

EXHIBIT “B”

Tax Increment Reinvestment Zone No. 1 (Town Center)

Financing Plan



November 16, 2010

Summary

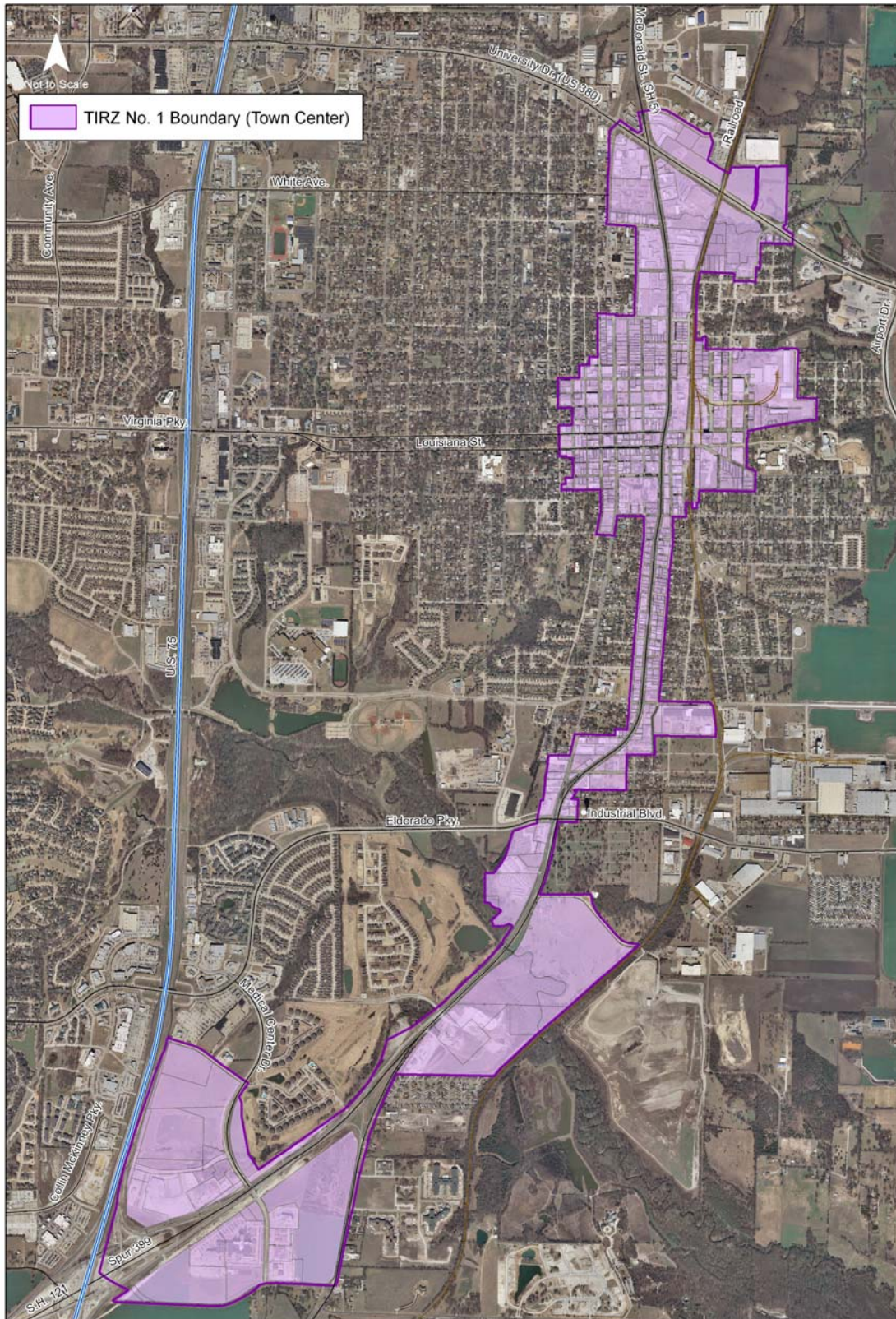
The Town Center Tax Increment Reinvestment Zone (TIRZ No. 1) consists of approximately 946 acres of property (outlined in Figure 1). The zone is located in the McKinney Independent School District. The 2009 base property value is \$218.65 million. Projections show that property value within the zone is estimated to grow to \$1.21 billion by 2040, creating a total of \$78.89 million in potential TIRZ revenue from City property taxes (assuming 100% City participation) and \$16.34 million in potential TIRZ revenue from County property taxes (assuming 50% County participation) over the life of the TIRZ. Similarly, City sales tax revenue within the TIRZ is projected to grow from a 2009 base of \$1.37 million to \$4.89 million by 2040, creating a total of \$43.77 million in potential TIRZ revenue from sales tax (assuming 100% City participation) over the life of the TIRZ.

Collectively, 100% City participation in both property and sales taxes combined with 50% County participation in property tax yields a total cumulative value of \$139.00 million in potential tax revenues over the life of the TIRZ (See Table 16, Projection No. 2.).

The projections included in this report assume construction of over 2.5 million square feet of additional non-residential development within TIRZ No. 1, along with construction of an additional 520 housing units. The total public infrastructure associated with the proposed developments will be determined after designation by the TIRZ Board.

The term of the zone is 30 years with the TIRZ in existence through 2040.

Figure 1: TIRZ No. 1 Boundary (Town Center)



Source: City of McKinney

Public Infrastructure

The total public infrastructure capital costs are estimated to be approximately \$91 million. This TIRZ can reimburse costs such as: drainage, parking, streetscape enhancements, historic preservation, parks, and other public improvements that are outlined in the Final Project and Finance Plans. Furthermore, the City and the TIRZ Board shall have the authority to establish and administer economic development programs, including but not limited to grants and loans, authorized under Chapter 380 of the Texas Local Government Code.

Financing Policy and Capacity

The projections that follow do not, by themselves, create a marketable basis for debt financing. Therefore, any debt to be issued to pay for public infrastructure prior to the collection of actual TIRZ No. 1 revenues is likely to require credit support from the City. If debt were to be issued at this point by TIRZ No. 1, the City's overall bonding capacity in general would be reduced by the amount issued. In the future, the credit-worthiness of TIRZ No. 1 should be a function of its performance, with annual debt service capacity expected to equal 80-90% of the revenue collected in the year of proposed issuance.

