

ORDINANCE NO. 2022-07-073

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS AMENDING, RESTATING AND SUPERSEDING ORDINANCE NUMBERS 2010-09-034, 2010-10-041, 2011-04-016, AND 2017-01-010 RELATED TO REINVESTMENT ZONE NUMBER ONE, CITY OF MCKINNEY; EXTENDING THE LENGTH OF THE TERM FOR REINVESTMENT ZONE NUMBER ONE, CITY OF MCKINNEY FROM 2040 TO 2055; RESTATING THE NON-AMENDED PROVISIONS; PROVIDING FOR THE REPEAL OF CONFLICTING ORDINANCES; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, On September 21, 2010, the City Council of McKinney, Texas ("City"), approved Ordinance Number 2010-09-034 creating the Reinvestment Zone Number One, City of McKinney (the "Creating Ordinance"), which Creating Ordinance was subsequently amended on October 19, 2010 by Ordinance Number 2010-10-041, on April 5, 2011 by Ordinance 2011-04-016, and on January 17, 2017 by Ordinance 2017-01-010; and

WHEREAS, the McKinney City Council desires to amend and supersede the aforementioned Ordinances for Reinvestment Zone Number One, City of McKinney (Ordinance No. 2010-09-034, Ordinance No. 2010-10-041, Ordinance No. 2011-04-016, and Ordinance No. 2017-01-010) by the passage of this ordinance.

NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS, THAT:

Section 1. FINDINGS

- (a) The findings set forth above are found to be true and correct and are hereby incorporated into the body of this Ordinance for all purposes as if fully set forth herein.
- (b) The City Council of the City of McKinney, Texas ("City Council") further finds and declares that the proposed improvements in the zone will significantly enhance the value of all the taxable real property in the proposed zone and will be of general benefit to the City.
- (c) The City Council further finds and declares that the proposed zone area meets the criteria and requirements of Section 311.005 of the Texas Tax Code because the proposed zone area: (1) substantially arrests or impairs the sound growth of the City, and constitutes an economic and social liability, and is a menace to the public health, safety, morals, or welfare in its present condition and use because of the presence of a substantial number of substandard, slum, deteriorated, or deteriorating structures; the predominance of defective or inadequate sidewalk or street layout; unsanitary or unsafe conditions; and the deterioration of site or other improvements; (2) due to the presence of the above factors, substantially impairs or arrests the sound growth of the City; and (3) the proposed project plan includes the use of land in the zone in connection with the operation of an existing or proposed regional commuter or mass transit rail system, or for a structure or facility that is necessary, useful, or beneficial to such regional rail system.
- (d) The City Council, pursuant to the requirements of Chapter 311 of the Texas Tax Code, further finds and declares that:

- (1) The proposed zone is a contiguous or noncontiguous geographic area located wholly within the corporate limits, extraterritorial jurisdiction, or both, of the City of McKinney, consistent with Section 311.003(a) of the Texas Tax Code, as amended;
- (2) Not more than ten percent (10%) of the property in the proposed zone, excluding property that is publicly owned, is used for residential purposes, consistent with Section 311.006(a)(1) of the Texas Tax Code, as amended;
- (3) The total appraised value of taxable real property in the proposed zone, and in the City's existing reinvestment zones, does not exceed fifteen percent (15%) of the total appraised value of taxable real property in the City and in the industrial districts created by the City, consistent with Section 311.006(a)(2) of the Texas Tax Code, as amended;
- (4) The proposed zone does not contain more than fifteen percent (15%) of the total appraised value of real property taxable by Collin County or the McKinney Independent School District, consistent with Section 311.006(c) of the Texas Tax Code, as amended; and
- (5) The development or redevelopment of the property in the proposed zone will not occur solely through private investment in the reasonably foreseeable future, consistent with Section 311.003(a) of the Texas Tax Code, as amended.

Section 2. **DESIGNATION AND NAME OF THE ZONE**

The City, acting under the provisions of Chapter 311 of the Texas Tax Code, and Section 311.005(a) of the Texas Tax Code, does hereby create and designate as a tax increment financing reinvestment zone the area specifically described and depicted in ***Exhibit A*** of this Ordinance, which is attached hereto and incorporated herein for all purpose to promote the redevelopment of the area.

