansas, Iowa and Florida Aves., Dowler St., Bruce St., Tiger Ln., Oak Ridge Dr., Prosperity Dr., E 17<sup>th</sup> St., Ruby Red St., Alex St., Tangelo Ave. Valencia, Connie St., Santos St., Armory Dr., Caldeira St., Cindy Ln., Taylor Dr., Webb St., Cedar St., Hill St., N & S Ohio Ave.,

Duval St., N & S Texas Ave., N & S Missouri Ave., Gillman Ave., Garcia Ave., Silver Ave., N & N & S Washington Ave., Anacuitas, Star St., Cameron St., W 1<sup>st</sup> St, Hidalgo St., N & S Virginia St., N & S Georgia St., Ruben Vela & Gilberto Perez, S Illinois St., W 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, 10<sup>th</sup>, 12<sup>th</sup>, 14<sup>th</sup>, 15<sup>th</sup>, 16<sup>th</sup> and 17<sup>th</sup> Sts., North St., Jones Ave., Hendrick Ave., N Vermont St., Tangerine Ave., Dallas St. Willacy St., Retama, Levee Road # 3, N Colorado, Michigan Ave., Matamoros, Reynosa Ave., Frances Ave., Palm Ave., Maryland Ave, Mathes Ave., Garza Ave., Turkey Trot St., Mile 6, 6 ½ & 7 North, Mesquite Ln., Ebony Ln., Mesquite Dr., Liberty St., Mile 2 West. East West Blvd., Dakota Ave., Ebony Ave., Tamarack Ave., Med High Dr., Date Palm, Kendalwood, Hackberry, Lazbuddie Ln. E & W, N & S Oak, Pecan, Maple, Scott, Jeff, Ash, Yolanda, Donna St., Donna Ave., Dona Ln., Juanita St., Santa Maria, and Carolina

### **Development Goals and Objectives**

The development goals and objectives, which are expected to meet the specific needs of the City of Mercedes 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.
- Secure future water rights for Mercedes residents and insure that the entire City is under the City of Mercedes CCN.
- Provide for new commercial and residential opportunities through the completion of the additional arterial and collector streets described in the Transportation, Chapter 4, of the City of Mercedes Comprehensive Plan.
- Begin to address the need for expanded housing opportunities for Mercedes residents and Mercedes workers who have to commute to work.
- Provide employment opportunities to service increasing population growth within the City and surrounding Hidalgo County.
- Improve the quality of life for Mercedes and eastern Hidalgo County residents through the completion of destination and local park facilities.
- Solve long-range storm drainage issues that affect the City and its residents.
- Enhance the quality of life within the City and western Hidalgo County through Economic Development Incentives.
- Address expanding City needs for additional municipal facilities.
- Provide for funds for the reconstruction of City Streets including, utility upgrades and sidewalk installation, that impede redevelopment or new development.

The City of Mercedes 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

The City of Mercedes TIRZ Development Program includes;

Phase 1	2008-09	\$20,000,000	Commercial
Phase 1a	2008-09	\$2,250,000	Single Family
Phase 2	2010	\$5,250,000	Commercial
Phase 2b	2010	\$3,750,000	Single Family
Phase 3	2011	\$1,500,000	Commercial
Phase 3a	2011	\$3,000,000	Single Family
Phase 4	2012	\$6,250,000	Commercial
Phase 4a	2012	\$3,750,000	Single Family
Phase 5	2013	\$2,500,000	Commercial
Phase 5a	2013	\$3,750,000	Single Family
Phase 5b	2013	\$12,500,000	Multi-Family
Phase 6	2014	\$2,500,000	Commercial
Phase 6a	2014	\$3,750,000	Single Family
Phase 7	2015	\$12,500,000	Commercial
Phase 7a	2015	\$3,750,000	Single Family
Phase 8	2016	\$2,500,000	Commercial
Phase 9	2017	\$1,500,000	Commercial
Phase 10	2018	\$3,250,000	Commercial
Phase 11	2019	\$2,500,000	Commercial
Phase 12	2020	\$2,500,000	Commercial

