CITY OF ALLEN

December 7, 2009

Susan Combs
Texas Comptroller of Public Accounts
P.O. Box 13528
Austin, Texas 78711-3528

Public Finance Division
Office of the Attorney General
300 W. 15th St., 9th Floor
Austin, Texas 78701

Board of Trustees
Allen Independent School District
Gary Stocker, *President*
601 E. Main St.
Allen, Texas 75002

Board of Trustees
Collin County Community College District
c/o Dr. J Robert Collins, Chair
4800 Preston Park Blvd.
Plano, Texas 75093

Collin County Commissioners
c/o Keith Self, County Judge
210 South McDonald Street #626
McKinney, Texas 75069

Dear Ms. Combs and Honorable Members:

The City of Allen created Tax Increment Reinvestment Zone No. 1 in December 2005. This reinvestment zone is commonly referred to as the Garden District or Montgomery Farm located at US 75 Highway and Bethany Road in Allen, Texas.

Pursuant to Chapter 311, Section 311.016 of the Tax Code, the City is required to provide an annual report to governmental entities that levy taxes in a reinvestment zone. Although the participating entities are the City and County, a report is also being sent to the Community College and the Allen ISD. Additionally, state law requires that the report be sent to the State Comptroller and the Public Finance Division in the Office of the Attorney General.

Enclosed is the annual report. The balance sheet and income statement reflect the tax increment designated for developer reimbursements. Valuation changes were effective as of

January 1, 2008 and were recognized as property tax increments in FY2009. Please refer to Exhibit J for valuations and the increment recognized in FY2009. In addition to an increment in property tax, the fund balance also includes sales tax increment. No TIF bonds were issued since this is a pay-as-you-go TIF.

Watters Creek is a unique mixed-use development. In addition to the retail stores and restaurants, the development incorporates office space and lofts. Green space, complete with water features, bisects the development and provides an area for community events. It appears that the development will be a destination point for shoppers and will draw shoppers to the City of Allen for a unique retail experience.

Should you have any questions concerning the report or the TIF, please contact me at (214) 509-4627.

Sincerely,

Kevin Hammeke
Finance Director
City of Allen, Texas

With copies to:

Commissioner Joe Jaynes, Collin County
Mónika Arris, Budget Director, Collin County
Cary Israel, President - CCCD
Dr. Ken Helvey- Allen Independent School District, Superintendent
Peter H. Vargas, City Manager

CITY OF ALLEN

AN ANNUAL REPORT TO CITY OF ALLEN TAX INCREMENT FINANCING BOARD RELATING TO REINVESTMENT ZONE NO. 1 (GARDEN DISTRICT)

WITH A COPY TO THE STATE OF TEXAS COMPTROLLER'S OFFICE, PUBLIC FINANCE DIVISION IN THE OFFICE OF THE ATTORNEY GENERAL, COLLIN COUNTY, ALLEN ISD, AND COLLIN COUNTY COMMUNITY COLLEGE

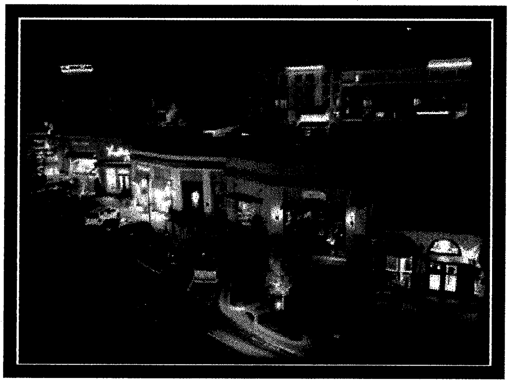
For Fiscal Year ending September 30, 2009

KEVIN HAMMEKE
FINANCE DIRECTOR
CITY OF ALLEN, TEXAS
305 Century Parkway
Allen, Texas 75013

Telephone (214) 509-4627
Facsimile (214) 509-4672
E-Mail: khammeke@cityofallen.org

