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Dallas Texas 75206

Economic Impact Study

**for a Proposed Office/Retail Development
known as “McKinney Gateway” in McKinney, Texas**

Prepared for
McKinney Economic Development Corporation
Jim Wehmeier,
President /CEO
5900 S. Lake Forest Dr. Suite 110
McKinney, TX. 75070

Prepared by
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March 29, 2015

Jim Wehmeier
President – CEO
McKinney Economic Development Corporation
5900 S. Lake Forest Dr. Suite 110
McKinney, TX. 75070

Re: Economic Impact study for a proposed mixed-use project at Sam Rayburn Tollway and Interstate 75 adjacent to the Collin College in McKinney, Texas.

Dear Mr. Wehmeier,

In accordance with our engagement letter dated November 12, 2014, we have performed an economic impact analysis to determine the potential economic impact for the proposed McKinney Gateway project to be located in McKinney, Texas adjacent to the Collin College and existing convention center. The opinions presented in the report are based upon our present knowledge and understanding of the project from available details submitted by the developer.

Our projections are based on estimates and assumptions which are subject to uncertainty and variation. Accordingly, we do not represent them as results that will be achieved with certainty. Nonetheless, they have been conscientiously prepared on the basis of the information furnished to us, and from the research and analysis completed, as well as from our general experience in the industry.

The total economic impact for the development, including construction and output from operations is estimated to reach a total of almost \$294 million during the period from 2015 to 2025. The total tax revenues that can be generated from the project, including property tax and sales tax, is just over \$13 million.

The terms of our engagement are such that we have no obligation to revise our findings to reflect events or conditions that occur subsequent to the date of transmittal. As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, newspaper publicity or as part of any printed material, without our prior written consent.

We will be available to discuss/interpret our findings and conclusions with you at your convenience, and we very much appreciate the cooperation you extended to us during the course of the engagement.

Respectfully Submitted,



Jason Claunch

Catalyst Commercial, Inc.

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EXECUTIVE SUMMARY

Introduction

Catalyst Commercial was engaged by the McKinney Economic Development Corporation to conduct an economic impact analysis for a proposed mixed-use retail and office in McKinney, Texas. In addition to the proposed 1.3M square feet of office, there is approximately 52,000 square feet of retail/restaurant being planned as well.

Scope of Work

The data used in this report has been confirmed to the extent possible, unless otherwise expressly noted. The general information used in this analysis was obtained via local governmental sources, secondary data and interviews with local and regional real estate professionals. Specific information regarding the proposed site was obtained from McKinney Economic Development Corporation. Market data was obtained from Catalyst Commercial data sets and from city and county sources.

During the preparation of this economic impact study, the following scope of work was undertaken by Catalyst Commercial:

- Met with a representative of the MEDC in order to clearly understand their plans for the proposed McKinney Gateway development.
- Reviewed the details of the site and the surrounding developments, as well as the site plan from Good, Fulton and Farrell.
- Analyzed relevant economic trends, general market conditions, and the state of the specific market factors having a direct impact on demand within the Dallas / Fort Worth market area, including trends related to the area employment, demographics, and the various attractions and amenities of the specific McKinney market area.
- Reviewed the economic incentive agreement provided by MEDC.
- Developed estimates of direct spending and resulting economic impacts generated by the McKinney Gateway development and the incremental impacts that could result from increased demand associated with new development and mixed-use retail.

CONCLUSIONS

Based on the research and analyses completed in conjunction with this study, the key highlights of our analysis, and our conclusions, are summarized as follows:

Proposed Gateway - McKinney, Texas				
Total Economic Impact				
Year	Estimated Economic Impact			Total Economic Impact
	Construction	Operations	Visitor Expenditures	
2015	\$33,214,928	--	--	\$33,214,928
2016	\$20,666,926	\$354,002	\$761,621	\$21,782,549
2017	\$30,083,047	\$746,126	\$1,605,263	\$32,434,437
2018	\$22,559,924	\$1,100,128	\$2,366,885	\$26,026,936
2019	\$23,116,215	\$1,492,253	\$3,210,527	\$27,818,994
2020	\$14,521,166	\$1,846,254	\$3,972,148	\$20,339,568
2021	\$35,005,285	\$2,826,566	\$6,081,253	\$43,913,104
2022	\$36,005,443	\$2,911,363	\$6,263,690	\$45,180,497
2023	\$37,137,107	\$2,996,160	\$6,446,128	\$46,579,395
2024	\$63,752,033	\$3,080,957	\$6,628,565	\$73,461,556
2025	\$63,752,033	\$3,165,754	\$6,811,003	\$73,728,790
2026	\$21,012,778	\$4,036,337	\$8,684,029	\$33,733,144
Total	\$400,826,885	\$24,555,901	\$52,831,112	\$478,213,897
Source: Catalyst Commercial				