\$62,750,000 Commercial  
 \$12,500,000 Multi-Family  
 \$24,000,000 Single Family

The total private investment is expected to be in excess of \$ 94,250,000

The projected values of future commercial development are based upon an analysis of the 2006 and 2007 and 2008 building permits issued by the City of Mercedes. Single and multi-family developments are projected at levels that begin to meet the needs of the existing population base and the additional need projected from future economic development within the Zone

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

## Public Improvements Project Plan

The public improvements enumerated in the Project Plan, with an estimated cost of \$70,000,000 provide for street and arterial right of way acquisition and the construction of additional east-west and north-south streets, the construction and expansion of the sewer and water treatment and distribution facilities, the addressing of housing issues that are impeding economic development, the remediation of the drainage issues that occur with all significant rainfalls, the need for additional public safety and municipal facilities, the purchase of property for Economic Development Incentives and the construction of regional and local park facilities. The public improvements planned for the City of Mercedes TIRZ District are designed to help meet the long-term needs to secure and insure growth and investment in the City and western Hidalgo County.

### Planned Public Construction

The City of Mercedes TIRZ Development Program will begin construction in 2010 with construction continuing on an annual basis through 2032, the development program includes;

#### Public Improvements

Street and Arterial Right of Way Acquisition	\$ 1,000,000
New North-South Arterials and Collectors	\$ 2,500,000
New East-West Arterials and Collectors	\$ 5,000,000
Sewer Plant	\$ 3,500,000
Collector Trunk Line Expansion	\$ 9,000,000
Water System Expansion	
Water Rights Acquisition	\$ 2,000,000
Expand CCN to entire City	\$ 4,000,000
Water Storage Facility	\$ 3,500,000
Municipal Facilities Acquisition and Development	
Fire & Public Safety	\$ 3,000,000
Public Works	\$ 3,000,000
Regional Park	\$ 6,000,000
Local Parks	\$ 1,000,000
Historic Buildings	\$ 2,500,000
Library	\$ 3,000,000
Street Reconstruction	\$ 10,000,000
Utility Relocation	\$ 4,000,000
Economic Development	\$ 7,000,000
<b>Total Public Improvements</b>	<b>\$ 70,000,000</b>

**Financing Plan**

**The TIRZ Financing Plan provides for tax increment allowable expenses in the approximate amount of \$32,268,618. The Reinvestment Zone Financing Plan provides for incremental financing and predicts revenues for Tax Increment Reinvestment Zone # One, City of Mercedes.**

**Conclusions**

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

## Section II – Project Plan

### Background

On June 17, 2008 the City Commission of the City of Mercedes approved a “Resolution of Intent” to consider the creation of the City of Mercedes TIRZ through Ordinance #2008-25. On December 16, 2008, the City Commission approved Ordinance #2008-33, which authorized the creation of the TIRZ and appointed a Board of Directors for the Zone.

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

- Hidalgo County Commissioners Court on December 16, 2008
- Mercedes Independent School District on December 8, 2008

### Program Concepts

The City of Mercedes TIRZ District represents an important opportunity for the City of Mercedes 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 Mercedes and the surrounding county and community residents will be enhanced through the development and redevelopment activity within the Zone.

### Development Goals and Objectives

The planned public improvements within the City of Mercedes 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 retail being developed in Mercedes allowing western Hidalgo County to benefit from the current and future economic activity being generated by that facility

### Description of District

The City of Mercedes TIRZ District is located throughout the City. It uses a series of major through-fares and city street right-of-ways to connect the various properties within the Zone. The total assessed value of the property in the Zone, the Base Value of the Zone, is approximately \$74,173,671 per the Hidalgo County Appraisal District. The City of Mercedes TIRZ zone includes approximately 1,053 acres of public and privately held land surrounding the City as shown on the map of properties attached to this document as Exhibit “B”.

