

ORDINANCE NO. 2020-46

AN ORDINANCE AMENDING THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR TAX INCREMENT REINVESTMENT ZONE NO. 5, ALSO KNOWN AS THE "DOWNTOWN TIRZ," TO ADD ELIGIBLE PROJECTS AND ASSOCIATED ELIGIBLE PROJECT COSTS, INCLUDING THE ACQUISITION OF PROPERTY FOR PARKING AND OTHER PUBLIC PRIORITIES AND RELATED OPERATIONS AND MAINTENANCE COSTS UP TO \$2,000,000.00; APPROVING AN AMENDMENT TO THE TAX INCREMENT PARTICIPATION INTERLOCAL AGREEMENT WITH HAYS COUNTY TO REDUCE THE CITY'S AND THE COUNTY'S CONTRIBUTION RATE OF THE TAX INCREMENT DEPOSITED INTO THE TAX INCREMENT FUND FROM 70 PERCENT TO 25 PERCENT FOR ONE YEAR; AUTHORIZING THE CITY MANAGER, OR HIS DESIGNEE, TO EXECUTE SUCH AMENDMENT ON BEHALF OF THE CITY; INCLUDING PROCEDURAL PROVISIONS; AND DECLARING AN EFFECTIVE DATE.

RECITALS:

1. The City Council (the "Council") of the City of San Marcos, Texas (the "City") adopted Ordinance No. 2011-74, which designated the San Marcos, Texas Reinvestment Zone No. 5 (the "Zone") pursuant to Section 311.005(a) of the Tax Increment Finance Act, Texas Tax Code, Chapter 311, as amended (the "Act").
2. The Board of Directors of the Zone (the "Zone Board") prepared and adopted a Project Plan and Reinvestment Zone Financing Plan (the "Project and Financing Plan") for the Zone pursuant to Section 311.011 of the Act.
3. The Council adopted Resolution No. 2011-145R on November 14, 2011, which gave effect to the Project and Financing Plan pursuant to Section 311.011(d) of the Act.
4. The City desires to amend the Project and Financing Plan to include additional anticipated projects and cost estimates designed to promote connectivity between the San Marcos River and Downtown San Marcos and encourage residential and commercial development within the Zone and amend the contribution rate from the City and the County (as defined herein), all as set forth and further described in the amended Project and Financing Plan (the "Amended Project and Financing Plan") attached as Exhibit A.
5. On April 29, 2020, the Zone Board adopted the Amended Project and Financing Plan and recommended that the City approve the Amended Project and Financing Plan pursuant to the Resolution attached hereto as Exhibit B.

6. The Zone Board made further revisions to the Amended Project and Financing Plan on June 5, 2020, as set forth in the meeting minutes of the Zone Board attached hereto as Exhibit C.

7. Pursuant to the Act, the City must amend the Project and Financing Plan by ordinance.

8. The City entered into an Interlocal Agreement Between Hays County and the City of San Marcos Related to San Marcos, Texas Tax Increment Reinvestment Zone No. 5 on February 7, 2011 (the "Interlocal Agreement") pursuant to Section 311.013 of the Act to permit Hays County, Texas (the "County") to make payments to the City of a portion of the County's tax increment revenues derived from increases in property values resulting from new development in the Zone, which payment would be used by the City to reimburse the developer for a portion of the project costs under the terms and conditions described in the Interlocal Agreement.

9. Pursuant to Section 311.013 of the Act, the City desires to approve and execute an amendment to the Interlocal Agreement (the "Interlocal Agreement Amendment") to amend the contribution rate of the tax increment attributed to the captured appraised value of the County in the Zone deposited into the Tax Increment Fund and incorporate certain revisions of the Amended Project and Financing Plan, attached hereto as Exhibit D.

10. Notice of a public hearing to be held on June 16, 2020, was duly published in the *San Marcos Daily Record* in its issue dated June 9, 2020, in compliance with Section 311.003(c) of the Act.

11. A public hearing was held on June 16, 2020, at 6:00 p.m. in City Hall, City Council Chambers, 630 E. Hopkins, San Marcos, Texas (the "Hearing") to consider the amendment to the Project and Financing Plan at which time the City provided a reasonable opportunity for protest in accordance with Section 311.003(d) of the Act.

12. The Council hereby finds and determines that the adoption of this Ordinance is in the best interests of the citizens of San Marcos, Texas.

13. It is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN MARCOS, TEXAS:

SECTION 1. The City, after conducting the Hearing and having heard such evidence and testimony, hereby finds, based upon the testimony presented, that the Hearing on the proposed Amended Project and Financing Plan has been properly called, held and conducted and that notice of the Hearing has been published at least seven (7) days before the Hearing in the *San Marcos Daily Record*, a newspaper of general circulation in the City.

SECTION 2. The Project and Financing Plan is hereby amended pursuant to Section 311.011 of the Act to include additional anticipated projects and cost estimates designed to promote connectivity between the San Marcos River and Downtown San Marcos and encourage residential and commercial development within the Zone and amend the contribution rate from the City and the County, all as set forth and further described in the Amended Project and Financing Plan attached as Exhibit A.

SECTION 3. The Council hereby approves the Amended Project and Financing Plan for the Zone, which shall take effect on such approval pursuant to Section 311.011 of the Act.

SECTION 4. The Interlocal Agreement Amendment is hereby approved and the City Manager, or his designee, is authorized to execute the Interlocal Agreement Amendment on behalf of the City.

SECTION 5. The officers of the City are authorized to take any and all action necessary to carry out and consummate the transactions described in or contemplated by the documents approved hereby or otherwise to give effect to the actions authorized hereby and the intent hereof.

SECTION 6. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the Council.

