

**Town of Prosper, Texas
Tax Increment Reinvestment Zone (TIRZ) Application
Response to Collin County TIRZ Policy**

Town of Prosper, Texas, Tax Increment Reinvestment Zone No. 2

The following is a listing of the sections of the Collin County's TIRZ Policy and the Town of Prosper responses thereto as part of the application for Collin County participation in the Town of Prosper, TIRZ No. 2. The Town's responses are shown in bold italics. The following are the supporting documents to this application:

1. **Town of Prosper TIRZ No. 2, Ordinance No. 13-04**
2. **Amended Preliminary Project and Financing Plan approved as part of TIRZ No. 2, Ordinance No. 13-04 ***
3. **Final Project and Financing Plan approved by the TIRZ No. 2 Board and Prosper Town Council**
4. **Draft Inter-Local Cooperation Agreement for Participation in Town of Prosper TIRZ No. 2 (ILA)**
5. **Development and Financing Agreement with MSW Prosper 380, L.P.**
6. **Matthews Southwest Profile – *Dallas Business Journal*, January 11-17, 2013**

*The Preliminary Project and Financing Plan dated January 2013 and approved by Ordinance No. 13-04 has subsequently been amended to reflect additional information and detail; however, the maximum dollar amount of TIRZ No. 2 (\$27.5 million) for public infrastructure denoted on Schedule 3, Page 17, has not changed. The amended plan (this document) is dated May 8, 2013.

Participation Requirements

1. **County Audits.** The County will have the right to audit the books and records of every Zone (and Redevelopment Authority) in which it participates. Such audits will take place any time convenient to the County.

County Audits addressed in Article V, Section 5.13, of the ILA.

2. **Eligible Zone.** In order for a reinvestment zone to be eligible for County participation, it must:
 - a. Meet the eligibility requirements contained in Chapter 311 of the Texas Tax Code and these guidelines. ***The TIRZ was approved by the Town Council of the Town of Prosper by Ordinance No. 13-04 on January 22, 2013. (attached)***
 - b. Cost/benefit analysis must show a net financial benefit will accrue to the County during the terms of its participation. ***The attached final Project and Financing Plan addresses cost benefit analysis.***

3. **Eligible Project.** In order for the reinvestment zone to be eligible for County participation, it must have a clear public purpose.

Section 4 of the final Project and Financing Plan describes the project's public purposes for which the TIRZ funds will be used including roadway, water distribution and wastewater collection improvements, as well as the extension of the Dallas North Tollway west service road and a braided ramp at U.S. Highway 380 providing connectivity for both the project and future highway corridor development.

4. **Terms of Participation.**

- a. The County's participation percentage may not exceed the Town's participation percentage when all Town tax revenues (property & sales taxes, excluding Community Development Corporation and Economic Development Corporation rebates). ***Schedule 6 final Project and Financing Plan projects the Town's TIRZ participation at 70% of its real property tax increment compared to 50% participation by the County. Schedule 12 projects the Town revenue percentage of 80% (generated from the real property increment and general sales tax). The total projected Town incremental revenue from real property and general sales taxes (80%) comprises \$38,843,204 of the total projected Town and County incremental revenue of \$48,780,998, as compared to the County incremental real property revenue of \$9,937,794.***
- b. All County participation must be for Project Specific Categories. ***Schedule 3 provides a summary of public improvements approved by the Town and depicted in the final Project and Financing Plan. (Appendix A provides the detail description and cost projection for each project cost item.)***
- c. County participation must be capped at the total amount of its contribution to Project Specific Categories. ***The ILA provides that the maximum reimbursement amount of no more than \$9,938,000 of the County's tax increment shall be contributed to the tax increment fund during the term of the TIRZ No. 2 and shall only be used for Project Specific Categories (costs) as shown in the Project Plan.***
- d. The term of County participation will not extend beyond its payment of the capped amount or the Zone's receipt of the total amount from all jurisdictions, as set out in its Project Plan, whichever comes first. ***The TIRZ is projected to terminate December 31, 2038, or not more than twenty-five (25) years (2014-2038). County TIRZ funds will only be allowed to be expended on County-approved Project Specific Categories as set forth in the Project Plan.***
- e. The County must have the ability to designate those projects in which it will participate, and for which it will administer the construction. In these instances, the TIRZ will pay to the County, in advance, all funds necessary to cover the cost of

