

ORDINANCE NO. 0-2013-61

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TYLER, TEXAS,
APPROVING AN AMENDED PROJECT PLAN AND FINANCE PLAN,
DETERMINING THE AMOUNT OF THE TAX INCREMENT FROM THE CITY
OF TYLER TO BE PAID INTO THE TAX INCREMENT FUND, PROVIDING
FOR REIMBURSEMENT PAYMENTS TO BE MADE BY THE CITY OF TYLER
AND CONDITIONED ON MATCH FUNDING TO BE MADE BY TYLER
ECONOMIC DEVELOPMENT COUNCIL FOR IMPLEMENTATION OF THE
AMENDED PROJECT PLAN AND EXTENDING THE TERM OF THE CITY OF
TYLER REINVESTMENT ZONE #1; PROVIDING A SEVERABILITY CLAUSE;
AND ESTABLISHING AN EFFECTIVE DATE.**

WHEREAS, on August 18, 1999, the Tyler City Council approved by City Ordinance the initial Project Plan and Finance Plan for the City of Tyler Reinvestment Zone #1 (the "Zone");

WHEREAS, the Project Plan and Finance Plan was revised and approved by the Tyler City Council on August 31, 1999;

WHEREAS, Section 311.011(e) of the Texas Tax Code authorizes the Board of Directors of the Zone to adopt an amendment to the Project Plan consistent with the requirements of Chapter 311;

WHEREAS, on July 17, 2013, the Board of Directors of the Zone approved an Amended Project Plan and Amended Finance Plan;

WHEREAS, the Amended Project Plan and Amended Finance Plan take effect upon approval by the Tyler City Council, by ordinance adopted after a public hearing;

WHEREAS, Section 311.007(c) of the Texas Tax Code authorizes the City of Tyler to extend the term of the Zone, after notice and a public hearing;

WHEREAS, the Amended Project Plan and Amended Finance Plan provide for the term of the Zone to be extended to the earlier of 90 days after the project costs for the Amended Project Plan have been paid and any remaining funds in the tax increment fund have been refunded to the taxing entities according to their contribution, or 90 days after the tax increment for the 2028 tax year has been disbursed in payment of project costs;

WHEREAS, notice of a public hearing on the Amended Project Plan and Amended Finance Plan, satisfying the procedural requirements of Section 311.003(c) and (d), was published in a newspaper having general circulation in the City of Tyler more than seven days before the hearing;

WHEREAS, a public hearing on the proposed Amended Project Plan and Amended Finance Plan was held at the time and place designated in the notice, in accordance with the requirements of Section 311.003 of the Texas Tax Code;

WHEREAS, the City at such hearing invited any interested person, or his attorney, to appear and speak for or against the Zone, its boundaries, the concept of tax increment financing or the Amended Project Plan and Amended Finance Plan;

WHEREAS, proponents of the Amended Project Plan and Amended Finance Plan spoke in favor of the Amended Project Plan and Amended Finance Plan and opponents of the Amended Project Plan and Amended Finance Plan were given an opportunity to contest the amendments;

WHEREAS, a Feasibility Analysis was presented with the Amended Finance Plan; and

WHEREAS, it is considered to be in the public interest to approve the Amended Project Plan and Amended Finance Plan for the Zone and to extend the term of the Zone;

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

PART 1. That the facts and recitations contained in the preamble of this Ordinance are found and declared to be true and correct.

PART 2. That the City, after conducting the public hearing, has determined:

- a) That a public hearing on the approval of the Amended Project Plan and Amended Finance Plan has been properly called, held and conducted and that notice of the hearing has been published as required by law;
- b) That the Amended Project Plan and Amended Finance Plan should be approved; and
- c) That the term of the Zone should be extended in accordance with the Amended Finance Plan.

PART 3. That the Amended Project Plan (Exhibit "A") and Amended Finance Plan (Exhibit "B") are approved pursuant to Section 311.011(e) of the Texas Tax Code. Exhibits "A" and "B" are attached hereto and are incorporated herein.

PART 4. That pursuant to 311.013(l) of the Texas Tax Code, the City has determined that no portion of the tax increment produced by the City of Tyler shall be paid into the tax increment fund for the Zone.

PART 5. That in lieu of designating a portion of the tax increment produced by the City of Tyler for payment into the tax increment fund for the Zone, the City and Tyler Economic Development Council mutually agree that the City will make reimbursement payments totaling \$550,000 (for the public road construction of Bennett Avenue) from its general revenue for the implementation of the Amended Project Plan, in accordance with Section 311.002(1)(J) of the Texas Tax Code, and that the City's reimbursement amounts shall be matched in the amount of \$550,000 by one or more cash contributions from the Tyler Economic Development Council, Inc., resulting in combined cash contributions of \$1,100,000 for the implementation of the Amended Project Plan.

PART 6. That the term of the Zone is extended to the earlier of:

- a) 90 days after the project costs for the Amended Project Plan have been paid and any remaining funds in the tax increment fund have been refunded to the taxing entities according to their contribution; or
- b) 90 days after the tax increment for the 2028 tax year has been collected and disbursed in payment of project costs under the Amended Finance Plan.

PART 7. That if any portion of this Ordinance shall, for any reason, be declared invalid by any court of competent jurisdiction, such invalidity shall not affect the remaining provisions hereof.

PART 8. That this Ordinance shall take effect immediately upon its adoption.

PASSED AND APPROVED this 14th day of August, A.D. 2013.

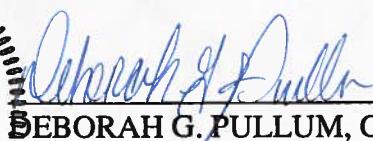


BARBARA BASS, MAYOR
OF THE CITY OF TYLER, TEXAS

ATTEST


for CASSANDRA BRAGER, CITY CLERK

APPROVED:


DEBORAH G. PULLUM, CITY ATTORNEY

AMENDED PROJECT PLAN

CITY OF TYLER REINVESTMENT ZONE #1

JULY 2013

PREPARED BY:

Tyler Economic
Development Council, Inc.
and
McNally & Patrick, L.L.P.

1. Introduction

Pursuant to Section 311.011 of the Tax Increment Financing Act, the Board of Directors for the City of Tyler Reinvestment Zone Number One (Reinvestment Zone) prepared a Project Plan for the Reinvestment Zone. The Project Plan included:

- a map showing existing uses and conditions of real property in the Reinvestment Zone and a map showing proposed improvements to and proposed uses of that property;
- proposed changes of zoning ordinances, the master plan of the municipality, building codes, and other municipal ordinances;
- a list of estimated non-project costs; and
- a statement of a method of relocating persons to be displaced as a result of implementing the plan

The Project Plan was initially adopted by the Board of the Reinvestment Zone on August 4, 1999 and approved by the Tyler City Council on August 18, 1999 by City ordinance. Subsequently, the Project Plan was revised and then adopted by the Board on August 30, 1999 and approved by the City Council on August 31, 1999 by City Ordinance. The Finance Plan projected that payment of Project Costs, including financing and administrative costs, would be completed in 2020. However, the tax increment for the Reinvestment Zone exceeds projections and payment of the Project Costs will be completed in 2013.

Section 311.011(d) of the Tax Increment Financing Act authorizes the Board of the Reinvestment Zone to adopt an amendment to the Project Plan. The Board has prepared this Amended Project Plan to amend the Project Plan adopted by the Board on August 30, 1999 and approved by the Tyler City Council on August 31, 1999. The purpose of the amendment is to increase the total Project Costs to include the site work and construction of an addition to the Skills Training Center (STC) and to identify the sources of revenue that will be used to pay the Project Costs for the addition to the STC, including financing and administrative costs.

2. Existing Uses and Proposed Improvements

A. Existing Uses

The Reinvestment Zone consists of approximately 1.53 square miles adjacent to and east of West Loop 323 in the northwestern quadrant of the City of Tyler (City). The Reinvestment Zone includes the Tyler Industrial Park (350 acres), The Tyler Business and Technology Park (140 acres), some retail and commercial businesses, a residential area (300 acres), a middle school, the Tyler Junior College Regional Training and Development Complex (RTDC), and approximately 380 acres of unimproved land. The existing uses of the property at the time the Project Plan was adopted by the Board and approved by the Tyler City Council are shown on **Exhibit 1** labeled Existing Uses of Property in the Reinvestment Zone-1998. **Exhibit 2** labeled *Existing Uses of Property in the Reinvestment Zone-2012* shows the existing uses of the property at the time this Amended Project Plan was adopted.

B. The Existing Skills Training Center

The original Project Plan proposed the development of a skills training center ("STC") in the Reinvestment Zone. The Project Plan included site work for the STC, on-site sewer and water improvements, the construction of the 70,000 square foot STC, two new parking lots and driveway improvements, exterior lighting and landscaping. Construction of the STC was completed on November 15, 2002 and operations began in January 2003. The location of the STC is shown on **Exhibit 3** labeled *Location of the Skills Training Center*.

The City recognized the need for an educated and skilled workforce. The existing STC provides the space for shops and laboratories for state-of-the-art auto mechanics, welding, construction, air conditioning and heating, and commercial refrigeration programs. Construction of the STC allowed the Tyler Independent School District (“TISD”) to move its auto mechanics classrooms to the new facility. Tyler Junior College (TJC) relocated its welding and construction programs. In addition to providing a centralized location for existing programs, the STC has provided space for new programs, making it possible to modernize instruction with state-of-the-art equipment to better serve the training needs of East Texas. The features of the STC are shown on **Exhibit 4** labeled *Skills Training Center Facility*.

C. The Proposed Addition

The proposed public improvements to the property in the Reinvestment Zone under this Amended Project Plan include:

- site work for a three story addition to the STC with a footprint of 17,875 square feet; and
- the construction of a three-story addition to the STC containing 51,024 square feet of finished and unfinished space.

The location of the proposed addition to the STC is shown on **Exhibit 5** labeled *Location of the Addition to the Skills Training Center*. A rendering of the proposed addition to the STC is shown on **Exhibit 6** labeled *Addition to the Skills Training Center*.

The STC was designed to facilitate change in order to serve the educational and skills training needs of East Texas well into the 21st century. The STC was located so as to permit expansion to meet future demands. Additional space is now needed to add new programs following energy pathways using the State’s approved career cluster model to include three major areas:

- Power Production
- Energy Extraction
- Process Industry

Each area would include associated degrees and certificates in the following:

- Ammonia Certification (requested by Brookshire Grocery Company)
- Biomedical Equipment Repair
- Geothermal
- Industrial Electrical Maintenance
- Instrument and Control
- Mechanical
- Robotic and Automated Systems
- Solar and Wind

Additional space would also allow for the expansion of the Power Plant Technology AAS program and Luminant Academy. The Heating, Air Conditioning and Refrigeration Technology program would be relocated to accommodate state-of-the art lab facilities.

In 2010, the City of Tyler led an economic development strategic planning effort that resulted in the Industry Growth Initiative (IGI) at www.cityoftyler.org. The demand for high tech jobs is noted throughout the IGI:

- “The 21st Century economy ... must include an educated workforce with high-tech skills.”
- Program Benefit - “Expand the pool of workers with high-tech and white collar skills.”
- “An Innovation Economy offers the strongest opportunity for competitive advantage since this group of highly skilled workers demand the highest hourly rates compared to the labor or service sectors.”
- 21st Century Energy is a long-term building block.
- The oil industry ... “remains a critical part of Tyler’s fabric... All efforts to support this legacy industry must be maintained.”
- Recommendation for Education - “Align education with industry needs. Create a fluid, flexible education system that will respond to changing economic and industry needs.”
- Strategy #5: 21st Century Energy, Action Step #5 - “Ensure vocational education programs align with oil and gas industry needs.”

Training for these jobs is further promoted by the newly-formed Tyler Area Business-Education Council (TABEC) to meet the needs of area industry. In particular, Strategy 3 of the TABEC, Support expanded skills and professional training at Tyler Junior College, and Strategy 4, Support local development of career pathways to be streamlined and articulated throughout the education pipeline, emphasize the importance of training for skilled positions.

