

TAX INCREMENT REINVESTMENT ZONE NUMBER TWO

CITY OF HILLSBORO

PROJECT AND FINANCING PLAN

(the “Preliminary Plan”)

JANUARY 17, 2023

Proposed Changes on Page 16

1. INTRODUCTION.

- 1.1. *Authority and Purpose.* The City of Hillsboro, a Texas home-rule municipality (the "City"), has the authority under Chapter 311, Texas Tax Code, as amended (the "Act") to designate a contiguous or noncontiguous geographic area within the corporate limits of the City as a tax increment reinvestment zone to promote development or redevelopment of the area if the governing body of the City (the "City Council") determines that development or redevelopment would not occur solely through private investment in the reasonably foreseeable future, that the zone is feasible, and that creation of the zone is in the best interest of the City and the property in the zone. The purpose of the zone is to facilitate such development or redevelopment by financing the costs of public works, public improvements, programs, and other projects benefiting the zone, plus other costs incidental to those expenditures, all of which costs are authorized by the Act.
- 1.2. *Eligibility Requirements.* An area is eligible under the Act to be designated as a tax increment reinvestment zone if it substantially arrests or impairs the sound growth of the municipality designating the zone, retard the provision of housing accommodations, or constitute an economic or social liability and be 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; faulty lot layout in relation to size, adequacy, accessibility, or usefulness; unsanitary or unsafe conditions; the deterioration of site or other improvements; tax or special assessment delinquency exceeding the fair value of the land; defective or unusual conditions of title; or conditions that endanger life or property by fire or other cause. The City cannot, however, designate a zone if more than 30% of the property in the proposed zone, excluding property that is publicly owned, is "used for residential purposes" (defined by the Act as follows: "... property is used for residential purposes if it is occupied by a house having fewer than five living units ... ") or if the total appraised value of taxable real property in the proposed zone and in existing reinvestment zones exceeds 50% of the total appraised value of taxable real property in the City and in industrial districts created by the City.
- 1.3. *The Proposed Zone.* The City is considering the creation of a tax increment reinvestment zone to be known as "Reinvestment Zone Number Two, City of Hillsboro" (the "Zone") that includes approximately 79 acres, including the properties and rights-of-way as described in Exhibit C (the Property). The Property meets the eligibility requirements of the Act. The Property substantially arrests or impairs the sound growth of the City or constitutes an economic or 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; faulty lot layout in relation to size, adequacy, accessibility, or usefulness; unsanitary or unsafe conditions; the deterioration of site or other improvements; tax or special assessment delinquency exceeding the fair

value of the land; defective or unusual conditions of title; or conditions that endanger life or property by fire or other cause; and due to its size, location, and physical characteristics, redevelopment will not occur solely through private investment in the foreseeable future. If the Zone is created and the public works, public improvements, programs, and other projects are financed as contemplated by this Preliminary Plan, the City envisions that the Property will be developed and redeveloped to take full advantage of the opportunity to bring to the City, Hill County, and to the region, an economic stimulator and business activity.

