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October 18, 2017

Mr. Paul Grimes
City Manager
222 N. Tennessee Street
McKinney, Texas 75069

Re: Case No. 248Z
Information Regarding the Establishment of a Public Improvement District

Dear Mr. Grimes:

I represent Amalgamated Properties, the developer of the local master-planned communities of Auburn Hills and Willow Wood, that has under contract the Brinkmann property consisting of 1,163.005 acres of land (the “Property”) which is the subject of the above-referenced Zoning Case No. 248Z. The Property is strategically situated between Lake Forest Drive and Hardin Boulevard and extends from University Drive to Bloomdale Road. The Property in its undeveloped state effectively blocks future City growth north of Bloomdale Road because of the non-existence of sanitary sewer lines or capacity and effectively undermines the ability of the City to provide an alternate east/west route for traffic flows parallel to University Drive (Hwy 380) on Wilmeth Road. If developed as a master-planned community to the level demonstrated by my client’s other developments, this community will have a significant economic impact on the new retail developments at Hwy 380 and Hardin Boulevard, as well as the balance of the City.

In conjunction with our discussions relating to the negotiation of a development agreement with the City covering the Property (the “Development Agreement”), my client has requested that the City authorize and establish a public improvement district (a “PID”) under the auspices of Subchapter A of Chapter 372 of the Texas Local Government Code to be used as a vehicle to assist my client in covering the costs of constructing and installing certain public improvements, namely a parallel sanitary sewer system on each side of Franklin Branch, the reconstruction of a portion of the existing sanitary sewer collection system along US 380, the construction of Wilmeth Road as a continuous thoroughfare from Hardin Road to Lake Forest Drive, the construction of a new thoroughfare proposed in the One McKinney 2040 Comprehensive Plan, and the construction of a hike/bike trail on each side of Franklin Branch from the dam to Bloomdale Road (collectively, the “PID Projects”), that confer a special benefit to the Property as well as significant benefits to the City. The purpose of this letter is to set forth in general the procedures and determinations that are required of the City to create the PID, the processes required to establish the improvements and costs thereof to be financed by the PID, the method of assessing property within the PID and the

procedure for collecting such assessments, alternatives for managing the PID and the mechanism for establishing a payment protocol of PID funds to my client.

The creation of a PID in this instance would originate with the filing by the landowner of a petition that generally identifies the PID Projects along with the estimated costs of same, requests that the boundaries of the PID be the perimeter of the Property, includes a proposed method of assessment (may be based upon the frontage feet of lots within the Property or otherwise), and identifies either the City or developer, or both, as the manager of the PID. Upon receipt of the petition, the City and the Owner will jointly determine the estimated costs of the PID Projects (the "PID Project Costs") and prepare a Service and Assessment Plan for the PID for approval by the City Council. Typically, the PID Project Costs and the Service and Assessment Plan are prepared through the use of a third party, the cost of which is paid by the Owner.

The estimated total cost of all public improvements to be constructed in the development of the Property is \$96 million. My client estimates the costs of the public improvements constituting the PID Projects at approximately \$32.9 million, not including maintenance bond costs and administrative fees. During the process of preparing the Service and Assessment Plan, a more detailed estimate of PID Project Costs will be prepared. Based upon the determinations of the Service and Assessment Plan, the City Council would prepare a proposed assessment roll for public inspection.

After a requisite 30 day public inspection period of the final PID Project Costs and the Service and Assessment Plan, the City would levy a special assessment against the Property and specify the method of assessment along with the method of payment of such assessment by owners of property within the PID, which is typically based on an amortization of 30 years at a fixed interest rate with no prepayment penalties. Annual PID assessment payments are usually billed and collected through an agreement with the CAD in conjunction with the City's annual tax statements.

After the special assessments have been levied, the City and Owner would enter into an agreement with the PID that provides for the Owner's construction of the PID Projects and the PID's payment of the PID Project Costs.

As soon as reasonably practicable thereafter and provided the City's financial advisor confirms the bonds are creditworthy and marketable to third party institutional investors, the City would adopt an ordinance authorizing the issuance of PID Bonds that would be secured by, and repaid from, annual payments of the assessment by owners of property within the PID (typically, the City would not pledge its full faith and credit in support of the PID Bonds). The proceeds from the sale of the PID Bonds would be held and administered by the City, or its designee, and used to pay for the PID Project Costs as the same are incurred.

Among the benefits the utilization of the PID will generate for the City are the following:

- The immediate development of Wilmeth Road from Lake Forest Drive to Hardin Road with a crossing over Franklin Branch that will provide direct connectivity between Hwy 75 and Lake Forest to assist in the resolution of congestion on Hwy 380;
- The immediate development of the 2040 Road that will ultimately provide an alternative route for local residents back to Hwy 75;

- Installation of the sewer system that will eventually serve properties North of Bloomdale including the high school and middle school sites owned by the MISD;
- Construction of a 10' wide hike/bike trail system that will be approximately 5 miles in length and provide connectivity to other sections of the City's trail system;

All of these benefits will be created without cost to the City and without utilizing the Credit of the City. We ask that you support my client's request for assistance in thoroughly vetting this opportunity with the City Council.

Very truly yours,

Robert H. Roeder