The STC is operated by TJC. The curriculum includes training programs for high school credit, TJC associate degrees, and professional certifications. The STC is a centralized state-of-the-art training center serving East Texas. With the ever-increasing cost of constructing, equipping, staffing and operating training facilities at multiple locations (area high schools and TJC), the need for enlarging the STC is apparent to the City and the County. Students from all area independent school districts will benefit from the proposed addition to this state-of-the-art training center. Existing and future businesses will be better served by an educated and skilled workforce.

3. Zoning Ordinances and Building Codes

The site of the STC is zoned M1, which is the appropriate zoning classification for its use. No change to the City’s zoning ordinances, master plan, building codes or other City ordinances are required for the addition to the STC.

4. Project and Non-Project Costs

A. Project Costs Defined

Section 311.002 of the Tax Increment Financing Act defines “project costs” as

the expenditures made or estimated to be made and monetary obligations incurred or estimated to be incurred by the municipality...designating a reinvestment zone that are listed in the project plan as costs of public works, public improvements, programs or other projects benefitting the zone, plus other costs incidental to those expenditures and obligations. Project costs can include capital costs, financing costs, professional service costs, imputed administrative costs, organizational costs, interest, operational costs, the amount of any contribution made by the City and the costs of educational buildings and other facilities owned by a community college district. *Texas Tax Code, Section 311.002.*

B. Estimated Project Costs

The 1999 Finance Plan for the development of the existing STC listed Project Costs totaling \$11,010,628 to be paid from the tax increment. These costs are scheduled to be fully paid in 2013.

The construction cost of the three-story 51,024 square foot addition to the STC is projected to be \$6,304,303. The cost includes \$70,000 in site work and \$5,835,670 to construct 33,187 square feet of finished floor space on the first two floors, and 17,837 square feet of unfinished floor space on the third floor. Architect and engineering fees are projected at \$398,633. Construction costs are estimated at \$130 per square foot for finished space and \$80 per square foot for unfinished space by Fitzpatrick Architects.

Reimbursement payments totaling \$550,000 from the City of Tyler (for the construction of the public roadway Bennett Avenue) and matching Cash contributions totaling \$550,000 from the Tyler Economic Development Council, Inc. resulting in a total contribution amount of \$1,100,000 that will be used to pay for the site work and a portion of the construction costs for the addition to the STC. Site work and construction costs paid by cash contributions reduce the amount of indebtedness that the TIF must incur and therefore reduces the interest cost.

In addition, TJC has elected to fund the construction of the third floor to the addition, consisting of 17,837 square feet of unfinished space. If the TIF generates sufficient tax revenue, then TJC shall be reimbursed for all or part of the construction costs advanced by TJC to construct the third floor to the addition. However, only the principal of the construction costs advanced by TJC will be reimbursed if TIF funds are available. No interest or financing cost is incurred by the TIF for the construction costs advanced by TJC.

The amended plan provides for new indebtedness in the amount of \$3,500,000 to be incurred by the TIF to pay for the construction not paid with cash contributions or funds advanced by TJC. Financing costs are estimated at \$1,025,959 based on a \$3,500,000 note with an interest rate of 3.4% per annum and a fifteen-year term.

The Project Costs for the addition to the STC which are to be paid from the tax increment total \$5,262,060 and are detailed in the Amended Finance Plan. The Project Costs which are to be paid from the tax increment include:

- site work;
- the construction of the finished floor space on the first two floors of the addition to the STC;
- architect and engineering fees;
- financing costs; and
- professional fees and expenses to manage the TIF.

If the TIF generates sufficient tax revenue, including revenue beyond the amount projected in the Amended Finance Plan, then the tax increment will be used to reimburse TJC for construction costs advanced by TJC to construct the unfinished space on the third floor of the addition.

C. Non-Project Costs

The Project Plan for the development of the STC identified non-project costs to include:

- the cost of equipping the skills training center; and
- the cost of operating the skills training center

The non-project costs for the addition to the STC include:

- the cost of equipping the additional space; and
- the cost of operating the enlarged STC.

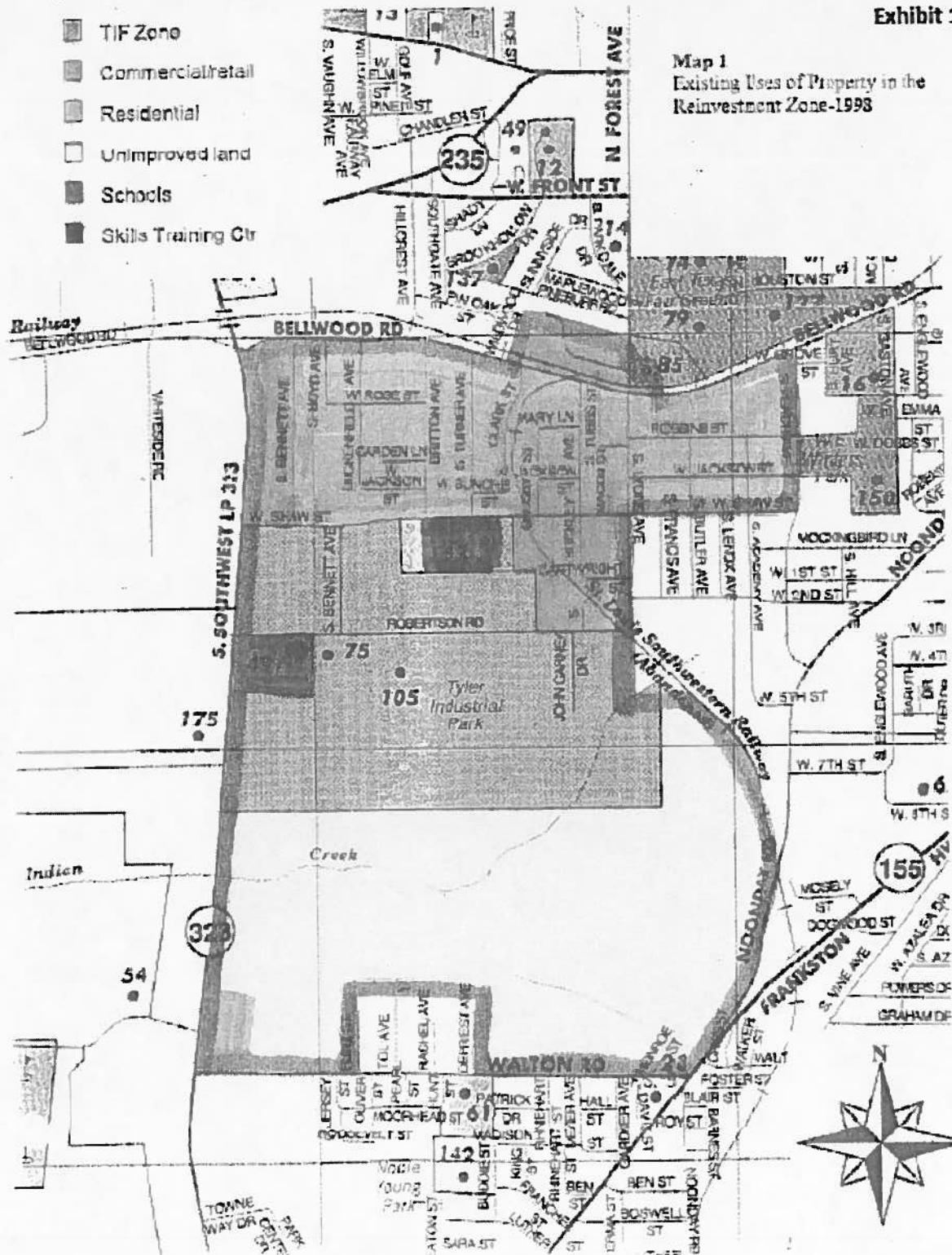
5. Relocation of Persons Displaced by Implementing the Plan

The Project Plan recognized that the site of the proposed STC was undeveloped land and that no relocation of residents or businesses would be required to implement the Project Plan.

The implementation of the Amended Project Plan to add to the existing STC will not require the relocation of any residents or businesses.