- 1.4. *Preliminary Plan; Hearing.* Before the City may adopt an ordinance designating the Zone, the City Council must prepare a preliminary reinvestment zone financing plan in accordance with the Act and hold a public hearing on the creation of the proposed Zone and its benefits to the City and to the Property, at which public hearing interested persons may speak for and against the creation of the proposed Zone, the boundaries of the proposed zone, or the concept of tax increment financing, and at which hearing the owners of the Property (the "Owners") are given a reasonable opportunity to protest the inclusion of the Property in the proposed Zone. The requirement of the Act for a preliminary reinvestment zone financing plan is satisfied by this Preliminary Plan dated January 16, 2023, the purpose of which is to describe, in general terms, the public works, public improvements, programs, and other projects that will be undertaken and financed by the Zone. A description of how such public works, improvements, programs, and projects will be undertaken and financed will be determined by the Final Plan (hereinafter defined), which requires approval by the Board (hereinafter defined) and by the City Council.
- 1.5. *Creation of the Zone.* Upon the closing of the above-referenced public hearing and two readings of the creation ordinance, the City Council may adopt an ordinance in accordance with the Act creating the Zone after the City Council finds that development or redevelopment of the Property would not occur solely through private investment in the reasonably foreseeable future, that the Zone is feasible, and that creation of the Zone is in the best interest of the City and the Property. The ordinance creating the Zone will create a Board of Directors for the Zone, and appoint an initial Board of Directors, consisting of nine members (the "Board").
- 1.6. *Board Recommendations.* After the creation of the Zone, the Board will review this Preliminary Plan and approve and recommend to the City Council a Final Tax Increment Reinvestment Zone Project and Financing Plan for Reinvestment Zone Number Two – Hillsboro, City of Hillsboro (as amended, the "Final Plan") pursuant to which the City will contribute a portion of its ad valorem tax increment attributable to new development or redevelopment in the Zone (the "Tax Increment") into a tax increment fund created by the City and segregated from all other funds of the City (the "TIRZ 2 Fund"), including a recommendation as to a TIRZ Participation Agreement between the City and Hill County pursuant to which Hill County may contribute a portion of its ad valorem tax increment into the TIRZ Fund.

1.7. *Council Action.* The City Council, taking into consideration the recommendations of the Board, will consider approval of the Final Plan and the TIRZ Participation Agreement with Hill County. If the TIRZ Participation Agreement with Hill County is approved, the City Council will authorize and direct its execution.

2. DESCRIPTIONS AND MAPS.

2.1. *Existing Uses and Conditions.* The Property is currently located in Hill County and in the City of Hillsboro's corporate limits. The Property is primarily commercial land with no amount (and therefore 30% or less) of the Property currently used as residential. The existing public infrastructure is inadequate to support redevelopment. Successful redevelopment will require extensive public infrastructure and improvements that will not be provided solely through private investment in the foreseeable future. A list of properties in the Zone and a map of the proposed zone are shown on Exhibit A.

2.2. *Proposed Uses.* The proposed uses of the Property will be consistent with the zoning ordinance of the City of Hillsboro, as may be amended from time to time. A current zoning map of the Property is shown on Exhibit B.

2.3. *Metes and Bounds Description.* Metes and bounds descriptions of the Property is provided on Exhibit C.

3. PROPOSED CHANGES TO ORDINANCES, PLANS, CODES, RULES, AND REGULATIONS. At the time of the adoption of the Preliminary Plan, the City does not anticipate any changes to the City's ordinances, plans, codes rules and regulations. However, as the City further develops specific plans for the Public Improvements (defined below), changes to ordinances, plans, codes, rules, and regulations may be necessary in order to carry out the Public Improvements benefitting the Zone.

4. ESTIMATED NON-PROJECT COSTS. Non-project costs are private funds that will be spent to develop in the Zone but will not be financed by the Zone. The list of non-project costs include redevelopment costs and new construction costs. The total non-project costs are estimated to be approximately \$83 million over the 10-year life of the TIRZ.

5. RELOCATION OF DISPLACED PERSONS. No persons will be displaced or relocated due to the creation of the Zone or implementation of the Preliminary Plan.

6. PROPOSED PUBLIC IMPROVEMENTS.

6.1. *Kinds of Public Improvements.* The categories of public works and public improvements (the "Public Improvements") that are proposed to be financed by the Zone are those costs allowed by the Act, including:

- a) capital costs, including the actual costs of the acquisition and construction of public works, public improvements, new buildings, structures, and fixtures; the actual costs of the acquisition, demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and fixtures; the actual costs of the remediation of conditions that contaminate public or private land or buildings; the actual costs of the preservation of the facade of a public or private building; the actual costs of the demolition of public or private buildings; and the actual costs of the acquisition of land and equipment and the clearing and grading of land;
- b) financing costs, including all interest paid to holders of evidences of indebtedness or other obligations issued to pay for project costs and any premium paid over the principal amount of the obligations because of the redemption of the obligations before maturity;
- c) real property assembly costs;
- d) professional service costs, including those incurred for architectural, planning, engineering, and legal advice and services;
- e) imputed administrative costs, including reasonable charges for the time spent by employees of the municipality or county in connection with the implementation of a project plan;
- f) relocation costs;
- g) organizational costs, including the costs of conducting environmental impact studies or other studies, the cost of publicizing the creation of the zone, and the cost of implementing the project plan for the Zone;
- h) interest before and during construction and for one year after completion of construction, whether or not capitalized;
- i) the cost of operating the Zone and project facilities;
- j) the amount of any contributions made by the City or County from general revenue for the implementation of the Final Plan; and
- k) payments made at the discretion of the City Council that it finds necessary or convenient to the creation of the Zone or to the implementation of the Final Plan for the Zone.

More specifically, the following improvements are proposed within the Zone:

- a) Roadway improvements including, but not limited to, roads, sidewalks, curb/gutters, street trees, landscaping, lights, and other pedestrian amenities;
- b) Public Infrastructure including, but not limited to, water, sewer, gas, cable, electric, fiber optics and others;
- c) Real property assembly costs;
- d) The actual costs of the demolition of public or private buildings
- e) Redevelopment, reconstruction, and/or renovation of buildings, whole or part, located within the Zone

All Public Improvements shall be designed and constructed in accordance with all applicable City standards and shall otherwise be inspected, approved, and accepted by the City.

6.2. *Locations of Public Improvements.* The Public Improvements to be constructed as part of the Preliminary Plan are estimated to be located within and adjacent to current and future public property, rights-of-way, easements, and alleyways within the Zone. These locations are provided for informational purposes only and may be revised from time to time without amending the Final Plan.

7. ESTIMATED PROJECT COSTS AND ADMINISTRATIVE COSTS.

The total project costs for the Zone (the "Project Costs") include the Administrative Costs (defined below) and the costs associated with Public Improvements, as further described in Section 13, and are estimated to be \$4.1 million as set forth on Exhibit D. The Project Costs for administration of the Zone shall be all costs allowed by the Act, including, but not limited to, costs of curing or enforcing agreements involving the Property, and the actual, direct and imputed costs paid or incurred by or on behalf of the City to administer the Zone (the "Administrative Costs"). The Administrative Costs include the costs of professional services, including those for planning, engineering, and legal services paid by or on behalf of the City. The Administrative Costs also include organizational costs, the cost of publicizing the creation of the Zone, and the cost of implementing the project plan for the Zone paid by or on behalf of the City. The Administrative Costs shall be paid each year from the TIRZ Fund before any other Project Costs are paid.

8. ESTIMATED TIME WHEN COSTS ARE TO BE INCURRED. The Administrative Costs will be incurred annually. It is estimated that the remainder of the Project Costs will be incurred during the time intervals set forth on Exhibits D and E.

9. ECONOMIC FEASIBILITY. For purposes of the Preliminary Plan, economic feasibility has been evaluated over the term of the Zone, in part based on the "Feasibility Study" prepared by the City, a copy of which is attached as Exhibit F. This evaluation focuses only on "direct" financial benefits (i.e., tax revenues from new development or redevelopment of the Zone) and does not take into consideration any "multiplier effect" that may result from new development or redevelopment that occurs outside the Zone. As illustrated in Exhibit F, during the term of the Zone, new development or redevelopment that occurs in the Zone (which would not have occurred but for the Zone) will generate approximately \$4.1 million in total new real property tax revenue. The additional tax revenues will be deposited in the TIRZ Fund to pay Project Costs in accordance with the Final Plan and the TIRZ Participation Agreement with Hill County.