### Existing Uses and Conditions

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

1. The proposed zone is a contiguous geographical area located wholly within the City limits of Mercedes;
2. Less than ten percent (10%) of the property in the proposed Zone is used for residential purposes, as the term "residential" is defined in Section 311.006(d) of the Act;
3. The total appraised value of the taxable real property in the proposed Zone or in existing reinvestment zones, if any, does not exceed fifteen per cent (15%) of the total appraised value of taxable real property in the City and in industrial districts, if any, created by the City;
4. The proposed Zone does not contain more than fifteen percent (15%) of the total appraised value of real property taxable by Hidalgo County and the Mercedes Independent School District,
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 Mercedes TIRZ Zoning

Properties proposed to be in the Zone are currently zoned; "N – Newly Annexed"; "A-2 Single Family Residence;" "B-2 Two Family Residence;" "C – Apartment"; "RMH – Mobile Home"; "B – Business District"; "C – Business District;" "A – Industrial;" "B – Industrial;" and "LI – Industrial. "N – Newly Annexed" is a holding zoning, which allows only those uses applicable to an "A – Single Family Residence, the most restrictive property zoning in the City of Mercedes.

Anticipated zoning changes include the addition of "C – Apartment" zoning the replacing of all "N-Newly Annexed" zoning with commercial and industrial zoning and the addition of "PD" Planned Development District. There are no proposed changes in zoning ordinances, the City of Mercedes Comprehensive Master Plan, building codes or subdivision rules and regulations.

### Non-Project Costs

The City may from time to time purchase historic structures located throughout the City using TIRZ revenue for acquisition and rehabilitation. The TIRZ Board shall determine potential purchasers of the designated structures based upon the desired use of the structures by the City. Net proceeds from the sale of the designated structures shall be deposited into the TIRZ fund established by the City.

## **Proposed Public Improvements**

### **STREET AND ARTERIAL RIGHT OF WAY ACQUISITION**

Recent population growth and an expanded commuter workforce have increased the demands on city infrastructure, specifically streets. As a result, the City of Mercedes has identified several streets for extensions. The City has also identified through its "Long Range Thoroughfare Plan" additional collector and arterial streets that will facilitate vehicular movement throughout the City. As development occurs naturally the City, through its platting process, will require the dedication of right of way and the construction of the streets identified in its long-range plan. In order to facilitate additional growth in the area of development the City may acquire additional right of way from adjacent landowners for future street construction.

### **NEW NORTH SOUTH ARTERIALS AND COLLECTORS AND EAST WEST ARTERIALS AND COLLECTORS**

The City through its "Long Range Thoroughfare Plan" has identified the following street connections and improvements to improve circulation and vehicle flow and facilitate public safety and fire vehicular efficiency.

1. Extension of Mile 8 North from Baseline Road west through the floodway to connect to Mile2W Road (and FM1015).
2. Extension of a north/south collector from Expressway 83 N. Frontage Road north to Mile 8 North near the eastern bank of the floodway.
3. Extend a proposed collector between N. Baseline Road and Mile ½ East.
4. Extend the principal arterial Mistletoe/Rio Rico/FM491 that ends now at Business 83 north to Expressway Frontage.
5. Extend a collector west from the end of 17<sup>th</sup> Street to the southward extension of Vermont Ave.
6. Extend Vermont as a collector south all the way to the proposed westward extension of 17<sup>th</sup> Street

### **SEWER PLANT AND COLLECTOR TRUNK LINE EXPANSION**

The City of Mercedes currently consumes on average 2.4 million gallons of water per day (MGD). The City needs to increase its water treatment capacity to 11 MGD for long-term growth. The current water treatment facilities are on average over 50 years old and are difficult to maintain and to modernize. The plant does not have the ability to process effluent for reuse, something that will become increasingly important as the Valley population continues to expand. The anticipated cost for the additional treatment capacity and ground storage is \$3,500,000 and expansion and significant upgrading of the collection system are anticipated to cost an additional \$9,000,000.