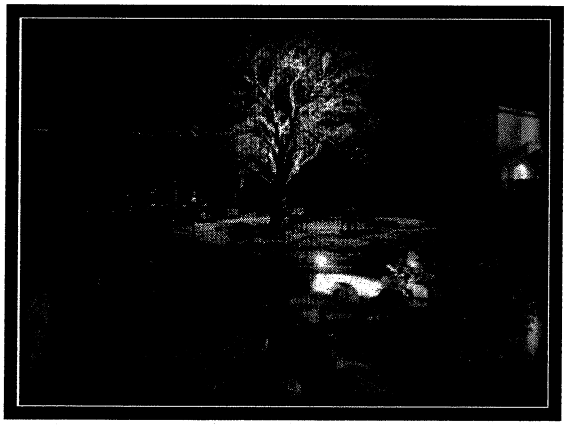
Garden District TIF

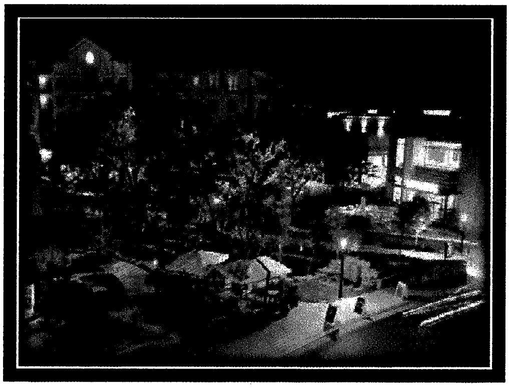
The Garden District TIF Zone was created on December 13, 2005. As of September 30, 2009, the developer was still in the process of constructing the TIF pursuant to the Development Agreement. The project has been proceeding with Coventry II DDR/Trademark Montgomery Farm L.P. (Trademark) constructing the eastern portion of the TIF and the predominantly mixed use retail area. The western portion of the TIF is being developed by Montgomery Farm Garden District, Ltd.



As of January 1, 2009, an increment of approximately $138 million was calculated according to the certified values provided by the Collin Central Appraisal District (CCAD). The property tax increment will not be recognized until after taxes are billed and paid in FY2010. In FY2009, the increment was approximately $65 million over the base year's valuation and resulted in City and County contribution of more than $260 thousand. In FY2008, City and County contributions totaled approximately $60 thousand from an increment of approximately $15 million. In FY2007, no increment was recognized because the base value from January 1, 2005 was the same value as of January 1, 2006. The valuation information from CCAD is shown in Exhibits A, B, C, D and E.

No sales tax producing activities took place within the borders of TIF 1 prior to its inception. Therefore, the tax increment base was established at $0. In FY2009, the sales tax increment was $260,446. The FY2008 increment was $99,942. The grand opening took place in May of 2008. Therefore, no sales tax increments were generated prior to FY2008. By the end of the 2008 fiscal year, more than 181,000 square feet of retail and restaurant were open. An additional 25,000 square feet became operational during the 2009 fiscal year. Approximately 75,000 square feet is currently available for lease. Additional space will be available in the future as construction continues in accordance with the Proposed Concept Plan (Exhibit F).





Office and apartment space was constructed on the floors above the retail and restaurant stores. The Offices at Watters Creek currently has 97,000 square feet of office space. The Lofts at Watters Creek began leasing its 233 luxury style lofts in 2008.

The TIF Board approved the Final Project and Financing Plan on October 24, 2007 and recommended it proceed to the City Council for adoption. On November 27, 2007, the City Council approved Ordinance 2681-11-07 that adopted the TIF Zone No. 1 Final Project and Financing Plan. The Plan incorporated the increase in retail square footage that Trademark was proposing as compared to the Preliminary Project and Financing Plan. With the additional sales tax increment in the Final Plan, the City contribution to the TIF will end about two years sooner than originally anticipated, however, the County participation is expected to continue through the twenty-five year life of the TIF Zone. Exhibit F reflects the updated Concept Plan for the project.

	FY2006	FY2007	FY2008	FY2009
Revenues				
Property Tax				
County	$ -	$ -	$ 18,385	$ 79,036
City	-	-	41,801	181,213
Sales Tax				
City	-	-	99,942	260,446
Interest	-	-	490	1,884
Total Revenues	-	-	160,618	522,579
Expenditures				
Administrative	-	-	-	(30,000)
Legal	-	-	(188)	(22,268)
Reimbursements	-	-	-	(516,714)
Total Expenditures	-	-	(188)	(568,982)
Fund Balance	$ -	$ -	$ 160,430	$ 114,027

Exhibit G reflects the Balance Sheet and Income Statement associated with the TIF Fund as of September 30, 2009. Increments from both property and sales tax were recognized in FY2009. Before any payments can be made two conditions must be met. The contract provides an initial fund balance of $500,000 before any payments. Thereafter a balance of $50,000 must be maintained. In March of 2009 the initial balance threshold of $500,000 was met. In addition to the fund balance requirement, the development must surpass $80 million in taxable value. Exhibit A identifies the taxable value greater than $140 million as of January 1, 2009. With these two conditions met payments were allowed in FY2009.

