

Draft

MERCER CROSSING PUBLIC IMPROVEMENT DISTRICT

PRELIMINARY SERVICE AND ASSESSMENT PLAN

January 27, 2017

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Table of Contents

Section I	Plan Description and Defined Terms	1
Section II	Property Included in the PID	7
Section III	Description of Authorized Improvements	8
Section IV	Service Plan	11
Section V	Assessment Plan	13
Section VI	Terms of the Assessments	18
Section VII	Assessment Roll	22
Section VIII	Miscellaneous Provisions	23

List of Appendix

Appendix A	The PID Map
Appendix B	Estimated Costs and Diagrams of the Authorized Improvements
Appendix C	Land Use Classes and Equivalent Units
Appendix D	Allocation of Assessments
Appendix E	Assessment Roll

Section I

PLAN DESCRIPTION AND DEFINED TERMS

A. Introduction

On _____ (the "Creation Date") the City Council of the City of Farmers Branch, Texas (the "City") passed and approved a Resolution approving and authorizing the creation of the Mercer Crossing Public Improvement District (the "PID") to finance the costs of certain public improvements for the benefit of property in the PID (the "Authorized Improvements"), all of which are located within the City.

Chapter 372 of the Texas Local Government Code, the "Public Improvement District Assessment Act" (as amended, the "PID Act"), governs the creation and operation of public improvement districts within the State of Texas. The Mercer Crossing Public Improvement District Service and Assessment Plan (the "Service and Assessment Plan") has been prepared in accordance with the PID Act and specifically Sections 372.013, 372.014, 372.015 and 372.016, which address the requirements of a service and assessment plan and the assessment roll. According to Section 372.013 of the PID Act, a service plan "must cover a period of at least five years and must also define the annual indebtedness and the projected costs for improvements. The plan shall be reviewed and updated annually for the purpose of determining the annual budget for improvements." The service plan is described in Section IV of this Service and Assessment Plan.

Section 372.014 of the PID Act requires that "an assessment plan must be included in the annual service plan." The assessment plan is described in Section V of this Service and Assessment Plan.

Section 372.015 of the PID Act requires that "the governing body of the municipality or county shall apportion the cost of an improvement to be assessed against property in an improvement district." The method of assessing the Authorized Improvement Costs and apportionment of such costs to the property in the PID is included in Section V of this Service and Assessment Plan.

Section 372.016 of the PID Act requires that "after the total cost of an improvement is determined, the governing body of the municipality or county shall prepare a proposed assessment roll. The roll must state the assessment against each parcel of land in the district, as determined by the method of assessment chosen by the municipality or county under this subchapter." The proposed Assessment Roll for the PID is included as Appendix E of this Service and Assessment Plan. The Assessments as shown on the proposed Assessment Roll are based on the method of assessment and apportionment of costs described in Section V of this Service and Assessment Plan.

B. Definitions

Capitalized terms used herein shall have the meanings ascribed to them as follows:

"Actual Cost(s)" means, with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, as specified in a Certification for Payment, as defined in the Construction, Funding and Acquisition Agreement, that has been reviewed and approved by the City. Actual Cost may include (a) the costs for the design, planning, financing, administration, management, acquisition, installation,

construction and/or implementation of such Authorized Improvement, (b) the costs of preparing the construction plans for such Authorized Improvement, (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Authorized Improvement, (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, taxes (property and franchise) (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders and material men in connection with the acquisition, construction or implementation of the Authorized Improvements, (f) all related permitting, zoning and public approval expenses, architectural, engineering, legal, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, County permit fees, development fees), insurance premiums, miscellaneous expenses, and all advances and payments for Administrative Expenses.

Actual Costs include general contractor's fees in an amount up to a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount up to five percent of the eligible Actual Costs described in a Certification for Payment. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated.

“Administrator” means the employee or designee of the City, identified in any agreement approved by the City Council, who shall have the responsibilities provided for herein.

“Administrative Expenses” mean the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the PID, including, but not limited to, the costs of: (i) creating and organizing the PID, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, and operation of the PID, (iii) computing, levying, billing and collecting Assessments or the Annual Installments thereof, (iv) maintaining the record of installments of the Assessments, (v) investing or depositing of monies, (vi) complying with the PID Act, (vii) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors. Administrative Expenses do not include payment of the actual principal and/or interest on the Assessments. Administrative Expenses collected and not expended for actual Administrative Expenses shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of amounts to pay Administrative Expenses.

“Annual Installment” means, with respect to each Parcel, each annual payment of: (i) the Assessments, including any applicable interest, as shown on the Assessment Roll attached hereto as Appendix E, as applicable, or in an Annual Service Plan Update, and calculated as provided in Section VI of this Service and Assessment Plan, (ii) Administrative Expenses, (iii) the prepayment reserve described in Section V of this Service and Assessment Plan, and (iv) the delinquency reserve as described in Section V of this Service and Assessment Plan.

“Annual Service Plan Update” has the meaning set forth in the first paragraph of Section IV of this Service and Assessment Plan.

“Assessed Property” means the property that benefits from the Authorized Improvements to be provided by the PID on which Assessments have been imposed as shown in the Assessment Roll, as the Assessment Roll is updated each year by the Annual Service Plan Update. Assessed Property includes all Parcels within the PID other than Non-Benefited Property.

“Assessment” means an assessment levied against a Parcel imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on any Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein and the PID Act.

“Assessment Ordinance” means the Assessment Ordinance adopted by the City Council approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments.

“Assessment Revenues” mean the revenues actually received by or on behalf of the City from the collection of Assessments but excluding Delinquent Collection Costs and Administrative Expenses.

“Assessment Roll” means, as applicable, the Assessment Roll of the property in the PID, included in this service plan as Appendix E as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with any Annual Service Plan update.

“Authorized Improvements” mean those public improvements described in Appendix B of this Service and Assessment Plan for which Assessments are levied, acquired, constructed and installed in accordance with this Service and Assessment Plan, and any future updates and/or amendments.

“Authorized Improvement Costs” mean the actual or budgeted costs, as applicable, of all or any portion of the Authorized Improvements, as described in Section III and shown in Appendix B, as these costs may be updated from time to time.

“Bonds” mean any bonds issued in one or more series and secured by the Assessment Revenues.

“Certification for Payment” means the certificate to be provided by the Developer, or his designee, to substantiate the Actual Cost of one or more Authorized Improvements, as approved by the City.

“City” means the City of Farmers Branch, Texas.

“City Council” means the duly elected governing body of the City.