SECTION 7. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters resolved herein.

SECTION 8. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 9. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, as if such invalid provision had never appeared herein, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 10. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 11. This Ordinance will take effect immediately after its passage, approval and adoption on second reading.

PASSED, APPROVED AND ADOPTED on first reading on June 16, 2020.

PASSED, APPROVED AND ADOPTED on second reading and adopted on June 18, 2020.



Jane Hughson
Mayor

Attest:



Tammy K. Cook
Interim City Clerk

Approved:



Michael J. Cosentino
City Attorney

EXHIBIT A

[Amended Project and Financing Plan]

PROJECT PLAN
AND
REINVESTMENT ZONE FINANCING PLAN
FOR CITY OF SAN MARCOS, TEXAS
TAX INCREMENT REINVESTMENT ZONE NO. 5

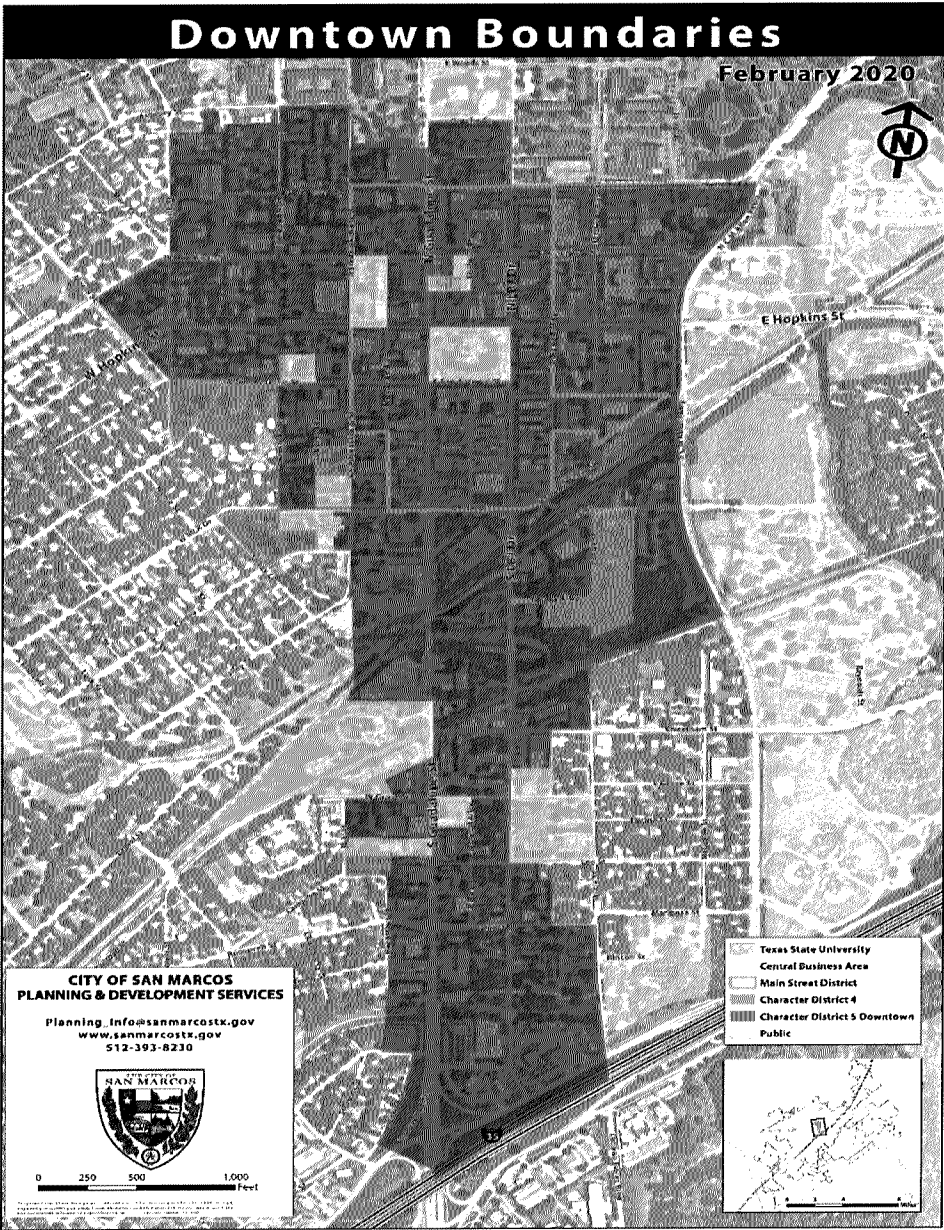


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The TIRZ Concept Generally

A tax increment reinvestment zone ("TIRZ") is a financing tool created by the State Legislature to assist cities and counties in developing or redeveloping unproductive, underdeveloped or blighted areas.

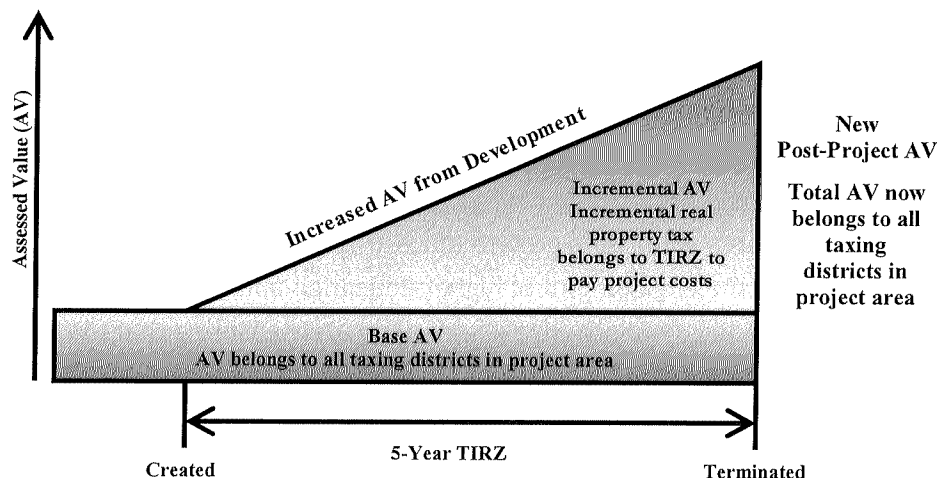
Cities may create a TIRZ where conditions exist that substantially impair an area's sound growth and where development or enhancements financed by the TIRZ significantly enhance the value of all the taxable real property in a TIRZ and of general benefit to the city or county.