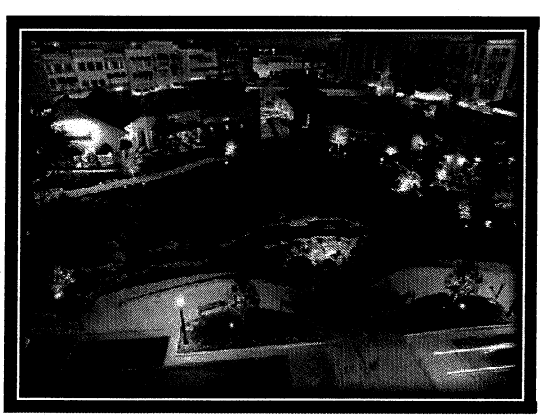


Exhibit H reflects the planned TIF eligible infrastructure costs. Both the City of Allen and Collin County are participating in the TIF. The County's participation is primarily associated with the ramp reversals on US 75 Highway, traffic signals, deceleration lanes, a bridge, and Montgomery Drive. The ramp reversals are open and operational and the

deceleration lanes are completed. The full amount contributed from the County, totaling $97,421, was paid towards the ramp reversals. The City's participation is associated with public parking garages. Three parking structures are open to the public. The total parking spaces required by the contract are 1,667 spaces by October 2012. The three structures include 1410 spaces. The City reimburses at a rate of $11,440.81 per parking space making more than $16 million eligible for reimbursement. The City portion of the reimbursement totals $419,293 or almost 37 parking spaces paid for. Legal expenses associated with the TIF total $22,268. Administrative expenses for FY2008 and FY2009 total $30,000 and were both expended in FY2009. Exhibit I shows an aerial pictorial of the TIF for 2007 and 2009.

Respectfully Submitted by,

Kevin Hammeke

Kevin Hammeke
Finance Director
City of Allen, Texas

EXHIBIT A

2009 CERTIFIED TOTALS

TA1 - ALLEN TIF #1 - BASE 2005-6

Property Count: 12

ARB Approved Totals

7/23/2009 3:14:24PM

Land		Value			
Homesite:		0			
Non Homesite:		16,834,013			
Ag Market:		0			
Timber Market:		0	**Total Land**	(+)	16,834,013
Improvement		**Value**			
Homesite:		0			
Non Homesite:		124,295,899	**Total Improvements**	(+)	124,295,899
Non Real	**Count**	**Value**			
Personal Property:	0	0			
Mineral Property:	0	0			
Autos:	0	0	**Total Non Real**	(+)	0
			Market Value	=	141,129,912
Ag	**Non Exempt**	**Exempt**			
Total Productivity Market:	0	0			
Ag Use:	0	0	**Productivity Loss**	(-)	0
Timber Use:	0	0	**Appraised Value**	=	141,129,912
Productivity Loss:	0	0			
			Homestead Cap	(-)	0
			Assessed Value	=	141,129,912

Exemption	Count	Local	State	Total
EX	3	0	709,439	709,439
EX(Prorated)	1	0	17,060	17,060

Total Exemptions	(-)	726,499
Net Taxable	=	140,403,413

APPROXIMATE TOTAL LEVY = NET TAXABLE * (TAX RATE / 100)
0.00 = 140,403,413 * (0.000000 / 100)

Tax Increment Finance Value:	0
Tax Increment Finance Levy:	0.00

EXHIBIT B

Collin County

2008 CERTIFIED TOTALS

As of Certification

TA1 - ALLEN TIF #1 - BASE 2005
Grand Totals

Property Count: 13

7/24/2008 3:53:04PM

Land		Value			
Homesite:		0			
Non Homesite:		17,122,556			
Ag Market:		1,834,551			
Timber Market:		0	Total Land	(+)	18,957,107

Improvement		Value			
Homesite:		0			
Non Homesite:		51,193,537	Total Improvements	(+)	51,193,537

Non Real	Count	Value			
Personal Property:	0	0			
Mineral Property:	0	0			
Autos:	0	0	Total Non Real	(+)	0
			Market Value	=	70,150,644

Ag	Non Exempt	Exempt			
Total Productivity Market:	1,834,551	0			
Ag Use:	1,937	0	Productivity Loss	(-)	1,832,614
Timber Use:	0	0	Appraised Value	=	68,318,030
Productivity Loss:	1,832,614	0			
			Homestead Cap	(-)	0
			Assessed Value	=	68,318,030