- completion of the project. ***The Project Specific Categories are shown on Schedule 3, page 17, of the final Project and Financing Plan, thus the County may designate the Project Specific Categories in which it elects to participate.***
- f. No more than 10% of any increment contributed by the County may be utilized by the TIRZ for the payment of administrative, legal, consulting, or other professional expenses, except engineering and architectural fees directly related to the specific projects in which the County will participate. No portion of the increment contributed to the TIRZ by the County may be paid to the Town for administrative fees. ***Article III, Section 3.8, of the ILA states that the County will not pay for Town TIRZ administrative fees.***
 - g. There shall be no penalty or interest due from the County for delayed increment payments. ***This provision is noted in Article III, Section 3.2, of the ILA.***
 - h. County participation may not exceed 50%. ***Section 5 of the final Project and Financing Plan indicates County participation of incremental real property tax at 50% while the Town's real property tax pledge is 70%. The remaining portion of the Town's increment will be used to fund public service delivery to the development.***
 - i. County participation must be governed by an interlocal agreement executed by the Town and the County formalizing the terms and condition of participation. ***A draft ILA has been included as part of the Town's application packet (supporting document number 4)***

Application & Approval Process

1. Collin County will consider participation in a Tax Increment Reinvestment Zone on a case-by-case basis. Requests for County participation are to be made to the County Administrator. The written request must be accompanied by the information outlined below:
 - a. An explanation of why the TIRZ is needed: ***The establishment of TIRZ No. 2 will incentivize the development of approximately 157 acres located at a key commercial intersection of U.S. Highway 380 and the Dallas North Tollway by providing for the reimbursement of not to exceed \$27.5 million of a total \$156.7 million in public infrastructure needed for the 157-acre mixed use retail, commercial, and residential development that is forecasted to generate approximately \$424 million in real taxable property value at build-out (2029). See Schedule 2 of the final Project and Financing Plan.***
 - b. The estimated lifespan of the TIRZ: ***The lifespan of the TIRZ is estimated to be 25 years (2014-2038).***

- c. A description of the proposed Private sector development, its investment level and its implementation schedule. ***See Schedule 3 of the final Project and Financing Plan which summarizes the comparison of public improvements to non-public (private) improvements that are further supported by detailed cost breakdown (Appendices A and B). At this time, the implementation schedule is dependent on market demand and development’s progress on securing tenants.***
- d. A financial forecast of what growth will occur in the proposed TIRZ if the TIRZ is not created or does not become operational. ***The 157-acre tract is undeveloped land currently used for agricultural purposes. Even though the subject tract is bordered on the East by the North Dallas Tollway and on the South by U.S. Highway 380, without the investment in approximately \$157,000,000 in public improvements (streets, drainage, street lighting, electric, gas, water, and wastewater infrastructure), including enhanced access to both the North Dallas Tollway and U.S. Highway 380, subject property cannot develop. While it is difficult to forecast the property’s development without the infusion of infrastructure development, most likely development will occur much more slowly and in smaller increments that usually results in less than desired taxable values because the lack of cohesive, master-planned development. Additionally, the TIRZ provides that development will occur and supports the needed public infrastructure costs on a reimbursement basis as real new taxable values are generated by the development within the TIRZ, thus the pace of development will determine the amount of repayment over the 25-year life of the TIRZ. In summary, with the TIRZ created, the developer will incur the up-front public infrastructure costs and will be reimbursed ONLY if, and as, the development’s real property values increase at a level sufficient to reimburse the developer over the life of the TIRZ.***
- e. The assessed valuations of the proposed TIRZ for each of the past five years. ***The source of the following assessed values is the Collin County Appraisal District (CCAD):***

