



THE STATE OF TEXAS
COUNTY OF HIDALGO

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THE CITY OF MERCEDES

**AMENDMENT OF
INTERLOCAL AGREEMENT FOR ESTABLISHMENT,
MANAGEMENT, AND OPERATION OF
REINVESTMENT ZONE NUMBER ONE, CITY OF MERCEDES, TEXAS**

This Amendment of Interlocal Agreement (this "Amendment") is entered into by **CITY OF MERCEDES, TEXAS**, a Texas General Law City (the "City"), **HIDALGO COUNTY, TEXAS**, a political subdivision of the State of Texas (the "County"), 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 (the "Zone"), for the purpose of making certain changes to that one certain Interlocal Agreement executed January 25, 2011.

RECITALS

WHEREAS, the City, the County, and the Zone entered into an Interlocal Agreement dated January 25, 2011, for the establishment management, and operation of the Zone (the "Agreement");

WHEREAS, the Agreement provides that it may be amended only by a written instrument duly executed on behalf of each party to the Agreement; and

WHEREAS, the parties desire to make certain changes to the Agreement to reduce the County's required contribution under the Agreement, along with other mutually-agreed-upon changes to the Agreement.

NOW, THEREFORE, in consideration of the hereinafter set forth agreements, covenants, and payments, the amount and sufficiency of which are acknowledged, the City, the County, and the Zone agree to the terms and conditions stated in this Amendment.

AGREEMENT

1. Amendment to Definitions. The definition of "Project Plan" found in Article II, Item 14 of the Agreement is hereby amended to read as follows:

"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 9, 2009, as amended August 28, 2009, April 17, 2018, and February 23, 2021, and attached hereto as Exhibit 'A'."

2. Amendment to Project Plan. The Project Plan attached as Exhibit "A" to the Agreement is hereby deleted and replaced in its entirety with the Project Plan that was amended by the City on August 28, 2009, April 17, 2018, and February 23, 2021, and attached hereto as **Exhibit "A"** (the "Amended Project Plan").

3. Amendment to County's Total Increment Payment. Article IV, Section B, Item 8 of the Agreement is hereby amended to read as follows:

“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 **THREE MILLION SIX HUNDRED TWENTY-SIX TWENTY-FIVE AND NO/100THS DOLLARS (\$3,626,025.00)**, 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).”

4. Legal Authority. Each party warrants and represents that it possesses the legal authority to enter into this Amendment, that the Amendment has been duly authorized and approved by each party, and that the person or persons signing this Amendment on behalf of each party have been duly authorized by the respective party to bind that party validly and legally to all terms, performances, and provisions in this Amendment.

5. Ratification. The City, the County, and the Zone hereby incorporate the Agreement into this Amendment. Except for the changes made in this Amendment, the City, the County, and the Zone hereby ratify all of the terms and conditions of the Agreement. Specifically, the Term of the Zone, which the Agreement defines as December 31, 2032, shall remain unchanged. Further, nothing contained in this Amendment shall be construed as altering the boundaries of the Zone in any way. The Agreement, with the changes made herein, constitutes the entire agreement between the parties and supersedes any prior undertaking or written or oral agreements or representations between the parties with respect to the subject matter hereof.

[Signature page follows.]

IN WITNESS WHEREOF, the City, the County, and the Zone have made and executed this Amendment in triplicate originals on this ____ day of _____, 202__.

CITY:

COUNTY:

CITY OF MERCEDES, TEXAS,
A Texas General Law City

HIDALGO COUNTY, TEXAS,
A Political Subdivision of the State of Texas

By: _____
SERGIO ZAVALA, City Manager

By: Richard F. Cortez
RICHARD F. CORTEZ, County Judge

ATTEST/SEAL:

City Secretary



Arturo Guajardo Jr.
ARTURO GUAJARDO, JR., County Clerk

APPROVED AS TO FORM FOR COUNTY:

JONES, GALLIGAN, KEY & LOZANO, L.L.P.