“Delinquent Collection Costs” mean interest, penalties and expenses incurred or imposed with respect to any delinquent annual installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees to the extent permitted under Texas law.

“Developer” means Mercer Crossing Holdings, LLC.

“Equivalent Units” mean, as to any Parcel, the number of dwelling units by Land Use Class expected to be built on the Parcel multiplied by the factors calculated and shown in Appendix C attached hereto.

“Homeowner Association Property” means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to, whether in fee simple or through an exclusive use easement, a homeowners’ association.

“Lot” means a tract of land described as a “lot” in a subdivision plat recorded in the official public records of Dallas County, Texas.

“Land Use Class” means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, etc.), as determined by the Administrator and confirmed by the City Council. In the case of single family residential lots, the Land Use Class shall be further defined by classifying the residential lots by the estimated final average home value for each lot as of the date of the recorded subdivision plat, considering factors such as density, lot size, proximity to amenities, view premiums, location, and any other factors that may impact the average home value on the lot, as determined by the Administrator and confirmed by the City Council.

“Land Use Class 1” means lots identified as such on the Assessment Roll, which are referred to as single-family in the _____ and being generally lots with approximately _____ square feet size and a lot width of 60 feet for a detached single family dwelling unit on individually platted lots.

“Land Use Class 2” means lots identified as such on the Assessment Roll, which are referred to as single-family in the _____ and being generally lots with approximately _____ square feet size and a lot width of 50 feet for a detached single family dwelling unit on individually platted lots.

“Land Use Class 3” means lots identified as such on the Assessment Roll, which are referred to as single-family in the _____ and being generally lots with approximately _____ square feet size and a lot width of 40 feet for a detached single family dwelling unit on individually platted lots.

“Land Use Class 4” means lots identified as such on the Assessment Roll, which are referred to as townhomes in the _____ and being generally lots for an attached single family dwelling unit on individually platted lots.

“Land Use Class 5” means lots identified as such on the Assessment Roll, which are referred to as multi-family in the CBD and being generally dwelling units or suite of rooms on one or more floors of a multi-family building.

“Land Use Class 6” means lots identified as such on the Assessment Roll, which are referred to as restaurant in the _____, and being generally parcels used for restaurant purposes that may be comprised of a single tenant or multiple tenants that make up a restaurant establishment and are generally located on the ground floor of buildings or in a single building.

“Land Use Class 7” means lots identified as such on the Assessment Roll, which are referred to as retail in the _____, and being generally parcels used for retail purposes that may be comprised of a single tenant or multiple tenants that make up a retail establishment and are generally located on the ground floor of buildings or in a single building.

“Land Use Class 8” means lots identified as such on the Assessment Roll, which are referred to as hotel in the _____, and being generally a building or group of buildings designed and occupied as a temporary abiding place of individuals.

“Land Use Class 9” means lots identified as such on the Assessment Roll, which are referred to as office in the _____, and being generally parcels used for office purposes that may include a group of offices or a single office and are generally located in a single building, on one or more floors, or multiple buildings.

“Non-Benefited Property” means Parcels that accrue no special benefit from the Authorized Improvements, including Homeowner Association Property, Public Property and easements that create an exclusive use for a public utility provider. Property identified as Non-Benefited Property is not assessed at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel. For Assessed Property that is converted to Non-Benefited Property, if the Assessments may not be reallocated pursuant to the provisions herein, such property remains subject to the Assessments and the Assessments must be prepaid as provided for in Section VI. C.1.

“Parcel” or **“Parcels”** means a parcel or parcels within the PID identified by either a tax map identification number assigned by the Dallas Central Appraisal District for real property tax purposes or by lot and block number in a final subdivision plat recorded in the real property records of Dallas County.

“PID” has the meaning set forth in Section I.A of this Service and Assessment Plan.

“PID Act” means Texas Local Government Code Chapter 372, Public Improvement District Assessment Act, Subchapter A, Public Improvement Districts, as amended.

“Prepayment Costs” mean interest and Administrative expenses to the date of prepayment, plus any additional expenses related to the prepayment, reasonably expected to be incurred by or imposed upon the City as a result of any prepayment of an Assessment.

“Public Property” means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to the federal government, the State of Texas, Dallas County, the City, a school district or any other public agency, whether in fee simple or through an exclusive use easement.

“Service and Assessment Plan” or **“SAP”** means this Service and Assessment Plan prepared for the PID pursuant to the PID Act, as the same may be amended from time to time.

“TIRZ No. 3” means the Tax Increment Reinvestment Zone No. 3, City of Farmers Branch, Texas.

“TIRZ Annual Credit Amount” means, for each Parcel, such Parcel’s prorated amount of TIRZ

Revenues calculated pursuant to Section VI (A) of this Service and Assessment Plan.

“TIRZ Ordinance” means an ordinance adopted by the City Council authorizing the use of TIRZ Revenues for project costs under the Tax Increment Financing Act, Texas Tax Code, Chapter 311, as amended, relating to certain public improvements as provided for in the Tax Increment Reinvestment Zone No. Project Plan and Financing Plan (including amendments or supplements thereto).

“TIRZ Revenues” mean, for each year, the amounts paid by the City from the TIRZ No. ___ tax increment fund pursuant to the TIRZ Ordinance to reduce an Annual Installment, as calculated each year by the Administrator in collaboration with the City, in accordance with Section VI(A) of this Service and Assessment Plan.

Section II

PROPERTY INCLUDED IN THE PID

A. Property Included in the PID

The PID is presently located within the City and contains approximately 397.6 acres of land. A map of the property within the PID is shown on Appendix A to this Service and Assessment Plan.

At completion, the PID is expected to consist of approximately 736 single family residential units, 111 townhomes, 2,250 multi-family dwelling units, 25,000 square feet of restaurant space, 90,000 square feet of retail space, two hotels, 65,000 square feet of office space, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to the PID. The estimated uses and the classification of each Land Use Class are based upon the proposed development plan.

The property within the PID is proposed to be developed as follows:

Table II-A
Proposed Development

Type	Planned No. of Units	
<u>Residential</u>		
Land Use Class 1 (60 Ft Lots)	73	units
Land Use Class 2 (50 Ft Lot.)	443	units
Land Use Class 3 (40 Ft Lot)	220	units
Land Use Class 4 (Townhomes)	111	units
Land Use Class 5 (Multifamily)	2,250	units
<u>Non-residential</u>		
Land Use Class 6 (Restaurant)	25,000	Square Feet
Land Use Class 7 (Retail)	90,000	Square Feet
Land Use Class 8 (Hotel)	295	Rooms
Land Use Class 9 (Office)	65,000	Square Feet

The estimated number of units at the build-out of the PID is based on the land use approvals for the property, the anticipated subdivision of property in the PID, and the Developer's estimate of the highest and best use of the property within the PID.