The reinvestment zone shall hereafter be named for identification as the “**Reinvestment Zone Number One, City of McKinney**” (“TIRZ”), consistent with Section 311.004(a) (5) of the Texas Tax Code, as amended. The City Council specifically declares that the TIRZ is designated pursuant to Section 311.005(a) of the Texas Tax Code, as amended.

Section 3. **BOARD OF DIRECTORS**

- (a) There is hereby created a Board of Directors for the TIRZ, which shall consist of nine (9) members, inclusive of any members appointed by the participating taxing jurisdictions. Not less than eight (8) members shall be appointed by the City Council. City Council members shall be eligible for appointment to the Board of Directors. The City Council shall endeavor to appoint a member from the Planning and Zoning Commission to serve a board term concurrent with such member's Planning and Zoning Commission term. One (1) member may be appointed by Collin County, consistent with Section 311.009 of the Texas Tax Code, as amended. The Board of Directors shall be appointed by resolution or ordinance of the City or applicable taxing jurisdiction. All members of the Board of Directors shall meet eligibility requirements as set forth in Chapter 311 of the Texas Tax Code.

- (b) The directors appointed shall serve staggered two (2)-year terms. The City Council shall determine which members shall serve an initial two (2)-year term, and which members shall serve an initial one (1)-year term. All subsequent appointments shall be for staggered two (2)-year terms.
- (c) A vacancy on the Board of Directors is filled for the unexpired term by appointment of the governing body of the taxing unit that appointed the director who served in the vacant position.
- (d) Each year the City Council shall annually designate one (1) member of the Board of Directors to serve as chairman for a one (1)-year term that begins on January 1 of the following year. The Board of Directors shall elect from its members a vice chairman to preside in the absence of the chairman or when there is a vacancy in the office of chairman. The Board of Directors may elect other officers as it considers appropriate. The Board of Directors shall meet at least once per year or otherwise, as needed.
- (e) The Board of Directors shall make recommendations to the City Council concerning the administration of the TIRZ. The Board of Directors shall prepare, or cause to be prepared, and adopt a project plan and a reinvestment zone financing plan for the TIRZ as described in Section 311.011 and consistent with the preliminary project plan and preliminary financing plan attached hereto as **Exhibits B and C**, Texas Tax Code, and shall submit such plans to the City Council for its approval. The City hereby delegates to the Board of Directors all powers necessary to prepare and implement the project plan and reinvestment zone financing plan, subject to final approval thereof by the City Council, including the power to employ any consultants or enter into any reimbursement agreements payable solely from the Tax Increment Fund established pursuant to Section 6 of this Ordinance, that may be reasonably necessary or convenient to assist the Board of Directors in the preparation of the project plan and reinvestment zone financing plan and in the issuance of tax increment obligations.

Section 4. **DURATION OF THE TIRZ**

The TIRZ became effective on September 21, 2010, consistent with Section 311.004(a)(3) of the Texas Tax Code, as amended, for the deposit of Tax Increments into the Tax Increment Fund established pursuant to Section 7 of this Ordinance, and termination of the operation of the TIRZ shall occur on **December 31, 2055**, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, notes and other obligations of the TIRZ, and the interest thereon, have been paid in full, in accordance with Section 311.017 of the Texas Tax Code, as amended.

Section 5. **TAX INCREMENT BASE; AMOUNT OF TAX INCREMENT**

Pursuant to Section 311.012(c) of the Texas Tax Code, as amended, the Tax Increment Base of the City, or any other taxing unit participating in the TIRZ, for the TIRZ is the total appraised value of all real property taxable by the City or other taxing unit participating in the TIRZ, and located in the TIRZ, determined as of **January 1, 2010**, the year in which the TIRZ was originally designated as a reinvestment zone (the "Tax Increment Base"). Consistent with Section 311.012(a) of the Texas Tax Code, as amended, the amount of the Tax Increment for a year is one hundred percent (100%) of property taxes levied and collected by the City and all or a portion of property taxes of other taxing units participating in the TIRZ and located in the TIRZ (or such other percentage of a taxing unit participating in the TIRZ

as set forth in an agreement to participate in the TIRZ) for that year on the Captured Appraised Value of real property taxable by the City or other taxing unit participating in the TIRZ and located in the TIRZ (the "Tax Increment"). Consistent with Section 311.012(b) of the Texas Tax Code, as amended, the Captured Appraised Value of real property taxable by the City or other taxing unit participating in the TIRZ for a year is the total appraised value of all real property taxable by the unit and located in the TIRZ for that year less the Tax Increment Base (the "Captured Appraised Value").