Prior to creation, the statute requires preparation of a preliminary project plan and reinvestment zone financing plan outlining specific projects to address the existing conditions and the method and means to finance those projects.

Upon creation, the total appraised value of real property located in a TIRZ is established for the year in which it was created. This is known as the base value. As new development occurs in a TIRZ, the value of real property increases.

This additional value above the base value is known as the tax increment. Such tax increment is typically set aside to finance improvements within a TIRZ including public infrastructure. Once all projects are complete or after a defined period of time, a TIRZ is dissolved.

During the life of a TIRZ, a city and other participating taxing jurisdictions collect tax revenue on the base value of a TIRZ as well as sales and use tax revenue generated by new development (unless a city or county agrees that sales tax and use revenue are also part of the increment). When a TIRZ is dissolved, a city and other participating taxing jurisdictions collect tax revenue on the tax increment value created by new development as well.



Executive Summary

The proposed City of San Marcos, Texas (the "City") Tax Increment Reinvestment Zone No. 5 ("Zone No. 5") consists of approximately 244 acres in the downtown core. The City has addressed one challenge, zoning standards that are inconsistent and contrary to creating a downtown environment, with the adoption of the San Marcos SmartCode (the "SmartCode") in 2011, putting in place a zoning that is predictable and focused on preserving downtown character while enabling pedestrian-oriented mixed-use development. In 2018, the City updated the Development Code and relabeled the downtown core as Character District 5 Downtown (CD-5D). Some of the other downtown challenges remain: a shortage of Class A office space, parking and pedestrian mobility, lack of sufficient lighting and downtown amenities and aesthetic features, and the condition of the streetscape and sidewalks in parts of downtown.

One of the financial tools identified in the plan to help address these challenges is the creation of a tax increment reinvestment zone. Under this proposed plan, the City and Hays County (the "County") would participate equally in a tax increment reinvestment zone projected to generate approximately \$15,831,450 over the current life of Zone No. 5. It is currently proposed that Zone No. 5 increment revenues will be allocated for parking, including acquisition of land, multi-modal transportation/mobility, sidewalks, safety considerations, improved lighting, and overall enhancement of downtown as allowed by Section 311.010(h) of the Texas Tax Code.

In order to be eligible for Zone No. 5 tax increment revenues, projects must (a) support multi-modal transportation and mobility including sidewalks and downtown shuttle services (b) provide overall enhancement of the downtown area including but not limited to lighting, safety and other aesthetic features and/or (c) include acquisition of property for parking and other public priorities with the amounts allocated to include the required operation and maintenance costs within Zone No. 5

The true value of this approach is that it powerfully leverages tax increment revenues for economic development beyond streetscape or maintenance improvements on a given block. The potential increase in tax base can help in supporting possible future job creation through business relocation to the downtown area along with growth of existing businesses which create jobs. This approach also will encourage the engagement of higher education and other potential research partners through the focus on technology and research, ultimately ensuring that the site will be developed to its highest and best use.

Location

As proposed, Zone No. 5 extends from Texas State University to the North, to IH-35 to the South, CM Allen and McKie on the East and several blocks to the West.

All of the land within proposed Zone No. 5 is part of the Charter District-5 Downtown (CD-5D) and currently includes a number of different types of uses including commercial, retail, restaurants, residential and offices within the boundaries.

As provided in the April 1, 2010 economic analysis prepared for the City by Urban Advisors for the current Downtown Master Plan, the City's goal is to encourage a mix of new uses to accommodate additional housing, office space, retail, transportation, safety and parking facilities. Designation of Zone No. 5 assists the City in implementing the Downtown Master Plan and projects brought forth through future master plans.

Project Overview and Project Costs

1. Infrastructure supporting cohesive redevelopment

Zone No. 5 tax increment revenues shall be made available to facilitate investment in infrastructure or other improvements allowed by law that facilitate the following potential projects. This Project and Finance Plan will be amended as may be required by law to accommodate additional uses of the tax increment revenues within Zone No. 5:

- a. Projects that support multi-modal transportation and mobility including sidewalks and downtown shuttle services.
- b. Overall enhancement of the downtown area including but not limited to lighting, safety and other aesthetic features.
- c. Acquisition of property for parking and other public priorities with the amounts allocated to include the required operation and maintenance costs.

Table 1 - Proposed Project Costs

ITEM	Proposed Activity	ESTIMATED ZONE NO. 5 PROJECT COSTS
1	Multi-modal transportation/mobility including sidewalks and shuttle services	\$1,350,000
2	Overall enhancement of downtown including lighting, safety, and other aesthetic features	\$829,612
3	Acquisition of property for parking and other public priorities and related operations and maintenance costs	\$2,000,000
	TOTAL ESTIMATED PROJECT COSTS:	\$ 4,179,612

This Table 1 summarizes the currently anticipated Project Costs to be financed within Zone No. 5.