## **WATER SYSTEM EXPANSION**

**The City does not have adequate water rights to service its existing population. Water rights are increasing in cost every year and will not be available forever. The City needs to secure enough additional rights to address its current population growth as well as growth into the future.**

**The City needs to secure the CCN for the entire City. Negotiations are underway with North Alamo Water Supply Corporation to secure the transfer of their CCN and associated water infrastructure particularly along the commercial corridors where it is critical to development that there be adequate water pressure for fire hydrant and fire suppression system flows. Once the CCN territory and the infrastructure are acquired, physical upgrades will be necessary to provide larger waterlines with more water pressure.**

**Currently the City has no storage capacity for its daily water use. The City engineer has recommended a ground storage tank with between a 2 and 3-day supply of water to meet emergency demand in the event of a major storm. The construction of this facility will be in conjunction with Parks and/or other municipal facilities and will be built with as much multi-functionality as is possible.**

## **MUNICIPAL FACILITIES ACQUISITION AND DEVELOPMENT**

**Fire and Public Safety: The City has identified additional modern fire safety facilities as its greatest public safety requirement. Funds from the TIRZ will be used to acquire the most advantageous site in the City and for the construction of the new facility**

**Public Works: The City needs to combine all of its public works equipment and workers into a single modern yard with repair and maintenance facilities. Having workers and equipment at a number of location works to create inefficiency and additional cost to the taxpayer. Funds from the TIRZ will be used to acquire the most advantageous site in the City and for the construction of the new facility**

**Regional Park: The City in conjunction with the School District will develop a regional park serving all of western Hidalgo County. Adequate playing fields for organized sports are a prerequisite for developing are youth. Young people who participate in team sports activities are less likely to engage in risk taking behavior and more likely to complete school. The facility will also be of use to large groups and family reunions and will complement the RGV Fairgrounds.**

**Local Parks: Fostering a sense of community is a goal of the City. Small neighborhood parks on vacant strips of land provide for gathering places for neighbors to meet and come to know one another. The City will identify through neighborhood meetings and public hearings tracts of land that may be available to develop and economically maintain.**

**Historic Buildings:** The Mercedes Fire Station as well as a number of private historic buildings need to be modified for modern reuse while preserving their historic facades. Historic preservation will also serve to extend the stay of visitors to the area that were attracted by the Outlet Mall. Additional buildings of significant historic value may become available which the City would want to acquire to protect and renovate through the use of TIRZ funds.

**Library:** The City and its residents are proud of their library facility. Use of the facility has grown annually and it is at the edge of its ability to adequately meet the needs of the residents. Funds for the expansion of the facility as well as additional parking are included in the Zone.

## **STREET RECONSTRUCTION**

Older streets that were either county roads or private streets that have been annexed into the City need to be widened and rebuilt to facilitate increased traffic and safety issues and to bring the roads up to City code. The City through its "Long Range Thoroughfare Plan" has identified two particular streets that need to be upgraded to collectors to facilitate future industrial and retail traffic: M 1 1/2 E south and Mile 2 1/2 E south from Expressway 83 south to Business 83. Many of the existing city streets need to be reconstructed to include curbs, drains and sidewalks to facilitate the movement of water off of them during periodic heavy rainfall.

## **UTILITY RELOCATION**

The City needs to provide funding in the course of street reconstruction for the relocation of the existing utilities. TxDot also looks to the City to provide for funding for the relocation of utilities when they are doing street reconstruction. The relocation is expensive because the City must maintain water and sewer service while at the same time installing new lines.

## **ECONOMIC DEVELOPMENT**

Economic development incentives will be tied to the hiring and training of western Hidalgo County and Mercedes residents. The properties located within the Tax Increment Zone will not be eligible for either City or County property tax abatement. Economic development is an allowable expense under Chapter 311 of the Texas Tax Code and Zone funds will be used to augment other economic development incentives.