Exemption	Count	Local	State	Total			
EX	3	0	709,440	709,440	Total Exemptions	(-)	709,440
					Net Taxable	=	67,608,590

APPROXIMATE TOTAL LEVY = NET TAXABLE * (TAX RATE / 100)
0.00 = 67,608,590 * (0.000000 / 100)

Tax Increment Finance Value:	0
Tax Increment Finance Levy:	0.00

EXHIBIT C

Collin County

2007 CERTIFIED TOTALS

As of Certification

TA1 - ALLEN #1 TIF - BASE 2005
Grand Totals

Property Count: 12

7/24/2007 8:20:01AM

Land		Value			
Homesite:		0			
Non Homesite:		17,465,427			
Ag Market:		20,212			
Timber Market:		0	**Total Land**	(+)	17,485,639

Improvement		Value			
Homesite:		0			
Non Homesite:		0	**Total Improvements**	(+)	0

Non Real	Count	Value			
Personal Property:	0	0			
Mineral Property:	0	0			
Autos:	0	0	**Total Non Real**	(+)	0
			Market Value	=	17,485,639

Ag	Non Exempt	Exempt			
Total Productivity Market:	20,212	0			
Ag Use:	780	0	**Productivity Loss**	(-)	19,432
Timber Use:	0	0	**Appraised Value**	=	17,466,207
Productivity Loss:	19,432	0			
			Homestead Cap	(-)	0
			Assessed Value	=	17,466,207

Exemption	Count	Local	State	Total			
EX	2	0	642,859	642,859	**Total Exemptions**	(-)	642,859
					Net Taxable	=	16,823,348

APPROXIMATE TOTAL LEVY = NET TAXABLE * (TAX RATE / 100)
0.00 = 16,823,348 * (0.000000 / 100)

Tax Increment Finance Value:	0
Tax Increment Finance Levy:	0.00

EXHIBIT D

Collin County	**2006 CERTIFIED TOTALS** TA1 - ALLEN #1 TIF Grand Totals	As of Certification
Property Count: 8		7/22/2006 2:38:56PM

Land		Value			
Homesite:		0			
Non Homesite:		2,416,247			
Ag Market:		10,997,258			
Timber Market:		0	**Total Land**	(+)	13,413,505
Improvement		**Value**			
Homesite:		0			
Non Homesite:		0	**Total Improvements**	(+)	0
Non Real	**Count**	**Value**			
Personal Property:	0	0			
Mineral Property:	0	0			
Autos:	0	0	**Total Non Real**	(+)	0
			Market Value	=	13,413,505
Ag	**Non Exempt**	**Exempt**			
Total Productivity Market:	10,997,258	0			
Ag Use:	8,173	0	**Productivity Loss**	(-)	10,989,085
Timber Use:	0	0	**Appraised Value**	=	2,424,420
Productivity Loss:	10,989,085	0			
			Homestead Cap	(-)	0
			Assessed Value	=	2,424,420

Exemption	Count	Local	State	Total			
	0	0	0	0	**Total Exemptions**	(-)	0
					Net Taxable	=	2,424,420

APPROXIMATE TOTAL LEVY = NET TAXABLE * (TAX RATE / 100)
0.00 = 2,424,420 * (0.0000 / 100)

Tax Increment Finance Value:	0
Tax Increment Finance Levy:	0.00

EXHIBIT E

Collin County	2005 CERTIFIED TOTALS CAL - ALLEN CITY	As of Supplement 24
Property Count: 9	Grand Totals	10/17/2007 9:09:00AM

Land		Value			
Homesite:		0			
Non Homesite:		2,921,956			
Ag Market:		9,377,554			
Timber Market:		0	**Total Land**	(+)	12,299,510
Improvement		**Value**			
Homesite:		0			
Non Homesite:		0	**Total Improvements**	(+)	0
NonReal	**Count**	**Value**			
Personal Property:	0	0			
Mineral Property:	0	0			
Autos:	0	0	**Total Non Real**	(+)	0
			Market Value	=	12,299,510
Ag	**Non Exempt**	**Exempt**			
Total Productivity Market:	9,377,554	0			
Ag Use:	7,851	0	**Productivity Loss**	(-)	9,369,703
Timber Use:	0	0	**Appraised Value**	=	2,929,807
Productivity Loss:	9,369,703	0			
			Homestead Cap	(-)	0
			Assessed Value	=	2,929,807