Section 6. TAX INCREMENT BASE; SALES AND USE TAX INCREMENT

Pursuant to Section 311.0123 of the Texas Tax Code, as amended, the sales and use Tax Increment Base of the City is the total sales and use taxes collected by the City within the TIRZ in **2010**, the year in which the TIRZ was originally designated as a reinvestment zone (the "Tax Increment Base"). Consistent with Section 311.0123 of the Texas Tax Code, as amended, the amount of the sales and use Tax Increment for any year is one hundred percent (100%) of sales and use taxes levied and collected by the City within the TIRZ for that year (the "Tax Increment"). Consistent with Section 311.012(b) of the Texas Tax Code, as amended, the Captured Appraised Value of sales and use taxes by the City is the total sales and use taxes collected by the City within the TIRZ for that year less the Tax Increment Base (the "Captured Appraised Value").

Section 7. TAX INCREMENT FUND

There is hereby created and established a Tax Increment Fund for the TIRZ that may be divided into subaccounts as authorized by subsequent ordinances consistent with Chapter 311 of the Texas Tax Code, as amended. All Tax Increments to be contributed by the participating taxing units shall be deposited in the Tax Increment Fund. The Tax Increment Fund and any subaccount shall be maintained at the depository bank of the City and shall be secured in the manner prescribed by law for public funds of Texas cities. The amount of the contribution of each taxing unit will be determined according to an agreement between the City and the taxing unit. In addition, all revenues from the sale of any tax increment bonds, notes or other obligations hereafter issued for the benefit of the TIRZ by the City, if any; revenues from the sale of property acquired as part of the project plan and reinvestment zone financing plan, if any; and other revenues to be used in the TIRZ shall be deposited into the Tax Increment Fund. Prior to the termination of the TIRZ, money shall be disbursed from the Tax Increment Fund only to pay project costs for the TIRZ or to satisfy the claims of holders of tax increments bonds or notes issued for the TIRZ, or to pay obligations incurred pursuant to agreements entered into to implement the project plan and reinvestment zone financing plan, and to achieve their purpose pursuant to Section 311.010(b) of the Texas Tax Code, as amended.

Section 8. PRIOR ORDINANCES

Once effective, this Ordinance shall amend, supersede and restate Ordinance Number 2010-09-034, approved on September 21, 2010, Ordinance Number 2010-10-041, approved on October 19, 2010, Ordinance 2011-04-016, approved on April 5, 2011, and Ordinance No. 2017-01-010, approved on January 17, 2017; however, the formation date of the TIRZ shall remain effective as of September 21, 2010.

Section 9. SEVERABILITY CLAUSE

It is hereby declared to be the intention of the City Council that the words, phrases, clauses, sentences, paragraphs and sections of this Ordinance are severable, and if any word, phrase, clause, sentence, paragraph or section of this Ordinance shall be declared unconstitutional by the valid

judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining words, phrases, clauses, sentences, paragraphs and sections of this Ordinance, since the same would have been enacted by the City Council without the incorporation of any such unconstitutional word, phrase, clause, sentence, paragraph or section.

Section 10. REPEALER CLAUSE

Any provision of any prior ordinance of the City, whether codified or uncodified, which is in conflict with any provision of this Ordinance, is hereby repealed to the extent of the conflict, but all other provisions of the ordinances of the City, whether codified or uncodified, which are not in conflict with the provisions of this Ordinance shall remain in full force and effect.

Section 11. EFFECTIVE DATE

This Ordinance shall become effective from and after the date of its final passage and publication as provided by law and is accordingly so ordained.


DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS, ON THE 19th DAY OF JULY, 2022.