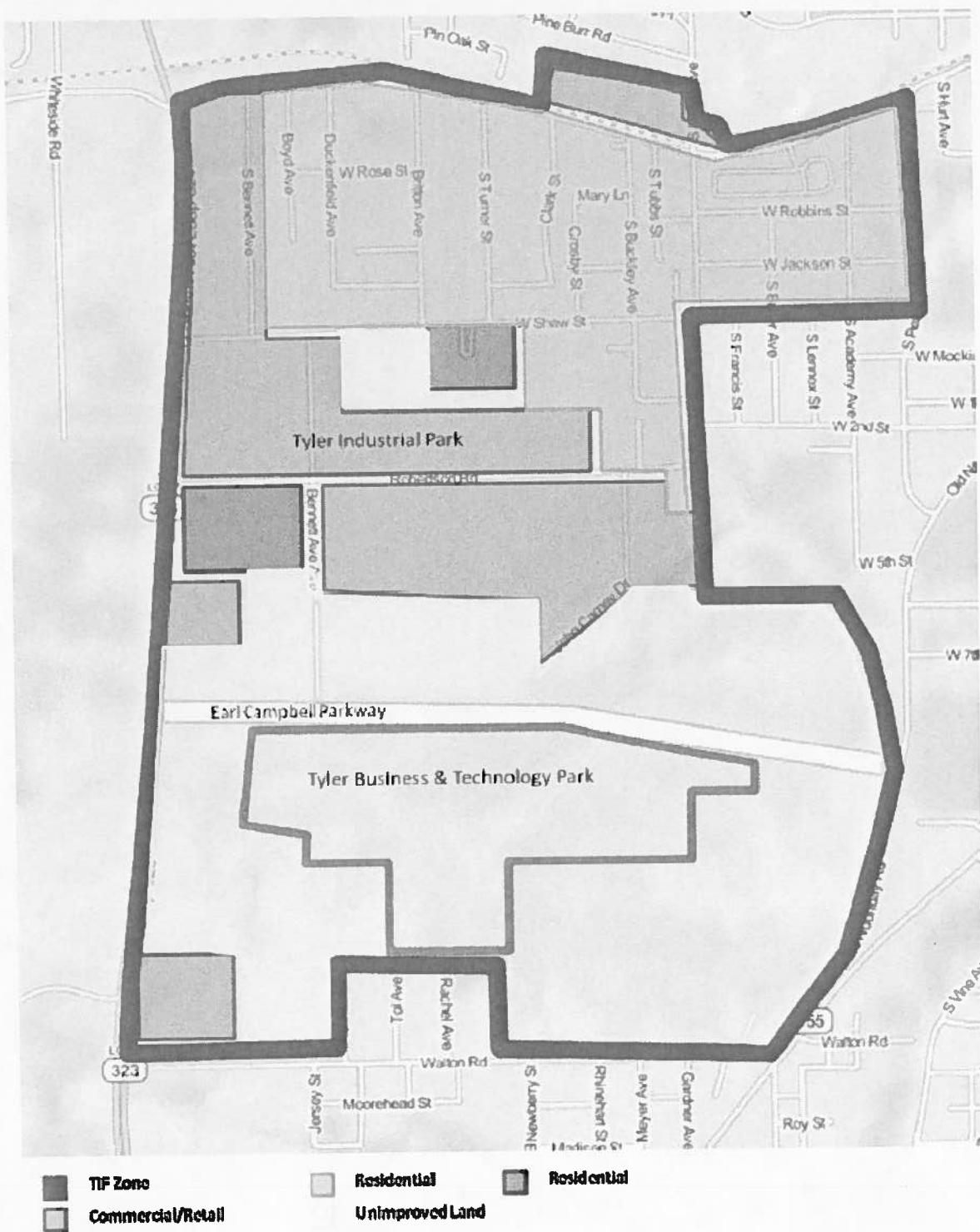
Exhibit 1

Map 1
**Existing Uses of Property in the
 Reinvestment Zone-1993**



Existing Uses of the Property in the Reinvestment Zone-2012

Exhibit 2



Location of the Skills Training Center

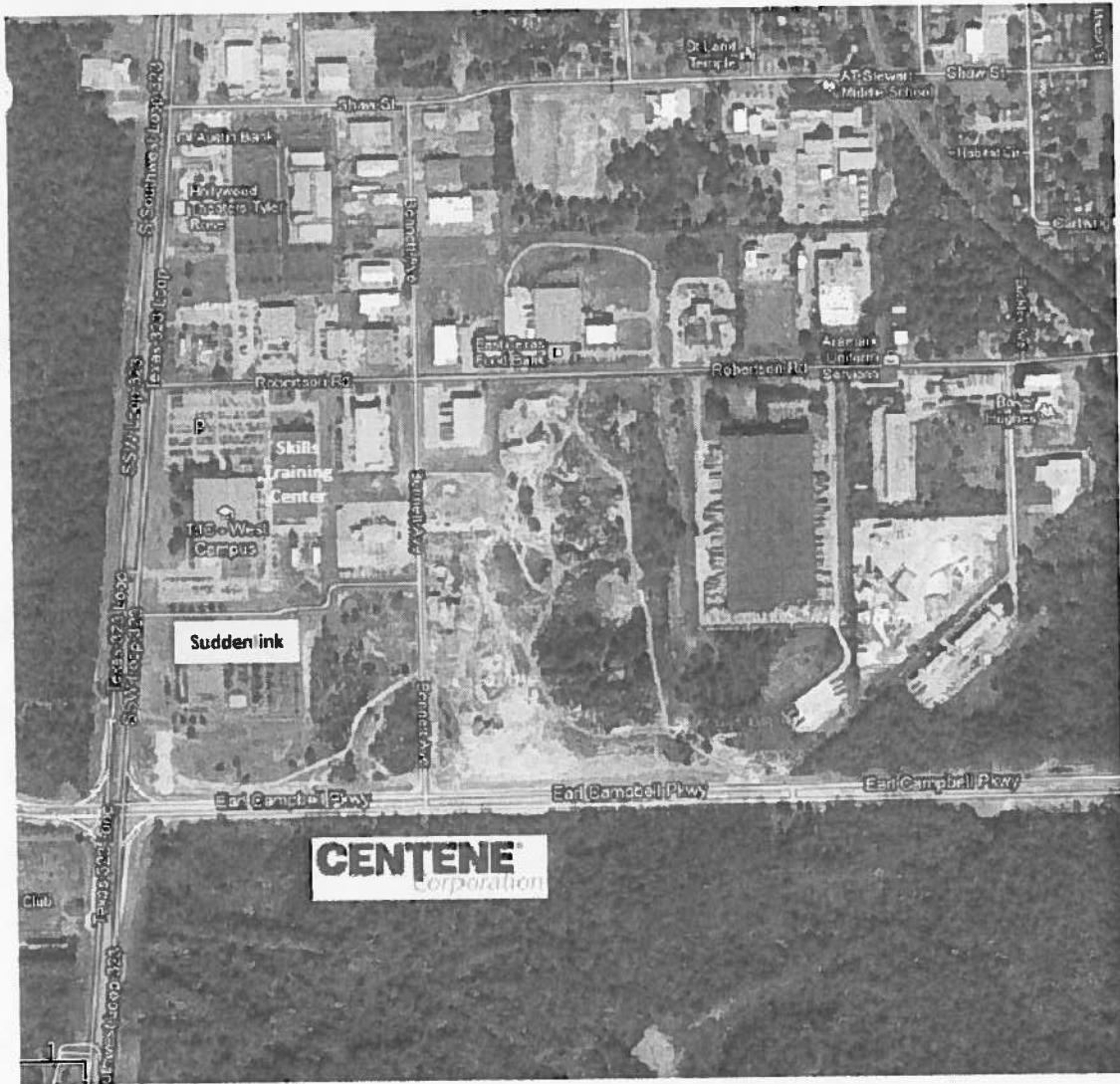
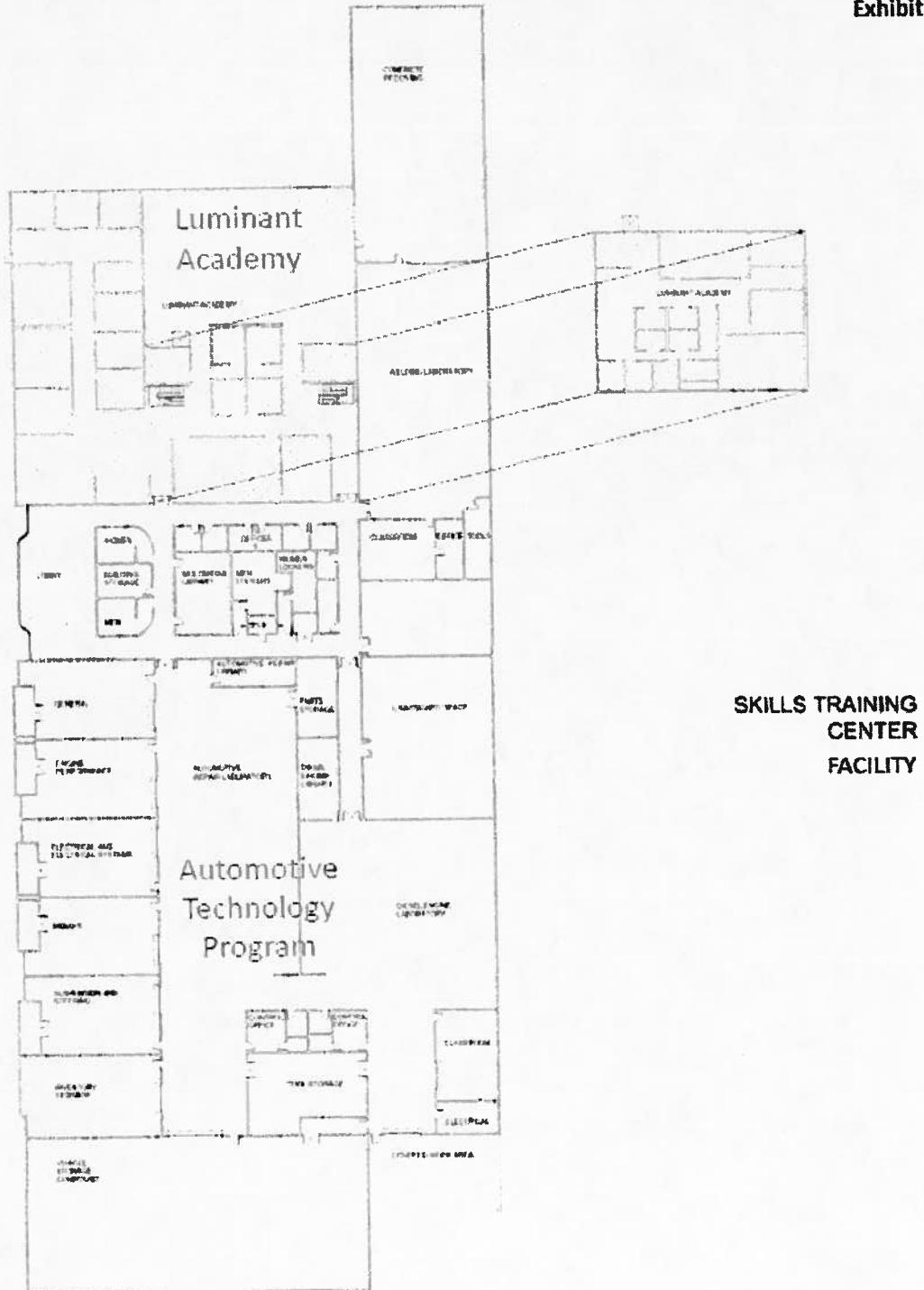
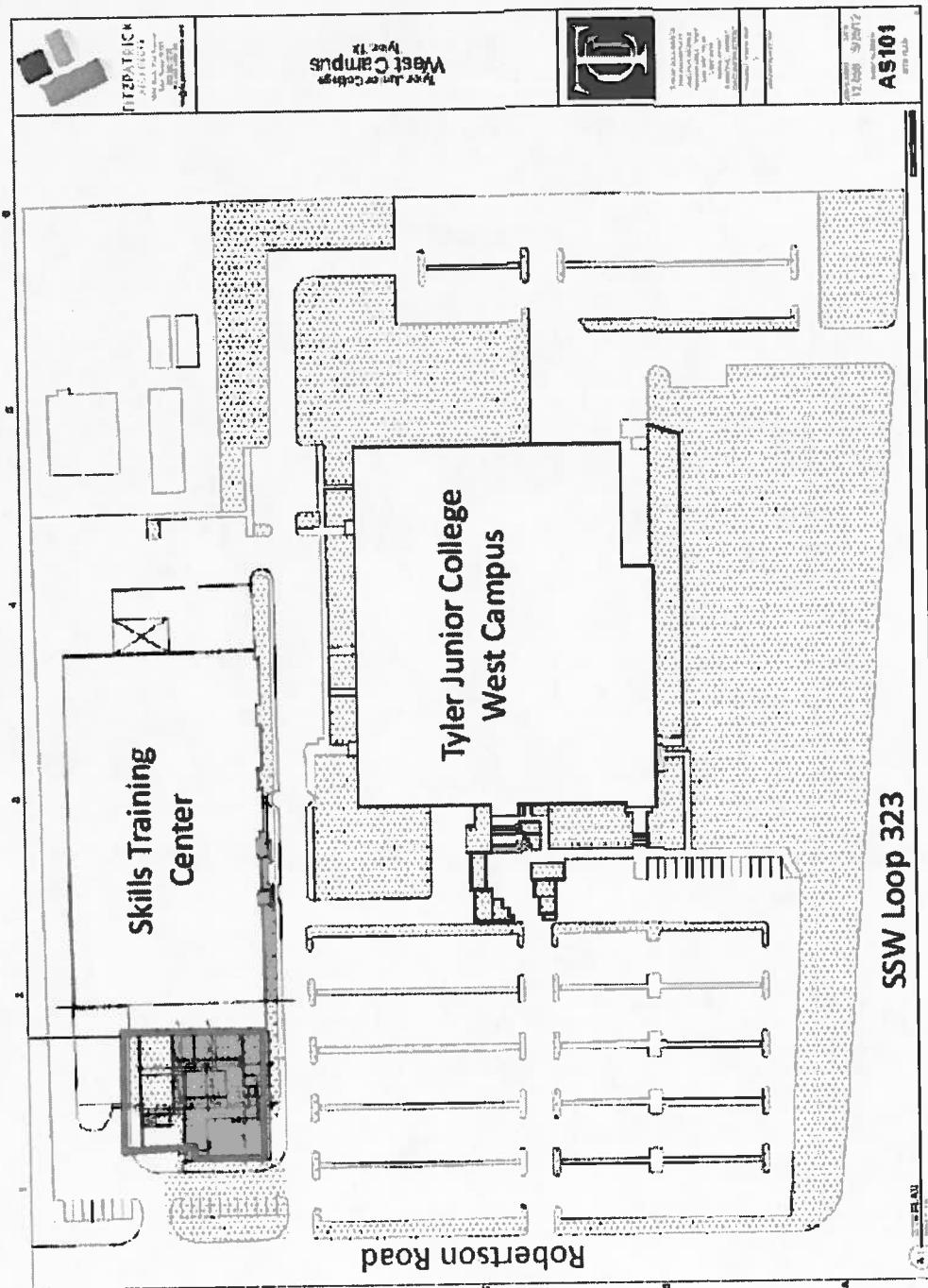