Based on the foregoing, the feasibility of the Zone has been demonstrated. The City is currently in negotiations with Hill County for their participation in the TIRZ. For purposes of the Preliminary Plan, it is assumed that Hill County will pledge 100 percent of their tax revenue from the increment within the TIRZ toward the TIRZ Fund. The new tax revenue generated by new development within the Zone will be available to pay actual Project Costs until the term of the Zone expires or until the Zone is otherwise terminated as allowed by law or as hereinafter provided. Upon expiration or termination of the Zone, 100% of all tax revenue

generated within the Zone will be retained by the respective taxing units. During the term of the Zone, the City will deposit into the TIRZ Fund each year an amount calculated as a tax equivalent rate per \$100 of captured appraised value in the Zone that equals 100 percent of the City's tax rate levied and collected. After a public hearing, the City may increase or decrease the TIRZ Fund participation rate.

10. ESTIMATED BONDED INDEBTEDNESS. As part of its overall strategy to fund Public Improvements in the Zone, the City anticipates using TIRZ Fund proceeds as they become available as a reimbursement for the annual debt payments for general obligation bonds, certificates of obligation or other debt instruments issued by the City, but secured by other city funds, for the Project Costs. This amount may increase or decrease depending on the performance of the TIRZ Fund.

11. TOTAL APPRAISED VALUE. The current total appraised value of taxable real property in the Zone is \$4,960,460. It is estimated that upon expiration of the term of the Zone, the total appraised value of taxable real property in the Zone will be \$85,539,540 in 2023 Dollars.

12. ESTIMATED CAPTURED APPRAISED VALUE TAXABLE BY THE CITY AND COUNTY. The amount of the City's tax increment for a year is the amount of property taxes levied and collected by the City for that year on the captured appraised value of the Property less the tax increment base of the Property. The tax increment base of the Property is the total taxable value of the Property for the year in which the Zone was designated. The tax increment base of the Property is estimated to be \$40,001 which is the amount of tax the City collected on the Property for calendar year 2023, the year of creation.

The amount of the County's tax increment for a year is the amount of property taxes levied and collected by the County for that year on the captured appraised value of the Property less the tax increment base of the Property. The tax increment base of the Property is the total taxable value of the Property for the year in which the Zone was designated. The tax increment base of the Property is estimated to be \$19,321 which is the amount of tax the County collected on the Property for calendar year 2023, the year of creation.

13. METHOD OF FINANCING. The City's overall strategy is to finance Project Costs through the TIRZ Fund proceeds, private developer contributions and contributions from the general funds of the City, which contributions may be reimbursed by TIRZ Fund proceeds.

14. DURATION OF THE ZONE; TERMINATION. The stated term of the Zone shall commence on February 21, 2023, and shall continue until December 31, 2033, or until the City terminates the TIRZ in accordance with the Act, the Final Plan or the ordinance designating the Zone. The City expects to collect the TIRZ Fund revenue for the last year of the Zone in calendar year 2034. Nothing in this section is intended to prevent the City from extending or shortening the term of the Zone in accordance with the Act.

15. LIST OF EXHIBITS. Unless otherwise stated, all references to "Exhibits" contained in this Preliminary Plan shall mean and refer to the following exhibits, all of which are attached to and made a part of this Preliminary Plan for all purposes.

Exhibit A	Map and List of the Property and Zone
Exhibit B	Zoning Map of the Property and Zone
Exhibit C	Metes and Bounds Description of Property in the Zone
Exhibit D	Estimated Project Costs
Exhibit E	Estimated Time When Costs are to be Incurred
Exhibit F	Feasibility Study

**EXHIBIT A –
Map and List of the Property and Zone**



Parcel Number	Owner	Acreage	Market Value	Ag Value
145295	Craig Realty Group – Hillsboro LLC	21.55	1,799,740	
137072	Craig Realty Group – Hillsboro LLC	11.17	1,177,010	
143413	Craig Realty Group – Hillsboro LLC	10.57	1,173,250	
145408	Poppy Growth Limited Partnership	28.71	635,130	3,300
380465	Lalani Hospitality Group	7	175,330	810
Total		79.00	\$ 4,960,460.00	\$ 4,110.00