It is the policy of the City of McKinney and TIRZ No. 1 to provide financing capacity for long term investment in substantial transportation infrastructure and other substantial catalytic projects. Accordingly, the ability to aggregate the tax revenue increment to maximize financing capacity and financing options shall take precedent over projects that tend to diminish the TIRZ's ability to aggregate a sufficient increment fund over time. Notwithstanding this policy, certain projects may arise that justify a targeted expenditure versus aggregation of the tax revenue increment, such as a project facilitating health and safety for the historic downtown or a unique economic development opportunity, among others.

Limited Obligation of the City or Participating Governmental Entities

The City and Participating Governmental Entities shall have a limited obligation to impose and collect taxes and deposit such tax receipts into the TIRZ No. 1 fund so long as the project is viable and capital costs incurred by the City and/or a developer (if any) have not been fully paid. TIRZ collections for this project shall not extend beyond 2040 and may be terminated prior to 2040, upon payment of public improvement capital costs incurred by the City and/or a developer (if any), or for the failure of the TIRZ Project to perform as projected in the Final Project and Finance Plans.

Any public improvement infrastructure costs incurred by a developer shall be paid solely from TIRZ No. 1 revenues and shall never constitute a debt, indebtedness or a pledge of the faith and credit or taxing power of the State, the City, the Participating Governmental Entities, any political corporation, subdivision, or agency of the State. Any costs incurred by a developer (if any) are not and shall never in any event become general obligations or debt of the City or any of the Participating Governmental Entities.

The City will negotiate a participation rate and potential maximum cap based on the following criteria:

- Ensure the City's ability to provide adequate municipal services such as police, fire, streets, libraries, parks, and other basic services;
- Complete a gap analysis that accounts for financial capacity of developer(s) (if any) and the minimum amount needed to meet the gap;
- Prioritize public improvement needs (i.e. the need for streets and sidewalks versus the need for underground utilities);
- Factor a reasonable annual growth assumption; and

- Consider developer contribution (if any) of land for public use needs and/or minimum financial contribution.

Further, the City's participation rate and maximum contribution will take into consideration the participation of other taxing entities and the overall impact to the City's Operational Budget and Debt Plan (the final financing plan must not adversely impact the City's ability to deliver services or its debt management plan).

City and/or Developers' Risk

All financing, developmental costs, construction costs, improvements, damages, or other costs incurred with respect to this project are at the sole risk of the developer (if any). The City, in conjunction with TIRZ Board, will determine the costs that can be supported with future TIRZ revenue through the development of the Final Project and Finance Plans. All costs will be reimbursed solely through TIRZ revenue.

The City and any Participating Taxing Entities shall minimize any risk whatsoever associated with the development, construction, completion or failure of the project. In the event that the project fails, is abandoned or for any reason is not completed, the City shall have the right to terminate TIRZ No. 1 and any funds remaining in the TIRZ No. 1 account shall be distributed to the Participating Taxing Entities on a pro rata basis in accordance with each entity's participation level.

Compliance

The development of this TIRZ shall comply with all federal, state and local laws, rules and regulations.

Reporting

The City and/or developers (if any) shall submit a project status report and financial report on a quarterly basis (January 15th, April 15th, July 15th and October 15th) to the City.

Inspection

The Participating Taxing Entities, and/or Administrator shall have the right to inspect the project site or sites and the premises of a developer utilizing TIRZ funding without notice.

Supporting Information

The Market Environment

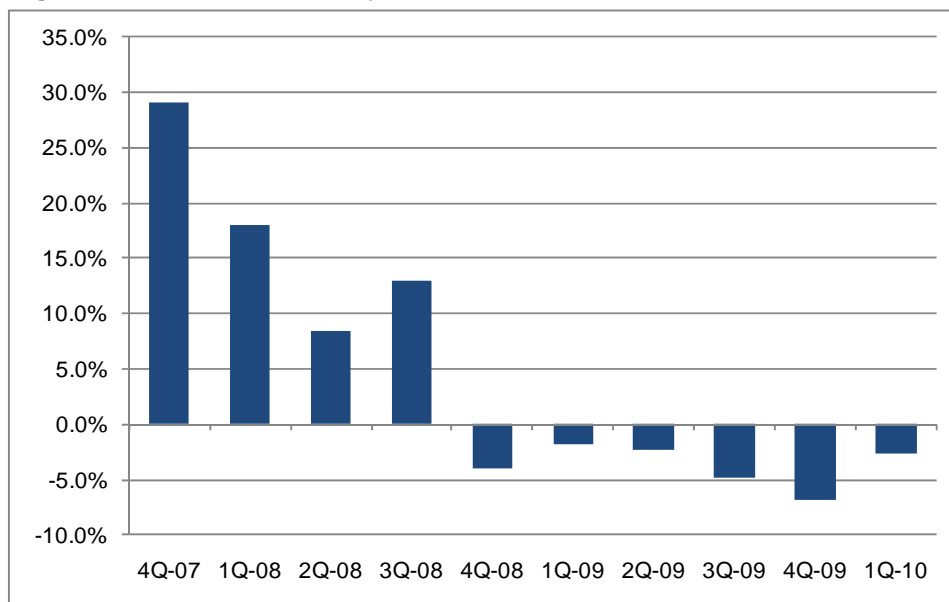
As the nation emerges from the recession, there is no question that the Metroplex and McKinney have felt the impact. The numbers tell the story, as job growth has slowed, sales tax revenue is stagnant and development has more or less come to a halt. That having been said, the impacts in the Dallas/Fort Worth region have been less profound than elsewhere, and the area should be well-positioned to bounce back. Factors contributing to the resurgence, aside from recovery of the national economy, include continued in-migration and overall population growth and a well-diversified regional economy with a strong presence in energy, transportation, and technology. In addition, relatively low current market values, competitive labor costs, and a comparatively modest overall tax burden all indicate a cost environment that accommodates future development and growth.