By: _____
EUGENE R. VAUGHAN, III
For the Firm

ZONE:

REINVESTMENT ZONE NUMBER ONE,
CITY OF MERCEDES, TEXAS,
A reinvestment zone created by the City
pursuant to Chapter 311 of the Texas Tax
Code

By: _____

Name: _____

Title: _____

Exhibit "A"
The Amended Project Plan

**FINAL
PROJECT PLAN
AND FINANCING PLAN
FOR**

Reinvestment Zone Number One

City of MERCEDES, Texas

MERCEDES Development Program

February 17, 2009

As Amended August 28, 2009, April 17, 2018, and February 23, 2021

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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 8th 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 2nd, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th 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 17th 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 1st St, Hidalgo St., N & S Virginia

St., N & S Georgia St., Ruben Vela & Gilberto Perez, S Illinois St., W 3rd, 4th, 5th, 6th, 7th, 8th, 10th, 12th, 14th, 15th, 16th and 17th 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.
- 8
- 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 | 2009 | \$120,360 |
| Phase 2 | 2010 | \$32,452 |
| Phase 3 | 2011 | \$211,030 |
| Phase 4 | 2012 | \$1,000,224 |
| Phase 5 | 2013 | \$4,322,219 |
| Phase 6 | 2014 | \$7,708,566 |
| Phase 7 | 2015 | -\$5,245,966 |
| Phase 8 | 2016 | \$1,376,955 |
| Phase 9 | 2017 | \$2,297,781 |
| Phase 10 | 2018 | \$2,617,932 |
| Phase 11 | 2019 | 2,250,437 |
| Phase 12 | 2020 | \$16,168,567 |
| Phase 13 | 2021 | \$1,250,000 |
| Phase 14 | 2022 | \$2,500,000 |
| Phase 15 | 2023 | \$10,000,000 |
| Phase 16 | 2024 | \$3,500,000 |
| Phase 17 | 2025 | \$2,500,000 |
| Phase 18 | 2026 | \$7,525,000 |
| Phase 19 | 2027 | \$5,000,000 |
| Phase 20 | 2028 | \$7,250,000 |
| Phase 21 | 2029 | \$1,500,000 |
| Phase 22 | 2030 | 1,250,000 |
| Phase 23 | 2031 | 12,500,000 |
| Phase 24 | 2032 | \$2,500,000 |

The total private investment is expected to be in excess of \$ 73,619,534

The original projected values of future commercial development were based upon an analysis of the 2006 and 2007 and 2008 building permits issued by the City of Mercedes. Current values have been updated to reflect actual values through 2017 and projected values for 2018 and beyond. 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 2017 or 2018 with construction continuing on an annual basis through 2032, the development program includes;

Public Improvements (Project Costs)

| | |
|--|--------------|
| 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 | \$ 1,500,000 |
| Water System Expansion | |
| Water Rights Acquisition | \$ 2,000,000 |
| Expand CCN to entire City | \$ 4,000,000 |
| Water Storage Facility | \$ 3,500,000 |
| Street Reconstruction | \$ 2,000,000 |
| Utility Relocation | \$ 2,000,000 |
| Economic Development | \$ 2,500,000 |

Financing Plan

The TIRZ Financing Plan provides for tax increment allowable expenses in the approximate amount of \$9,510,002. 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 \$19,516,664 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 17th Street to the southward extension of Vermont Ave.
6. Extend Vermont as a collector south all the way to the proposed westward extension of 17th Street

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 ½ 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.

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 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 \$21,025,000 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 \$1,000,000.

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.