CITY OF MCKINNEY, TEXAS



GEORGE C. FULLER
Mayor

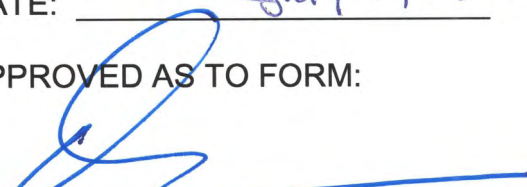
CORRECTLY ENROLLED:



EMPRESS DRANE
City Secretary
JOSHUA STEVENSON
Deputy City Secretary

DATE: July 19, 2022

APPROVED AS TO FORM:



MARK S. HOUSER
City Attorney

EXHIBIT A
“Reinvestment Zone Number One, City of McKinney”



EXHIBIT "A"

Reinvestment Zone Number 1, City of McKinney

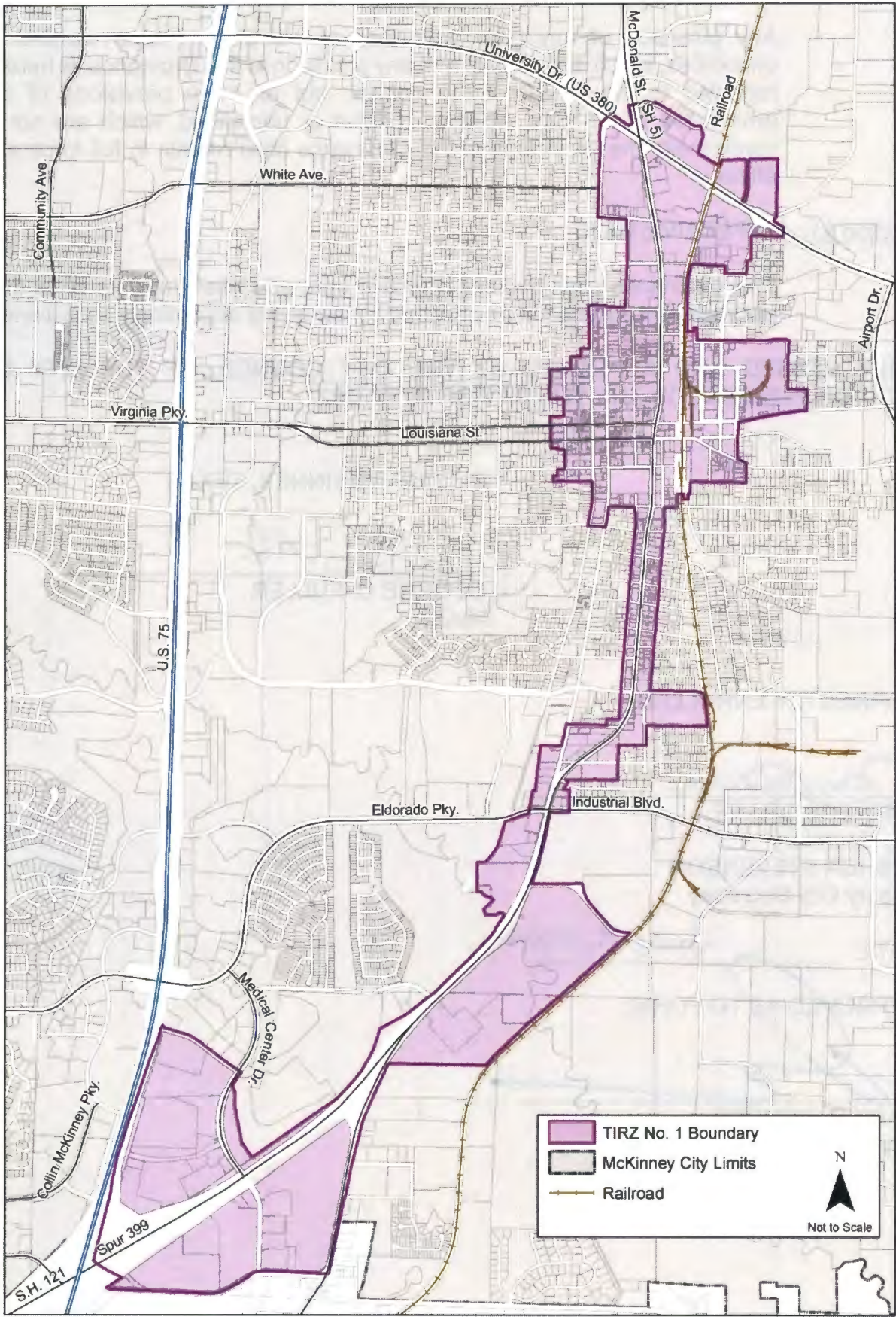


EXHIBIT “B”

Tax Increment Reinvestment Zone No. 1 (Town Center)

Preliminary Project Plan



September 1, 2010

Background

The City of McKinney TIRZ No. 1 (outlined in Figure 1) will support the investment and development of the Town Center of the City of McKinney. The Town Center redevelopment is guided by the Town Center Study approved on March 18, 2008 by the McKinney City Council after a comprehensive stakeholder and design process. This Project Plan has been prepared in conjunction with the preliminary TIRZ Financing Plan for TIRZ No. 1.