Table 1: Recent McKinney Annual Indicators

	A. Sales Tax	B. Population	C. Unemployment	D. Single-Family Permits
2001	\$14,186,870	58,438	4.8%	2,554
2002	\$14,365,248	66,990	7.0%	2,150
2003	\$15,485,000	76,907	6.9%	2,795
2004	\$18,301,409	85,865	5.8%	3,005
2005	\$23,381,858	94,733	4.4%	3,400
2006	\$26,683,569	104,853	4.4%	2,978
2007	\$31,025,152	115,198	4.1%	1,662
2008	\$33,592,023	120,978	4.7%	987
2009	\$32,265,078	122,083	7.4%	943

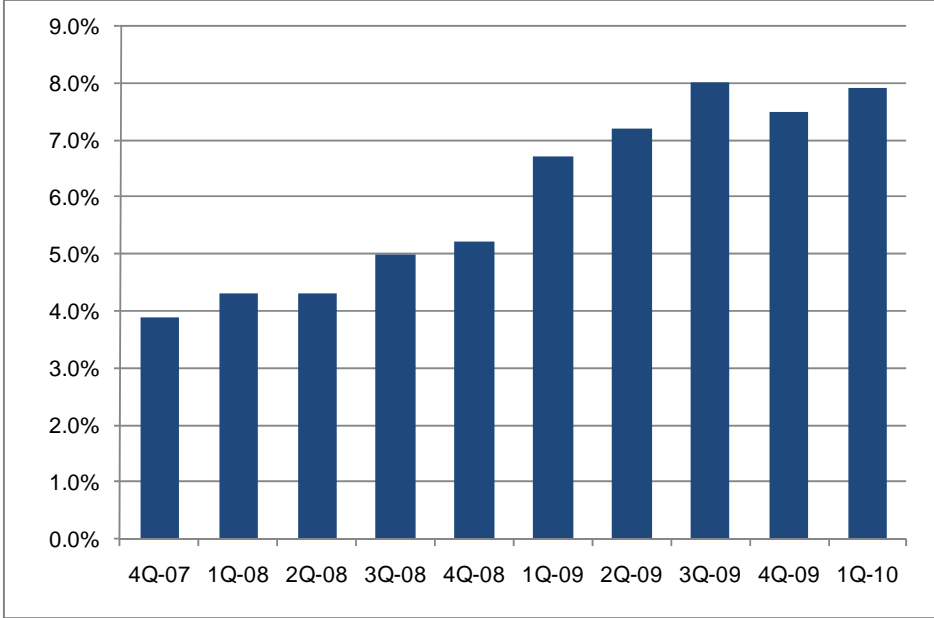
Sources: A. Texas State Comptroller's Office; B. City of McKinney; C. Bureau of Labor Statistics; D. Census Bureau

Figure 2: Recent McKinney 12-Month Sales Tax Revenue Growth



Sources: Texas State Comptroller's Office; TXP

Figure 3: Recent McKinney Unemployment Rates



Sources: Texas Workforce Commission; TXP

Tax Base Scenarios

Demand for real estate over time is directly connected to the performance of a local economy, as net new job creation and household formation creates the need for new commercial and residential space. The approach used to validate the land use projections is to forecast the overall growth in McKinney, estimate the real estate demand associated with that growth, and then determine that the land use projections for TIRZ No. 1 constitute a “reasonable” share of the community-wide demand. The scenarios included in this report meet this test, as a modest level of housing and a commercial market capture rate consistent with a vibrant downtown are anticipated.

Key Assumptions for Overall Forecasts

- Base data was derived from a number of sources, including County Business Patterns, The North Central Texas Council of Governments, the Texas Comptroller’s Office, the Bureau of Labor Statistics/Texas Workforce Commission, the Census Bureau, and the City of McKinney.
- McKinney population projections were based on the 3.0 Migration Scenario from the Texas State Data Center (2000-07), updated to reflect base data through 2008 for the county. The initial estimate of the number of people per household comes from the 2007 version of the American Community Survey for McKinney by the Census Bureau, and is very gradually reduced over time in line with both historical patterns and anticipated demographic trends.
- Employment forecasts were developed using base data on ZIP Codes 75069, 75070, and 75071 in combination with overall County and City projections from a number of sources. A blended American Planning Association (APA) ratio of 650 sq. ft./employee was used to estimate aggregate new development required for retail/restaurant/entertainment.
- Similarly, a ratio of 250 sq. ft./employee was used to estimate aggregate new development required to meet office/commercial demand.

The following tables reflect the timing and assumptions outlined above, and the aggregate values that result.

Table 2: Projected McKinney Population, Households, & Employment

	Population	Households	Retail/Entert. Jobs	Office-Related Jobs
2010	125,568	42,779	8,139	12,516
2011	129,371	44,297	8,220	12,641
2012	133,260	45,857	8,467	12,989
2013	137,236	47,463	8,720	13,346
2014	141,299	49,114	8,978	13,713
2015	145,452	50,811	9,242	14,090
2016	149,694	52,556	9,511	14,478
2017	154,027	54,349	9,787	14,876
2018	158,453	56,191	10,068	15,285
2019	162,971	58,084	10,355	15,706
2020	167,584	60,028	10,648	16,137
2021	172,291	62,025	10,947	16,581
2022	177,094	64,074	11,252	17,037
2023	181,994	66,178	11,564	17,506
2024	186,992	68,337	11,881	17,987
2025	192,089	70,552	12,205	18,482
2026	197,286	72,825	12,535	18,990
2027	202,583	75,156	12,872	19,512
2028	207,981	77,547	13,215	20,049
2029	213,482	79,998	13,564	20,600
2030	219,085	82,510	13,920	21,167
2031	224,793	85,085	14,283	21,749
2032	230,606	87,724	14,652	22,347
2033	236,524	90,427	15,028	22,961
2034	242,548	93,196	15,411	23,593
2035	248,680	96,033	15,801	24,242
2036	254,919	98,937	16,197	24,908
2037	261,267	101,910	16,600	25,593
2038	267,725	104,954	17,011	26,297
2039	274,292	108,068	17,428	27,020
2040	280,970	111,256	17,852	27,763