Project and Finance Plan

The purpose of Zone No. 5 is to (a) support multi-modal transportation and mobility including sidewalks and downtown shuttle services (b) provide overall enhancement of the downtown area including but not limited to lighting, safety and other aesthetic features and/or (c) include acquisition of property for parking and other public priorities with the amounts allocated to include the required operation and maintenance costs within Zone. No. 5.

Expenditures associated with the design and construction of Zone No. 5 Projects, as well as other specific project-related costs, will be funded by tax increment revenues derived from increases in property values resulting from the new development in Zone No. 5.

The City may amend this Project and Finance Plan as may be necessary in accordance with law to accommodate the other redevelopment goals and projects outlined under "Project Overview and Project Costs."

TEXAS TAX CODE
SUBTITLE B. SPECIAL PROPERTY TAX PROVISIONS
CHAPTER 311. TAX INCREMENT FINANCING ACT
Sec. 311.011. PROJECT AND FINANCING PLANS

- (a) The board of directors of a reinvestment zone shall prepare and adopt a project plan and a reinvestment zone financing plan for the zone and submit the plans to the governing body of the municipality or county that designated the zone.
- (b) The project plan must include:
 - (1) a description and map showing existing uses and conditions of real property in the zone and a map showing proposed uses of that property;
 - (2) proposed changes of zoning ordinances, the master plan of the municipality, building codes, other municipal ordinances, and subdivision rules and regulations, if any, of the county, if applicable;
 - (3) a list of estimated non-project costs; and
 - (4) a statement of a method of relocating persons to be displaced, if any, as a result of implementing the plan.
- (c) The reinvestment zone financing plan must include:
 - (1) a detailed list describing the estimated project costs of the zone, including administrative expenses;
 - (2) a statement listing the proposed kind, number, and location of all proposed public works or public improvements to be financed by the zone;
 - (3) a finding that the plan is economically feasible and an economic feasibility study;
 - (4) the estimated amount of bonded indebtedness to be incurred;
 - (5) the estimated time when related costs or monetary obligations are to be incurred;
 - (6) a description of the methods of financing all estimated project costs and the expected sources of revenue to finance or pay project costs, including the percentage of tax increment to be derived from the property taxes of each taxing unit anticipated to contribute tax increment to the zone that levies taxes on real property in the zone;
 - (7) the current total appraised value of taxable real property in the zone;
 - (8) the estimated captured appraised value of the zone during each year of its existence; and
 - (9) the duration of the zone.

Existing Uses

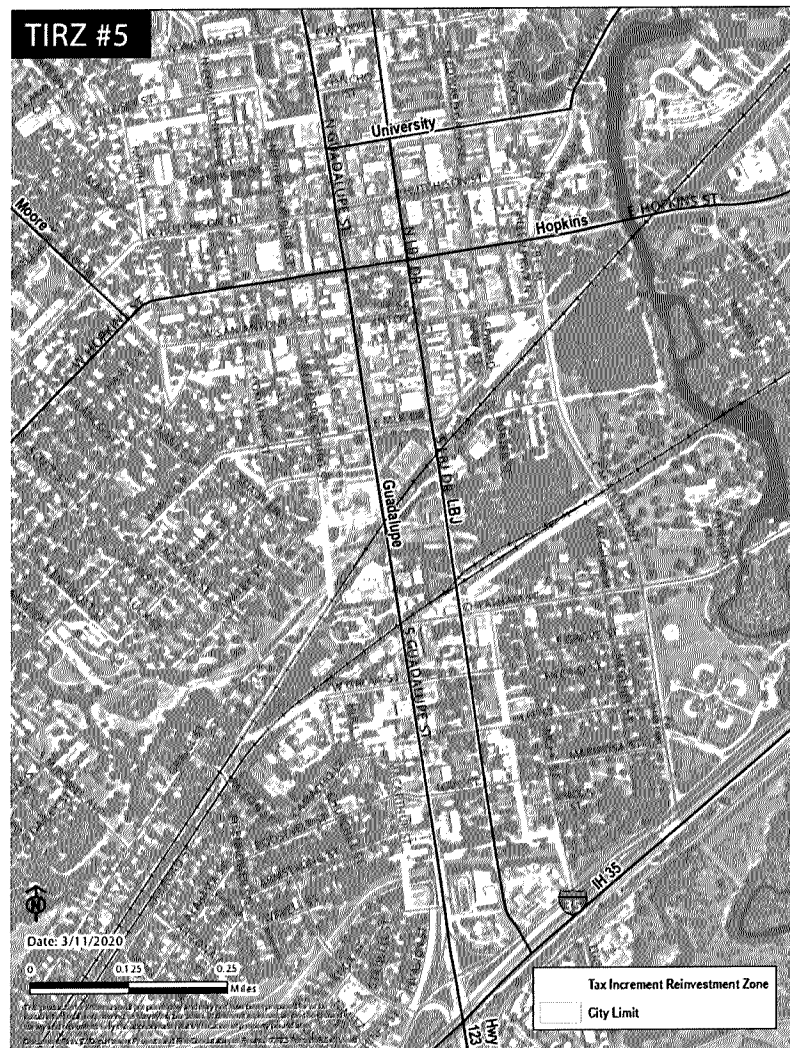
1. Map showing existing uses and conditions of real property in Zone No. 5

Zone No. 5 consists of approximately 244 acres of commercial, retail, restaurants, residential and office uses within the City's designated Charter District 5 Downtown (CD-5D).

Development and redevelopment of the property within Zone No. 5's boundaries is necessary because the area is undeveloped or underdeveloped and because of obsolete platting, deterioration of structures or site improvements, or other factors, arrests the sound growth of the City's downtown.