EXHIBIT B – Zoning Map of the Property and Zone

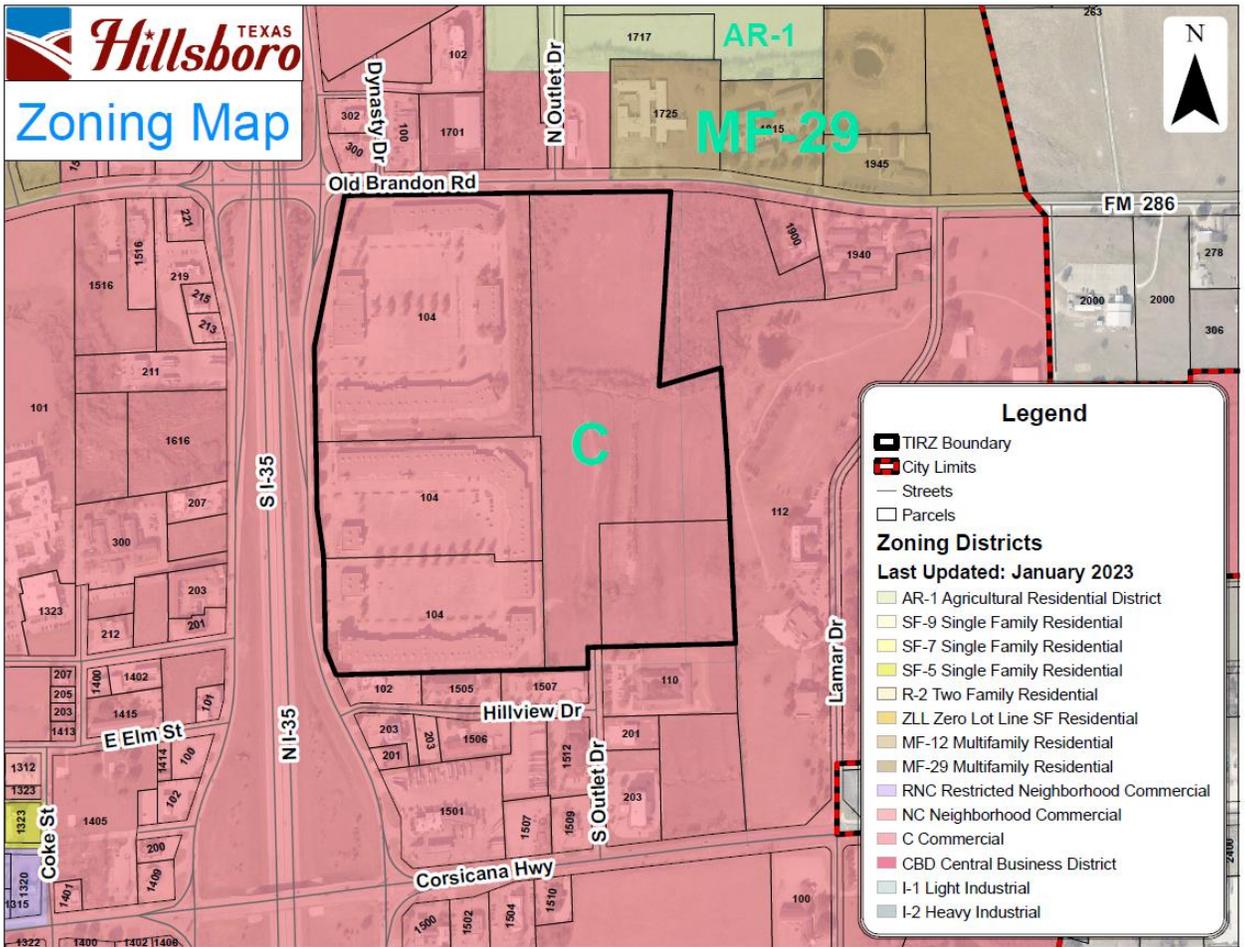


EXHIBIT C – Metes and Bounds Description of Property in the Zone

Those certain tracts of land lying and situated in the Haywood Weatherly Survey, Abstract No. 972, Hill County, Texas, being a portion of that certain tract of land described as 110.615 acres in the Warranty Deed to Poppy Growth Limited Partnership, dated December 21, 1994, recorded in Volume 841, Page 269 of the Official Public Records of Hill County, Texas, being all of Southwest Outlet Center, Phase I and Phase II, according to the plat recorded in Slide AB93 of the Plat Cabinet Records of Hill County, Texas, and all of Southwest Outlet Center, Phase III, according to the plat recorded in Slide A92 of the Plat Cabinet Records of Hill County, Texas, said tracts described as Tracts I called 10.574 acres, Tract II called 11.174 acres and Tract III called 21.5500 acres in the Special Warranty Deed to Craig Realty Group-Hillsboro, LLC, executed May 1, 2007, recorded in Book 1483, Page 719 of the Official Public Records of Hill County, Texas, and being all that certain tract described as 7.000 acres in the Special Warranty Deed to Lalani Hospitality Group I, WFTX, LP, dated July 12, 2017, recorded in Volume 1914, Page 701 of the Official Public Records of Hill County, Texas, and being more particularly described according to recorded documents as follows:

BEGINNING at the intersection of the easterly right-of-way line of Interstate Highway No. 35 with the southerly right-of-way line of Old Brandon Road, formerly a 100-foot-wide right-of-way known as F.M. Highway No. 286 and removed from the State Highway System per Texas Department of Transportation Minute Order No. 112096, being the northwest corner of said 110.615 acre tract, said Phase III and said Tract III;

THENCE along the southerly right-of-way line of said former Highway for the northerly line of said 110.615 acre tract, North 89 degrees 58 minutes 50 seconds East 1351.63 feet to a point of curvature of said former Highway, being the northwest corner of that certain tract of land described as Tract 'B' and called 3.60 acres in the General Warranty Deed to B.J. Waggoner, executed January 19, 1999, recorded in Volume 1005, Page 245 of the Official Public Records of Hill County, Texas;