Exemption	Count	Local	State	Total
EX	1	0	505,709	505,709

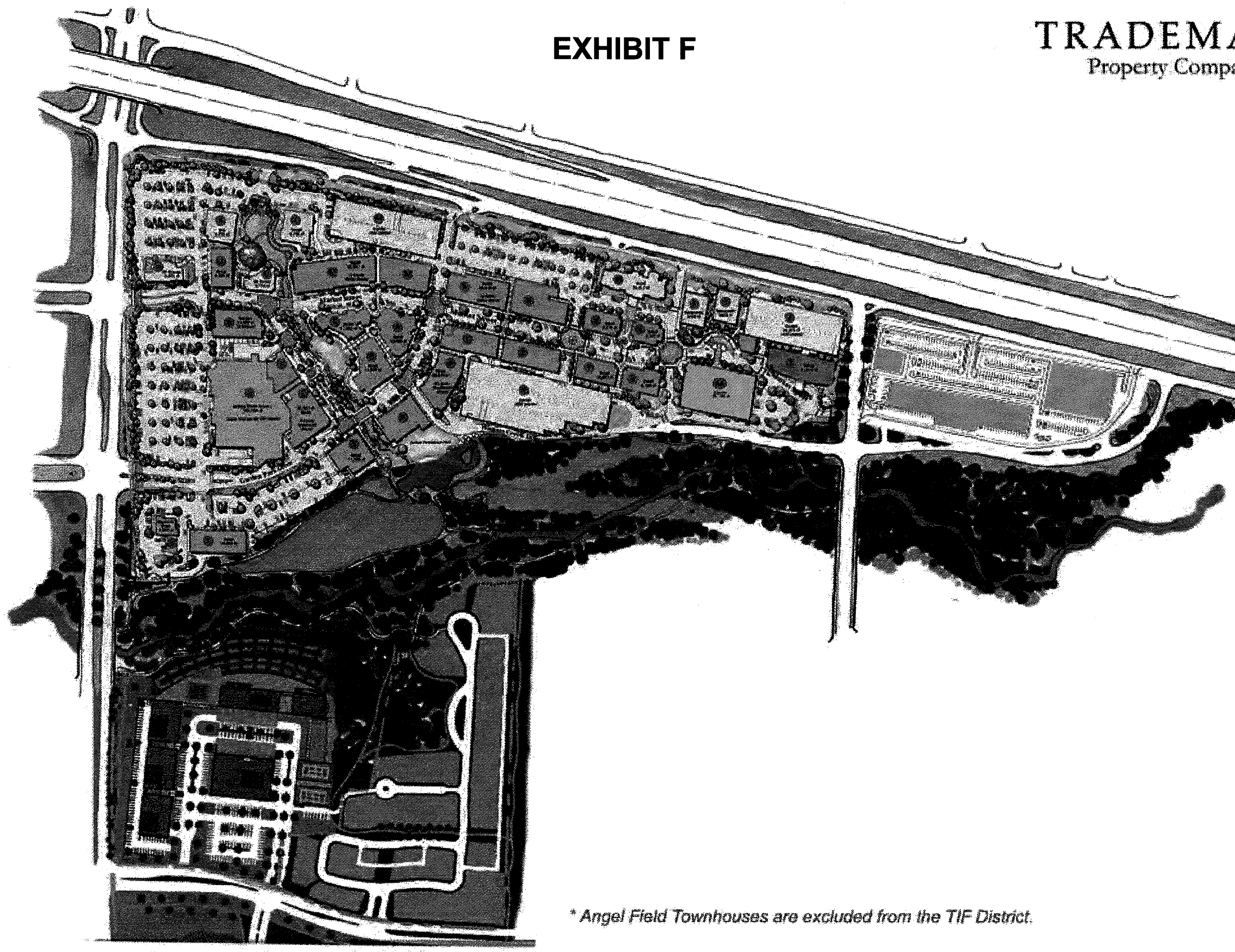
Total Exemptions	(-)	505,709
Net Taxable	=	2,424,098

APPROXIMATE TOTAL LEVY = NET TAXABLE * (TAX RATE / 100)
13,550.71 =2,424, 098 * (0.559000 / 100)

Tax Increment Finance Value:	0
Tax Increment Finance Levy:	0.00

EXHIBIT F

TRADEMARK™
Property Company™



* Angel Field Townhouses are excluded from the TIF District.