Exhibit 4



Location of the Addition to the Skills Training Center

Exhibit 5



Addition to the Skills Training Center

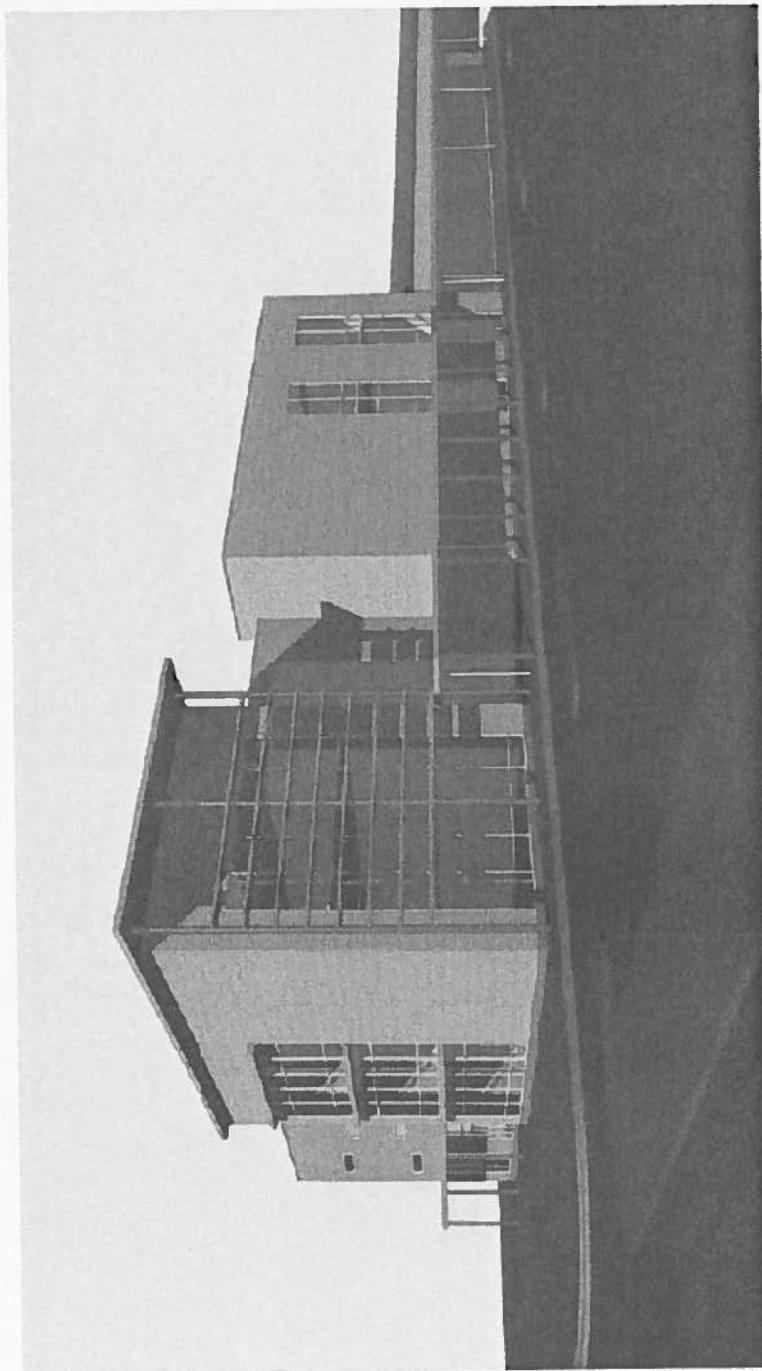


Exhibit 6

FITZPATRICK
Architects

TYLER JUNIOR COLLEGE, WEST CAMPUS
STUDY

AMENDED FINANCE PLAN

CITY OF TYLER REINVESTMENT ZONE #1

JULY 2013

PREPARED BY:

Tyler Economic
Development Council, Inc.
and
McNally & Patrick, L.L.P.

1. Introduction

Pursuant to Section 311.011 of the Tax Increment Financing Act, the Board of Directors for the City of Tyler Reinvestment Zone Number One (Reinvestment Zone) prepared a finance plan for the site work and construction of a 70,000 square foot skills training center (STC) in the Reinvestment Zone. The Finance Plan included:

- a statement listing the kind, number, and location of proposed public works or public improvements in the Reinvestment Zone;
- a detailed list describing the estimated project costs of the Reinvestment Zone, including administrative expenses;
- an economic feasibility study;
- the estimated amount of bonded indebtedness to be incurred;
- the time when related costs or monetary obligations are to be incurred;
- a description of the financing methods for estimated project costs and the sources of revenue to finance or pay projects costs, including the percentage of tax increment derived from the property taxes of each taxing unit that levies taxes on real property in the Reinvestment Zone;
- the current total appraised value of taxable real property in the Reinvestment Zone;
- the estimated captured appraised value of the Reinvestment Zone during each year of its existence; and
- the duration of the Reinvestment Zone.

The Finance Plan was adopted initially by the Board of the Reinvestment Zone on August 4, 1999 and approved by the Tyler City Council on August 18, 1999. Subsequently, the Finance Plan was revised and then adopted by the Board on August 30, 1999 and approved by the City Council on August 31, 1999 by a City ordinance, which included a finding that the Finance Plan was feasible. Construction of the STC was completed on November 15, 2002 and operations began in January 2003. The Finance Plan projected that payment of the Project Costs would be completed in 2020. However, the tax increment for the Reinvestment Zone exceeded projections, and payment of the Project Costs for the STC will be completed in 2013.

Section 311.011(d) of the Tax Increment Financing Act authorizes the Board of the Reinvestment Zone to adopt an amendment to the Project Plan. The Board has prepared this Amended Finance Plan, in connection with the Amended Project Plan, to amend the Finance Plan adopted by the Board on August 30, 1999 and approved by the Tyler City Council on August 31, 1999. The purpose of the amendment is to increase the total Project Costs to include the site work and construction of an addition to the STC and to identify the sources of revenue that will be used to pay the Project Costs for the addition to the STC, including financing and administrative costs.

2. Statement Listing the Proposed Kind, Number and Location of Public Improvements to be Financed by the Reinvestment Zone

A. The 1999 Finance Plan identified six general categories of public works or public improvements for the Reinvestment Zone in connection with the development of the STC:

(1). Site work and excavation for the construction of the STC

The Finance Plan identified the location of the proposed STC as a two-acre tract directly east of the parking lot for the Tyler Junior College Regional Training and Development Complex (RTDC). Proposed site and excavation work included leveling the site to correct a 30" difference in elevation from one side of the tract to the other, the installation of special underground exhaust lines and concrete footings to support the vehicles and automotive lifts for the automotive program to be housed in the STC.

(2). On-site sewer and water system improvements

The Finance Plan listed proposed water and sewer improvements to include the installation of approximately 240 feet of water line and sewer line to connect the STC to the City of Tyler sewer and water lines located along the north side of Robertson Road.

(3). Construction of a 70,000 square foot STC

The Finance Plan identified a one-story, 70,000 square foot pre-engineered clear span metal structure with mechanical mezzanines, brick wall accent panels, and a sealed concrete floor to be constructed and used as a Skills Training Center. The proposed STC included 66,750 square feet heated and cooled space, laboratory and classroom walls made of easy-to-modify metal stud dry wall, corridor and restroom walls made of light-weight cement blocks, dropped ceilings in classrooms, offices and restrooms, exposed structure ceilings in laboratories, an automatic fire sprinkler system and a covered walkway connecting STC and RTDC.

(4). On-site parking lots and driveways, including resurfacing an existing driveway

The Finance Plan identified parking lots to be constructed to include a parking lot for visitors on the north side of the building facing Robertson Road, with ten parking spaces, and a smaller parking lot for staff members on the south side of the building, with five parking spaces. The Finance Plan also included resurfacing the service driveway extending from Robertson Road south to the TJC Greenhouse if damaged during construction.

(5). On-site exterior lighting

The Finance Plan identified exterior lighting to be installed on all four sides of the STC and along the proposed 185' covered walkway connecting the STC with the RTDC.

(6). Landscaping and sidewalks along Robertson Road

The Finance Plan listed proposed landscaping and sidewalk improvements to include the construction of sidewalks with red paving blocks along the south side of Robertson Road to Bennett Drive, a distance of approximately 550 feet and the installation of landscape plants along the sidewalks on Robertson Road and around the STC.

B. The Amended Finance Plan identifies two additional categories of public works or public improvements for the Reinvestment Zone in connection with the addition to the STC.

- (1). Site work for the construction of the addition to the STC; and
- (2) Construction of the 51,024 square feet addition to the STC, consisting of 33,187 square feet of finished floor space on the first two floors, and 17,837 square feet of unfinished space on the third floor.

3. Estimated Project Costs Including Administrative Expenses

A. Project Costs Defined

Section 311.002 of the Tax Increment Financing Act defines “project costs” as

the expenditures made or estimated to be made and monetary obligations incurred or estimated to be incurred by the municipality...designating a reinvestment zone that are listed in the project plan as costs of public works, public improvements, programs or other projects benefiting the zone, plus other costs incidental to those expenditures and obligations. Project costs can include capital costs, financing costs, professional service costs, imputed administrative costs, organizational costs, interest, and operational costs and the costs of educational buildings and other facilities owned by a community college district. *Texas Tax Code, Section 311.002.*

B. Project Costs for the STC

The Project Costs listed in the 1999 Finance Plan included capital costs for public works or public improvements in the Reinvestment Zone totaling 4,674,000, professional and administrative costs in the amount of 572,468 and financing costs estimated at 5,764,160. Professional and administrative costs included architect and engineering fees, legal fees and administrative costs. **Table 1** is a detailed listing of the Project Costs included in the Finance Plan for the development of the STC.

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TABLE 1 – Project Costs for the STC

Description	Amount
Rough and finish site work	125,000
On-site sewer and water system improvements	10,000
Construction of skills training center	4,400,000
On-site parking lots and driveways	75,000
On-site exterior lighting	30,000
Landscaping and sidewalks	34,000
Professional and administrative costs	572,468
Financing costs (estimate based on the net present value of the total tax increment at 6% through 2019)	<u>5,764,160</u>
Total	11,010,628

C. Project Costs for the Addition to the STC

The construction cost of the three-story 51,024 square foot addition to the STC is projected to be 6,304,303. The cost includes 70,000 in site work and 5,835,670 to construct 33,187 square feet of finished floor space on the first two floors and 17,837 square feet of unfinished floor space on the third floor. Architect and engineering fees are projected at 398,633. Construction costs are estimated at 130 per square foot for finished space and 80 per square foot for unfinished space by Fitzpatrick Architects.

Reimbursement payments totaling \$550,000 from the City of Tyler (for the construction of the public roadway Bennett Avenue) and matching Cash contributions totaling \$550,000 from the Tyler Economic Development Council, Inc. resulting in a total contribution amount of \$1,100,000 that will be used to pay for the site work and a portion of the construction costs for the addition to the STC. Site work and construction costs paid by cash contributions reduce the amount of indebtedness that the TIF must incur and therefore reduces the interest cost.

In addition, TJC has elected to fund the construction of the third floor to the addition, consisting of 17,837 square feet of unfinished space. If the TIF generates sufficient tax revenue, then TJC shall be reimbursed for all or part of the construction costs advanced by TJC to construct the third floor to the addition. However, only the principal of the construction costs advanced by TJC will be reimbursed if TIF funds are available. No interest or financing cost will be incurred by the TIF on the construction costs advanced by TJC.

Furthermore, construction of the addition to the STC is not projected to begin until **March 2014**. The cumulative balance in the TIF fund through 2012 and the 2013 tax increment is projected to total 314,370. Professional and administrative costs to manage the TIF are estimated at 230,000 and are to be paid over the duration of the Amended Plan from available funds. The availability of these funds to pay project costs as incurred further reduces the need for borrowing.

The Amended Plan provides for new indebtedness in the amount of 3,500,000 to be incurred by the TIF to pay for the construction not paid with cash contributions, funds advanced by TJC or accumulated TIF funds. Financing costs are estimated at 1,025,959 based on a 3,500,000 note with an interest rate of 3.4% per annum and a fifteen-year term. **Table 2** is a detailed listing of the estimated Project Costs for the addition to the STC.