Section III DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS

A. Authorized Improvement Overview

Section 372.003 of the PID Act defines the improvements that may be undertaken by a municipality or county through the establishment of a public improvement district, as follows:

372.003. Authorized Improvements

- (a) If the governing body of a municipality or county finds that it promotes the interests of the municipality or county, the governing body may undertake an improvement project that confers a special benefit on a definable part of the municipality or county or the municipality's extraterritorial jurisdiction. A project may be undertaken in the municipality or county or the municipality's extraterritorial jurisdiction.
- (b) A public improvement may include:
 - (i) landscaping;
 - (ii) erection of fountains, distinctive lighting, and signs;
 - (iii) acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of way;
 - (iv) construction or improvement of pedestrian malls;
 - (v) acquisition and installation of pieces of art;
 - (vi) acquisition, construction, or improvement of libraries;
 - (vii) acquisition, construction, or improvement of off-street parking facilities;
 - (viii) acquisition, construction, improvement, or rerouting of mass transportation facilities;
 - (ix) acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
 - (x) the establishment or improvement of parks;
 - (xi) projects similar to those listed in Subdivisions (i)-(x);
 - (xii) acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
 - (xiii) special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement; and

- (xiv) payment of expenses incurred in the establishment, administration and operation of the district.

After analyzing the public improvement projects authorized by the PID Act, the City has determined that the Authorized Improvements as described and shown in Table III-A and in Appendix B should be undertaken by the City for the benefit of the property within the PID.

The Authorized Improvements include roadway improvements, water distribution system improvements, storm sewer collection system improvements and sanitary sewer collection system improvements.

The Authorized Improvements benefit the entire PID. The costs of the Authorized Improvements are allocated proportionally throughout the entire PID, excluding Non-Benefited Property, in a manner that anticipates planned development of the PID based on the Equivalent Units as calculated and shown in Appendix C using the planned Land Use Class and anticipated number of lots.

The water distribution system improvements and sanitary sewer collection system improvements described below help create the grid for the water distribution system and the sanitary sewer collection system for the property. In addition, the storm drainage improvements allow for the runoff created in each parcel and block area to get to the appropriate storm drainage system or location. The road improvements create the traffic circulation patterns within the property, allowing access to and from the adjacent roadways to each interior parcel and block area.

Road Improvements:

The road improvements part of the Authorized Improvements includes construction of perimeter road and thoroughfare improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices. The road improvements will provide street access to the PID as well as access to community roadways and state highways. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Water Distribution System Improvements:

The water distribution system improvements part of the Authorized Improvements consists of construction and installation of water lines, mains, pipes, valves and appurtenances, necessary for the water distribution system, as well as related testing, trench safety and erosion protection. These water distribution system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and the City.

Sanitary Sewer Collection System Improvements:

The sanitary sewer collection system improvements part of the Authorized Improvements consists of construction and installation of sewer pipes, service lines, manholes, encasements and appurtenances. The sanitary sewer improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Storm Drainage Collection System Improvements:

The storm drainage collection system improvements part of the Authorized Improvements consists of construction and installation of pipes, service lines, encasements and appurtenances. The storm drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Table III-A shows the estimated cost of the Authorized Improvements

Table III-A
Estimated Authorized Improvement Costs

Authorized Improvements	Total Estimated Authorized Improvement Costs
Road improvements	\$13,600,481
Water distribution system improvements	\$3,182,995
Sanitary sewer collection system improvements	\$2,912,471
Storm drainage collection system improvements	\$7,873,281
Right-of-Way land acquisition	\$10,000,000
Other costs including engineering and contingency	\$5,678,617
Total – Estimated Authorized Improvement Costs	\$43,247,845

The costs shown in Table III-A are current estimates and may be revised in Annual Service Plan. The detailed costs of the Authorized Improvements are shown in Appendix B to this Service and Assessment Plan. Savings from one line item may be applied to a cost increase in another line item. These savings may be applied only to increases in costs of the Authorized Improvements (i.e., the improvements for the benefit of property within the PID).

Section IV SERVICE PLAN

The PID Act requires a service plan to cover a period of at least five years. The service plan is required to define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the PID. All of the Authorized Improvements are expected to be expended during the first five years after adoption of this Service and Assessment Plan. It is anticipated that it will take approximately __ months for the Authorized Improvements to be constructed. The plan shall be reviewed and updated annually for the purpose of determining the annual budget for the Authorized Improvements. The annual update to this Service and Assessment Plan is herein referred to as the “Annual Service Plan Update.”

Table IV-A summarizes the sources and uses of funds required to construct the Authorized Improvements and the establishment of the PID. The City will enter into a reimbursement agreement (“Reimbursement Agreement”) with the Developer to reimburse the Developer for the Actual Costs of the Authorized Improvements constructed, inspected and approved by the City from Assessment Revenues collected (excluding amounts collected for Administrative Expenses) and the payment obligations under the Reimbursement Agreement may be assigned to issue bonds by third-party issuers. The sources and uses of funds shown in Table IV-A shall be updated each year in the Annual Service Plan Update to reflect any budget revisions and Actual Costs.

Table IV-A shows the sources and uses of the Authorized Improvements.

**Table IV-A
Estimated Sources and Uses**

Sources of Funds	Total
PID Reimbursement Agreement	<u>\$43,247,845</u>
Total Sources	\$43,247,845
Uses of Funds	
<u>Authorized Improvements</u>	
Authorized Improvement Costs	<u>\$43,247,845</u>
Total Uses	\$43,247,845

As shown in Table IV-A, the total par amount of the Reimbursement Agreement for the Authorized Improvements dated as of _____ is \$43,247,845 and the total amount of Authorized Improvements funded is \$43,247,845.

The annual projected costs and annual projected indebtedness is shown by Table IV-B. The annual projected costs and indebtedness is subject to revision and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

Table IV-B
Annual Projected Costs and Annual Projected Indebtedness

Year	Annual Projected Cost	Annual Projected Indebtedness	Excess Costs paid by sources other than Assessment Revenue¹
2017	\$43,247,845	\$43,247,845	\$0
2018	\$0	\$0	\$0
2019	\$0	\$0	\$0
2020	\$0	\$0	\$0
2021	\$0	\$0	\$0
Total	\$43,247,845	\$43,247,845	\$0

1 – These amounts represent cost overruns, if any, paid by the developer.