EXHIBIT G

CITY OF ALLEN, TEXAS
Tax Increment Financing Fund
Garden District Reinvestment Zone No. One

Balance Sheet
as of
September 30, 2009
Unaudited

ASSETS		
Cash and Investments	$	114,067
Receivable		-
Total Assets	**$**	**114,067**
LIABILITIES		
TIF Increment Payable	$	-
Other Payable		40
Total Liabilities	**$**	**40**
FUND EQUITY		
Fund Balance	$	114,027
Total Fund Equity	**$**	**114,027**
TOTAL LIABILITIES & FUND EQUITY	**$**	**114,067**

Income Statement
as of
September 30, 2009
Unaudited

REVENUES		
Sales Tax - City Increment	$	260,446
Property Tax - City Increment		181,213
Property Tax - County Increment		79,036
Investment Earnings		1,884
Total Revenues	**$**	**522,579**
EXPENDITURES		
TIF Eligible Certified Expenditures		
Developers Reimbursements	$	516,714
Legal Expenses		22,268
Administrative Expenses		30,000
Total Expenditures	**$**	**568,982**
Revenues Over / (Under) Expenditures		**(46,403)**
Fund Balance at 9-30-08		160,430
FUND BALANCE	**$**	**114,027**

EXHIBIT H

Total Estimated Costs: Parking Structures

Hard Costs	$	27,696,021
Soft Costs (A/E Fees, Const Fin, Other)		7,041,404
Total Parking Structure Costs		34,737,425

Item	Spaces		Garage Costs
Retail Phase I-A			
Garage G	210	$	4,868,471
Garage M	407		4,535,941
Soft Costs			2,020,346
Total Retail Phase I-A	617		11,424,757
Retail Phase I-B			
Garage P	750	$	8,498,329
Soft Costs			1,869,192
Total Retail Phase I-B	750		10,367,521
Retail Phase II			
Garage X	300	$	4,165,280
Soft Costs			900,866
Total Retail Phase II	300		5,066,147
Green Tract			
N/A		$	-
Soft Costs			-
Total Green Tract			-
Angel Field Center			
Garage	318	$	5,628,000
Soft Costs			2,251,000
Total Angel Field Center	318		7,879,000
Totals	1,985	$	34,737,425

Total Estimated Costs: County Priority Projects

Item		Costs
Ramp Reversal	$	800,000
33% Share of Total Estimated Costs		
TxDot Rev to Decel Lane		179,000
100% of Total Costs		
Traffic Signal		314,000
100% of Cost of Improvements		
US 75 Decel Lane at Entry Drive C		88,000
100% of Cost of Improvements		
US 75 Decel Lane at Montgomery		68,000
100% of Cost of Improvements		
Montgomery Drive		689,000
100% of Cost of Road Improvements		
Bridge at Montgomery (50%)		850,000
50% of Total Cost of Bridge Construction		
Total County Project Costs	$	2,988,000
Total TIF Projects	$	37,725,425

EXHIBIT I

2009 Aerial View of TIF#1

2007 Aerial View of TIF#1

EXHIBIT J

Allen TIF # 1 SUMMARY
TAX YEAR 2008

Allen - TIF 1		2008 VALUE	LESS BASE YR	Capt. Appr. Val.
			WITH AG VALUE	
CERTIFIED TAXABLE VALUE WITH ADJUSTMENTS FOR AG ACCOUNTS	CITY	$67,608,590	$2,424,098	$65,184,492
	COUNTY	$67,608,590	$2,424,098	$65,184,492
2008 TAX RATES/$100 VALUE				
ALLEN CITY RATE				$0.556000
COUNTY RATE				$0.242500
TOTAL LEVY ON TAX INCREMENT BASED ON PARTICIPATION PERCENTAGE				
ALLEN CITY @ 50% PARTICIPATION				181,212.89
COUNTY @ 50% PARTICIPATION				79,036.20
LESS TIF TAXES DELINQUENT (REMAINING OUTSTANDING) FOR 2008				
ALLEN CITY				0.00
COUNTY				0.00
AMOUNT TO BE BILLED TO EACH ENTITY				
ALLEN CITY DUE @ 50% PARTICIPATION				181,212.89
COUNTY DUE @ 50% PARTICIPATION				79,036.20
TOTAL				260,249.09

** Captured Appraised Value figures do not include any net losses in value on individual accounts since the base year including newly exempt property.*
This report reflects all collections through January 31, 2009. (All were paid.)