TIRZ No. 1 will provide support for catalytic infrastructure and projects that will support continued revitalization of the Historic Town Center; link the Town Center across Highway 5 to the proposed future Transit-Oriented Development (TOD) around the future rail transit station; provide infrastructure and development support for the TOD; support the street and other infrastructure needed for the safe and pedestrian-oriented transportation circulation needed within the historic core of the Town Center; improve and remediate key locations that have suffered from historic industrialization; and provide other support allowed by law for the redevelopment of the Town Center within the TIRZ boundary.

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



The Town Center is anchored by the Historic Square, which has been recently reconstructed. To the east of the Historic Square and across State Highway 5 is a future Rail Transit Station along the rail line, which once anchored a vibrant industrial area of Town. Today, stable neighborhoods surround the Historic Square and the future Rail Transit Station. Highway 5 contains a mix of commercial and industrial uses, many of which are auto-oriented uses.

In terms of current zoning, the Historic Square has a mix of zoning currently related to the downtown conditions. Around the Historic Square, zoning consists of General Business, Light Manufacturing and some Heavy Manufacturing. The southern end of the Town Center adjacent to US 75 is a planned development for office/retail and medical uses.

The adopted Town Center Study calls for the preservation of the Historic Core with enhancements for an eventual Transit Village around the proposed rail transit station. In addition, State Highway 5 is envisioned to redevelop as a walkable, urban destination that links the west and east sides of the corridor together into a transit-friendly neighborhood to encourage urban living, while preserving the surrounding neighborhoods. Outlined in Figure 2, the master plan derived from the Town Center Study provides an illustrative delineation of the redevelopment character and supporting infrastructure proposed for the project.

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In addition, key catalytic projects are envisioned including the reuse of historic buildings, such as the Flour Mill, and historic sites, such as the Cotton Compress, as well as the reuse of the former county offices site into a mixed use campus on the south side of the Historic Square. In addition, the area north of the Historic Square is envisioned to be an entertainment district of mixed use, including retail and urban residential. In order to accommodate such development, improvements in street infrastructure, new investments in parking and additional other infrastructure is planned.

In this context, the following specific projects are proposed:

I. Catalyst Projects – Significant Town Center projects with individual sites, buildings or groups of buildings for which total project investment from all sources will exceed \$5.0 million per project. Catalyst projects anticipated during the life of the Town Center TIRZ are listed below and are illustrated on Figure 3:

- State Highway 5 (McDonald Street) improvements (paving, water, wastewater, storm water, and landscape/streetscape)
- Parking facilities (locations will vary per Town Center Master Plan and subsequent parking studies)
- Development of new buildings (or redevelopment of existing buildings) as mixed-use/residential/civic projects
- Transit improvements providing for the accommodation of a variety of modes over time including station platforms, rail bed reconstruction, structures, utility relocation, bus queuing areas, depot/mixed use facilities, maintenance facilities, and other supporting improvements for transit facilities construction

II. Vacant/Underutilized Sites/Buildings – Relatively smaller projects (under \$5.0 million) for the incremental redevelopment of vacant/underutilized Town Center sites or buildings. The Vacant/Underutilized Sites/Buildings Improvement Area is illustrated on Figure 3.

I and II: The following categories of TIRZ-eligible expenditures shall be applicable to both Catalyst Projects and Vacant/Underutilized Sites/Buildings:

(a) **Environmental Remediation, Interior/Exterior Demolition, Historic Façade Restoration Improvements/Easements and Fire Safety Improvements/Grants:** The City of McKinney Town Center has several buildings that contribute to the character and fabric of the Town Center, but these buildings sometimes are financially unfeasible to properly redevelop because of the cost of environmental remediation of asbestos, lead-based paint and other contaminants, interior and exterior demolition costs, façade improvement costs and fire accessibility issues. Interior and exterior demolition expenses are tied directly to the remediation expenses. These costs are TIRZ-eligible expenditures. Remediation of environmentally hazardous materials and associated improvements, using TIRZ funds, greatly improves the marketability of these buildings. This budget category is necessary for attracting highly desired mixed-use and adaptive reuse projects to the Town Center TIRZ, including attracting new retail, office, and residential uses.