The map on this page illustrates the current condition of the land.

MAP SHOWING EXISTING USES AND CONDITIONS OF REAL PROPERTY IN BOUNDARIES OF ZONE NO. 5



PROPOSED PROJECTS

1. Table showing proposed improvements for the TIRZ area.

Improvements proposed for Zone No. 5 are primarily related to: (a) support multi-modal transportation and mobility including sidewalks and downtown shuttle services (b) provide overall enhancement of the downtown area including but not limited to lighting, safety and other aesthetic features and/or (c) include acquisition of property for parking and other public priorities with the amounts allocated to include the required operation and maintenance costs within Zone. No. 5.

TABLE 2 – PROPOSED PROJECTS	
Proposed Projects	
Justice Center Streetscape Improvement Project (100 Block E Martin Luther King Street, San Marcos, TX)	
Alley Redevelopment Phase 1	
Cheatham Street Flats Alley Paving	
Pedestrian Safety and Comfort	
Downtown Reconstruction/Capital Area Metropolitan Planning Organization	
Downtown Shuttle (One Year Pilot)	

Changes to Municipal Ordinances

1. Proposed changes of zoning ordinances, the master plan of the municipality, building codes, other municipal ordinances, and subdivision rules and regulations, if any, of the county, if applicable;

The City does not expect any changes to zoning ordinances, the master plan, building codes or other ordinances as a result of the designation of Zone No. 5.

Estimated Non-Zone No. 5 Projects

2. A list of estimated Non-Zone No. 5 Projects

The City expects to continue developing projects included in its capital improvement plan ("CIP") that benefit areas within Zone No. 5 from CIP funds.

Method of Relocation

3. A statement of a method of relocating persons to be displaced as a result of implementing the plan.

Designation of Zone No. 5 is not anticipated to cause relocation of any residents.

Finance Plan

List of Estimated Zone No. 5 Project Costs

1. A detailed list describing the estimated Project Costs of Zone No. 5, including administrative expenses

Table 1 itemizes the estimated Zone No. 5 Project Costs. Currently there are no administrative expenses estimated to be incurred over the life of Zone No. 5.

Statement of Proposed Public Works

2. A statement listing the kind, number, and location of all proposed public works or public improvements in Zone No. 5

The improvements that Zone No. 5 is designed to facilitate will be located throughout Zone No. 5. These improvements will assist with the development and redevelopment of Zone No. 5. The Map of Project Boundaries shown on the cover page hereof illustrates the location of the proposed improvements.

Economic Feasibility Study/Information

3. An Economic Feasibility Study/Information

In connection with the proposed development of the property within Zone No. 5 the City has previously commissioned studies outlining the goals and feasibility of the redevelopment of Zone No. 5 CD-5D as set forth in Schedule A. This Finance Plan is economically feasible since all Project Costs are paid only from tax increment revenues as they become available.

Estimated Bonded Indebtedness

4. The estimated bonded indebtedness to be incurred

The City currently anticipates paying Project Costs or reimbursing a developer for qualified Project Costs solely from tax increment revenues on an annual basis. No bond indebtedness will be incurred for Zone No. 5.

Time when Costs/Obligations Incurred

5. The time when costs or monetary obligations are to be incurred

When payment of costs or reimbursements of costs are to be made is a function of the availability of Zone No. 5 tax increment revenues. Schedule B is a projection of tax increment revenues which are available and expected to be available in the future to pay or reimburse Zone No. 5 Project Costs.

Financing, Expected Sources of Revenue

6. A description of the methods of financing all estimated project costs and the expected sources of revenue to finance or pay Project Costs, including the percentage of tax increment to be derived from the property taxes of each taxing unit that levies taxes on real property in Zone No. 5.

Methods of Financing. The Project Costs will be paid directly for site improvements for certain Zone No. 5 Project Costs. Project Costs will be paid solely from tax increment revenues of Zone No. 5 as they are realized by Zone No. 5.

Sources of Tax Increment Revenue. The tax increment revenue necessary to pay the Zone No. 5 Project Costs is expected to come from increased property values in Zone No. 5. Schedule B displays the projected assessed valuations resulting from increases in value. These new tax increment revenues will be used to pay for Zone No. 5 Project Costs.

This Plan is based on a contribution rate (and current tax rates which are subject to change) shown from the City and County.

Table No. 3 Participating Jurisdictions		
Taxing Jurisdiction	2019 Tax Rate (1)	% Dedicated
City of San Marcos	\$0.6139/\$100	70%
Hays County	\$0.3899/\$100	70%

(1) 2019 Tax Rate for purposes of illustration only. Tax Rate will be levied from year to year by the City and County, respectively, and will vary. The 2019 total tax rate does not include the Road and Bridge rate.

Current Appraised Value of Property

7. Current Total Appraised Value of Property in Zone No. 5

The total current appraised value within Zone No. 5 as of July 22, 2019 is \$265,192,298.

Estimated Captured Value

8. Estimated Captured Value of Zone No. 5 in Each Year of Existence

The estimated captured appraised value of Zone No. 5 during each year of its existence is shown on Schedule B - Projected Assessed Valuation.

Duration of Zone

9. Duration of Zone

The duration of Zone No. 5 was through December 31, 2027. Zone No. 5 took effect on the date it was created, being December 14, 2011. The City Council established January 1, 2011 as the base year of Zone No. 5. The term of Zone No. 5 has been extended and is currently scheduled to terminate on December 31, 2027.