THENCE over and across said 110.615 acre tract along the westerly line of said 3.60 acre tract, South 06 degrees 09 minutes 22 seconds East 733.65 feet to the southwest corner of said 3.60 acre tract;

THENCE over and across said 110.615 acre tract along the southerly line of said 3.60 acre tract, North 83 degrees 50 minutes 39 seconds East 218 feet to the easterly line of said 110.615 acre tract, being the southeast corner of said 3.60 acre tract;

THENCE along the easterly line of said 110.615 acre tract South 01 degrees 46 minutes 50 seconds East 1241.75 feet to the southeast corner of said 7.000 acre tract, being the northeast corner of Lot 4, Block 3, South Outlet Business Center, Phase Two, according to the plat recorded in Slide A-8 of the Plat Cabinet Records of Hill County, Texas;

THENCE over and across said 110.615 acre tract along the northerly line of said Block 3, South 89 degrees 19 minutes 30 seconds West 640.36 feet to the northwest corner Outlet Drive, a 60-foot-right-of-way per plat;

THENCE over and across said 110.615 acre tract along the westerly right-of-way line of said Drive, 90 feet to the northeast corner of Lot 2, Block 2, South Outlet Business Center, Phase 1, according to the plat recorded in Slide A-148 of the Plat Cabinet Records of Hill County, Texas, said plat later re-recorded in Volume 834, Page 614 of the Official Public Records of Hill County, Texas;

THENCE over and across said 110.615 acre tract partially along the northerly line of said Block 2 and partially along the southerly line of said Phase I and said Tract I, South 89 degrees 19 minutes 30 seconds West 1078.37 feet to the easterly right-of-way line of said Interstate Highway, being the southwest corner of said Phase I and said Tract I, being the northwest corner of that certain tract of land described as 1.000 acre in the Special Warranty Deed to Hillsboro Group 1 LLC, recorded in Volume 2177, Page 437 of the Official Public Records of Hill County, Texas;