ASSUMPTIONS AND LIMITING CONDITIONS

This economic impact report is subject to general limiting conditions as well as the general and specific assumptions stated in this report. Your attention is also directed to the list of general and specific limiting conditions and assumptions found at the end of this report, as they are an integral part of the process.

sales, and 12.5% in administrative positions. The Services sector employs 12.5% and Blue Collar workers comprise 12.4% of the employed population.

DEMOGRAPHIC, ECONOMIC, AND EMPLOYMENT PROFILES

The city of McKinney has an estimated population over 155,142, compared to 131,117 in 2010. The city has an estimated 43,864 single-family residences and approximately 12,000 multi-family units. In 2014, the city of McKinney had an estimated 1,703 single-family permits, 548 units of multi-family and 44 commercial permits.

The city is racially diverse, with 77.21% White, 10.82% Black, 4.19% Asian and 7.77% Other. Hispanics represent approximately 18.61% of the population. (McKinney, 2010)

The median age in this area is 33.5, compared to U.S. median age of 37.7. Persons of Hispanic origin represent 19.4% of the population in the identified area compared to 17.5% of the U.S. population. Persons of Hispanic Origin may be of any race. The Diversity Index, which measures the probability that two people from the same area will be from different race/ethnic groups, is 62.7 in the identified area, compared to 62.6 for the U.S. as a whole.

Current median household income is \$92,333 in the area, compared to \$52,076 for all U.S. households. Median household income is projected to be \$104,349 in five years, compared to \$59,599 for all U.S. households. Current average household income is \$112,062 in this area, compared to \$72,809 for all U.S. households. Average household income is projected to be \$131,450 in five years, compared to \$83,937 for all U.S. households. Current per capita income is \$38,310 in the area, compared to the U.S. per capita income of \$27,871. The per capita income is projected to be \$45,137 in five years, compared to \$32,168 for all U.S. households

Unemployment Rates

Collin County and the city of McKinney have very low unemployment. As of February 2015, unemployment in the county dropped to 4.0%. Texas unemployment is 4.4% as of February 2015. (McKinney, McKinney Development Reports, 2015)

METHODOLOGY AND RIMS II

METHODOLOGY

Our basic methodology of estimating impact was first to calculate all of the direct spending that would result from the construction and operation of the project including the proposed office and retail/restaurant in McKinney, Texas. We then employed the Regional Input-Output Modeling System (RIMS II) for Collin County developed by the U.S. Department of Commerce's Bureau of Economic Analysis. Based on these multipliers, we developed estimates for total economic impact, the increased wages to the area, and the increased employment.

RIMS II METHODOLOGY

The following material in this section has been condensed from the RIMS II User Handbook for the purposes of this report.

Effective planning for public and private-sector projects and programs at the State and local levels requires a systematic analysis of the economic impacts of these projects and programs on affected regions. As a result, systematic analysis of economic impacts must account for the inter-industry relationships within regions because these relationships largely determine how regional economies are likely to respond to the various project and program changes. Therefore, regional input-output (I-O) multipliers, which account for inter-industry relationships within regions, are useful tools for conducting local, and more specifically, regional impact analysis.

In the 1970s, the Bureau of Economic Analysis (BEA) developed a method for estimating regional I-O multipliers known as RIMS (Regional Industrial Multiplier System). In the 1980s, BEA completed an enhancement of RIMS, known as RIMS II (Regional Input-Output Modeling System), and published the first handbook for RIMS II users. By 1997, BEA published a 3rd edition of the handbook that provides more detail on the use of the multipliers and the data sources and methods for estimating them.