The annual projected costs shown in Table IV-B are the annual expenditures relating to the Authorized Improvements shown in Table III-A, including costs associated with setting up the PID and Bond issuance costs, shown in Table IV-A. The difference between the total projected cost and the total projected indebtedness is the amount contributed by the Developer. The project indebtedness will reflect either anticipated or outstanding Assessments.

Section V ASSESSMENT PLAN

A. Introduction

The PID Act requires the City Council to apportion the Actual Costs of the Authorized Improvements on the basis of special benefits conferred upon each parcel because of the Authorized Improvements. The PID Act provides that the Authorized Improvement Costs may be assessed: (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited. The PID Act further provides that the governing body may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the municipality and the area to be assessed and the methods of assessing the special benefits for various classes of improvements. Section V of this Service and Assessment Plan describes the special benefit received by each Parcel of Assessed Property as a result of the Authorized Improvements, provides the basis and justification for the determination that this special benefit exceeds the amount of the Assessments, and establishes the methodology by which the City Council allocates the special benefit of the Authorized Improvements to Parcels in a manner that results in equal shares of the Authorized Improvement Costs being apportioned to Parcels similarly benefited. The determination by the City Council of the assessment methodology set forth below is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners within the Assessed Property.

B. Special Benefit

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in Table III-A and in Appendix B to this Service and Assessment Plan) and the costs incurred in the establishment of the PID shown in Table IV-A are authorized by the Act. These improvements are provided specifically for the benefit of the Assessed Property.

At the time of the levy of the Assessments and approval of an Assessment Ordinance each owner of the Assessed Property has acknowledged that the Authorized Improvements confer a special benefit on the Assessed Property and has consented to the imposition of the Assessments to pay for the Actual Costs and Administrative Expenses associated therewith. Each of the owners is acting in its interest in consenting to this apportionment and levying of the Assessments because the special benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Assessments.

The Authorized Improvements provide a special benefit to the Assessed Property as a result of the close proximity of these improvements to the Assessed Property and the specific purpose of these improvements of providing infrastructure for the Assessed Property. In other words, the Assessed Property could not be used in the manner proposed without the construction of the Authorized Improvements. The Authorized Improvements are being provided specifically to meet the needs of the Assessed Property as required for the proposed use of the property.

The Assessments are being levied to provide the Authorized Improvements that are required for the highest and best use of the Assessed Property (i.e., the use of the property that is most valuable, including any costs associated with that use). Highest and best use can be defined as “the reasonably probable and legal use of property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.” (*Dictionary of Real Estate Appraisal, Third Edition.*) The Authorized Improvements are expected to be required for the proposed use of the Assessed Property to be physically possible, appropriately supported, financially feasible, and maximally productive.

The Developer has evaluated the potential use of the property and has determined that the highest and best use of the property is the use intended and the legal use for the property as described in Section II of this Service and Assessment Plan. The use of the Assessed Property as described herein will require the construction of the Authorized Improvements.

Each owner of the Assessed Property will ratify, confirm, accept, agree to and approve; (i) the determinations and finding by the City Council as to the special benefits described in this Service and Assessment Plan and the Assessment Ordinance; (ii) the Service and Assessment Plan and the Assessment Ordinance, and (iii) the levying of Assessments on the Assessed Property. Use of the Assessed Property as described in this Service and Assessment Plan and as authorized by the PID Act requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs of the Authorized Improvements through the PID has been determined by the City Council to be the most beneficial means of doing so. As a result, the Assessments result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment.

In summary, the Assessments result in a special benefit to the Assessed Property for the following reasons:

1. The Authorized Improvements are being provided specifically for the use of the Assessed Property, are necessary for the proposed best use of the property and provide a special benefit to the Assessed Property as a result;
2. The Developer has consented to the imposition of the Assessments for the purpose of providing the Authorized Improvements and the Developer is acting in its interest by consenting to this imposition;
3. The Authorized Improvements are required for the highest and best use of the property;
4. The highest and best use of the Assessed Property is the use of the Assessed Property that is most valuable (including any costs associated with the use of the Assessed Property);
5. Financing of the costs of the Authorized Improvement through the PID is determined to be the most beneficial means of providing for the Authorized Improvements; and,
6. As a result, the special benefits to the Assessed Property from the Authorized Improvements will be equal to or greater than the Assessments.

C. Assessment Methodology

1. The Authorized Improvement Costs may be assessed by the City Council against the Assessed Property so long as the special benefit conferred upon the Assessed Property by the Authorized Improvements equals or exceeds the Assessments. The Authorized Improvement Costs may be assessed using any methodology that results in the imposition of equal shares of the Authorized Improvement Costs on Assessed Property similarly benefited.
2. For purposes of this Service and Assessment Plan, the City Council has determined that the Authorized Improvement Costs shall be allocated to the Assessed Property proportionally based on the Equivalent Units calculated for each Land Use Class anticipated to be built on each Parcel once such property is developed, and that such method of allocation will result in the imposition of equal shares of the Authorized Improvement costs to Parcels similarly benefited.
3. Having taken into consideration the matters described above, the City Council has determined that allocating the Authorized Improvement Costs among Parcels based on the estimated number and Land Use Class to be built on each Parcel will result in the imposition of equal shares of the Authorized Improvement costs to Parcels similarly benefited. Accordingly, Assessments are allocated to each Parcel of Assessed Property on the basis of the Equivalent Units as calculated and presented in Appendix C.

The detailed calculation of the Equivalent Units and allocation of the Assessment to each Land Use Class is shown in Appendix C. Table V-A below sets forth a summary of Assessment per unit for each of the Land Use Classes in the PID.

**Table V-A
Assessment per Unit**

Type	Planned No. of Units	Assessment per Equivalent Unit	Equivalent Unit Factor	Total Equivalent Units	Assessment per Unit	Total Assessments
<u>Residential</u>						
Land Use Class 1 (60 Ft Lots)	73	\$39,368.03	1.000	73.00	\$39,368.03 per dwelling unit	\$2,873,866
Land Use Class 2 (50 Ft Lot.)	443	\$39,368.03	0.833	369.17	\$32,806.69 per dwelling unit	\$14,533,366
Land Use Class 3 (40 Ft Lot)	220	\$39,368.03	0.667	146.67	\$26,245.36 per dwelling unit	\$5,773,978
Land Use Class 4 (Townhomes)	111	\$39,368.03	0.417	46.25	\$16,403.35 per dwelling unit	\$1,820,772
Land Use Class 5 (Multifamily)	2250	\$39,368.03	0.155	348.84	\$6,103.57 per dwelling unit	\$13,733,035
<u>Non-residential</u>						
Land Use Class 6 (Restaurant)	25.00	\$39,368.03	0.323	8.07	\$12,715.77 per 1,000 sq. ft.	\$317,894
Land Use Class 7 (Retail)	90.00	\$39,368.03	0.258	23.26	\$10,172.62 per 1,000 sq. ft.	\$915,536
Land Use Class 8 (Hotel)	295.00	\$39,368.03	0.233	68.60	\$9,155.36 per room	\$2,700,830
Land Use Class 9 (Office)	65.00	\$39,368.03	0.226	14.70	\$8,901.04 per 1,000 sq. ft.	\$578,568
Total				1,098.55		\$43,247,845