Source: TXP

Table 3: Projected McKinney Overall Real Estate Demand

	Housing Units	Retail/Ent, Related Sq Ft.	Office-Related Sq Ft.
2010	N.A.	N.A.	N.A.
2011	1,517	52,901	31,291
2012	1,561	160,604	86,910
2013	1,605	164,191	89,300
2014	1,651	167,821	91,756
2015	1,697	171,494	94,279
2016	1,745	175,210	96,872
2017	1,793	178,968	99,536
2018	1,842	182,768	102,273
2019	1,893	186,609	105,086
2020	1,944	190,491	107,976
2021	1,996	194,413	110,945
2022	2,050	198,375	113,996
2023	2,104	202,376	117,131
2024	2,159	206,416	120,352
2025	2,215	210,494	123,662
2026	2,273	214,609	127,062
2027	2,331	218,762	130,556
2028	2,390	222,951	134,147
2029	2,451	227,175	137,836
2030	2,512	231,435	141,626
2031	2,575	235,728	145,521
2032	2,639	240,056	149,523
2033	2,703	244,416	153,635
2034	2,769	248,808	157,860
2035	2,836	253,232	162,201
2036	2,904	257,686	166,661
2037	2,973	262,171	171,245
2038	3,044	266,684	175,954
2039	3,115	271,226	180,792
2040	3,187	275,795	185,764

Source: TXP

Ad Valorem

The current aggregate taxable property value of TIRZ No. 1 is \$218,651,123. For analysis, three development scenarios are included in this document, all of which assume a 30-year horizon:

- **Scenario No. 1:** Inflation Only. For purposes of this exercise, the current aggregate value of property is assumed to grow at a conservative inflation rate of 3% annually. Since there is no new development, this scenario does not necessarily represent any share of the overall market demand.
- **Scenario No. 2:** Medium Development; Current Values. In this scenario, total new development of 2,520,000 square feet of additional non-residential and 520 additional housing units is included in TIRZ No. 1. Within TIRZ No. 1, the bulk of new development/redevelopment is assumed to occur within the historic Town Center area generally north of Market Center Drive (known as the Infill area), although a substantial amount of new activity is also projected to occur within the area south of Market Center Drive adjacent to State Highway 5 (referred to as the Greenfield area). Much of the anticipated activity in the Greenfield area will be medical-related due to its proximity to the hospital. As such, a rate of \$95 per square foot reflects a blended current average taxable value and was assumed for Greenfield area development. Within the Infill area of TIRZ No. 1, housing units are assumed to average 1,500 square feet, and property is assumed to be valued at \$80/square feet, which is also the blended average of current taxable values. Under this scenario, development is phased in over an eighteen year period beginning in 2012 for residential and 2013 for non-residential. Inflation of 3% annually is applied to values. In this scenario, TIRZ No. 1 represents 0.7% of the overall housing demand and about 23% of the commercial demand anticipated over the next 30 years in McKinney.
- **Scenario No. 3:** Medium Development; Higher Values. The same parameters for the footprint and values for the Greenfield are applied. In the balance of TIRZ No. 1, the level of new activity is the same as in Scenario No. 2, but value per square foot is assumed to average \$115 per square foot, reflecting current market rates for town centers in the region and replacement costs. Housing units are assumed to average 1,300 square feet, reflecting greater density, and inflation of 3% annually is applied.

The following tables reflect the timing and assumptions outlined above, and the aggregate TIRZ No. 1 property values that result.

Table 4: Projected TIRZ No. 1 Aggregate Property Values*

	Baseline	Scenario #1	Scenario #2	Scenario #3
2011	\$218,651,123	\$231,966,976	\$231,966,976	\$231,966,976
2012	\$218,651,123	\$238,925,986	\$241,548,530	\$242,695,894
2013	\$218,651,123	\$246,093,765	\$260,511,353	\$266,819,048
2014	\$218,651,123	\$253,476,578	\$278,064,596	\$286,387,378
2015	\$218,651,123	\$261,080,876	\$305,272,560	\$319,591,402
2016	\$218,651,123	\$268,913,302	\$333,862,744	\$354,529,919
2017	\$218,651,123	\$276,980,701	\$378,436,114	\$405,819,636
2018	\$218,651,123	\$285,290,122	\$413,024,598	\$443,284,644
2019	\$218,651,123	\$293,848,826	\$446,380,432	\$484,015,876
2020	\$218,651,123	\$302,664,290	\$471,288,671	\$512,233,346
2021	\$218,651,123	\$311,744,219	\$501,110,700	\$550,145,191
2022	\$218,651,123	\$321,096,546	\$527,951,032	\$580,769,498
2023	\$218,651,123	\$330,729,442	\$560,428,050	\$622,110,408
2024	\$218,651,123	\$340,651,325	\$589,766,950	\$655,753,577
2025	\$218,651,123	\$350,870,865	\$625,111,729	\$700,800,605
2026	\$218,651,123	\$361,396,991	\$657,153,976	\$737,716,753
2027	\$218,651,123	\$372,238,901	\$695,595,359	\$786,767,978
2028	\$218,651,123	\$383,406,068	\$730,551,028	\$827,220,598
2029	\$218,651,123	\$394,908,250	\$772,334,782	\$880,596,350
2030	\$218,651,123	\$406,755,497	\$803,764,534	\$915,273,948
2031	\$218,651,123	\$418,958,162	\$842,056,635	\$963,114,716
2032	\$218,651,123	\$431,526,907	\$876,081,058	\$1,000,770,882
2033	\$218,651,123	\$444,472,714	\$917,406,166	\$1,052,417,856
2034	\$218,651,123	\$457,806,896	\$954,224,725	\$1,093,286,765
2035	\$218,651,123	\$471,541,103	\$998,810,242	\$1,149,026,108
2036	\$218,651,123	\$485,687,336	\$1,038,637,073	\$1,193,359,414
2037	\$218,651,123	\$500,257,956	\$1,086,726,850	\$1,253,498,028
2038	\$218,651,123	\$515,265,694	\$1,119,328,655	\$1,291,102,968
2039	\$218,651,123	\$530,723,665	\$1,170,870,257	\$1,355,656,062
2040	\$218,651,123	\$546,645,375	\$1,205,996,365	\$1,396,325,744