To use the multipliers for economic impact analysis effectively, users must provide geographically and industrially detailed information on the initial changes in output, earnings, or employment that are associated with the project or program under study. The multipliers can then be used to estimate the total impact of the project on regional output, earnings, and employment.

There are numerous advantages to using RIMS II including the accessibility of the main data sources, which makes it possible to estimate regional multipliers without conducting relatively expensive surveys. Another is the level of industrial detail used in RIMS II helps avoid aggregation errors, which often occur when industries are combined. Finally, RIMS II multipliers are updated to reflect the most recent local-area wage/salary and personal income data.

CONCLUSION

The Bureau of Economic Analysis' RIMS multipliers can be a cost-effective way for analysts to estimate the economic changes in a regional economy without conducting multiple time consuming surveys with little consistency or volume of response that is provided by the BEA.

RIMS II is widely used in both the public and private sector. In the public sector, entities such as the Department of Defense and the State Department use RIMS II to estimate regional impacts of military base closings or airport expansions. In the private sector, analysts and consultants use RIMS II to estimate the regional impacts of a variety of projects and developments such as sport stadiums, shopping malls, and hotels.

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DEFINING ECONOMIC IMPACT

Economic Impact

Total economic impact is a product of new direct and indirect spending within the local economy. New direct spending comes from construction wages paid and materials purchased in the local economy, in addition to operation employee spending. Each new dollar spent (direct) has a multiplied effect on the economy in the form of increased revenues to local businesses, increased employment and increased wages (indirect). An example of this would be a retailer who hires more employees as a result of an increase in sales volumes. Each new employee is a new consumer who then re-spends the money within the local economy. Therefore, direct economic impacts are all expenditures that can be linked directly to construction and operations personnel, while indirect impacts are generated when these new dollars are re-spent within the local economy. These direct and indirect expenditures represent the total impact to the economy.

Direct Spending

The initial direct spending will come from the construction of the project in the form of wages and materials. Adjustments must be made to initial direct spending due to the reality that not all of the direct spending will impact the local economy, and some of the spending would have occurred regardless of the addition of the new development. Thus, our representation of direct spending represents economic activity that is “new” to the community and would not have occurred if the project were not present in the market. Operations of the new development will also impact through direct spending in the form of job creation and wages. Again this spending is “new” to the market as a result of the new development.

Total Output

The total output is the entirety of all spending effects generated by the project. This is the sum of total direct spending and any indirect or induced spending effects produced as a result of the new development.

Wages

The personal earnings of employees working for businesses in the market impacted by the project are represented by wages and salaries.

Employment

The employment representing additional jobs created by the project spending may be actualized in a variety of full- or part-time positions; however, the number of jobs is a function of a full-time equivalent (FTE) and is based on 2,080 annual hours or one year of employment.

Economic Multiplier

The economic impact resulting from the proposed project will be further increased as the initial direct spending is again spent in the local marketplace. The total impact is estimated by applying an economic multiplier to the initial direct spending associated with the project. The total output multiplier is applied to estimate the aggregated total spending starting with the initial direct spending and then each additional round of re-spending that occurs.

While the additional expenditures are accounted for in the total output multiplier, they are discussed most often as either indirect effects or induced effects on the local economy. An indirect impact is commonly found to occur in the industrial area of the economy representing wholesale, manufacturing, utilities, and transportation.

In theory, indirect spending could continue indefinitely; however, earners of these expenditures may choose to save money, pay taxes, or spend it outside of the local area. This effectively ends the subsequent expenditure and does not create the opportunity for further spending in the local marketplace. This “leakage” serves to reduce the overall economic impact of a project and must be considered in the adjustment of expenditures for the project.

The project will also “induce” positive changes in the market by the creation of new jobs, higher wages, and growing population. As these changes occur, more spending will take place in all sectors of the economy.

The various multipliers are based on the RIMS II data which has been discussed and considers nearly 500 U.S. industries as they pertain to the region’s industrial structure and trading patterns.

Fiscal Impacts

The public sector of the economy also sees benefits from the project in terms of tax revenue. Estimating these fiscal impacts includes the consideration of tax revenues generated by the various forms of direct spending for the project. Sales tax, property tax, and hotel occupancy tax are the most common forms typically involved with the type of project being analyzed in this report.