CCAD ACCOUNT NO.	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	5-YEAR <u>TOTAL</u>
<u>Owner of Record-</u>							
<u>MAHG Partnership</u>							
967724	17,260	16,337	16,614	16,799	14,860	15,506	97,376
2602311	9,390	8,888	9,038	9,139	8,084	8,436	52,975
2602313	8,625	8,164	8,302	8,394	7,426	7,338	48,249

Owner of Record-

<u>110 Prosper Property LP</u>						
2655207	6,412	6,069	6,172	-----n/a-----		18,653
2655209	10,378	9,824	9,990	-----n/a-----		30,192
Total Value by Year	52,035	49,282	50,116	34,332	30,370	31,280

- f. A detailed description of what Public Improvements will be undertaken, how they will be funded, and how these improvements relate to the area’s growth. ***A detailed description of the required public improvements are shown on Exhibits D, E, and F (Roadways, Water, and Wastewater, respectively), supported by Appendices A and B, providing detailed quantity and cost descriptions of each improvement by the respective category. Schedule 3 of the final Project and Financing Plan depicts a summary of public improvement costs allocated to the TIRZ and non-project costs to be assumed by developer. By policy, the County may designate which project-specific categories the County will participate in as part of the TIRZ. The project-specific categories shown in the supplemental Schedule 3 are transportation and utility Infrastructure.***
- g. A description of the level and duration of the Reinvestment Zone Financing Plan that is being requested for each taxing entity. ***Participation is shown in the final Project and Financing Plan for a term of 25 years. Specifically, Schedules 4, 5, 6, 8, 9, 10, 12, 13, and 14 show real property value forecasted to be generated within the TIRZ for both the County and the Town as well as the estimated TIRZ revenue to be retained by each entity. During the 25-year term of the TIRZ, the County would retain 100% of the real property tax at the base year, 50% of the real property tax increment, and 100% of the business personal property tax from development within the TIRZ.***
- h. A detailed description of anticipated annual TIF Project revenues, costs, increments, and debt service requirements. ***See answer to g. above. The final Project and Financing Plan depicts that the TIRZ anticipates that it will not issue bonded indebtedness; therefore, the developer is expected to pay all or part of the costs to construct the public improvements within the Zone. The Town anticipates that the TIRZ will reimburse the developer for the public infrastructure costs identified in Schedule 3 not to exceed \$27,500,000. As previously stated, all TIRZ funds are paid on a reimbursement basis to the developer, only after the developer has constructed and paid for the public improvements (Infrastructure) and provided that sufficient taxable value has been generated within the TIRZ, i.e. no up-front debt financing will be issued by the TIRZ to fund said improvements.***
- i. An explanation of the basis for the TIF Project’s financial and economic growth assumptions. ***Assumptions are noted in the final Project and Financing Plan. For***

example, inflation is projected to increase at a rate of 2%, while post completion appraisals are projected to rise at a rate of 1%.