TABLE 2 - Estimated Project Costs for the Addition to the STC

Description	Amount
Site work	70,000
Construction cost - First floor finished space (17,875 square feet)	2,418,150
Second floor finished space (15,312 square feet)	1,990,560
Third floor unfinished space (17,837 square feet)	1,426,960
Architect and Engineering Fees	398,633
Professional and Administrative Costs	230,000
Finance Costs (3,500,000 debt, 3.4% interest rate, 15 year term)	<u>1,025,959</u>
Total	7,560,262

4. Feasibility Analysis

The Finance Plan included a feasibility analysis for the development of the STC. A Feasibility Analysis for the addition to the STC is attached to this Amended Finance Plan. The attached Feasibility Analysis for the Amended Finance Plan demonstrates that the Amended Finance Plan is economically feasible.

5. Amount of Bonded Indebtedness

The 1999 Finance Plan did not include the use of bonded indebtedness for the development of the STC, and it is not anticipated that bonded indebtedness will be used to finance the addition to the STC. However, the cost and restrictions on bonded indebtedness will be explored and compared to the cost of issuing notes at the time the financing is obtained.

The total project costs are projected to be 7,560,262. Project costs to be paid from available cash as detailed in Section 3C of this Amended Plan total 3,071,330 (the "Cash Payments"). After deducting the 3,071,330 in Cash Payments from the total project costs, excluding financing costs, the unfunded project costs total 3,462,973. The indebtedness to be incurred by the TIF is 3,500,000.

The amount of indebtedness that can be paid from the tax increment is dependent on the term of the indebtedness and the interest rate. An interest rate of 3.4% interest per annum and a term of 15 years has been used to calculate the finance cost. The 3.4% rate is an estimate provided by TJC, based on information obtained from a local financial institution that has financed projects for TJC. Any increase in the interest rate or reduction in the term directly affects the amount of the indebtedness that can be paid by the tax increment.

If TJC dedicates 100% of its projected tax increment through 2028, and Smith County dedicates 100% of its projected tax increment through 2019 and 75% through 2028, then the total projected tax increment is 5,262,060. Project costs to be paid directly from the tax increment total 544,370, leaving 4,717,690 to pay the indebtedness of principal and interest totaling 4,525,959. Any surplus is to be used to reimburse TJC for the costs advanced to construct the unfinished space on the third floor of the addition to the STC.¹

6. Timing of Monetary Obligations

A. Timing of Remaining Obligations for the STC

The Project Costs for the STC, including finance costs and administrative costs, will be paid in 2013 from the 2012 tax increment. The remaining Project Costs include:

- (1). The unpaid principal balance of the note in the amount of 332,640.08;
- (2). Interest accrued through August 15, 2013 in the amount of 17,629.92; and
- (3). Professional and administrative costs estimated to be 32,260.00.

The tax increment for the 2012 tax year, which has been paid into the TIF fund in 2013, is 717,798.36. The remaining Project Costs will be paid from the 2012 tax increment on a pro rata basis from the tax increment paid into the TIF fund by Tyler Independent School District ("TISD"), the County and TJC. After payment of the Project Costs for the STC, the balance of the tax increment paid into the TIF Fund by TISD for the 2012 tax year will be refunded to TISD in accordance with the contractual agreement with TISD. It is anticipated that the contractual agreements with the County and TJC will be amended to allow the balance of the tax increment paid into the TIF fund by the County and TJC for the 2012 tax year to be applied to the Project Costs for the addition to the STC under the Amended Project Plan and this Amended Finance Plan. The balance of the TIF fund is estimated to be 97,281.88, after all Project Costs for the STC have been paid and the unused portion of the tax increment paid by TISD has been refunded to TISD.

Table 3 shows the allocation of the remaining Project Costs, the projected refund to TISD and the balance available to begin funding the Amended Project Costs.

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¹The taxable real property values in the Zone are projected to grow at an annual rate of 4% in the period between 2020 and 2028. The County may elect to cap the portion of its tax increment dedicated to pay project costs, so that the County retains 100% of its tax increment on that portion of the actual growth in real property values in excess of the 4% annual growth projected for the tax years 2020 through 2028.

TABLE 3 - Allocation of Costs and Available Balance

Projected Final Costs		2012 Tax Increment Collected	
Principal due 8/15/13	32,640.08	Smith County	122,735.86
Interest due 8/15/13	17,629.92	TISD	518,869.86
Legal and management fees	<u>32,260.00</u>	TJC	<u>76,192.64</u>
	382,530.00		717,798.36
Percentage of Projected Final Costs to Tax Increment	382,530/717,798.36 =		53.2921%
Allocation of Final Costs (53.2921%)		Allocation of Cash on Hand 10/31/12	
Smith County	65,408.55	Cash	15,756.15
TISD	276,516.77	TISD Percentage	<u>x 72.2863%</u>
TJC	<u>40,604.68</u>	TISD Portion of Cash	11,389.54
	382,530.00		
Balance Available to Begin Funding Amended Project Costs			
Beginning cash balance			5,756.15
Collected 2012 Tax Increment			717,798.36
Payment of Final Costs			(382,530.00)
Refund TISD Cash			(11,389.54)
Refund TISD Unused 2012 Tax Increment	518,869.86 - 276,516.77 =		<u>(242,353.09)</u>
	Balance Available for Amended Project Costs		97,281.88

B. Timing of Obligations for the Addition to the STC

The development schedule for the addition to the STC calls for the preliminary architectural and engineering drawings to be finalized by **December 31, 2013**, construction to begin in **March, 2014** and to be completed in the **Spring of 2015** and for equipment and furniture to be installed prior to the start of the **Summer semester, 2015**.

Design costs will be incurred in 2013. Construction costs will be incurred throughout the construction period, beginning in **March, 2014** and ending in the **Spring of 2015**. The initial engineering and construction costs will be paid from the balance in the TIF fund from the 2012 tax increment, the tax increment for 2013, the cash contribution from the Tyler Economic Development Council (which consists of the City's reimbursement payments and TEDC's matching funds) and the funds advanced by TJC to construct the unfinished space on the third floor. Thereafter, engineering fees and construction costs will be paid on a "percentage-of-completion" basis, using the proceeds from the financing outlined in Sections Five and Seven of this Amended Finance Plan. Professional and administrative expenses will be paid as the expenses are incurred and funds are available in the Tax Increment Fund.

After the construction phase for the addition to the STC is completed, monetary obligations will consist of debt service payments timed to reflect cash flows from the tax increment and payment of administrative expenses.

The projected annual and cumulative tax increment for Smith County at 100% through 2019 and 75% through 2028 using the original 1998 base year of the Reinvestment Zone is shown on **Table 4A**. The projected annual and cumulative tax increment for TJC at 100% through 2028 using the original 1998 base year of the Reinvestment Zone is shown on **Table 4B**. The combined annual and cumulative tax increment for Smith County at 100% through 2019 and 75% through 2028 and for TJC at 100% through 2018 is shown on **Table 4C**.

The projected amortization schedule for the indebtedness of 3,500,000 is shown on **Table 5**, using an interest rate of 3.4% per annum and a term of 15 years. The amount and timing of the projected tax increment is compared to the amount and timing of the anticipated debt service payments in the attached Feasibility Analysis. It is anticipated that TJC will advance the difference between the payment due and the tax increment in order to insure the timely payment of the indebtedness. Any note payments advanced by TJC will be reimbursed from the tax increment fund as funds become available, after payment of professional and administrative expenses that have been incurred. Provided however, if the cumulative tax increment dedicated to the payment of project costs is not sufficient to pay the balance of the indebtedness at maturity, then TJC shall pay the unpaid balance and no reimbursement shall be due to TJC on account of such payment.

Due to a change in state law, TISD is not expected to pay any portion of its tax increment into the TIF fund for payment of the Project Costs on the addition to the STC. TISD nonetheless remains committed to the creation of a skilled workforce.

7. Financing Methods and Sources of Revenue

A. Financing the STC

Section 311.010 of the Tax increment Financing Act authorizes the Board of the Reinvestment Zone to enter into agreements as the Board considers necessary to implement the project plan and reinvestment zone financing plan and achieve their purposes. The agreement may dedicate, pledge, or otherwise provide for the use of revenue in the tax increment fund to pay any project costs that benefit the reinvestment zone, including project costs relating to the cost of buildings, schools or other educational facilities owned by or on behalf of a community college district. *Texas Tax Code, Section 311.010.*

Total cash flows for the payment of the Project Costs in the development of the STC were estimated at 11,082,478 in the Finance Plan, which included projected tax increments through the 2019 tax year. The non-finance Project Costs for the development of the STC were financed by a loan from a federally insured financial institution. The remaining balance of the loan will be paid in 2013 from the 2012 tax increment. The remaining professional and administrative expenses will also be paid from the 2012 tax increment.

B. Financing the Addition to the STC and Sources of Revenue

Funding for payment of the project costs for the addition to the STC include cash contributions from the Tyler Economic Development Council (which consists of the City's reimbursement payments and TEDC's matching funds), funds advanced by TJC, and the tax increment dedicated by Smith County and TJC through the 2028 tax year.

Financing options for the project costs that are not paid in cash include publicly offered bonds and loans through financial institutions. Factors considered at the time the financing is obtained will include insurance costs, interest rates, and total financing costs over the life of the project.

Financing costs vary considerably based on the type of borrowing. Publicly offered bonds carry the highest costs to issue due to the many disclosure requirements and the need for financial advisors and legal counsel. Costs may run 3% to 4% of the principal amount borrowed. Bonds also require around 10% of the principal to be held back as a reserve amount, which is then not available for use in the project. Loans through financial institutions can be significantly less expensive and may carry lower interest rates. Due to the higher issue cost, reserve requirements, and potentially higher interest rates for bonds, it is anticipated that loans through financial institutions will be used to pay the non-finance Project Costs for the addition to the STC.

The revenue source for repayment of the debt is the real property taxes captured within the reinvestment zone from each of the taxing units participating in the tax increment financing. The amount of indebtedness is therefore limited by the estimated cash flows produced from the tax increment dedicated to the payment of

project costs. The projected cash flows for the payment of the indebtedness incurred to pay project costs for the addition to the STC are shown on **Tables 4A-4C**.

The actual tax increment will depend upon the percentage of the tax increment that the taxing entities dedicate to the payment of the project costs, the actual growth in real property values in the Reinvestment Zone, and new construction in the Reinvestment Zone. An annual increase in property values of one to four percent is projected based on information provided by the Smith County Appraisal District. If the annual growth in property values is less than projected, then the tax increment generated will be less than anticipated.

The amount and timing of the projected tax increment is not sufficient to make the anticipated note payments in equal annual installments of principal and interest as shown in the Feasibility Analysis. It is anticipated that TJC will advance the difference between the payment due and the tax increment in order to insure the timely payment of the indebtedness. Any note payments advanced by TJC will be reimbursed from the tax increment fund as funds become available, after payment of professional and administrative expenses that have been incurred. Provided however, if the cumulative tax increment dedicated to the payment of project costs is not sufficient to pay the balance of the indebtedness at maturity, then TJC shall pay the unpaid balance and no reimbursement shall be due to TJC on account of such payment.

8. Current Appraised Value of Taxable Real Property and the Tax Increment Base

The tax increment base of a taxing unit is defined pursuant to Section 311.012(c) of the Tax Increment Financing Act as the total taxable value of all real property taxable by the unit and located in the reinvestment zone for the year in which the zone was designated. *Texas Tax Code, Section 311.012(c)*. A taxing entity may specify that the taxing unit's participation be computed with respect to a base year later than the original base year of the Reinvestment Zone. *Texas Tax Code, Section 311.013(f)*.