Schedule A
Economic Feasibility Study/Information

Schedule B
Projected Assessed Valuations

Tax Year	Total Valuation	Value Increase from Base Year	Yearly % Increase	70% City Tax	70% County Tax	Total Revenue	Cumulative Revenue
2012 Actual	\$105,083,437	\$899,281	0.86%	\$3,338	\$2,671	\$6,008	\$6,008
2013 Actual	\$116,524,339	\$12,356,933	10.9%	\$45,929	\$36,933	\$82,862	\$88,870
2014 Actual	\$143,130,508	\$41,268,182	24.7%	\$145,098	\$116,541	\$257,294	\$346,164
2015 Actual	\$145,033,604	\$42,341,838	0.7%	\$151,841	\$121,198	\$269,342	\$615,506
2016 Actual	\$151,017,107	\$48,375,011	4.1%	\$173,485	\$136,200	\$309,684	\$925,190
2017 Actual	\$190,650,978	\$86,366,376	24.9%	\$371,208	\$242,594	\$613,802	\$1,538,992
2018 Actual	\$226,246,103	\$119,056,967	31.3%	\$509,532	\$310,695	\$820,227	\$2,359,219
2019 Estimated	\$248,228,788	\$141,039,652	21.1%	\$606,090	\$384,940	\$991,029	\$3,350,249
2020 Estimated	\$297,874,546	\$190,685,410	20.0%	\$819,432	\$520,438	\$1,339,870	\$4,690,119
2021 Estimated	\$327,662,000	\$220,472,864	10.0%	\$947,438	\$601,737	\$1,549,175	\$6,239,293
2022 Estimated	\$344,045,100	\$236,855,964	5.0%	\$1,017,841	\$646,451	\$1,664,292	\$7,903,585
2023 Estimated	\$361,247,355	\$254,058,219	5.0%	\$1,091,764	\$693,401	\$1,785,165	\$9,688,751
2024 Estimated	\$379,309,723	\$272,120,587	5.0%	\$1,169,384	\$742,699	\$1,912,083	\$11,600,833
2025 Estimated	\$398,275,209	\$291,086,073	5.0%	\$1,250,884	\$794,461	\$2,045,345	\$13,646,179
2026 Estimated	\$418,188,970	\$310,999,834	5.0%	\$1,336,460	\$848,812	\$2,185,271	\$15,831,450

Assumptions:

Estimated Years

City Tax Rate \$0.6139

County Tax Rate \$0.3899

EXHIBIT B

[Resolution of the Zone Board Adopting Amended Project and Financing Plan]

REINVESTMENT ZONE NO. 5 RESOLUTION 2020-04

ADOPTING AMENDED PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR THE SAN MARCOS, TEXAS TAX INCREMENT REINVESTMENT ZONE NO. 5 IN DOWNTOWN SAN MARCOS, RECOMMENDING THAT THE CITY OF SAN MARCOS, TEXAS APPROVE THE AMENDED PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN; AND OTHER MATTERS IN CONNECTION THEREWITH.

WHEREAS, the City Council (the “Council”) of the City of San Marcos, Texas (the “City”) adopted Ordinance No. 2011-150R on December 6, 2011, which designated the San Marcos, Texas Reinvestment Zone No. 5 (the “Zone”) pursuant to Section 3111.005(a) of the Tax Increment Finance Act, Texas Tax Code, Chapter 311, as amended (the “Act”), and

WHEREAS, the Board of Directors of the Zone (the “Zone Board”) prepared and adopted a Project Plan and Reinvestment Zone Financing Plan (the “Project and Financing Plan”) for the Zone in Reinvestment Zone No. 5 Resolution 2020-04 pursuant to Section 311.011 of the Act, and

WHEREAS, the Council adopted Resolution No. 2011-145R on November 14, 2011, which gave effect to the Project and Financing Plan pursuant to Section 311.011(d) of the Act, and

WHEREAS, pursuant to Section 311.011(e) of the Act, the Zone Board at any time may adopt an amendment to the Project and Financing Plan consistent with the requirement and limitation of the Act, which shall take effect upon approval by the Council in accordance with Section 311.011(e) of the Act, and

WHEREAS, the Zone Board desires to amend the Project and Financing Plan to include additional anticipated projects and cost estimates designed to promote connectivity between the San Marcos River and Downtown San Marcos and encourage residential and commercial development within the Zone, all as set forth and further described in the amended Project and Financing Plan (the “Amended Project and Financing Plan”) attached as Exhibit A,

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN MARCOS, TEXAS REINVESTMENT ZONE NO. 5:

SECTION 1. ADOPTING THE AMENDED PROJECT AND FINANCING PLAN. The Zone Board hereby adopts the Amended Project and Financing Plan for the Zone with modifications to conform to the final business terms as agreed to by the City Manager of the City and directs its submission to the Council for approval.

SECTION 2. RECOMMENDING THE CITY APPROVE THE AMENDED PROJECT AND FINANCING PLAN. The Zone Board recommends that the City approve the Amended

Project and Financing Plan reflecting the additional anticipated projects and cost estimates as set forth and further described in the amended Project and Financing Plan.

SECTION 3. FURTHER PROCEEDINGS. The Zone Board is authorized to take any and all action necessary to carry out and consummate the transactions described in or contemplated by the documents approved hereby or otherwise to give effect to the action authorized hereby and the intent hereof including revising any necessary documents to conform to the terms hereof or State law.

SECTION 4. INCORPORATION OF RECITALS. The Zone Board hereby finds that the statements set forth in the recitals of this Resolution are true and correct, and the Zone Board hereby incorporates such recitals as part of this Resolution.

SECTION 5. SEVERABILITY. If any provisions of this Resolution or the application thereof to any circumstances shall be held to be invalid, the remainder of this Resolution and the application thereof to other circumstances shall nevertheless be valid, as if such invalid provision had never appeared herein, and the Zone Board hereby declares that this Resolution would have been enacted without such invalid provisions.