- j. A detailed description of the TIF Project's impact on the local economy and the County's property tax base, and if applicable, a description of the number/types of new permanent jobs to be created and the projected payroll/or the number/types of housing units to be created and the projected sales/rental prices of each type of housing or business. ***The 157-acre mixed use development at build-out projects construction of approximately 3.4 million square feet of floor area of which 46% will be residential space, 25% for office uses, and the remaining 29% for retail, hotel, and theater space. The base value of the TIRZ at 2013 is projected to increase with development to \$578,449,676 over the 25-year period of the TIRZ (2038). The TIRZ is projected to receive a total real property tax increment amount of \$40,082,436 or \$30,144,642 from the Town increment and \$9,937,794 from the County increment. As shown on Schedule 14, it is estimated that the County will retain an incremental total of \$11,959,238 over the 25-year TIRZ period and an incremental total of \$19,111,673 being retained after 30 years (Schedule reflects most recent comparisons of participation in public infrastructure costs and projected taxable values).***
- k. The results of present value analysis which show in what year the additional tax revenue benefits to the County will equal or exceed the incremental revenues that the County will forego. ***A present value analysis performed on Schedule 14 projects the County's participation dollars will be recouped in approximately year 2044, or 6 years after the expiration of the TIRZ.***
- l. A copy of any existing marketing and feasibility study. ***See the final Project and Financing Plan.***
- m. A description of the Applicant's background, its record at undertaking similar projects, the background of its major principals, its relocation/expansion history over the past fifteen years, its financial condition over the past five years, and its source of financing for the TIF project. ***Applicant (Developer), Matthews Southwest (MSW), headquartered in Lewisville, TX, is a privately-held, full-service, real estate company with offices in Dallas, Toronto, and Calgary. Since its inception in 1988, MSW has developed over 7 million square feet of hotel, office, industrial, retail, and residential projects from Mexico to Canada. A combination of financial resources and experienced management, MSW has successfully focused on creating projects of lasting excellence thus enduring market corrections and downturns. In 2013, MSW will complete a 2.5 million square foot high-density, mixed use urban development, that includes the EnCana Oil and Gas Exploration Corporation's headquarters, located in Calgary, Alberta. MSW was selected for the***

development and construction of the Downtown Dallas Omni Convention Center Hotel completed and opened in November 2011 (ahead of schedule and \$30 million under budget). Other major developments completed and/or in the process of completion by MSW include the South Side on Lamar (City of Dallas) mixed use project using TIF and PID incentives, the Bell Mobility office campus, the TransCanada Pipeline office tower, the Canary Wharf office complex, and the Skydome complex (home of the Toronto Blue Jays).

- n. An explanation, if applicable, of how the TIF projects will revitalize economically distressed areas and/or provide employment for the chronically unemployed. ***The 157-acre TIRZ is currently undeveloped agricultural property; therefore, non-applicable.***
- o. A discussion of how the TIF projects avoid, address, and/or alleviates displacement and environmental concerns. ***Not applicable.***
- p. The name, address, and telephone number of the contact person.

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- q. All projected revenue information provided to the City Council prior to their adoption of the TIRZ. ***See the Preliminary Project and Financing Plan.***
 - r. Any hard deadlines proposed and/or adopted by the City Council must be included in the presentation to the Commissioners' Court and in the County agreement; and
 - s. Any other information that may be requested that reasonably relates to the development or re-development of an area intended to be used for a TIF project.
2. If TIRZ is in the incorporated area, a TIRZ agreement with the city must be approved prior to adoption by the County. A copy of the city ordinance and all documentation must be submitted to the County Administrator 45 days prior to the first public hearing. ***A draft copy of the ILA between the County and the Town is attached in accordance with the County Policy guidelines for participation in a County TIRZ.***
 3. Prior to approving an order of participation in a TIRZ, the Commissioners' Court will hold a public hearing at which interested persons shall be entitled to speak and present written materials for or against the approval of the County's participation as required in the Texas Tax Code, Section 311.003.

4. In order to approve participation in a TIRZ, the Commissioners' Court must find that the terms of the proposed participation will meet these Guidelines and that:
 - a. There will be no substantial adverse affect on the provision of the jurisdiction's service or tax base; and
 - b. Participation will not substantially adversely affect the County's ability to carry out its long-range development plans.

5. The County has the right to terminate or reconsider the County's participation of the TIRZ in the event the requirements of Texas Tax Code, Section 311.013(d) have not been met:

(d) If the reinvestment zone is created on or after August 29, 1983, a taxing unit is not required to pay a tax increment into the tax increment fund of the zone after three years from the date the zone is crated unless the following conditions exist or have been met within the three-year period:

- (1) bonds have been issued for the zone under Section 311.015;*
- (2) the municipality or county created the zone has acquired property in the zone pursuant to the project plan; or*
- (3) construction of improvements pursuant to the project plan has begun in the zone.*

These provisions from the County's Policy and State Tax Code are addressed in the Draft ILA, sections 3.2 and 4.1(e).

END OF APPLICATION.