The Reinvestment Zone was designated for tax increment financing by the City of Tyler in 1998. The total appraised value of taxable real property within the Reinvestment Zone in 1998 was 30,172,033 for TISD, 31,275,073 for the County, 31,107,973 for TJC, and 31,362,182 for the City, according to the Smith County Appraisal District. TISD, the County and TJC participated in funding the original Finance Plan. The tax increment base for each of the taxing entities that participated in the original Finance Plan was 1998, the original base year of the Reinvestment Zone.

The current appraised value of real property within the Reinvestment Zone for the 2012 tax year is 71,908,876 for the County and 72,046,097 for TJC. It is anticipated that the original base year of 1998 will continue to be used as the tax increment base for the County and TJC. No other taxing entities are expected to dedicate a portion of their tax increment to fund this Amended Finance Plan.

9. Estimated Captured Appraised Value

The "captured appraised value" of real property taxable by a taxing unit for a year is defined by §311.012(b) of the Tax Increment Financing Act as the total taxable value of all real property taxable by the unit and located in a reinvestment zone for that year less the tax increment base of the unit. *Texas Tax Code, Section 311.012(b)*. Since a taxing entity may specify that its participation be computed with respect to a base year later than the original base year of the Reinvestment Zone, the estimated captured appraised value depends in part on the base year designated.

The estimated captured appraised value for the taxing entities that participated in the 1999 Finance Plan for the construction of the STC is shown on **Table 6**. The values shown are the estimates from the original Finance Plan.

The estimated captured appraised value for the County using the original 1998 base year of the Reinvestment Zone is shown on **Table 4A**. The estimated captured appraised value for TJC using the original 1998 base year of the Reinvestment Zone is shown on **Table 4B**. The captured appraised values from the original Finance Plan have been restated for the County in **Table 4A** and for TJC in **Table 4B** to show actual captured appraised values through 2012 and estimated captured appraised values for each year after 2012, based upon current information.

10. The Duration of the Zone

The Reinvestment Zone was designated for tax increment financing by City Ordinance No. O-98-100 on December 23, 1998. The 1999 Finance Plan adopted by City Ordinance No. O-99-65 on August 31, 1999 states that "the Reinvestment Zone shall terminate 90 days after all Project Costs have been paid, including financing costs, and any remaining funds in the tax increment fund have been refunded to the taxing units. Any funds remaining in the tax increment fund after payment of the Project Costs will be disbursed to the taxing units in proportion to the amount contributed by each taxing unit."

The 1999 Finance Plan projected that the Reinvestment Zone would terminate in 2020, after the tax increment for the 2019 tax year was disbursed. However, the actual tax increment for the period 1999 through 2012 exceeded the projected tax increment, and payment of the remaining Project Costs for the development of the STC will be completed in 2013.

Upon approval of the Amended Finance Plan by City Ordinance, the Reinvestment Zone and the designation of the Reinvestment Zone for tax increment financing will terminate on the earlier of:

- (A) 90 days after all project costs for the addition to the STC have been paid, including reimbursement of TJC for funds advanced to construct the third floor of the addition, and any remaining funds in the tax increment fund have been refunded to the taxing units according to their contribution; or
- (B) 90 days after the tax increment for the 2028 tax year is collected and disbursed in payment of the project costs under this Amended Finance Plan.

Amended Financing Plan Tables

Tables 1-3 are included in the text of the Plan and not reproduced here.

Table 4A – Smith County Increment	12
Table 4B – TJC Increment	13
Table 4C – Combined Smith County and TJC Increment	14
Table 5 – Amortization Schedule for Indebtedness	15
Table 6 – Captured Appraised Value Estimates in 1999 Finance Plan	16

Table 4A
Tax Increment Growth Projections
City of Tyler Industrial Park TIF Zone #1
July 2013

Year	Real Property Value at Jan. 1	Estimated Growth Rate	Captured Appraised Value current yr - base	tax rate*	Tax	
					Increment collected/ projected c x d/100	75%
1998	31,275,073		Smith County real property value base			
1999	38,593,193	actual	5,318,120	0.229470	12,418	12,418
2000	39,736,156	actual	6,481,063	0.254470	24,659	37,078
2001	43,405,801	actual	12,130,728	0.254470	31,298	68,372
2002	48,854,363	actual	17,378,290	0.254470	45,924	113,336
2003	49,517,814	actual	18,242,741	0.254470	44,548	157,843
2004	51,480,603	actual	20,185,530	0.254470	50,379	208,022
2005	53,415,246	actual	22,140,173	0.254470	58,310	266,332
2006	56,727,530	actual	25,452,457	0.288275	72,610	338,252
2007	57,886,113	actual	26,591,040	0.288940	75,594	414,845
2008	65,919,131	actual	34,644,358	0.288940	98,188	514,032
2009	66,935,728	actual	35,660,655	0.288940	102,454	616,486
2010	72,344,177	actual	41,069,104	0.313940	120,265	737,451
2011	71,788,030	actual	40,510,957	0.323940	127,297	864,748
2012	71,908,878	actual	40,633,803	0.323564	131,478	131,478
	amount to complete STC project costs					(57,914)
						73,582
			2012 projected balance			
2013	72,627,985	1.0%	41,352,892	0.323564	133,503	207,385
2014	73,354,244	2.0%	42,079,171	0.323564	136,153	343,538
2015	74,821,329	3.0%	43,546,258	0.323564	140,900	494,438
2016	77,085,389	4.0%	45,780,890	0.323564	148,103	632,531
2017	80,148,808	4.0%	48,873,535	0.323564	158,137	790,718
2018	83,354,552	4.0%	52,079,479	0.323564	168,510	959,229
2019	94,688,734	4.0%	63,413,681	0.323564	205,184	1,164,412
2020	99,476,284	4.0%	67,201,211	0.323564	217,430	163,070
2021	102,415,335	4.0%	71,140,282	0.323564	230,194	172,638
2022	106,511,948	4.0%	75,236,875	0.323564	243,430	182,580
2023	110,772,420	4.0%	79,407,353	0.323564	257,225	192,919
2024	116,203,323	4.0%	83,928,250	0.323564	271,562	203,671
2025	119,811,456	4.0%	88,538,383	0.323564	288,472	214,254
2026	124,803,815	4.0%	93,328,842	0.323564	301,979	226,484
2027	129,588,071	4.0%	98,312,988	0.323564	318,105	238,579
2028	134,771,594	4.0%	103,496,521	0.323564	334,877	251,158
					2012-2019 - 100%	1,164,412
					2020-2028 - 75%	1,345,962
						3,019,374

* shows 100% calculation for Smith County
 Tax Year 2019 - Centene abatement ends; \$8 million added to value

source: Smith County Appraisal District

Table 4B
Tax Increment Growth Projections
City of Tyler Industrial Park TIF Zone #1
July 2013

Year	(a) Real Property Value at Jan. 1	(b) Estimated Growth Rate	(c) Captured Appraised Value current yr - base	(d) tax rate * 0.122300	(e) Tax Increment collected/ projected ex. d/100	Cumulative
					1998	31,107,973
1999	38,413,153	actual	5,310,210	0.122300	6,602	6,602
2000	39,559,869	actual	8,451,596	0.122300	11,853	18,452
2001	43,472,917	actual	12,364,844	0.122300	15,093	33,542
2002	48,742,540	actual	17,841,567	0.122300	21,730	55,272
2003	49,854,937	actual	18,547,014	0.122300	22,583	77,859
2004	51,840,426	actual	20,532,522	0.122300	32,106	109,965
2005	61,248,958	actual	30,143,895	0.122300	44,914	154,879
2006	62,807,197	actual	31,899,134	0.127200	48,112	202,991
2007	64,455,503	actual	33,347,530	0.127189	41,345	244,336
2008	73,373,411	actual	42,285,438	0.127189	53,259	297,595
2009	74,401,901	actual	43,293,928	0.136950	58,793	356,388
2010	72,520,118	actual	41,412,143	0.182928	70,755	427,143
2011	71,936,202	actual	40,825,229	0.182178	72,077	499,220
2012	72,046,027	actual	40,938,124	0.199228	81,846	81,846
amount to complete STC project costs						(36,053)
2012 balance						45,793
1 2013	72,766,558	4.0%	41,656,555	0.199228	83,286	129,020
2 2014	73,494,224	2.0%	42,388,251	0.199228	84,741	213,821
3 2015	74,964,108	3.0%	43,856,135	0.199228	87,689	301,501
4 2016	77,213,031	4.0%	48,105,058	0.199228	92,178	393,677
5 2017	80,301,553	4.0%	49,193,580	0.199228	98,361	492,027
6 2018	93,513,615	4.0%	52,405,842	0.199228	134,773	590,800
7 2019	94,854,159	4.0%	63,748,198	0.199228	127,445	724,245
8 2020	98,645,326	4.0%	67,540,353	0.199228	135,031	559,278
9 2021	102,594,259	4.0%	71,426,288	0.199228	142,829	1,002,195
10 2022	106,898,029	4.0%	75,580,058	0.199228	151,124	1,153,320
11 2023	110,965,850	4.0%	79,857,977	0.199228	159,857	1,312,976
12 2024	115,404,558	4.0%	84,296,615	0.199228	168,531	1,481,507
13 2025	120,020,772	4.0%	88,912,799	0.199228	177,760	1,659,287
14 2026	124,821,802	4.0%	93,713,628	0.199228	187,358	1,846,625
15 2027	128,814,467	4.0%	98,705,434	0.199228	197,340	2,043,985
16 2028	135,007,045	4.0%	103,899,072	0.199228	207,721	2,251,886

Includes balance from 2012 TIF close-out 2,251,886

* assumes 100% participation of Tyler Junior College
 Tax Year 2019 - Centene abatement ends; \$8 million added to value

source: Smith County Appraisal District

Table 4C
Tax Increment Growth Projections
City of Tyler Industrial Park TIF Zone #1
July 2013

<u>Year</u>	<u>Real Property Value at Jan. 1</u>	<u>Estimated Growth Rate</u>	<u>Smith Co. Tax Increment</u>	<u>TJC Tax Increment</u>	<u>Total Yearly Increment</u>	<u>Cumulative Increment</u>
1998	31,275,073					
	Smith County real property value base *					
1998	31,107,973					
	TJC real property value base *					
2012	balance		73,562	45,793	119,355	119,355
1 2013		1.0%	133,803	83,286	217,089	336,445
2 2014		2.0%	136,153	84,741	220,894	557,339
3 2015		3.0%	140,900	87,680	228,580	785,919
4 2016		4.0%	148,163	92,176	240,339	1,026,258
5 2017		4.0%	158,137	98,351	256,488	1,282,746
6 2018		4.0%	168,510	104,773	273,283	1,556,028
7 2019		4.0%	205,184	127,445	332,629	1,888,657
8 2020		4.0%	163,079	135,031	298,110	2,186,767
9 2021		4.0%	172,638	142,920	315,558	2,502,325
10 2022		4.0%	182,580	151,124	333,704	2,836,029
11 2023		4.0%	192,919	159,657	352,575	3,188,604
12 2024		4.0%	203,671	168,531	372,202	3,560,807
13 2025		4.0%	214,854	177,760	392,614	3,953,420
14 2026		4.0%	226,484	187,358	413,842	4,367,262
15 2027		4.0%	238,579	197,340	435,919	4,803,181
16 2028		4.0%	251,158	207,721	458,879	5,262,060
			3,010,374	2,251,686	5,262,060	

ASSUMPTIONS:

100% participation of Smith County, TJC ongoing from 1999
 Tax Year 2019 - Centene abatement ends; \$8 million added to value for all entities