PASSED APPROVED THIS 29th DAY OF April, 2020.

By: Jane Hughson
Jane Hughson, Mayor
Chairperson, Board of Directors

EXHIBIT A
Amended Project and Financing Plan

**PROJECT PLAN
AND
REINVESTMENT ZONE FINANCING PLAN
FOR CITY OF SAN MARCOS, TEXAS
TAX INCREMENT REINVESTMENT ZONE NO. 5**

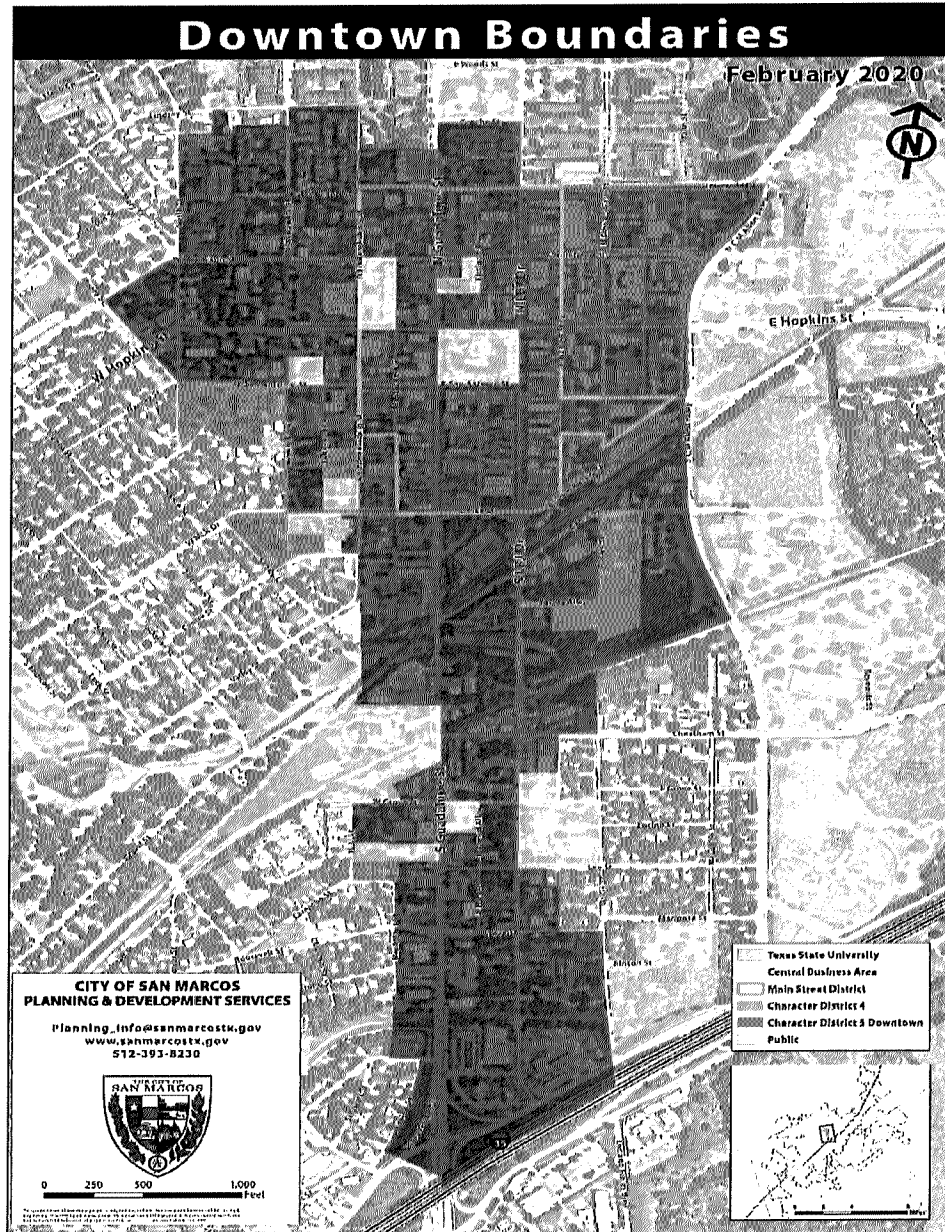


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A tax increment reinvestment zone ("TIRZ") is a financing tool created by the State Legislature to assist cities and counties in developing or redeveloping unproductive, underdeveloped or blighted areas.

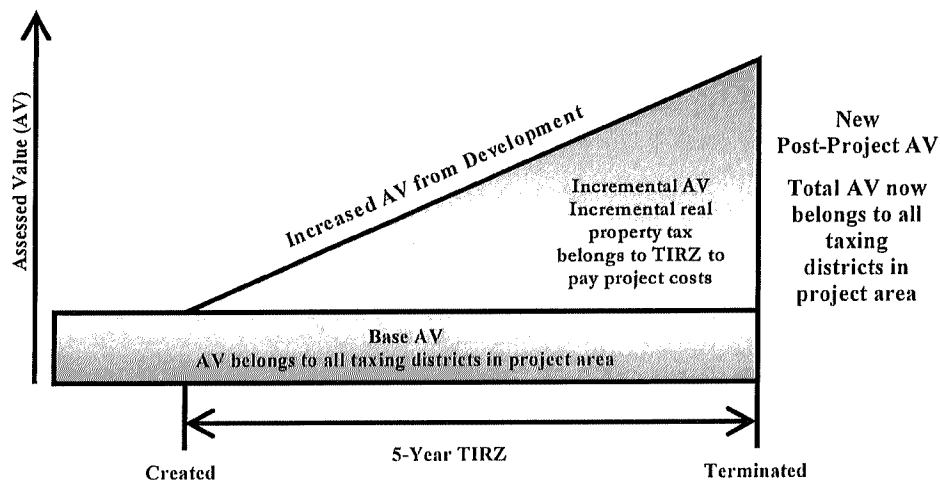
Cities may create a TIRZ where conditions exist that substantially impair an area's sound growth and where development or enhancements financed by the TIRZ significantly enhance the value of all the taxable real property in a TIRZ and of general benefit to the city or county.