D. Assessments

The Assessments for the Authorized Improvements will be levied on each Parcel as shown in the Assessment Roll, attached hereto as Appendix E. The Assessments on each Parcel were allocated as explained above based on the development to occur on each Parcel and the Assessment per unit by Land Use Class. The Annual Installments will be collected at the time and in the amounts shown on the Assessment Roll, subject to any revisions made during an Annual Service Plan Update.

E. Administrative Expenses

The cost of administering the PID and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of Assessment levied against the Parcel. The Administrative Expenses shall be collected as part of and in the same manner as Annual Installments in the amounts shown on the Assessment Roll, which may be revised based on actual costs incurred in Annual Service Plan Updates. Administrative Expenses shall be allocated among Parcels in proportion to the amount of the respective Annual Installments for the Parcels.

F. TIRZ Annual Credit Amount

Pursuant to the TIRZ Ordinance, the City has agreed to use TIRZ Revenues generated from each Parcel to offset a portion of such Parcel's Annual Installments (the "TIRZ Annual Credit Amount"). The Annual Installment for each Parcel shall be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to the Parcel then on deposit in the TIRZ No. 3 tax increment fund. The TIRZ Annual Credit Amount applicable to each Parcel shall be calculated as described under Section VI (A) of this Service and Assessment Plan.

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Section VI TERMS OF THE ASSESSMENTS

A. Amount of Assessments and Annual Installments for Parcels Located within the PID

The Assessment for each Parcel is shown on the Assessment Roll, and no Assessment shall be changed except as authorized by this Service and Assessment Plan (including the Annual Service Plan Updates) and the PID Act. The Assessments shall not exceed the amount required to repay principal and interest on the Assessments and Administrative Expenses.

The Annual Installments shall be collected in an amount sufficient to pay (i) principal and interest on the Assessments, (ii) principal and interest required on other PID financing obligations, if any, (iii) to fund the prepayment reserve described in Section V, (iv) delinquency reserve described in Section V, and (v) to cover Administrative Expenses. The Annual Installment for each Parcel shall be calculated by taking into consideration any available capitalized interest and TIRZ Annual Credit Amount applicable to the Parcel. The TIRZ Annual Credit Amount shall be calculated separately for each Parcel and such TIRZ Annual Credit Amount shall be applied on a Parcel-by-Parcel basis.

As described in Section V(F), the TIRZ Revenues attributable to each Parcel of Assessed Property collected in any given year shall be used to calculate each Parcel's TIRZ Annual Credit Amount for such Parcel in the following year (i.e., TIRZ Revenues collected in 2017 shall be used to calculate the TIRZ Annual Credit Amount applicable to Annual Installments to be collected in 2018). TIRZ Annual Credit Amounts shall be calculated for those Parcels that are subject to Assessments in the PID. The Equivalent Units to be used for the calculation of the TIRZ Annual Credit Amount, if applicable, shall be determined by the Administrator based on the information available to the Administrator at the time of such calculations.

B. Reallocation of Assessments

1. Subdivision

Upon the subdivision of any Parcel, the Assessment for the Parcel prior to the subdivision shall be reallocated among the new subdivided Parcels according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment for each new subdivided Parcel
- B = the Assessment for the Parcel prior to subdivision
- C = the estimated number of equivalent units to be built on each newly subdivided Parcel
- D = the sum of the estimated number of equivalent units to be built on all of the new subdivided Parcels

The calculation of the estimated number of equivalent units to be built on a Parcel shall be performed by the Administrator and confirmed by the City Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The

number of units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcel prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the subdivision of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the City Council.

2. Consolidation

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels existing prior to consolidation. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the consolidation of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the City Council.

C. Mandatory Prepayment of Assessments

1. If a Parcel subject to Assessments is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessments to become Non-Benefited Property, the owner of such Parcel shall pay to the City the full amount of the principal portion of the Assessment on such Parcel, plus all Prepayment Costs, prior to any such transfer or act. The reallocation of a Parcel that is classified as a homestead under State law may not exceed the Assessment existing prior to reallocation.

2. The payments required above shall be treated the same as any Assessment that is due and owing under the Act, the Assessment Ordinance, and this Service and Assessment Plan, including the same lien priority, penalties, procedures, and foreclosure specified by the Act.

3. If at any time the Assessment on a Parcel exceeds the original Assessment calculated for the Parcel as a result of any reallocation of an Assessment authorized by this SAP and initiated by the owner of the Parcel, then following compliance with the notice and hearing requirements of the PID Act (or a waiver thereof), such owner shall pay to the City prior to the recordation of the document subdividing or replatting the Parcel, the amount calculated by the Administrator by which the Assessment for the Parcel exceeds the original Assessment for the Parcel. The City shall not approve the recordation of a plat or other document dividing a Parcel without a letter from the Administrator either (a) confirming that the Assessment for any new Parcel created by the reallocation or division will not exceed the original Assessment for the original Parcel or Parcels, or (b) confirming the payment of the difference as described above.

D. Reduction of Assessments

1. If after all Authorized Improvements to be funded with the Assessments have been completed and Actual Costs for such Authorized Improvements are less than the Actual Costs used to calculate the Assessments, resulting in excess Assessments, then the Assessment for each

Parcel of Assessed Property shall be reduced by the City Council pro rata such that the sum of the resulting reduced Assessments for all Assessed Properties equals the actual reduced Actual Costs. The Assessments shall not be reduced to an amount less than the related outstanding Assessments. If all of the Authorized Improvements are not completed, the City may reduce the Assessments in another method if it determines such method would better reflect the benefit received by the Parcels from the Authorized Improvements completed.