ESTIMATED IMPACT

Economic impact from the construction of the project comes in the form of wages paid to construction personnel as well as the purchase of construction materials. Total construction cost for the project is estimated to be just over \$337 million based on 1.3M of office and 52,000 of retail/restaurant and probable costs of construction estimated by Catalyst Commercial. Catalyst estimates that an estimated 40% of the wages paid and construction materials purchased would originate within the city limits. The following table uses the multipliers supplied by the RIMS II model for Collin County to estimate economic impact resulting from construction.

Proposed Gateway - McKinney, Texas						
Potential Sales Tax Revenues to McKinney						
Year	Construction Cost per year¹	Material Purchased Local	Annual Economic Output 1.2662	Annual Wages Output 0.4353	Total Economic Impact	Total Jobs Output 9.3218
2016	\$33,214,928	\$13,285,971	\$16,822,697	\$5,783,383	\$22,606,080	310 Jobs
2017	\$20,666,926	\$8,266,770	\$10,467,385	\$3,598,525	\$14,065,910	193 Jobs
2018	\$30,083,047	\$12,033,219	\$15,236,462	\$5,238,060	\$20,474,522	280 Jobs
2019	\$22,559,924	\$9,023,970	\$11,426,150	\$3,928,134	\$15,354,284	210 Jobs
2020	\$23,116,215	\$9,246,486	\$11,707,901	\$4,024,995	\$15,732,896	215 Jobs
2021	\$14,521,166	\$5,808,466	\$7,354,680	\$2,528,425	\$9,883,106	135 Jobs
2022	\$35,005,285	\$14,002,114	\$17,729,477	\$6,095,120	\$23,824,597	326 Jobs
2023	\$36,005,443	\$14,402,177	\$18,236,037	\$6,269,268	\$24,505,305	336 Jobs
2024	\$37,137,107	\$14,854,843	\$18,809,202	\$6,466,313	\$25,275,515	346 Jobs
2025	\$63,752,033	\$25,500,813	\$32,289,130	\$11,100,504	\$43,389,634	594 Jobs
2026	\$21,012,778	\$8,405,111	\$10,642,552	\$3,658,745	\$14,301,297	196 Jobs
Total	\$337,074,852	\$134,829,941	\$170,721,671	\$55,032,728	\$229,413,144	3142 Jobs
¹ Catalyst Financial Projection dated March 2015						
² Source of Data: City of McKinney						
Source: Catalyst						

As shown, the development of the proposed project is estimated to generate approximately \$170M million in output within the local area over the course of the construction period. This level of economic activity would support approximately 3,142 jobs (both full-time and part-time) with an estimated \$1.9 million in total earnings.

ECONOMIC IMPACT OF OFFICE AND RETAIL OPERATIONS

This section of the report estimates the economic impact from the operation of the subject development. We have also considered that there may be some associated impact from the expanding operation of the civic center by including it in the analysis. Market information, estimates, and assumptions were derived through our interviews with local city and county government officials, inclusive of economic development offices and chambers of commerce.

ECONOMIC IMPACT FROM OPERATIONS

Direct economic impact from the operation of the proposed McKinney Gateway is generated by the creation of jobs and paying of wages to the employees of the proposed office and retail/restaurant. As much as 30% of these wages are typically withheld for taxes and savings and are not spent, which leaves 70% of these “net” wages to be spent on household products and services.

Indirect impact occurs when the industries that produce these products and deliver these services hire more persons and pay more wages. The economic impact from operations is presented in the following table.