* source: Smith County Appraisal District

Table 5
Amortization Schedule

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	8/15/2015	3,500,000.00	119,000.00	182,730.59	3,317,269.41	119,000.00
2	8/15/2016	3,317,269.41	112,787.16	188,943.43	3,128,325.97	231,787.16
3	8/15/2017	3,128,325.97	106,363.08	195,367.51	2,932,958.46	338,150.24
4	8/15/2018	2,932,958.46	99,720.59	202,010.01	2,730,948.45	437,870.83
5	8/15/2019	2,730,948.45	92,852.25	208,878.35	2,522,070.11	530,723.08
6	8/15/2020	2,522,070.11	85,750.38	215,980.21	2,306,089.89	616,473.46
7	8/15/2021	2,306,089.89	78,407.06	223,323.54	2,082,766.36	694,380.52
8	8/15/2022	2,082,766.36	70,814.06	230,916.54	1,851,849.82	765,694.57
9	8/15/2023	1,851,849.82	62,962.89	238,767.70	1,613,082.12	828,657.47
10	8/15/2024	1,613,082.12	54,844.79	246,885.80	1,366,196.32	883,502.26
11	8/15/2025	1,366,196.32	46,450.67	255,279.92	1,110,916.40	929,952.93
12	8/15/2026	1,110,916.40	37,771.16	263,959.44	846,956.96	967,724.09
13	8/15/2027	846,956.96	28,796.54	272,934.06	574,022.90	996,520.63
14	8/15/2028	574,022.90	19,516.78	282,213.82	291,809.09	1,016,037.41
15	8/15/2029	291,809.09	9,921.51	291,809.09	0.00	1,025,958.92

Table 6
Tax Increment Growth Projections
City of Tyler Industrial Park TIF Zone #1
August 1999

<u>Year</u>	<u>Real Property Value at Jan. 1</u>	<u>Estimated Growth Rate</u>	<u>TISD Tax Increment</u>	<u>TJC Tax Increment</u>	<u>Smith Co. Tax Increment</u>	<u>Total Yearly Increment</u>	<u>Cumulative Increment</u>
1998	30,172,033	TISD real property value base *					
	31,107,973	TJC real property value base *					
	31,275,073	Smith County real property value base *					
1999	actual values *	71,470	6,494	12,203	90,168	90,168	
2000	4.9% + Tractor Supply \$800,000	105,958	9,655	18,154	133,767	223,935	
2001	4.9%	131,257	11,993	22,560	165,809	389,745	
2002	4.9%	157,795	14,444	27,182	199,422	589,166	
2003	4.9%	185,634	17,016	32,030	234,681	623,847	
2004	4.9%	214,837	19,714	37,116	271,667	1,095,514	
2005	4.9%	245,470	22,545	42,452	310,467	1,405,981	
2006	4.9%	277,605	25,513	48,048	351,167	1,757,148	
2007	4.9%	311,314	28,628	53,919	393,861	2,151,009	
2008	4.9%	346,675	31,895	60,078	438,648	2,589,657	
2009	4.9%	383,769	35,322	66,538	485,629	3,075,287	
2010	4.9%	422,680	38,917	73,315	534,913	3,610,199	
2011	4.9%	463,498	42,688	80,424	586,611	4,196,810	
2012	4.9%	506,316	46,644	87,882	640,842	4,837,652	
2013	4.9%	551,232	50,794	95,705	697,731	5,535,383	
2014	4.9%	598,349	55,147	103,911	757,407	6,292,790	
2015	4.9%	647,775	59,713	112,519	820,007	7,112,797	
2016	4.9%	699,623	64,503	121,549	885,675	7,998,472	
2017	4.9%	754,011	69,528	131,021	954,561	8,953,033	
2018	4.9%	811,064	74,799	140,958	1,026,822	9,979,854	
2019	4.9%	870,913	80,329	151,382	1,102,623	11,082,478	

assumes 100% participation of TISD, TJC, and Smith County

* source: Smith County Appraisal District 8/25/99

8-A
Finance Plan
8/30/99

FEASIBILITY ANALYSIS FOR AMENDED FINANCE PLAN

**CITY OF TYLER
REINVESTMENT ZONE #1**

JULY 2013

PREPARED BY:

Tyler Economic
Development Council, Inc.
and
McNally & Patrick, L.L.P.

1. INTRODUCTION

The Tyler Economic Development Council, Inc. (TEDC) and McNally & Patrick, L.L.P. have prepared this analysis to determine the economic feasibility of using tax increment financing (TIF) to pay for the public improvements necessary to construct the addition to the Skills Training Center (STC) in Tyler, Texas.

The STC is located on approximately two acres of land on Robertson Road, 550 feet from West Loop 323 in Tyler, Texas. The site is adjacent to the Tyler Junior College Regional Training and Development Complex. The STC was constructed in an area designated by the City of Tyler as Reinvestment Zone Number One, City of Tyler, Texas (Reinvestment Zone). A map of the Reinvestment Zone is attached to the Project Plan as Exhibit A. On December 23, 1998, the City of Tyler (City) approved the use of tax increment financing in the Reinvestment Zone. The Reinvestment Zone includes a depressed section of west Tyler which had an unemployment rate of 15.7% when the Reinvestment Zone was created.

The STC is a 70,000 square foot facility that was constructed in order to create a more skilled workforce for the East Texas area. Before the STC was constructed, area high schools and Tyler Junior College provided skills training for the East Texas area. However, it became increasingly difficult for the area high schools and TJC to provide adequate skills training. Technology changes rapidly rendered expensive training equipment obsolete. Competition for a limited number of qualified instructors made it difficult to maintain adequate staffing. The STC has helped to eliminate duplication and inefficiencies in providing skills training for the East Texas Area.

TIF was used to pay for public improvements necessary to construct the 70,000 square foot STC. The Finance Plan projected that payment of Project Costs totaling 11,010,628, including financing and administrative costs, would be completed in 2020. However, the tax increment collected exceeded projections, and the Project Costs for the STC will be paid in 2013. Tyler Independent School District (TISD), Smith County (County) and Tyler Junior College (TJC) have paid one hundred percent of their tax increment into the tax increment fund to pay for the Project Costs of the STC since the Reinvestment Zone was created.

The Project Costs for the addition to the STC are detailed in the Amended Finance Plan and are projected to be 7,560,262. The Amended Finance Plan anticipates that the County and TJC will continue to dedicate 100% of their tax increment to pay the Project Costs for the addition to the STC through 2019, and that thereafter the County will dedicate 75% of its tax increment and TJC will dedicate 100% of its tax increment through 2028. The Amended Finance Plan does not project any contribution from TISD to pay the Project Costs for the addition to the STC due to a change in school finance law. Cash contributions and cash advances totaling 2,526,960 are anticipated.

2. TAX INCREMENT PROJECTIONS

A. Explanation of Tax Increment Financing

Tax increment financing is based upon the pledge of future real property taxes generated by new development within a defined geographic area to fund public improvements within the defined area. The public improvements encourage further development of the area, which in turn enhances the value of the property. The taxes generated as a result of the enhanced property values are used to fund the public improvements within the area and other incidental costs.

Procedurally, tax increment financing requires the:

- creation of a reinvestment zone which defines the boundaries of the area wherein development or redevelopment will be promoted;
- creation of a board of directors for the reinvestment zone;
- establishment of a tax increment fund;
- adoption of a project plan and financing plan for the reinvestment zone;
- determination of the “tax increment base” within the reinvestment zone, as defined by Chapter 311.012 of the Texas Tax Code (see Subsection D);
- annual calculation of the “captured appraised value of real property” by subtracting the tax increment base from the total appraised value of property within the reinvestment zone (see Subsection D);
- collection and payment of taxes to the tax increment fund on the “captured appraised value of real property” by each taxing unit that participates in the tax increment financing;
- payment of the tax increment obligations incurred to fund the “project costs”.

The City of Tyler (the “City”) created the reinvestment zone defining the boundaries where development is to be promoted. On November 2, 1990, the Texas Department of Commerce approved the designation of an area in west Tyler as the City of Tyler Enterprise Zone. On May 21, 1999, the Texas Department of Economic Development again approved the designation of the same area in west Tyler as the City of Tyler Enterprise Zone (Enterprise Zone). The City designated the area within the Enterprise Zone as Reinvestment Zone Number One, City of Tyler, Texas (Reinvestment Zone) and on December 23, 1998, approved tax increment financing within the Reinvestment Zone. A Board of Directors for the Reinvestment Zone was created by the City Council of Tyler and a tax increment fund was established by City ordinance.

Chapter 311 of the Texas Tax Code does not require a taxing unit within the Reinvestment Zone to pay its tax increment into the TIF fund unless the taxing unit enters into an agreement to do so with the city that designated the zone. Taxing units within the Reinvestment Zone other than the City are TISD, the County and TJC. All three taxing units entered into agreements with the City to participate in the funding of the Project Costs for the STC.

The Amended Finance Plan anticipates that the County and TJC will enter into new agreements dedicating their tax increment to pay a portion of the project costs for the addition to the STC. If the County does not dedicate 100% of its tax increment through 2019 and 75% through 2028, or if TJC does not dedicate 100% of its tax increment through 2028, then the Amended Finance Plan is not feasible. Furthermore, the feasibility of the Amended Finance Plan is dependent on the cash contributions and cash advances which have been pledged toward the project costs.

B. Project Costs for the Addition to the STC

Description	Amount
Site work	70,000
Construction cost - First floor finished space (17,875 square feet)	2,418,150
Second floor finished space (15,312 square feet)	1,990,560
Third floor unfinished space (17,837 square feet)	1,426,960
Architect and Engineering Fees	398,633
Professional and administrative costs	230,000
Finance costs (3,500,000 debt, 3.4% interest rate, 15 year term)	<u>1,025,959</u>
Total	7,560,262

An interest rate of 3.4% per annum was used in the Amended Finance Plan to calculate the financing costs for the addition to the STC. The Amended Finance Plan recites that the interest rate was provided by TJC based on information obtained from a local financial institution. The Wall Street Journal Prime Rate as of July 15, 2013 was 3.25%. The assumed rate is .15% above the Wall Street Journal Prime Rate. The Amended Finance Plan recognizes that the actual interest rate may be higher, depending on market conditions at the time the financing is obtained.

C. Development Schedule for the Addition to the STC

The Development Schedule for the addition to the Skills Training Center is:

- Preliminary architectural and engineering drawings are to be completed by December 31, 2013
- Ground breaking is expected by March, 2014
- Construction of the addition to the STC is to be completed by the Spring of 2015 (12-month construction period).
- Equipment and furniture is to be installed prior to the start of the Summer, 2015 semester.

D. Projected Tax Increment

(1). The "tax increment base" and "current appraised value"

The "tax increment base" is defined as the total appraised value of all real property taxable by the taxing unit and located within the Reinvestment Zone for the year in which the Zone was designated. A taxing entity may specify that the taxing unit's participation be computed with respect to a base year later than the original base year of the Reinvestment Zone. *Texas Tax Code, Section 311.013(f)*.

The Reinvestment Zone was designated by the Tyler City Council for tax increment financing under Chapter 311 of the Texas Tax Code on December 23, 1998. The total appraised value of taxable real property within the Reinvestment Zone in 1998 was 30,172,033 for TISD, 31,275,073 for the County, 31,107,973 for TJC, and 31,362,182 for the City, according to the Smith County Appraisal District.

TISD, the County and TJC participated in funding the original Finance Plan. The base year used to compute the tax increment for each of the entities that participated in the original Finance Plan was 1998, the original base year of the Reinvestment Zone.

The current appraised value of real property within the Reinvestment Zone for the 2012 tax year is 71,908,876 for the County, 72,046,097 for TJC and 72,269,356 for the City. It is anticipated that the original base year of 1998 will continue to be used as the tax increment base for the County and TJC.

(2). The "captured appraised value" and "tax increment"

The "captured appraised value" of real property taxable by a taxing unit is defined as the total appraised value of taxable real property within the Reinvestment Zone for any given year less the tax increment base. The estimated captured appraised value for the County using the original 1998 base year of the Reinvestment Zone is shown on **Table 4A** of the Amended Finance Plan. The estimated captured appraised value for TJC using the original 1998 base year of the Reinvestment Zone is shown on **Table 4B** of the Amended Finance Plan.