2. If all the Authorized Improvements are not undertaken, resulting in excess Assessment Revenue, then the Assessments and Annual Installments for each Parcel shall be appropriately reduced by the City Council to reflect only the amounts required to repay the outstanding balance of the Reimbursement Agreement, including Administrative Expenses. The City Council may reduce the Assessments and the Annual Installments for each Parcel (i) in an amount that represents the Authorized Improvements provided for each Parcel or (ii) by an equal percentage calculated based on Equivalent Units, if determined by the City Council to be the most fair and practical means of reducing the Assessments for each Parcel, such that the sum of the resulting reduced Assessments equals the amount required to repay the Reimbursement Amount, including interest on the Reimbursement Amount or the Administrative Expenses.

E. Payment of Assessments

1. Payment in Full

(a) The Assessment for any Parcel may be paid in full at any time. Such payment shall include all Prepayment Costs and Delinquent Collection Costs, if any are required.

(b) If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount upon payment.

(c) Upon payment in full of the Assessment and all Prepayment Costs, the City shall deposit the payment in a fund designated for such purpose; whereupon, the Assessment shall be reduced to zero, and the owner's obligation to pay the Assessment and Annual Installments thereof shall automatically terminate. The City shall provide the owner of the Assessed Property a "Notice of PID Special Assessment Termination."

(d) At the option of the owner, the Assessment on any Parcel plus Prepayment Costs may be paid in part as determined by the Administrator. Upon the payment of such amounts for a Parcel, the Assessment for the Parcel shall be reduced, the Assessment Roll shall be updated to reflect such partial payment, and the obligation to pay the Annual Installment for such Parcel shall be reduced to the extent the partial payment is made.

2. Payment in Annual Installments

The Act provides that an Assessment for a Parcel may be paid in full at any time. If not paid in full, the Act authorizes the City to collect interest and Administrative Expenses in Annual Installments. An Assessment for a Parcel that is not paid in full will be collected in Annual Installments each year in the amounts shown in the Assessment Roll, as updated as provided for herein, which include interest and Administrative Expenses. Payment of the Annual Installments shall commence with tax bills mailed after the first Annual Installment for a Parcel is due, per the

collection methodology specified in this Service and Assessment Plan.

Each Assessment shall be paid with interest based on an estimated interest rate of ____% per annum for years 1 through 5 and ____% per annum following the fifth Annual Installment. Each Assessment shall be paid at a rate not to exceed five hundred basis points above the highest average index rate for tax-exempt bond reported in a daily or weekly bond index approved by the City and reported in the month prior to the establishment of the Assessments and continuing for a period of five years from such date. Such rate shall then adjust and shall not exceed two hundred basis points above the bond index rate described above and shall continue until the Assessments are paid in full. The index approved by the City is the Bond Buyer Index for which the highest average rate during _____ was ____%. The Town has determined that the Assessments shall bear interest at the rate of ____% per annum for years 1 through 5 and ____% per annum following the fifth Annual Installment, which rate are equal to both the initial maximum allowable rate of interest of ____% as well as the maximum allowable rate of interest following the fifth Annual Installment, which would be ____%. Furthermore, the principal and interest component of the Annual Installments may not exceed the amounts shown on the Assessment Roll. The Assessment Rolls, updated with the actual interest rate on the Reimbursement Agreement, are shown in Appendix E.

The Annual Installments shall be reduced to equal the actual costs of repaying the Assessments and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

F. Collection of the Assessments and the Annual Installments

No less frequently than annually, the Administrator shall prepare, and the City Council shall approve, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Assessment Roll and a calculation of the Annual Installment for each Parcel. Administrative Expenses shall be allocated among Parcels in proportion to the amount of the Annual Installments for the Parcels. Each Annual Installment shall be reduced by any interest earnings on any applicable account balances, and any other funds available to the PID for such purpose, including any existing deposits in reserve. Annual Installments shall be collected by the City in the same manner and at the same time as ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City. The City Council may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Assessments shall have lien priority as specified in the Act.

Any sale of property for nonpayment of the Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such property as they become due and payable. Any party taking title to a Parcel, including a buyer at a foreclosure sale, shall take title to the Parcel subject to the obligation to pay the Assessment on such Parcel thereafter as provided for herein. If for any reason the Assessment may not be collected thereafter, the Assessment for the Parcel, along with other charges and credits as would apply for a prepayment of the Assessment, shall be due and payable at the time of the transfer without further action required by the City Council.

Section VII THE ASSESSMENT ROLL

Appendix E identifies each Parcel within the PID, the Assessed Property and Non-Benefitted Property. The Assessment Roll includes each Parcel of Assessed Property, the Assessment imposed on each Parcel, the Assessments, Administrative Expenses and the Annual Installments to be paid each year for each Parcel if the Assessment is not paid in full for any Parcel. The Assessment on each Parcel is based on the number of Equivalent Units expected to be built on each Parcel, and the Assessment per Equivalent Unit results, as explained herein.

Each Parcel of Assessed Property has been evaluated by the City Council (based on the developable area, proposed Homeowner Association Property and Public Property, best and highest use of the property, and other development factors deemed relevant by the City Council) to determine the number of units anticipated to be developed on a Parcel. Each Equivalent Unit is then multiplied by the Assessment per Equivalent Unit set forth in Table V-A of this Service and Assessment Plan, and the total of such amounts for all Land Use Classes on the Parcel shall constitute the “Assessment” for the Parcel as set forth on the Assessment Roll. The Assessment Roll shall be updated upon the preparation of each Annual Service Plan Update to reflect, for each Parcel, subdivisions, consolidations, prepayments, and reductions authorized by this Service and Assessment Plan.

The Administrator shall prepare, and the City Council shall review and approve, annual updates to the Assessment Roll as the Annual Service Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the City and permitted by the Act: (i) the identification of each Parcel as benefitted property, Assessed Property, and Non-Benefitted Property; (ii) the Assessment for each Parcel, including any adjustments authorized by this Service and Assessment Plan or in the Act; (iii) the Annual Installment for the Parcel for the year (if the Assessment is payable in installments); and (v) payments of the Assessment, if any, as provided by Section VI(C) of this Service and Assessment Plan.

Section VIII MISCELLANEOUS PROVISIONS

A. Administrative Review

The City may elect to designate a third party to serve as Administrator.

To the extent consistent with the Act, an owner of an Assessed Parcel claiming that a calculation error has been made in the Assessment Roll, including the calculation of the Annual Installment, shall send a written notice describing the error to the City not later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Parcel owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Parcel owner, such change or modification shall be presented to the City Council for approval to the extent permitted by the Act. A cash refund may not be made for any amount previously paid by the Assessed Parcel owner (except for the final year during which the Annual Installment shall be collected or if it is determined there are sufficient funds to meet the expenses of the PID for the current year), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to the Assessment Roll may be appealed to the City Council. Any amendments made to the Assessment Roll(s) pursuant to calculation errors shall be made pursuant to the PID Act.