Proposed Gateway - McKinney, Texas								
Economic Impact From Operations								
	Total Revenue ¹	Total Payroll ² (16.6% of Total Revenue)	Taxes & Savings - (30% of Payroll)	Amount Spent In Local Economy	Economic Impact		Total Employment 18.6903	Total Impact From Operations
					Output ³ 1.1956	Wages ³ 0.3667		
2016	\$1,950,000	\$323,700	\$97,110	\$226,590	\$270,911	\$83,091	36	\$354,002
2017	\$4,110,000	\$682,260	\$204,678	\$477,582	\$570,997	\$175,129	77	\$746,126
2018	\$6,060,000	\$1,005,960	\$301,788	\$704,172	\$841,908	\$258,220	113	\$1,100,128
2019	\$8,220,000	\$1,364,520	\$409,356	\$955,164	\$1,141,994	\$350,259	154	\$1,492,253
2020	\$10,170,000	\$1,688,220	\$506,466	\$1,181,754	\$1,412,905	\$433,349	190	\$1,846,254
2021	\$15,570,000	\$2,584,620	\$775,386	\$1,809,234	\$2,163,120	\$663,446	291	\$2,826,566
2022	\$16,037,100	\$2,662,159	\$798,648	\$1,863,511	\$2,228,014	\$683,349	300	\$2,911,363
2023	\$16,504,200	\$2,739,697	\$821,909	\$1,917,788	\$2,292,907	\$703,253	308	\$2,996,160
2024	\$16,971,300	\$2,817,236	\$845,171	\$1,972,065	\$2,357,801	\$723,156	317	\$3,080,957
2025	\$17,438,400	\$2,894,774	\$868,432	\$2,026,342	\$2,422,695	\$743,060	326	\$3,165,754
2026	\$22,233,960	\$3,690,837	\$1,107,251	\$2,583,586	\$3,088,936	\$947,401	416	\$4,036,337
Total	\$113,031,000	\$18,763,146	\$5,628,944	\$13,134,202	\$15,703,252	\$4,816,312	211	\$20,519,564
¹ Financial Projection dated March 2015								
² Forbes Trends in the Retail Labor Cost per Sales								
³ Multiplier Source: US Department of Commerce - Bureau of Economic Analysis								
Source: Catalyst								

As shown, the operation of the proposed McKinney Gateway development is estimated to generate approximately \$15.7 million in output within the local area over the course of the first 10-years of operation. This level of economic activity would support an annual estimate average of 211 jobs (both full-time and part-time) with an estimated \$4.8 million in total earnings. These job figures are in line with ICSC research on the number of jobs per retail square footage and BOMA estimates for office workers.

ADDITIONAL IMPACTS

INTRODUCTION

While visitors will impact spending at the retail/restaurants, they will also contribute to the economy by spending outside of the project in area restaurants, retail outlets, convenience stations, and entertainment venues. Different types of visitors are expected to spend differently as related to the segmentation of the demand generated at the development.

ECONOMIC IMPACT OF NON-LOCAL SPENDING

Quantifying the out of town spending by visitors is estimated using the spending across three segments of demand found in the market and their tendencies. We believe these estimates to be reasonable and based on industry history. The following table presents a summarization of the estimated out of visitor spending we expect to be generated by visitors thru 2025.

Proposed Gateway - McKinney, Texas Economic Impact from Visitor Spending						
	Total Expenditures 1	Amount Spent From on-local Visitors ²	Economic Impact		Total Employment	Total Impact From Other Spending
			Output ³ 1.1956	Wages ³ 0.3667		
2016	\$1,950,000	\$487,500	\$582,855	\$178,766	36	\$761,621
2017	\$4,110,000	\$1,027,500	\$1,228,479	\$376,784.25	77	\$1,605,263
2018	\$6,060,000	\$1,515,000	\$1,811,334	\$555,551	113	\$2,366,885
2019	\$8,220,000	\$2,055,000	\$2,456,958	\$753,569	154	\$3,210,527
2020	\$10,170,000	\$2,542,500	\$3,039,813	\$932,335	190	\$3,972,148
2021	\$15,570,000	\$3,892,500	\$4,653,873	\$1,427,380	291	\$6,081,253
2022	\$16,037,100	\$4,009,275	\$4,793,489	\$1,470,201	300	\$6,263,690
2023	\$16,504,200	\$4,126,050	\$4,933,105	\$1,513,023	308	\$6,446,128
2024	\$16,971,300	\$4,242,825	\$5,072,722	\$1,555,844	317	\$6,628,565
2025	\$17,438,400	\$4,359,600	\$5,212,338	\$1,598,665	326	\$6,811,003
2026	\$22,233,960	\$5,558,490	\$6,645,731	\$2,038,298	416	\$8,684,029
Total	\$113,031,000	\$28,257,750	\$33,784,966	\$10,362,117	211	\$44,147,083
<small>¹Financial Projection dated March 2015</small>						
<small>²Estimated 75% local spend</small>						
<small>³Multiplier Source: US Department of Commerce - Bureau of Economic Analysis</small>						
Source: Catalyst Commercial						

Another positive effect of the new development would be the preservation or increasing of surrounding property values that could provide complementary goods and services to the community and the adjacent development.