THENCE along the easterly right-of-way line of said Highway along the westerly line of said Phase I through III and said Tracts I through III, the following five (5) courses and distances:

- 1). North 22 degrees 44 minutes 10 seconds West 118.15 feet to an angle point;
- 2). North 00 degrees 40 minutes 30 seconds West 400 feet to an angle point;
- 3). North 07 degrees 48 minutes 00 seconds West 201.56 feet to an angle point;
- 4). North 00 degrees 40 minutes 30 seconds West 700 feet to an angle point;
- 5). North 11 degrees 45 minutes 30 seconds East 663.63 feet to the point of beginning and containing 76.5 acres of land. This document was prepared under 22 Texas Administrative Code § 138.95, does not reflect the results of an on the ground survey, and is not to be used to convey or establish interest in real property except those rights and interests implied or established by the creation or reconfiguration of the boundary of the political subdivision for which it was prepared.

Donny Peede, RPLS No. 5137

Job No. 010323 CDH

EXHIBIT D – Estimated Project Costs and Timing

Item	Estimated Cost
Demolition and disposal of obsolete improvements (2023 – 2029)	\$1,500,000
Reconfiguration of water and/or sanitary sewer service to proposed development (2030)	\$500,000
Construction of new road(s) through proposed development (2030-2032)	\$1,500,000
Drainage system improvements (2033)	\$500,000
Administrative Costs (10 years at \$10,000 per year)	\$100,000
Total TIRZ #1 Costs	\$4,100,000
Note: Estimated costs may increase or decrease.	

**EXHIBIT E – Future Projects
(Costs to be Estimated in Future Update)**

None planned at this time, but may be added later as amendment.

**EXHIBIT F – Feasibility Study
Tax Increment Reinvestment Zone No. 1 – City of Hillsboro
Sources of Revenue**

Year	Increment Value		Tax Revenue		TOTAL FUND VALUE
	City	County	City	County	
Base Values	\$4,960,460	\$4,960,460	\$40,001	\$19,321	\$0
FY 24	\$2,539,540	\$2,539,540	\$20,479	\$9,891	\$30,370
FY 25	\$6,539,540	\$6,539,540	\$52,735	\$25,471	\$78,206
FY 26	\$10,539,540	\$10,539,540	\$84,991	\$41,051	\$126,042
FY 27	\$10,539,540	\$10,539,540	\$84,991	\$41,051	\$126,042
FY 28	\$45,539,540	\$45,539,540	\$367,231	\$177,374	\$544,605
FY 29	\$45,539,540	\$45,539,540	\$367,231	\$177,374	\$544,605
FY 30	\$45,539,540	\$45,539,540	\$367,231	\$177,374	\$544,605
FY 31	\$45,539,540	\$45,539,540	\$367,231	\$177,374	\$544,605
FY 32	\$45,539,540	\$45,539,540	\$367,231	\$177,374	\$544,605
FY 33	\$85,539,540	\$85,539,540	\$689,791	\$333,171	\$1,022,962
					\$4,106,645

**Proposed Changes to be Made in Adoption of Project and Financing Plan
(Differences between Preliminary Plan and Actual Plan)**

On February 17, 2023, the City Council of the City of Hillsboro will consider a Project and Financing Plan for Tax Increment Reinvestment Zone #2 that includes substantive changes from the Preliminary Plan.

The proposed changes include an increase in projected Project Costs to include up to \$6 Million in funds to be contributed by the City of Hillsboro and to be subsequently repaid to the City of Hillsboro either by the Tax Increment Fund or by the sale of property.

The proposed changes also include the acquisition by the city of up to 32 acres of property, by purchase or other means, on the terms and conditions and in the manner it considers advisable, to implement project plans.