Source: TXP

*projected appraised values of all taxable TIRZ property

Table 5: Projected TIRZ No. 1 Ad Valorem Increment*

	Scenario #1	Scenario #2	Scenario #3
2011	\$13,315,853	\$13,315,853	\$13,315,853
2012	\$20,274,863	\$22,897,407	\$24,044,771
2013	\$27,442,642	\$41,860,230	\$48,167,925
2014	\$34,825,455	\$59,413,473	\$67,736,255
2015	\$42,429,753	\$86,621,437	\$100,940,279
2016	\$50,262,179	\$115,211,621	\$135,878,796
2017	\$58,329,578	\$159,784,991	\$187,168,513
2018	\$66,638,999	\$194,373,475	\$224,633,521
2019	\$75,197,703	\$227,729,309	\$265,364,753
2020	\$84,013,167	\$252,637,548	\$293,582,223
2021	\$93,093,096	\$282,459,577	\$331,494,068
2022	\$102,445,423	\$309,299,909	\$362,118,375
2023	\$112,078,319	\$341,776,927	\$403,459,285
2024	\$122,000,202	\$371,115,827	\$437,102,454
2025	\$132,219,742	\$406,460,606	\$482,149,482
2026	\$142,745,868	\$438,502,853	\$519,065,630
2027	\$153,587,778	\$476,944,236	\$568,116,855
2028	\$164,754,945	\$511,899,905	\$608,569,475
2029	\$176,257,127	\$553,683,659	\$661,945,227
2030	\$188,104,374	\$585,113,411	\$696,622,825
2031	\$200,307,039	\$623,405,512	\$744,463,593
2032	\$212,875,784	\$657,429,935	\$782,119,759
2033	\$225,821,591	\$698,755,043	\$833,766,733
2034	\$239,155,773	\$735,573,602	\$874,635,642
2035	\$252,889,980	\$780,159,119	\$930,374,985
2036	\$267,036,213	\$819,985,950	\$974,708,291
2037	\$281,606,833	\$868,075,727	\$1,034,846,905
2038	\$296,614,571	\$900,677,532	\$1,072,451,845
2039	\$312,072,542	\$952,219,134	\$1,137,004,939
2040	\$327,994,252	\$987,345,242	\$1,177,674,621

Source: TXP

*the difference between the Baseline and Projected Values in Table 4

Table 6: Projected Annual TIRZ No. 1 Revenues from City Ad Valorem Taxes, Current Tax Rate - \$0.5855*

	Scenario #1	Scenario #2	Scenario #3
2011	\$77,964	\$77,964	\$77,964
2012	\$118,709	\$134,064	\$140,782
2013	\$160,677	\$245,092	\$282,023
2014	\$203,903	\$347,866	\$396,596
2015	\$248,426	\$507,169	\$591,005
2016	\$294,285	\$674,564	\$795,570
2017	\$341,520	\$935,541	\$1,095,872
2018	\$390,171	\$1,138,057	\$1,315,229
2019	\$440,283	\$1,333,355	\$1,553,711
2020	\$491,897	\$1,479,193	\$1,718,924
2021	\$545,060	\$1,653,801	\$1,940,898
2022	\$599,818	\$1,810,951	\$2,120,203
2023	\$656,219	\$2,001,104	\$2,362,254
2024	\$714,311	\$2,172,883	\$2,559,235
2025	\$774,147	\$2,379,827	\$2,822,985
2026	\$835,777	\$2,567,434	\$3,039,129
2027	\$899,256	\$2,792,509	\$3,326,324
2028	\$964,640	\$2,997,174	\$3,563,174
2029	\$1,031,985	\$3,241,818	\$3,875,689
2030	\$1,101,351	\$3,425,839	\$4,078,727
2031	\$1,172,798	\$3,650,039	\$4,358,834
2032	\$1,246,388	\$3,849,252	\$4,579,311
2033	\$1,322,185	\$4,091,211	\$4,881,704
2034	\$1,400,257	\$4,306,783	\$5,120,992
2035	\$1,480,671	\$4,567,832	\$5,447,346
2036	\$1,563,497	\$4,801,018	\$5,706,917
2037	\$1,648,808	\$5,082,583	\$6,059,029
2038	\$1,736,678	\$5,273,467	\$6,279,206
2039	\$1,827,185	\$5,575,243	\$6,657,164
2040	\$1,920,406	\$5,780,906	\$6,895,285
TOTAL	\$26,209,273	\$78,894,539	\$93,642,082
Source: TXP			

*the TIRZ revenue associated with dedicating 100% of City taxes imposed on the increment in Table 5

**Table 7: Projected Annual TIRZ No. 1 Revenues from County Ad Valorem Taxes,
Current Tax Rate - \$0.2425***

	Scenario #1	Scenario #2	Scenario #3
2011	\$32,291	\$32,291	\$32,291
2012	\$49,167	\$55,526	\$58,309
2013	\$66,548	\$101,511	\$116,807
2014	\$84,452	\$144,078	\$164,260
2015	\$102,892	\$210,057	\$244,780
2016	\$121,886	\$279,388	\$329,506
2017	\$141,449	\$387,479	\$453,884
2018	\$161,600	\$471,356	\$544,736
2019	\$182,354	\$552,244	\$643,510
2020	\$203,732	\$612,646	\$711,937
2021	\$225,751	\$684,964	\$803,873
2022	\$248,430	\$750,052	\$878,137
2023	\$271,790	\$828,809	\$978,389
2024	\$295,850	\$899,956	\$1,059,973
2025	\$320,633	\$985,667	\$1,169,212
2026	\$346,159	\$1,063,369	\$1,258,734
2027	\$372,450	\$1,156,590	\$1,377,683
2028	\$399,531	\$1,241,357	\$1,475,781
2029	\$427,424	\$1,342,683	\$1,605,217
2030	\$456,153	\$1,418,900	\$1,689,310
2031	\$485,745	\$1,511,758	\$1,805,324
2032	\$516,224	\$1,594,268	\$1,896,640
2033	\$547,617	\$1,694,481	\$2,021,884
2034	\$579,953	\$1,783,766	\$2,120,991
2035	\$613,258	\$1,891,886	\$2,256,159
2036	\$647,563	\$1,988,466	\$2,363,668
2037	\$682,897	\$2,105,084	\$2,509,504
2038	\$719,290	\$2,184,143	\$2,600,696
2039	\$756,776	\$2,309,131	\$2,757,237
2040	\$795,386	\$2,394,312	\$2,855,861
TOTAL	\$10,855,250	\$32,676,218	\$38,784,295
Source: TXP			