GENERATED TAX REVENUE

Sales revenues will be generated on retail sales generated by retail and restaurant uses.

POTENTIAL TAXES

The following table summarizes the potential taxes for the first 10 years of operations. We have also assumed the initial phase opens in 2016. The project is estimated to generate over \$10M in property taxes and \$2.2M in sales tax.

Proposed Gateway - McKinney, Texas				
Total Potential Tax Revenues to McKinney				
Year	Potential McKinney Sales Tax Revenue (2%)	Potential Property Values	Estimated Property Tax .583/\$100	Total Potential McKinney Tax Revenues
2015	\$-	\$33,214,928	\$193,643	\$193,643
2016	\$39,000	\$53,881,854	\$314,131	\$353,131
2017	\$82,200	\$83,964,902	\$489,515	\$571,715
2018	\$121,200	\$106,524,826	\$621,040	\$742,240
2019	\$164,400	\$129,641,040	\$755,807	\$920,207
2020	\$203,400	\$144,162,206	\$840,466	\$1,043,866
2021	\$311,400	\$179,167,491	\$1,044,546	\$1,355,946
2022	\$320,742	\$215,222,935	\$1,254,750	\$1,575,492
2023	\$330,084	\$252,360,041	\$1,471,259	\$1,801,343
2024	\$339,426	\$316,112,075	\$1,842,933	\$2,182,359
2025	\$348,768	\$337,124,853	\$1,965,438	\$2,314,206
2026	\$358,367	\$337,124,853	\$1,965,438	\$2,323,805
Total	\$2,618,987	\$2,188,502,004	\$12,758,967	\$15,377,954
Source: Catalyst Commercial				

POTENTIAL SALES TAX

The following table summarizes the potential sales taxes for the first 10 years of operations. The table presents the total economic impact as well as the taxable revenues realized for the State of Texas (6.25%) and the City of McKinney (2%).

Proposed Gateway - McKinney, Texas					
Potential Sales Tax Revenues to McKinney					
Year	Estimated Gross Revenue¹	Potential McKinney Sales Tax Revenue (1.0%)²	Potential McKinney Sales Tax 4A Revenue (.5%)²	Potential McAllen Sales Tax 4B Revenue (.5%)²	Total Sales Tax City, 4A, 4B
2016	\$1,950,000	\$19,500	\$9,750	\$9,750	\$39,000
2017	\$4,110,000	\$41,100	\$20,550	\$20,550	\$82,200
2018	\$6,060,000	\$60,600	\$30,300	\$30,300	\$121,200
2019	\$8,220,000	\$82,200	\$41,100	\$41,100	\$164,400
2020	\$10,170,000	\$101,700	\$50,850	\$50,850	\$203,400
2021	\$15,570,000	\$155,700	\$77,850	\$77,850	\$311,400
2022	\$16,037,100	\$160,371	\$80,186	\$80,186	\$320,742
2023	\$16,504,200	\$165,042	\$82,521	\$82,521	\$330,084
2024	\$16,971,300	\$169,713	\$84,857	\$84,857	\$339,426
2025	\$17,438,400	\$174,384	\$87,192	\$87,192	\$348,768
2026	\$17,918,356	\$179,184	\$89,592	\$89,592	\$358,367
Total	\$113,031,000	\$1,309,494	\$654,747	\$654,747	\$2,618,987
¹ Catalyst Financial Projection dated March 2015					
² Source of Data: City of McKinney					
Source: Catalyst					

Total Tax Revenues to McKinney

The following table indicates the total projected tax revenues to the city of McKinney and 4A and 4B. The project is projected to create \$2.6M in local sales tax revenue.