Historic façade improvements and new construction under this program will be reviewed for compliance with design standards to ensure compatibility with other improved structures and investment in the Town Center area.

Acquisition and restoration of historic sites: Several key historic buildings in the Town Center are vacant or substantially underutilized. As such, these historic buildings are falling into a serious state of disrepair so as to result in the deterioration of exterior architectural features and structural elements which produce a detrimental effect upon the character of the historic Town Center as a whole (and/or the life and character of the properties themselves). Acquisition and restoration of historic buildings by public entities will be supported as a TIRZ-eligible project cost to enable the redevelopment of these structures.

Only buildings that are designated as a local or State historic landmark; that are listed on the National Register of Historic Places; or that are designated by the City's Historic Preservation Officer will be eligible for assistance under this program. The intent of this program is to support and preserve these recognized historic structures within the Town Center TIRZ.

Acquisition of a conservation or beautification easement may preserve the architectural effects of these buildings enhancing the façade of new or redeveloped structures in the Town Center. The City of McKinney, using TIRZ funds, can acquire such an interest in these architecturally or aesthetically significant structures in the TIRZ, leaving long-term maintenance to the property owner. Façade easements may include funding for projects which, first, preserve and/or rehabilitate existing facades and, secondly, aid in the restoration of facades that have been significantly altered.

As part of a proposed catalyst project, TIRZ funds may be used by public entities to purchase a vacant/underutilized property or building and costs related to purchasing the property/building and developing a redevelopment plan for the property/building, consistent with the economic development concepts and objectives of the Town Center TIRZ.

(b) Street, Utility, and Streetscape Improvements: This category includes TIRZ-eligible expenditures for improvements to local streets, including paving, utility infrastructure upgrades/relocation (water, wastewater, storm water), burial of overhead utilities as well as lighting improvements, street trees/planters, and sidewalk improvements for enhancing pedestrian linkages between the historic downtown core, the north downtown quadrant, the south downtown quadrant, and the anticipated transit station/transit village. Key street, utility, and streetscape improvements (based on the Town Center Study Phase 1 Report and vision) anticipated during the life of the TIRZ are illustrated on Figure 3.

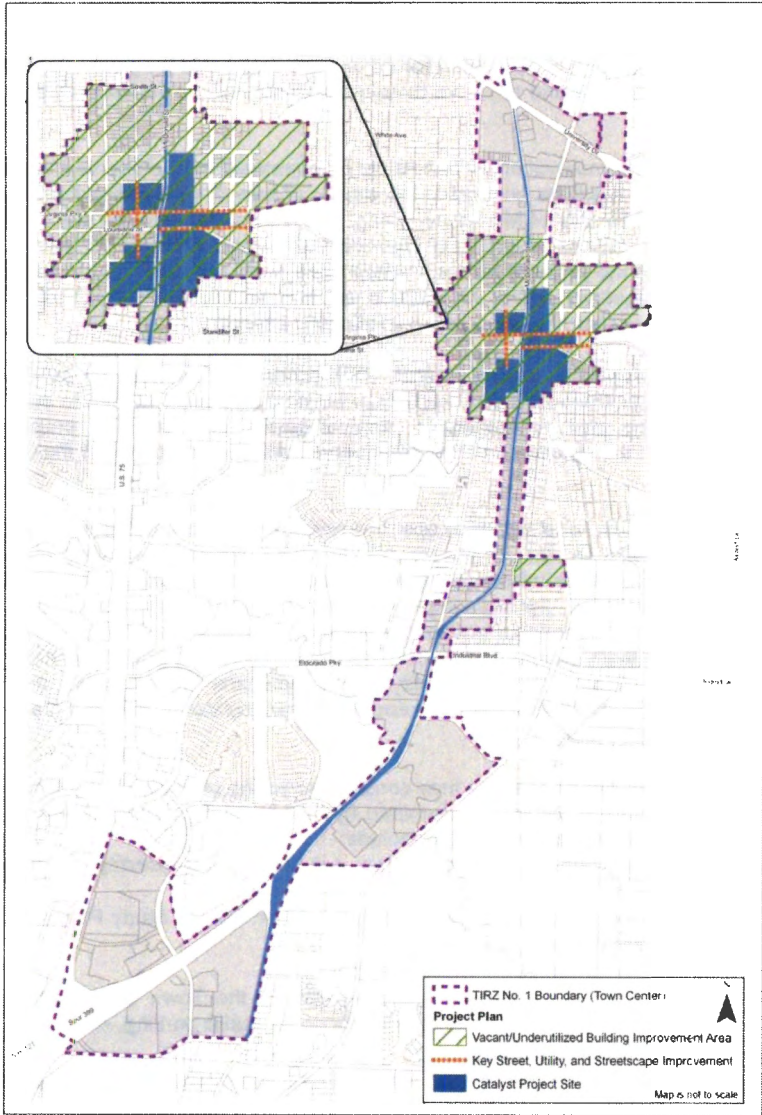
(c) Land Acquisition: The City may consider acquiring property (using eminent domain as necessary and to the extent permitted by law) to implement the Town Center TIRZ plan. Potential land acquisitions may include:

- Properties needed for pedestrian safety and accessibility, or transportation circulation;
- Pocket parks/plazas as identified in the Town Center Study Phase I Report and illustrative vision;
- Key development sites, which may be:
 - Locations generally recommended in the Town Center Study Phase II Parking Study as priority locations for public parking, or
 - Catalyst projects, or
 - Land or rights to land obtained for a redevelopment project in accordance with a development agreement.

III. **Mixed-Income Housing** -- Funding to encourage and assist in the creation of new affordable, workforce and mixed-income housing inside or outside the Town Center TIRZ is included. A mixture of housing types and pricing is important and desired for McKinney's Town Center consistent with the adopted Town Center Study Master Plan.

Based on the categories above, Figure 3 delineates the projects within the TIRZ Boundary:

Figure 3: TIRZ No. 1 Preliminary Project Types



Administration and Implementation

Administrative costs, including reasonable charges for the time spent by City of McKinney employees and/or employees associated with any non-profit groups established to assist with implementation within the Town Center TIRZ will be eligible for reimbursement as project costs, upon approval by the TIRZ Board of Directors and in connection with the implementation of the Town Center TIRZ Project Plan and Financing Plan. Other related administrative expenses including legal fees and consulting fees, including planning, engineering and design fees, of the City, management expenses, meeting expenditures and equipment are included in this category.

Non-Project Costs

It is anticipated that the City of McKinney may make economic development loans or grants either to the Town Center TIRZ or to the Town Center Redevelopment Authority in furtherance of implementing this Plan. Should such loans or grants be made, consistent with the financing documents authorizing the issuance of bonds or other obligations issued by the Redevelopment Authority to finance project costs, tax increments may be transferred to the City to reimburse the City for the funds made available by any such Chapter 380 economic development loans or grants in furtherance of the implementation of this Plan, and fulfilling the public purposes of developing and diversifying the economy of the Town Center TIRZ, eliminating unemployment or underemployment in the Town Center TIRZ, and developing or expanding transportation, business, and commercial activity in the Town Center TIRZ. It is not possible to quantify the non-project costs at this time, other than to say that they are anticipated. All bonds issued by the Town Center Redevelopment Authority are subject to City Council approval, and to minimize the exposure to the City's general fund revenues, the Town Center Redevelopment Authority shall maintain sufficient debt reserve accounts and coverage ratios.

Summary of Project Costs

The following summarize the projected project costs of the projects delineated above:

| Category | Estimated Cost (in 2010 Dollars) |
|---|-------------------------------------|
| Catalyst Projects | |
| State Highway 5 (McDonald Street) | \$ 50,000,000 |
| Parking facilities | \$ 15,000,000 |
| Development of new buildings (or redevelopment of existing buildings) as mixed-use/residential/civic projects | \$ 15,000,000 |
| Transit improvements | \$ 5,000,000 |
| Vacant/Underutilized Sites/Buildings | \$ 3,000,000 |
| Mixed-Income Housing | \$ 2,000,000 |
| Administration and Implementation | \$ 1,000,000 |
| Total Project Cost | \$ 91,000,000 |

Proposed Changes in Municipal Master Plans, Zoning Ordinances, Building Codes, and Subdivision Regulations

In order for the realization of the project plan described herein based on the adopted Town Center Study, it is anticipated that significant portions of the Town Center will need to be rezoned under a form-based code.