Administrative Expenses

The inter-local agreement by and between Hidalgo County, the City of Merced 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 Merced - Tax Increment Reinvestment Zone

Sources & Uses

Sources of Funds

| | |
|-----------------|--------------|
| TIF Revenues at | \$ 9,464,882 |
|-----------------|--------------|

Total Sources of Funds

| |
|---------------------|
| <u>\$ 9,464,882</u> |
|---------------------|

Uses of Funds

| | |
|--------------------|-----------|
| Begin Construction | 2017-2018 |
|--------------------|-----------|

Public Improvements (Project Costs)

| | |
|--|--------------|
| 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 | \$ 1,500,000 |
|--|--------------|

Water System Expansion

| | |
|--------------------------|--------------|
| Water Rights Acquisition | \$ 2,000,000 |
|--------------------------|--------------|

| | |
|---------------------------|--------------|
| Expand CCN to entire City | \$ 4,000,000 |
|---------------------------|--------------|

| | |
|------------------------|--------------|
| Water Storage Facility | \$ 3,500,000 |
|------------------------|--------------|

| | |
|-----------------------|--------------|
| Street Reconstruction | \$ 2,000,000 |
|-----------------------|--------------|

| | |
|--------------------|--------------|
| Utility Relocation | \$ 2,000,000 |
|--------------------|--------------|

| | |
|----------------------|--------------|
| Economic Development | \$ 2,500,000 |
|----------------------|--------------|

| | |
|------------------------|-----------|
| Administrative Expense | \$ 25,000 |
|------------------------|-----------|

Total Public Improvements

| |
|----------------------|
| <u>\$ 21,025,000</u> |
|----------------------|

Project Budget

| City of Mercedes - Tax Increment Reinvestment Zone | | |
|---|----------------------|----------------------|
| | | |
| Sources & Uses | | |
| Sources of Funds | | |
| TIF Revenues at | \$ 10,813,828 | |
| Total Sources of Funds | \$ 10,813,828 | |
| Uses of Funds | | |
| Begin Construction | | 2010 |
| Public Improvements (Project Costs) | | |
| Street and Arterial Right of Way Acquisition | | \$ 1,000,000 |
| New North-South Arterials and Collectors | | |
| New East-West Arterials and Collectors | | \$ 1,500,000 |
| Water System Expansion | | |
| Water Rights Acquisition | | \$ 1,000,000 |
| Expand CCN to entire City | | \$ 1,000,000 |
| Water Storage Facility | | \$ 1,500,000 |
| Street Reconstruction | | \$ 2,000,000 |
| Utility Relocation | | \$ 2,000,000 |
| Economic Development | | \$ 2,500,000 |
| Administrative Expense | | \$ 25,000 |
| Total Public Improvements | | \$ 12,525,000 |

Financial Feasibility

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

Conclusions

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

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

Board of Directors of Tax Increment Reinvestment Zone Number One, City of Mercedes

- | | |
|---------------------------------------|-----------------------------------|
| 1. Henry Hinojosa, Mayor | Chairman, City of Mercedes |
| 2. Ruben Guajardo | City of Mercedes |
| 3. James Howard Wade, Jr. | City of Mercedes |
| 4. Leo Villarreal | City of Mercedes |
| 5. Cristella De Leon Hernandez | City of Mercedes |
| 6. | Hidalgo County |

APPENDIX A

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 existing uses and conditions | Exhibit A Page 22 |
| 2. List proposed improvements and uses | Pages 9-10 |
| 3. Description of Zone Property | Page 7-8 |
| 4. Project Feasibility | Page 14 |
| 5. Proposed zoning changes | Page 12 |
| 6. Estimated non-project costs | Page 12 |
| 7. Relocation plan for current residents | Page 15 |

Financing Plan

- | | |
|---|-------------|
| 1. Detailed estimate of project costs. | Page 18 |
| 2. Proposed public improvements | Pages 18 |
| 3. Project Timeline | Page 17 |
| 4. Estimated amount of bonded indebtedness | Page 15 |
| 5. Time when costs/obligations will be incurred | 2019 - 2032 |
| 6. Methods of financing, sources of Revenue | Page 18 |
| 7. Current total appraised value. | Page 16 |
| 8. Estimated captured appraised value | Page 17 |
| 9. Duration of Zone | Page 17 |

EXHIBIT "A"

Map of Zone Properties Per Hidalgo County Appraisal District

See Map of following page

MERCEDES, TEXAS