*the TIRZ revenue associated with dedicating 100% of County taxes imposed on the increment in Table 5

Table 8: Projected Annual TIRZ No. 1 Revenues from Community College District Ad Valorem Taxes, Current Tax Rate – \$0.0863*

	Scenario #1	Scenario #2	Scenario #3
2011	\$11,492	\$11,492	\$11,492
2012	\$17,497	\$19,760	\$20,751
2013	\$23,683	\$36,125	\$41,569
2014	\$30,054	\$51,274	\$58,456
2015	\$36,617	\$74,754	\$87,111
2016	\$43,376	\$99,428	\$117,263
2017	\$50,338	\$137,894	\$161,526
2018	\$57,509	\$167,744	\$193,859
2019	\$64,896	\$196,530	\$229,010
2020	\$72,503	\$218,026	\$253,361
2021	\$80,339	\$243,763	\$286,079
2022	\$88,410	\$266,926	\$312,508
2023	\$96,724	\$294,953	\$348,185
2024	\$105,286	\$320,273	\$377,219
2025	\$114,106	\$350,776	\$416,095
2026	\$123,190	\$378,428	\$447,954
2027	\$132,546	\$411,603	\$490,285
2028	\$142,184	\$441,770	\$525,195
2029	\$152,110	\$477,829	\$571,259
2030	\$162,334	\$504,953	\$601,185
2031	\$172,865	\$537,999	\$642,472
2032	\$183,712	\$567,362	\$674,969
2033	\$194,884	\$603,026	\$719,541
2034	\$206,391	\$634,800	\$754,811
2035	\$218,244	\$673,277	\$802,914
2036	\$230,452	\$707,648	\$841,173
2037	\$243,027	\$749,149	\$893,073
2038	\$255,978	\$777,285	\$925,526
2039	\$269,319	\$821,765	\$981,235
2040	\$283,059	\$852,079	\$1,016,333
TOTAL	\$3,863,126	\$11,628,691	\$13,802,411

Source: TXP

*the TIRZ revenue associated with dedicating 100% of Community College District taxes imposed on the increment in Table 5

NOTE: The City of McKinney has requested Community College District participation in TIRZ No. 1; however, a response from the District has not yet been received. Therefore, Table 8 is included for informational purposes only.

Table 9: Projected 30-Year TIRZ No. 1 Revenues from City Ad Valorem Taxes (at \$0.5855)*

Participation Rate		Scenario #1	Scenario #2	Scenario #3
Total	100%	\$26,209,273	\$78,894,539	\$93,642,082
Present Value		\$14,425,484	\$42,725,391	\$50,611,996
Total	90%	\$23,588,346	\$71,005,085	\$84,277,874
Present Value		\$12,982,936	\$38,452,852	\$45,550,797
Total	80%	\$20,967,418	\$63,115,631	\$74,913,666
Present Value		\$11,540,387	\$34,180,313	\$40,489,597
Total	70%	\$18,346,491	\$55,226,177	\$65,549,458
Present Value		\$10,097,839	\$29,907,774	\$35,428,397
Total	60%	\$15,725,564	\$47,336,723	\$56,185,249
Present Value		\$8,655,290	\$25,635,235	\$30,367,198
Total	50%	\$13,104,637	\$39,447,269	\$46,821,041
Present Value		\$7,212,742	\$21,362,696	\$25,305,998
Source: TXP				

*Scenarios reflect the total and present value of TIRZ revenue at different City participation levels. A 5% discount rate is assumed to calculate the present values.

Table 10: Projected 30-Year TIRZ No. 1 Revenues from County Ad Valorem Taxes (at \$0.2425)*

Participation Rate		Scenario #1	Scenario #2	Scenario #3
Total	100%	\$10,855,250	\$32,676,218	\$38,784,295
Present Value		\$5,974,688	\$17,695,828	\$20,962,270
Total	90%	\$9,769,725	\$29,408,596	\$34,905,866
Present Value		\$5,377,219	\$15,926,245	\$18,866,043
Total	80%	\$8,684,200	\$26,140,974	\$31,027,436
Present Value		\$4,779,750	\$14,156,663	\$16,769,816
Total	70%	\$7,598,675	\$22,873,353	\$27,149,007
Present Value		\$4,182,282	\$12,387,080	\$14,673,589
Total	60%	\$6,513,150	\$19,605,731	\$23,270,577
Present Value		\$3,584,813	\$10,617,497	\$12,577,362
Total	50%	\$5,427,625	\$16,338,115	\$19,392,148
Present Value		\$2,987,344	\$8,847,914	\$10,481,135
Source: TXP				

*Scenarios reflect the total and present value of TIRZ revenue at different County participation levels. A 5% discount rate is assumed to calculate the present values.

Table 11: Projected 30-Year TIRZ No. 1 Revenues from Community College District Ad Valorem Taxes (at \$.0863)*

Participation Rate		Scenario #1	Scenario #2	Scenario #3
Total	100%	\$3,863,126	\$11,628,691	\$13,802,411
Present Value		\$2,126,250	\$6,297,526	\$7,459,975
<hr/>				
Total	90%	\$3,476,813	\$10,465,822	\$12,422,170
Present Value		\$1,913,625	\$5,667,773	\$6,713,977
<hr/>				
Total	80%	\$3,090,501	\$9,302,953	\$11,041,929
Present Value		\$1,701,000	\$5,038,021	\$5,967,980
<hr/>				
Total	70%	\$2,704,188	\$8,140,084	\$9,661,688
Present Value		\$1,488,375	\$4,408,268	\$5,221,982
<hr/>				
Total	60%	\$2,317,876	\$6,977,215	\$8,281,447
Present Value		\$1,275,750	\$3,778,515	\$4,475,985
<hr/>				
Total	50%	\$1,931,563	\$5,814,346	\$6,901,206
Present Value		\$1,063,125	\$3,148,763	\$3,729,987
<hr/>				
Source: TXP				

*Scenarios reflect the total and present value of TIRZ revenue at different Community College District participation levels. A 5% discount rate is assumed to calculate the present values.

NOTE: The City of McKinney has requested Community College District participation in TIRZ No. 1; however, a response from the District has not yet been received. Therefore, Table 11 is included for informational purposes only.