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

### **SECTION III - Project Feasibility**

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

- 1. Financial feasibility**
- 2. Market or economic feasibility 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 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 \$14,548,063 in commercial building permits issued by the City of Mercedes in the first 10 months of 2008. Additionally developers and builders have approached the City with preliminary plans for which they will be pulling permits in 2009 and 2010. The funding of the sewer and water plant expansions will insure that permits will be able to be issued to these builders and developers. There is strong interest from the lodging industry is securing sites for construction due to the Phase 2 and Phase 3 expansions of the Outlet Shopping Mall in the City of Mercedes.**

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

## **SECTION IV – REINVESTMENT ZONE FINANCING PLAN**

### **Tax Increment Financing**

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

Public improvements are made in the area to attract private development that would not otherwise occur. As the costs of new development are added to the tax rolls, property values will rise. This rise in new value is called the “captured appraised value.” The taxes that are collected by the participating taxing jurisdictions on the increment between the 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 \$32,268,618 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 Mercedes TIRZ. It is not anticipated that tax increment funds in an amount to fully reimburse the City for all approved project costs will be generated over the projected life of the Zone

**Financing Method:** Incremental funds will be spent as they accrue and TIF Revenue Bonds in an amount that can be debt serviced from TIRZ revenue may be issued for larger projects and paid for with annual TIRZ proceeds. It is estimated that bonded indebtedness would not exceed \$10,000,000.

**Financing Policy:** The goal of the City of Mercedes TIRZ District 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 long term financing for their individual projects.

### **Relocation Plan For Current Residents**

There will be no relocation of Mercedes residents.

## **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. TIRZ funds will fund less than 50% of the identified City capital improvements and the City will look to other sources of revenue to make up the difference.

## **Financial Assumptions**

No tax rate changes have been factored into the financial pro forma's for the District. All projections assume that taxable appraised value and tax rates will remain unchanged. 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 70% of the new development will be in the form of commercial construction. The long-term lenders who do the permanent financing for these types of projects generally require proof that the taxes are current. 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 amount of taxes collected will fall below 97.5% but over the life of the Zone these delinquent taxes will be paid. The City is proposing to put all of its ad valorem increment into the Zone and 1% of the sales tax income generated from Phase 2 and 3 of the Rio Grande Valley Outlet Mall into the Zone.

## **Administrative Expenses**

The inter-local agreement by and between Hidalgo County, the City of Mercedes and Reinvestment Zone Number One provides for administrative expenses in the amount of \$25,000. It is not the intention of the City to ever charge the Zone an administrative expense. The funds are provided for the contingency that the County may at some future time levy and administrative expense to process payment to the Zone.

# City of Mercedes Project Review

## City of Mercedes - TIF Reinvestment Zone # One

### Summary Fact Sheet

December 5, 2008

**Plan of Finance**

Site Area	1,053.000 Acres
Base Value Estimate (2008)	\$74,173,671

**Project:**

Phase 1	2008-09	\$20,000,000	Commercial
Phase 1a	2008-09	\$2,250,000	Single Family
Phase 2	2010	\$5,250,000	Commercial
Phase 2b	2010	\$3,750,000	Single Family
Phase 3	2011	\$1,500,000	Commercial
Phase 3a	2011	\$3,000,000	Single Family
Phase 4	2012	\$6,250,000	Commercial
Phase 4a	2012	\$3,750,000	Single Family
Phase 5	2013	\$2,500,000	Commercial
Phase 5a	2013	\$3,750,000	Single Family
Phase 5b	2013	12,500,000	Multi-Family
Phase 6	2014	\$2,500,000	Commercial
Phase 6a	2014	\$3,750,000	Single Family
Phase 7	2015	\$12,500,000	Commercial
Phase 7a	2015	\$3,750,000	Single Family
Phase 8	2016	\$2,500,000	Commercial
Phase 9	2017	\$1,500,000	Commercial
Phase 10	2018	\$3,250,000	Commercial
Phase 11	2019	\$2,500,000	Commercial
Phase 12	2020	\$2,500,000	Commercial

**Totals**

	\$62,750,000	Commercial
	\$12,500,000	Multi-Family
	\$24,000,000	Single Family

**Assumptions**

Captured Value	\$ 94,250,000
Growth Factor	0.00%
Collection Rate	97.50%
Estimated Total TIF Revenues	\$ 32,268,618
Estimated TIF Life	25 Years

**EXHIBIT "A"**

**Map of Zone Properties Per Hidalgo County Appraisal District**