The form-based code is intended to preserve and enhance the existing historic core and the surrounding areas by encouraging a mix of retail, entertainment, restaurant, office, residential, and civic uses. Development standards not only encourage the preservation of existing historic buildings, but also require new buildings to be built to emphasize pedestrian orientation. The area east of Highway 5 is intended to provide the highest intensity of residential and commercial uses around the transit stop which is to be the Transit Village Core. In addition, the area surrounding the Transit Village Core and to the east of Hwy 5 is intended to encourage a range of commercial (retail, office, light/cottage industrial and live-work) as a transition between the Transit Village Core and the adjoining neighborhoods.

Relocation of Displaced Persons

This plan currently does not call for nor anticipate the displacement and relocation of persons for the proposed projects.

EXHIBIT “C”

Tax Increment Reinvestment Zone No. 1 (Town Center)

Preliminary Financing Plan



September 1, 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

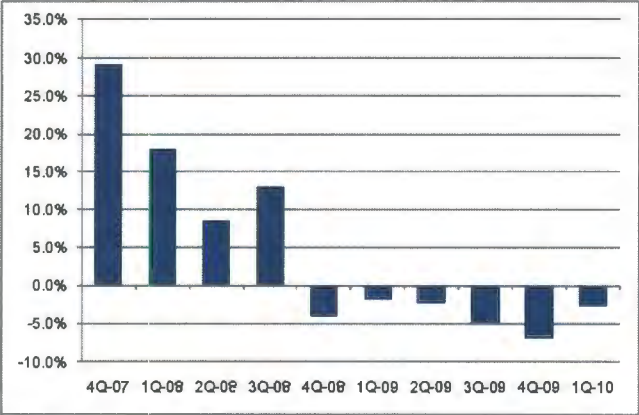
As the nation emerges from the recession, there is no question that the Metroplex and McKinney have felt the impact. The numbers tell the story, as job growth has slowed, sales tax revenue is stagnant and development has more or less come to a halt. That having been said, the impacts in the Dallas/Fort 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 |

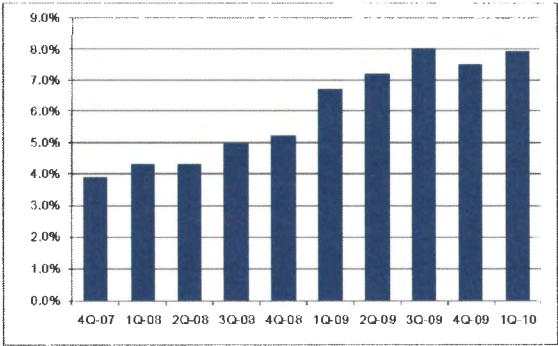
Sources: A. Texas State Comptroller's Office; B. City of McKinney; C. Bureau of Labor Statistics; D. Census Bureau

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 foot, 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 | \$285,364,753 |
| 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 | \$1,988,468 | \$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 |
| | | | | |
| Total | 90% | \$3,476,813 | \$10,465,822 | \$12,422,170 |
| Present Value | | \$1,913,625 | \$5,667,773 | \$6,713,977 |
| | | | | |
| Total | 80% | \$3,090,501 | \$9,302,953 | \$11,041,929 |
| Present Value | | \$1,701,000 | \$5,038,021 | \$5,967,980 |
| | | | | |
| Total | 70% | \$2,704,188 | \$8,140,064 | \$9,661,638 |
| Present Value | | \$1,488,375 | \$4,408,268 | \$5,221,932 |
| | | | | |
| Total | 60% | \$2,317,876 | \$6,977,215 | \$8,281,447 |
| Present Value | | \$1,275,750 | \$3,778,515 | \$4,475,985 |
| | | | | |
| Total | 50% | \$1,931,563 | \$5,814,346 | \$6,901,206 |
| Present Value | | \$1,063,125 | \$3,148,763 | \$3,729,987 |
| 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 | \$576,295 | \$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 | | | | | |