Sales Tax

The current aggregate City of McKinney sales tax base in TIRZ No. 1 is \$1,369,564. For analysis, three scenarios on sales tax growth are included in this document, all of which assume a 30-year horizon:

- Scenario A: Inflation Only. For purposes of this exercise, the current aggregate value of the sales tax base is assumed to grow at a conservative inflation rate of 3% annually. Since there is no new development, this scenario does not necessarily represent any share of the overall market demand.
- Scenario B: Medium Development; Current Sales Level. In this scenario, approximately two-thirds of the projected commercial activity in the town center and just under 55% of the projected commercial activity in the greenfield area is expected to be retail-oriented. Based on data from the Texas Comptroller's Office, 38.9% of this retail activity is assumed to be subject to sales tax. The phase-in matches the same pattern established in Scenario 2, and the current City of McKinney sales tax rate of 1% and annual inflation of 3% is applied. Sales per square foot are \$188, reflecting the 2009 level within the TIRZ area.
- Scenario C: Medium Development, Higher Sales Level. The same parameters as in Scenario B, but sales per square foot are assumed to average \$275 per square foot, per an Urban Land Institute average across several types of retail centers.

The following tables reflect the timing and assumptions outlined above, and the aggregate TIRZ No. 1 sales tax values that result.

Table 13: Projected TIRZ No. 1 Taxable Sales Increment

	Scenario A	Scenario B	Scenario C
2011	\$2,054,346	\$2,054,346	\$2,054,346
2012	\$4,170,323	\$4,170,323	\$4,170,323
2013	\$6,349,779	\$6,349,779	\$6,349,779
2014	\$8,594,618	\$13,621,802	\$15,948,212
2015	\$10,906,803	\$18,867,690	\$22,551,717
2016	\$13,288,353	\$29,680,697	\$37,266,516
2017	\$15,741,350	\$41,063,874	\$52,782,276
2018	\$18,267,937	\$54,460,802	\$71,209,628
2019	\$20,870,321	\$64,830,922	\$85,174,391
2020	\$23,550,777	\$77,298,310	\$102,170,839
2021	\$26,311,647	\$84,939,137	\$112,069,943
2022	\$29,155,342	\$95,901,486	\$126,789,330
2023	\$32,084,349	\$104,093,759	\$137,417,263
2024	\$35,101,225	\$116,018,062	\$153,463,619
2025	\$38,208,608	\$125,012,420	\$165,182,268
2026	\$41,409,213	\$137,975,183	\$182,662,626
2027	\$44,705,835	\$147,838,936	\$195,565,424
2028	\$48,101,357	\$161,922,419	\$214,594,932
2029	\$51,598,743	\$172,722,910	\$228,775,051
2030	\$55,201,052	\$188,015,386	\$249,477,338
2031	\$58,911,430	\$199,840,981	\$265,058,380
2032	\$62,733,119	\$216,437,636	\$287,566,855
2033	\$66,669,459	\$229,367,465	\$304,658,563
2034	\$70,723,889	\$247,370,431	\$329,116,437
2035	\$74,899,951	\$261,495,128	\$347,845,024
2036	\$79,201,296	\$281,014,141	\$374,406,256
2037	\$83,631,681	\$296,431,289	\$394,907,703
2038	\$88,194,978	\$317,584,233	\$423,737,771
2039	\$92,895,174	\$329,166,106	\$438,504,251
2040	\$97,736,375	\$351,922,620	\$469,551,361

Source: TXP

Table 14: Projected Annual TIRZ No. 1 Revenues from City Sales Tax, Current Tax Rate (1%)

	Scenario A	Scenario B	Scenario C
2011	\$0	\$0	\$0
2012	\$46,839	\$46,839	\$46,839
2013	\$68,634	\$68,634	\$68,634
2014	\$91,082	\$141,354	\$164,618
2015	\$114,204	\$193,813	\$230,653
2016	\$132,884	\$296,807	\$372,665
2017	\$157,414	\$410,639	\$527,823
2018	\$182,680	\$544,608	\$712,097
2019	\$208,703	\$648,309	\$851,744
2020	\$235,508	\$772,983	\$1,021,709
2021	\$263,117	\$849,392	\$1,120,700
2022	\$291,554	\$959,015	\$1,267,894
2023	\$320,844	\$1,040,938	\$1,374,173
2024	\$351,013	\$1,160,181	\$1,534,636
2025	\$382,086	\$1,250,124	\$1,651,823
2026	\$414,092	\$1,379,752	\$1,826,627
2027	\$447,059	\$1,478,390	\$1,955,654
2028	\$481,014	\$1,619,224	\$2,145,950
2029	\$515,988	\$1,727,229	\$2,287,751
2030	\$552,011	\$1,880,154	\$2,494,774
2031	\$589,115	\$1,998,410	\$2,650,584
2032	\$627,331	\$2,164,377	\$2,875,669
2033	\$666,695	\$2,293,675	\$3,046,586
2034	\$707,239	\$2,473,705	\$3,291,165
2035	\$749,000	\$2,614,952	\$3,478,450
2036	\$792,013	\$2,810,142	\$3,744,063
2037	\$836,317	\$2,964,313	\$3,949,077
2038	\$881,950	\$3,175,843	\$4,237,378
2039	\$928,952	\$3,291,661	\$4,385,043
2040	\$977,364	\$3,519,226	\$4,695,514
TOTAL	\$13,012,702	\$43,774,689	\$58,010,293

Source: TXP

*the TIRZ revenue associated with dedicating 100% of the City sales tax imposed on the increment in Table 13

Revenue Projections

Once revenue from various streams has been forecasted, a number of projections which combine different revenue streams at different rates can be developed to inform the overall financing. The following are provided to measure a range of possibilities. In both projections, Development Scenario No. 2 is used as the basis for the calculation of ad valorem taxes and Sales Tax Scenario B is used as the basis for calculation of sales taxes.

Projection No. 1:

100% City participation in both ad valorem and sales tax; no County participation in ad valorem tax.