The decision of the Administrator, or if such decision is appealed to the City Council, the decision of the City Council shall be conclusive as long as there is a reasonable basis for such determination. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.

B. Termination of Assessments

Each Assessment shall be extinguished on the date the Assessment is paid in full, including unpaid Annual Installments, Prepayment Costs and Delinquent Collection Costs, if any. After the extinguishment of an Assessment and the collection of any delinquent Annual Installments, Prepayment Costs and Delinquent Collection Costs, the City shall provide the owner of the affected Parcel a recordable "Notice of the PID Assessment Termination".

Delinquent Collection Costs and foreclosure proceeds shall be used by the City for the payment of Administrative Expenses or for reimbursement of foreclosure or collection expenses.

C. Amendments

Amendments to the Service and Assessment Plan can be made as permitted or required by the PID Act and under Texas law.

The City Council reserves the right to the extent permitted by the PID Act to amend this Service and Assessment Plan without notice under the PID Act and without notice to property owners of Parcels: (i) to correct mistakes and clerical errors; (ii) to clarify ambiguities; and (iii) to provide procedures for the collection and enforcement of Assessments, Prepayment Costs, Delinquent Collection Costs, Administrative Expenses, and other charges imposed by the Service and Assessment Plan.

D. Administration and Interpretation of Provisions

The City Council shall administer the PID, this Service and Assessment Plan, and all Annual Service Plan Updates consistent with the PID Act, and shall make all interpretations and determinations related to the application of this Service and Assessment Plan unless stated otherwise herein or in the Trust Indenture, such determination shall be conclusive.

E. Severability

If any provision, section, subsection, sentence, clause or phrase of this Service and Assessment Plan or the application of same to an Assessed Parcel or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Service and Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Service and Assessment Plan that no part hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other part hereof, and all provisions of this Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the City.

Appendix A

The PID MAP

Appendix B**ESTIMATED COSTS AND DIAGRAMS OF AUTHORIZED IMPROVEMENTS****Summary of Estimated Authorized Improvement Costs**

Authorized Improvement	Total Estimated Authorized Improvement Costs
Road improvements	
Paving and signalization	\$11,705,441
Excavation in public Right-of-Way	\$231,991
Knights bridge roadway connection	\$1,663,049
Subtotal - Road Improvements	\$13,600,481
Water improvements	
Water distribution system improvements	\$3,182,995
Sanitary sewer improvements	
Sewer collection system improvements	\$2,912,471
Storm drainage improvements	
Storm drainage collection system improvements	\$7,873,281
Right-of-Way land acquisition	\$10,000,000
Other costs	
Engineering, surveying and other soft costs	\$3,505,852
Developer PID establishment related costs	\$751,000
Contingency	\$1,421,765
Subtotal: Other costs	\$5,678,617
Grand Total Authorized Improvement Costs	\$43,247,845
Less: Developer funded costs	\$0
Total Authorized Improvements Funded	\$43,247,845

Notes: Detailed engineering estimates for line item budgets to be provided later on.

Appendix C

LAND USE CLASS AND EQUIVALENT UNITS

For purposes of allocating the Assessments, the Assessed Property has been classified in one of nine Land Use Classes. The following table shows the proposed Land Use Classes within the PID.

Table C-1
Proposed Development within the PID

Land Use Class	Description	Proposed Development
<u>Residential</u>		
Land Use Class 1	60 Ft Lots	73 units
Land Use Class 2	50 Ft Lots	443 units
Land Use Class 3	40 Ft Lots	220 units
Land Use Class 4	Townhomes	111 units
Land Use Class 5	Multi-family	2,250 units
<u>Non-residential</u>		
Land Use Class 6	Restaurant space	25,000 square feet
Land Use Class 7	Retail space	90,000 square feet
Land Use Class 8	Hotel	295 rooms
Land Use Class 9	Office space	65,000 square feet

As explained under Section IV-D, for purposes of this Service and Assessment Plan, the City Council has determined that the Actual Costs of the portion of the Authorized Improvements to be financed with the Assessments shall be allocated to the Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units.

For purposes of this Service and Assessment Plan, the City Council has determined that the Assessments shall be allocated to the Assessed Property on the basis of the average home value of each Land Use Class times the equivalent unit for each Land Use Class, and that such method of allocation will result in the imposition of equal shares of the Assessments on Parcels similarly benefited. In determining the average home value of each Land Use Class, the City Council has taken into consideration (i) the type of lots (i.e., 50, 60 Ft, etc.); (ii) current and projected home prices; (iii) the costs of the Authorized Improvements, and (iv) the ability of different property types to utilize and benefit from the Authorized Improvements.

Having taken into consideration the matters described above, the City Council has determined that allocating the Assessments among Parcels based on average home value is best accomplished by creating classifications of benefited Parcels based on the “Land Use Class” defined above. These classifications (from Land Use Class 1 (60 Ft Lots) representing the lowest value to Land Use Class 9 (Office space) representing the highest value for residential lots are set forth in Table C-2 below. Assessments are allocated to each Land Use Class on the basis of the average home value for each class of lots. This is accomplished by giving each Land Use Class an Equivalent Unit factor. Equivalent Units are the ratio of the average value of residential lots and 1,000 square feet of non-residential space within each Land Use Class to the Equivalent Unit factor for Land Use

Class 1. The Equivalent Unit factor for Land Use Class 1 (60 Ft Lots) is set to 1.000. Equivalent Unit factors for Land Use Class 2 through 9 are calculated by dividing the estimated average value of each Land Use Class by the estimated average value of Land Use Class 1, as further described in Tables C-2 and C-3.

Table C-2
Equivalent Unit Factors

Land Use Class	Estimated Average Unit Value	Equivalent Unit Factor
Land Use Class 1 (60 Ft Lot)	\$774,000	1.000 per dwelling unit
Land Use Class 2 (50 Ft Lot)	\$645,000	0.833 per dwelling unit
Land Use Class 3 (40 Ft Lot)	\$516,000	0.667 per dwelling unit
Land Use Class 4 (Townhome)	\$322,500	0.417 per dwelling unit
Land Use Class 5 (Multi-family)	\$120,000	0.155 per dwelling unit
Land Use Class 6 (Restaurant space)	\$250,000	0.323 per 1,000 sq. ft
Land Use Class 7 (Retail space)	\$200,000	0.258 per 1,000 sq. ft
Land Use Class 8 (Hotel)	\$180,000	0.233 per room
Land Use Class 9 (Office space)	\$175,000	0.226 per 1,000 sq. ft

The total estimated Equivalent Units are shown in Table C-3 below as calculated based on the Equivalent Unit factors shown above, estimated Land Use Class and number of units estimated to be built within the PID.