Proposed Gateway - McKinney, Texas					
Potential Sales Tax Revenues to McKinney					
Year	Estimated Gross Revenue¹	Potential McKinney Sales Tax Revenue (1.0%)²	Potential McKinney Sales Tax 4A Revenue (.5%)²	Potential McKinney Sales Tax 4B Revenue (.5%)²	Total Sales Tax City, 4A, 4B
2016	\$1,950,000	\$19,500	\$9,750	\$9,750	\$39,000
2017	\$4,110,000	\$41,100	\$20,550	\$20,550	\$82,200
2018	\$6,060,000	\$60,600	\$30,300	\$30,300	\$121,200

Generated Tax Revenue

2019	\$8,220,000	\$82,200	\$41,100	\$41,100	\$164,400
2020	\$10,170,000	\$101,700	\$50,850	\$50,850	\$203,400
2021	\$15,570,000	\$155,700	\$77,850	\$77,850	\$311,400
2022	\$16,037,100	\$160,371	\$80,186	\$80,186	\$320,742
2023	\$16,504,200	\$165,042	\$82,521	\$82,521	\$330,084
2024	\$16,971,300	\$169,713	\$84,857	\$84,857	\$339,426
2025	\$17,438,400	\$174,384	\$87,192	\$87,192	\$348,768
2026	\$17,918,356	\$179,184	\$89,592	\$89,592	\$358,367
Total	\$113,031,000	\$1,309,494	\$654,747	\$654,747	\$2,618,987

¹Catalyst Financial Projection dated March 2015

²Source of Data: City of McKinney

Source: Catalyst

CUMULATIVE ECONOMIC IMPACT

Using our estimates of project timing estimates and estimated gross revenues for the proposed retail/restaurant, coupled with our assumptions regarding ancillary facilities, we have estimated the potential revenues and expenses by department for the property’s first ten years of operation. Our statement of estimated timing for the office included at the end of this section is projected with reasonable assumptions, however there has been limited class-A office space to use as an analog in McKinney, Texas. The following text describes our rationale for each line item of the financial projections.

TOTAL ECONOMIC IMPACT

The following table summarizes the economic impact of the proposed McKinney Gateway in McKinney, Texas beginning with construction in 2015 through the project’s first 11 years (2015 through 2026) of operations.

Proposed Gateway - McKinney, Texas		
Total Economic Impact		
Category		Amount
Economic Impact	\$	478,213,897
Jobs from Construction		310 Jobs
Total Jobs from Operations		2113
Fiscal Impact	\$	15,377,954
Source: Catalyst Commercial		

Conclusion

The proposed McKinney Gateway project is expected to have both quantifiable and intangible benefits for the City McKinney. The total estimated economic impact for the project is over \$478M with a net fiscal impact of over \$15M.

ASSUMPTIONS & LIMITING CONDITIONS

The following Standard Conditions apply to real estate consulting assignments by **Catalyst Commercial**:

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical, or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Information Furnished by Others - In preparing the report, the consultant relied on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Title - No opinion as to the title of the subject property is rendered. The property is evaluated assuming it to be under responsible ownership and competent management.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Zoning and Land Use - Unless otherwise stated, the subject property is evaluated assuming it to be in full compliance with all applicable zoning and land use regulations and restrictions.

Licenses and Permits - Unless otherwise stated, the property is evaluated assuming that all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the analysis contained in this report is based.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

Legal Matters - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of Catalyst Commercial, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose.

Testimony in Court - Testimony or attendance in court or at any other hearing is not required by reason of rendering this report, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

Income Data Provided by Third Party - Any income and expense data related to the property provided by the client is assumed, but not warranted, to be accurate.

Asbestos - The consultant is not aware of the existence of asbestos in any improvements on the subject property. However, the consultant is not trained to discover the presence of asbestos and assumes no responsibility should asbestos be found in or at the subject property. For the purposes of this report, the consultant assumes the subject property is free of asbestos and that the subject property meets all federal, state and local laws regarding asbestos abatement.

Archaeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archaeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archaeological significance.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Dissemination of Material - Neither all nor any part of the contents of this report (including the identity of the consultant or Jason Claunch shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of Catalyst Commercial.

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Limits of Liability - Catalyst Commercial cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

CERTIFICATION

The undersigned certifies that, to the best of my knowledge and belief:

- That the statements of fact contained in this report are true and correct;
- That the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations;
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved;
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment;
- That my engagement in this assignment was not contingent upon developing or reporting predetermined results;
- That my compensation for completing this assignment is not contingent upon the development or reporting of predetermined results or a direction in results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this market study;
- Jason Claunch made a personal inspection of the property (site) that is the subject of this report.

Catalyst Commercial, Inc.,



Jason Claunch
President