Table 15: Projection No. 1 - Annual and Cumulative TIRZ No. 1 Revenues

	City Property	City Sales	County Property	Annual Total	Cumulative Total
2011	\$77,964	\$0	\$0	\$77,964	\$77,964
2012	\$134,064	\$46,839	\$0	\$180,903	\$258,867
2013	\$245,092	\$68,634	\$0	\$313,726	\$572,593
2014	\$347,866	\$141,354	\$0	\$489,220	\$1,061,813
2015	\$507,169	\$193,813	\$0	\$700,982	\$1,762,795
2016	\$674,564	\$296,807	\$0	\$971,371	\$2,734,166
2017	\$935,541	\$410,639	\$0	\$1,346,180	\$4,080,346
2018	\$1,138,057	\$544,608	\$0	\$1,682,665	\$5,763,011
2019	\$1,333,355	\$648,309	\$0	\$1,981,664	\$7,744,675
2020	\$1,479,193	\$772,983	\$0	\$2,252,176	\$9,996,851
2021	\$1,653,801	\$849,392	\$0	\$2,503,193	\$12,500,044
2022	\$1,810,951	\$959,015	\$0	\$2,769,966	\$15,270,010
2023	\$2,001,104	\$1,040,938	\$0	\$3,042,042	\$18,312,052
2024	\$2,172,883	\$1,160,181	\$0	\$3,333,064	\$21,645,116
2025	\$2,379,827	\$1,250,124	\$0	\$3,629,951	\$25,275,067
2026	\$2,567,434	\$1,379,752	\$0	\$3,947,186	\$29,222,253
2027	\$2,792,509	\$1,478,390	\$0	\$4,270,899	\$33,493,152
2028	\$2,997,174	\$1,619,224	\$0	\$4,616,398	\$38,109,550
2029	\$3,241,818	\$1,727,229	\$0	\$4,969,047	\$43,078,597
2030	\$3,425,839	\$1,880,154	\$0	\$5,305,993	\$48,384,590
2031	\$3,650,039	\$1,998,410	\$0	\$5,648,449	\$54,033,039
2032	\$3,849,252	\$2,164,377	\$0	\$6,013,629	\$60,046,668
2033	\$4,091,211	\$2,293,675	\$0	\$6,384,886	\$66,431,554
2034	\$4,306,783	\$2,473,705	\$0	\$6,780,488	\$73,212,042
2035	\$4,567,832	\$2,614,952	\$0	\$7,182,784	\$80,394,826
2036	\$4,801,018	\$2,810,142	\$0	\$7,611,160	\$88,005,986
2037	\$5,082,583	\$2,964,313	\$0	\$8,046,896	\$96,052,882
2038	\$5,273,467	\$3,175,843	\$0	\$8,449,310	\$104,502,192
2039	\$5,575,243	\$3,291,661	\$0	\$8,866,904	\$113,369,096
2040	\$5,780,906	\$3,519,226	\$0	\$9,300,132	\$122,669,228
TOTAL	\$78,894,539	\$43,774,689	\$0	\$122,669,228	-

Source: TXP

Projection No. 2:

100% City participation in both ad valorem and sales tax; 50% County participation in ad valorem tax.

Table 16: Projection No. 2 - Annual and Cumulative TIRZ No. 1 Revenues

	City Property	City Sales	County Property	Annual Total	Cumulative Total
2011	\$77,964	\$0	\$16,146	\$94,110	\$94,110
2012	\$134,064	\$46,839	\$27,763	\$208,666	\$302,776
2013	\$245,092	\$68,634	\$50,756	\$364,482	\$667,258
2014	\$347,866	\$141,354	\$72,039	\$561,259	\$1,228,517
2015	\$507,169	\$193,813	\$105,029	\$806,011	\$2,034,528
2016	\$674,564	\$296,807	\$139,694	\$1,111,065	\$3,145,593
2017	\$935,541	\$410,639	\$193,740	\$1,539,920	\$4,685,513
2018	\$1,138,057	\$544,608	\$235,678	\$1,918,343	\$6,603,856
2019	\$1,333,355	\$648,309	\$276,122	\$2,257,786	\$8,861,642
2020	\$1,479,193	\$772,983	\$306,323	\$2,558,499	\$11,420,141
2021	\$1,653,801	\$849,392	\$342,482	\$2,845,675	\$14,265,816
2022	\$1,810,951	\$959,015	\$375,026	\$3,144,992	\$17,410,808
2023	\$2,001,104	\$1,040,938	\$414,405	\$3,456,447	\$20,867,255
2024	\$2,172,883	\$1,160,181	\$449,978	\$3,783,042	\$24,650,297
2025	\$2,379,827	\$1,250,124	\$492,834	\$4,122,785	\$28,773,082
2026	\$2,567,434	\$1,379,752	\$531,685	\$4,478,871	\$33,251,953
2027	\$2,792,509	\$1,478,390	\$578,295	\$4,849,194	\$38,101,147
2028	\$2,997,174	\$1,619,224	\$620,679	\$5,237,077	\$43,338,224
2029	\$3,241,818	\$1,727,229	\$671,342	\$5,640,389	\$48,978,613
2030	\$3,425,839	\$1,880,154	\$709,450	\$6,015,443	\$54,994,056
2031	\$3,650,039	\$1,998,410	\$755,879	\$6,404,328	\$61,398,384
2032	\$3,849,252	\$2,164,377	\$797,134	\$6,810,763	\$68,209,147
2033	\$4,091,211	\$2,293,675	\$847,241	\$7,232,127	\$75,441,274
2034	\$4,306,783	\$2,473,705	\$891,883	\$7,672,371	\$83,113,645
2035	\$4,567,832	\$2,614,952	\$945,943	\$8,128,727	\$91,242,372
2036	\$4,801,018	\$2,810,142	\$994,233	\$8,605,393	\$99,847,765
2037	\$5,082,583	\$2,964,313	\$1,052,542	\$9,099,438	\$108,947,203
2038	\$5,273,467	\$3,175,843	\$1,092,072	\$9,541,382	\$118,488,585
2039	\$5,575,243	\$3,291,661	\$1,154,566	\$10,021,470	\$128,510,055
2040	\$5,780,906	\$3,519,226	\$1,197,156	\$10,497,288	\$139,007,343
TOTAL	\$78,894,539	\$43,774,689	\$16,338,115	\$139,007,343	-

Source: TXP