The captured appraised values for each taxing unit through the 2012 tax year are based upon the actual appraised values for taxable real property within the Reinvestment Zone provided by Smith County Appraisal District. The captured appraised value for the tax year 2013 is calculated by multiplying the actual appraised value in 2012 by a projected annual growth rate of 1% and subtracting the tax increment base. The captured appraised value for the tax year 2014 is calculated by multiplying the projected value for 2013 by a projected growth rate of 2% and subtracting the tax increment base. The captured appraised value for the tax year 2015 is calculated by multiplying the projected value for 2014 by a projected growth rate of 3% and subtracting the tax increment base. Each subsequent tax year is calculated by multiplying the projected value for the previous year by a projected annual growth rate of 4% and subtracting the tax increment base. The projected growth rates used in the Amended Finance Plan are based on information provided by the Smith County Appraisal District.

Eight million dollars in appraised value has been added in 2019 to reflect the expiration of a tax abatement that was granted to Centene by the taxing entities. Eight million dollars is an estimate provided by TEDC based on information known to TEDC regarding the Centene development and an estimate provided by the Smith County Appraisal District placing the 2019 value at slightly more than eight million dollars.

Table 1 shows the actual increase in taxable real property values in the Reinvestment Zone from 1999 to 2012. The value of taxable real property within the Reinvestment Zone increased at an average annual rate of 6.25% on real property taxed by Smith County and 6.39% on real property taxed by TJC during this period. The projected annual growth rate of 1% to 4% in the Amended Finance Plan appears reasonable when compared to the historic growth rates.

TABLE 1 – Historic Growth in Taxable Real Property Values in the Reinvestment Zone

Year	Value Taxed by County	Percent Change	Value Taxed by TJC	Percent Change
1999	36,593,193	17.00	36,418,183	17.07
2000	39,736,156	8.59	39,559,869	8.63
2001	43,405,801	9.24	43,472,917	9.89
2002	48,654,353	12.09	48,749,540	12.14
2003	49,517,814	1.77	49,654,987	1.86
2004	51,460,603	3.92	51,640,495	4.00
2005	53,415,246	3.80	61,248,958	18.61
2006	56,727,530	6.20	62,807,107	2.54
2007	57,866,113	2.01	64,455,503	2.62
2008	65,919,131	13.92	73,373,411	13.84
2009	66,935,728	1.54	74,401,901	1.40
2010	72,344,177	8.08	72,520,116	-2.53
2011	71,786,030	-0.77	71,936,202	-0.81
2012	71,908,876	0.17	72,046,097	0.15
Average		6.25		6.39

The amount of a taxing unit's "tax increment" is defined as the amount of property taxes levied by the unit in any given year on the captured appraised value of real property taxable by the unit within the Reinvestment Zone. The amount of taxes levied is equal to the appraised value multiplied by the tax rate. The tax rate for the 2012 tax year was .323564 per 100 in taxable value for the County and .199926 per 100 in taxable value for TJC.

The tax increment is calculated by multiplying the projected captured appraised value for each taxing unit by the projected tax rate for the taxing unit, for each year of the projected duration of the Amended Finance Plan. The 2012 tax rate for each taxing unit has been used to calculate the tax increment throughout the Amended Finance Plan. No change is projected in future tax rates.

Table 2 shows the tax rate for the County and TJC for the period 1999 through 2012. The tax rate for the County and TJC increased during this period. Flat projected tax rates in the Amended Finance Plan appear reasonable when compared to the historic tax rates.

TABLE 2 - Historic Tax Rates for the County and TJC

Year	County	TJC	Combined
1999	0.254470	0.122300	.376770
2000	0.254470	0.122300	.376770
2001	0.254470	0.122300	.376770
2002	0.254470	0.122300	.376770
2003	0.254470	0.122300	.376770
2004	0.254470	0.122300	.376770
2005	0.254470	0.122300	.376770
2006	0.268275	0.127200	.395475
2007	0.288940	0.127169	.416109
2008	0.288940	0.127169	.416109
2009	0.288940	0.136950	.425890
2010	0.313940	0.182926	.496866
2011	0.323940	0.182176	.506116
2012	0.323564	0.199926	.523490

3. FEASIBILITY ANALYSIS

A comparison of the tax increment revenue as shown in Table 4A through 4C of the Amended Finance Plan with the Project Costs in Section 2B and the Development Schedule in Section 2C of this Analysis reveals a difference between the timing of the expenditures and the tax revenues to meet those expenditures. The total tax revenues needed to fund the non-finance Project Costs are not projected to be generated until years after the construction of the addition to the STC has been completed. The necessity for funding the project before the tax revenues have been generated creates a need for debt financing, using tax increment funds to repay the debt.

The feasibility of using tax increment financing within the Reinvestment Zone to fund the development of the addition to the STC depends upon a number of factors, including the actual construction costs, growth in taxable real property values within the Reinvestment Zone, maintenance of the tax rates by the taxing units, the borrowing and financing costs actually incurred, and the timing of the note payments in relation to the generation of the tax increment.

A. Construction Costs

The construction cost of the three-story 51,024 square foot addition to the STC is projected to be 6,304,303. The cost includes 70,000 in site work and 5,835,670 to construct 33,187 square feet of finished floor space on the first two floors, and 17,837 square feet of unfinished floor space on the third floor. Architect and engineering fees are projected at 398,633. Construction costs are estimated at 130 per square foot for finished space and 80 per square foot for unfinished space by Fitzpatrick Architects.

The development schedule calls for the construction to begin in March 2014 and conclude by the Spring of 2015. As with any project, it is important that costs be carefully managed during the construction phase of the project to insure that the cost of the addition to the STC does not exceed the amounts budgeted.

The Amended Finance Plan provides for cash contributions and funds borrowed totaling 6,571,330. The project costs excluding financing costs total 6,534,303. Accordingly, the projected funding for construction costs under the Amended Finance Plan exceeds the projected construction costs by 37,027.

B. Sources of Potential Growth in Real Property Values

The primary sources of potential growth in taxable real property values are new construction and appreciation of existing property values. The Tyler Industrial Park is located in the Reinvestment Zone. Twelve new facilities have been built in the Tyler Industrial Park in the last 14 years.

Under an annual Contract for Services, the TEDC is charged with providing economic development services for the City. This is a private organization that markets the Tyler/Smith County area to attract new capital investment in plant and equipment and to create and retain jobs in the area. The TEDC owns the Tyler Industrial Park and has worked aggressively since 1989 to create new economic opportunities in this historically depressed area of the City. Land sales have resulted in 8 businesses locating in the Industrial Park since 1998:

Action Cleaning Systems	Ruby's Barbecue	Suddenlink
Austin Bank	Sherwin Williams	Tractor Supply
Chicken Express	Steamatic	

TEDC has also created the Tyler Business & Technology Park in the Reinvestment Zone. A 50,000 square foot building is currently under construction in the Business & Technology Park. TEDC projects that other businesses will move into or expand in the Reinvestment Zone with the completion of Earl Campbell Parkway, connecting Texas Highway 155 to West Loop 323. New construction increases the captured appraised value and contributes to the tax increment. However, the actual value and timing of the new construction cannot be stated with any certainty and has not been included in the Amended Finance Plan.

A tax abatement was granted to Centene, a new business locating in the Reinvestment Zone. The tax abatement expires in 2019 and is projected to increase the captured appraised value by eight million dollars. This increase in the captured appraised value beginning in 2019 and for each year thereafter is reflected on Tables 4A through 4C of the Amended Finance Plan.

The actual future growth of taxable real property values in the Reinvestment Zone cannot be predicted with certainty. However, past growth rates offer some indication of future growth rates. **Table 1 on page 5** of this Feasibility Analysis shows that the taxable value of real property within the Reinvestment Zone has grown at an average annual rate in excess of 6% since 1999.

If the actual growth of taxable real property values follows the historic growth rate of more than 6% per year on average since 1999, then the captured appraised value and the tax increment will be significantly more than projected in the Amended Finance Plan. The Amended Finance Plan incorporates a 1% to 4% growth rate of taxable real property values based on projections provided by Smith County Appraisal District. If the actual growth of taxable real property values is less than the 1% to 4% projected in the Amended Finance Plan, then the captured appraised value and tax increment will be less than projected.

C. Tax Rates

It is impossible to predict future tax rates. However, past tax rates are some indication of future rates. **Table 2 on page 6** of this Feasibility Analysis shows that tax rates for the County and TJC have followed an upward trend since 1999. The Amended Finance Plan does not project future increases in tax rates even though the combined rates of the taxing units have increased since 1999. If the tax rates follow the historic trend and increase over the duration of the Reinvestment Zone, then the tax increment revenues will be greater than projected. If the actual tax rates are less than the projected rates in the Amended Finance Plan, then the tax increment revenues will be less than projected.

D. Financing Costs

The Amended Finance Plan projects that 97,281.88 will remain in the tax increment fund after payment of the Project Costs for the original STC have been paid and TISD's unused portion of the 2012 tax increment has been refunded to TISD. The Amended Finance Plan provides for the 97,281.88 balance in the tax increment fund from the 2012 tax increment to be used to pay the initial engineering and construction costs and administrative and professional fees as incurred.

The tax increment for the 2013 tax year is to be paid into the tax increment fund in 2014. Construction is projected to begin in March 2014 and to be completed in March 2015. The Amended Finance Plan provides for the tax increment for the 2013 tax year to be used to pay construction costs as incurred. In addition, cash contributions and advances for the project total 2,526,960. The Finance Plan projects that the cash available to pay construction costs as incurred totals 3,071,330. After deducting the 3,071,330 in cash payments from the total project costs, excluding financing costs, the unfunded project costs total 3,462,973.

The Amended Finance Plan proposes new indebtedness in the amount of 3,500,000 to be paid in fifteen annual installments with interest at the rate of 3.4% per annum. Table 4C of the Amended Finance Plan shows that the combined projected tax increment from the County and TJC through 2028 is 5,262,060. The combined tax increment of 5,262,060 is sufficient to service an indebtedness of 3,500,000 payable in fifteen equal annual installments with interest at the rate of 3.4% per annum. If the financing cost exceeds 3.4% per annum, then the financing costs will increase. Since TJC has agreed to pay the difference between the note payment and the tax increment, an increase in interest rate does not threaten the feasibility of the Finance Plan, but does increase TJC's liability.

E. Timing of Payments

Typically, financing arrangements are structured to require accrued interest to be paid on a monthly, quarterly or annual basis with some reduction in principal. Table 3 is a comparison of the timing of the projected cumulative tax increment from the County and TJC, with the projected annual note payments to finance the projected cost of the addition to the STC.

TABLE 3

Year	Cumulative Note Payments	Cumulative Tax Increment	Cumulative Difference
2015	301,731	220,894	(80,836)
2016	603,461	449,474	(153,987)
2017	905,192	689,813	(215,379)
2018	1,206,922	946,301	(260,621)
2019	1,508,653	1,219,584	(289,069)
2020	1,810,384	1,552,213	(258,171)
2021	2,112,114	1,850,323	(261,791)
2022	2,413,845	2,165,881	(247,964)
2023	2,715,575	2,499,584	(215,991)
2024	3,017,306	2,852,160	(165,146)
2025	3,319,036	3,224,362	(94,674)
2026	3,620,767	3,616,975	(3,792)
2027	3,922,498	4,030,817	108,319
2028	4,224,228	4,466,736	242,508
2029	4,525,959	4,925,616	399,657

Table 3 illustrates that the amount and timing of the projected tax increment is not sufficient to make the anticipated note payments in equal annual installments of principal and interest. It is anticipated that TJC will advance the difference between the payment due and the tax increment in order to insure the timely payment of the indebtedness. Table 3 shows that the projected cumulative tax increment in 2027 is not only sufficient to make the note payment but is also sufficient to reimburse TJC for the partial note payments advanced by TJC. If the actual tax increment is less than projected, then TJC may not be completely reimbursed for partial note payments advanced by TJC. TJC's agreement to make the note payments ensures that the Finance Plan remains feasible, even if the tax increment is less than projected.