Table C-3
Estimated Equivalent Units

Land Use Class	Planned No. of units	Equivalent Unit Factor	Total Equivalent Units
Land Use Class 1 (60 Ft Lot)	73	1.000	73.00
Land Use Class 2 (50 Ft Lot)	443	0.833	369.17
Land Use Class 3 (40 Ft Lot)	220	0.667	146.67
Land Use Class 4 (Townhome)	111	0.417	46.25
Land Use Class 5 (Multi-family)	2,250	0.155	348.84
Land Use Class 6 (Restaurant space in '000 sq. ft)	25	0.323	8.07
Land Use Class 7 (Retail space in '000 sq. ft)	90	0.258	23.06
Land Use Class 8 (Hotel)	295	0.233	68.60
Land Use Class 9 (Office space in '000 sq. ft)	65	0.226	14.70
Total Equivalent Units			1,098.55

Appendix D**ALLOCATION OF ASSESSMENTS**

As shown in Section IV of this Service and Assessment Plan, the total amount of the Reimbursement Agreement, which represents the total principal of each Assessment to be allocated to all Parcels of Assessed Property, is \$43,247,845. As shown in Appendix C, there are a total of 1,098.55 estimated Equivalent Units in the PID, resulting in an Assessment per Equivalent Unit of \$39,368.03.

The Assessment per dwelling unit or 1,000 square feet of non-residential space is calculated as the product of (i) \$39,368.03 multiplied by (ii) the applicable Equivalent Unit value for each Land Use Class. For example, the Assessment for a Land Use Class 1 (60 Ft Lot) dwelling unit is \$39,368.03 (i.e. $\$39,368.03 \times 1.000$). The Assessment for a Land Use Class 2 (50 Ft Lot) dwelling unit is \$32,806.69 (i.e. $\$39,368.03 \times 0.833$). Table D-1 sets forth the Assessment per dwelling unit for each of the nine Land Use Classes in the PID.

Table D-1
Assessment per Unit

Land Use Class	Planned No. of Units	Assessment per Equivalent Unit	Equivalent Unit Factor	Total Equivalent Units	Assessment per Unit		Total Assessments
<u>Residential</u>							
Land Use Class 1	73	\$39,368.03	1.000	73.00	\$39,368.03	per unit	\$2,873,866
Land Use Class 2	443	\$39,368.03	0.833	369.17	\$32,806.69	per unit	\$14,533,366
Land Use Class 3	220	\$39,368.03	0.667	146.67	\$26,245.36	per unit	\$5,773,978
Land Use Class 4	111	\$39,368.03	0.417	46.25	\$16,403.35	per unit	\$1,820,772
Land Use Class 5	2,250	\$39,368.03	0.155	348.84	\$6,103.57	per unit	\$13,733,035
<u>Non-residential</u>							
Land Use Class 6	25	\$39,368.03	0.323	8.07	\$12,715.77	per 1,000 sq. ft.	\$317,894
Land Use Class 7	90	\$39,368.03	0.258	23.26	\$10,172.62	per 1,000 sq. ft.	\$915,536
Land Use Class 8	295	\$39,368.03	0.233	68.60	\$9,155.36	per room	\$2,700,830
Land Use Class 9	65	\$39,368.03	0.226	14.70	\$8,901.04	per 1,000 sq. ft.	\$578,568
Total				1,098.55			\$43,247,845

Appendix E

ASSESSMENT ROLL

Parcel
Assessment
Total Equivalent Units

All
 \$43,247,845
 1,098.55

Year	Cumulative Outstanding Principal	Principal and Interest¹	Administrative Expenses²	Total Annual Installment³
1	\$43,247,845	\$4,065,297	\$80,000	\$4,145,297
2	\$43,247,845	\$4,065,297	\$81,600	\$4,146,897
3	\$43,247,845	\$4,645,297	\$83,232	\$4,728,529
4	\$42,667,845	\$4,630,777	\$84,897	\$4,715,674
5	\$42,047,845	\$4,612,497	\$86,595	\$4,699,092
6	\$41,387,845	\$3,353,822	\$88,326	\$3,442,149
7	\$40,682,845	\$3,353,702	\$90,093	\$3,443,795
8	\$39,932,845	\$3,350,702	\$91,895	\$3,442,597
9	\$39,137,845	\$3,354,822	\$93,733	\$3,448,555
10	\$38,287,845	\$3,355,422	\$95,607	\$3,451,029
11	\$37,382,845	\$3,357,502	\$97,520	\$3,455,022
12	\$36,417,845	\$3,355,742	\$97,520	\$3,453,262
13	\$35,392,845	\$3,355,142	\$97,520	\$3,452,662
14	\$34,302,845	\$3,360,382	\$97,520	\$3,457,902
15	\$33,137,845	\$3,360,822	\$97,520	\$3,458,342
16	\$31,897,845	\$3,361,462	\$97,520	\$3,458,982
17	\$30,577,845	\$3,361,982	\$97,520	\$3,459,502
18	\$29,172,845	\$3,362,062	\$97,520	\$3,459,582
19	\$27,677,845	\$3,366,382	\$97,520	\$3,463,902
20	\$26,082,845	\$3,364,302	\$97,520	\$3,461,822
21	\$24,387,845	\$3,365,822	\$97,520	\$3,463,342
22	\$22,582,845	\$3,370,302	\$97,520	\$3,467,822
23	\$20,657,845	\$3,372,102	\$97,520	\$3,469,622
24	\$18,607,845	\$3,375,902	\$97,520	\$3,473,422
25	\$16,422,845	\$3,376,062	\$97,520	\$3,473,582
26	\$14,097,845	\$3,377,262	\$97,520	\$3,474,782
27	\$11,622,845	\$3,378,862	\$97,520	\$3,476,382
28	\$8,987,845	\$3,385,222	\$97,520	\$3,482,742
29	\$6,177,845	\$3,385,382	\$97,520	\$3,482,902
30	\$3,187,845	\$3,391,867	\$97,520	\$3,489,387
Total		\$106,172,204	\$2,826,369	\$108,998,573

(1) The principal and interest rates are estimated and will be updated with the Reimbursement Agreement interest rate.

The interest amounts also estimated using 8.90% for Years 1 through 5 and 5.90% for years 6 through 30.

(2) The Administrative Expense amounts are estimated and will be updated each year as part of the Annual Service Plan Update.

(3) The Annual Installment amounts do not include any TIRZ Credit.