Prior to creation, the statute requires preparation of a preliminary project plan and reinvestment zone financing plan outlining specific projects to address the existing conditions and the method and means to finance those projects.

Upon creation, the total appraised value of real property located in a TIRZ is established for the year in which it was created. This is known as the base value. As new development occurs in a TIRZ, the value of real property increases.

This additional value above the base value is known as the tax increment. Such tax increment is typically set aside to finance improvements within a TIRZ including public infrastructure. Once all projects are complete or after a defined period of time, a TIRZ is dissolved.

During the life of a TIRZ, a city and other participating taxing jurisdictions collect tax revenue on the base value of a TIRZ as well as sales and use tax revenue generated by new development (unless a city or county agrees that sales tax and use revenue are also part of the increment). When a TIRZ is dissolved, a city and other participating taxing jurisdictions collect tax revenue on the tax increment value created by new development as well.



Executive Summary

The proposed City of San Marcos, Texas (the "City") Tax Increment Reinvestment Zone No. 5 ("Zone No. 5") consists of approximately 244 acres in the downtown core. The City has addressed one challenge, zoning standards that are inconsistent and contrary to creating a downtown environment, with the adoption of the San Marcos SmartCode (the "SmartCode") in 2011, putting in place a zoning that is predictable and focused on preserving downtown character while enabling pedestrian-oriented mixed-use development. In 2018, the City updated the Development Code and relabeled the downtown core as Character District 5 Downtown (CD-5D). Some of the other downtown challenges remain: a shortage of Class A office space, parking and pedestrian mobility, lack of sufficient lighting and downtown amenities and aesthetic features, and the condition of the streetscape and sidewalks in parts of downtown.

One of the financial tools identified in the plan to help address these challenges is the creation of a tax increment reinvestment zone. Under this proposed plan, the City and Hays County (the "County") would participate equally in a tax increment reinvestment zone projected to generate approximately \$15,831,450 over the current life of Zone No. 5. It is currently proposed that Zone No. 5 increment revenues will be allocated for parking, including acquisition of land, multi-modal transportation/mobility, sidewalks, safety considerations, improved lighting, and overall enhancement of downtown as allowed by Section 311.010(h) of the Texas Tax Code.

In order to be eligible for Zone No. 5 tax increment revenues, projects must (a) support multi-modal transportation and mobility including sidewalks and downtown shuttle services (b) provide overall enhancement of the downtown area including but not limited to lighting, safety and other aesthetic features and/or (c) include acquisition of property for parking and other public priorities with the amounts allocated to include the required operation and maintenance costs within Zone No. 5.

The true value of this approach is that it powerfully leverages tax increment revenues for economic development beyond streetscape or maintenance improvements on a given block. The potential increase in tax base can help in supporting possible future job creation through business relocation to the downtown area along with growth of existing businesses which create jobs. This approach also will encourage the engagement of higher education and other potential research partners through the focus on technology and research, ultimately ensuring that the site will be developed to its highest and best use.

Location

As proposed, Zone No. 5 extends from Texas State University to the North, to IH-35 to the South, CM Allen and McKie on the East and several blocks to the West.

All of the land within proposed Zone No. 5 is part of the Charter District-5 Downtown (CD-5D) and currently includes a number of different types of uses including commercial, retail, restaurants, residential and offices within the boundaries.

As provided in the April 1, 2010 economic analysis prepared for the City by Urban Advisors for the current Downtown Master Plan, the City's goal is to encourage a mix of new uses to accommodate additional housing, office space, retail, transportation, safety and parking facilities. Designation of Zone No. 5 assists the City in implementing the Downtown Master Plan and projects brought forth through future master plans.

Project Overview and Project Costs

1. Infrastructure supporting cohesive redevelopment

Zone No. 5 tax increment revenues shall be made available to facilitate investment in infrastructure or other improvements allowed by law that facilitate the following potential projects. This Project and Finance Plan will be amended as may be required by law to accommodate additional uses of the tax increment revenues within Zone No. 5:

- a. Projects that support multi-modal transportation and mobility including sidewalks and downtown shuttle services.
- b. Overall enhancement of the downtown area including but not limited to lighting, safety and other aesthetic features.
- c. Acquisition of property for parking and other public priorities with the amounts allocated to include the required operation and maintenance costs.

Table 1 - Proposed Project Costs

ITEM	Proposed Activity	ESTIMATED ZONE NO. 5 PROJECT COSTS
1	Multi-modal transportation/mobility including sidewalks and shuttle services	\$1,350,000
2	Overall enhancement of downtown including lighting, safety, and other aesthetic features	\$829,612
3	Acquisition of property for parking and other public priorities and related operations and maintenance costs	\$2,000,000
	TOTAL ESTIMATED PROJECT COSTS:	\$ 4,179,612

This Table 1 summarizes the currently anticipated Project Costs to be financed within Zone No. 5.

Project and Finance Plan

The purpose of Zone No. 5 is to (a) support multi-modal transportation and mobility including sidewalks and downtown shuttle services (b) provide overall enhancement of the downtown area including but not limited to lighting, safety and other aesthetic features and/or (c) include acquisition of property for parking and other public priorities with the amounts allocated to include the required operation and maintenance costs within Zone. No. 5.

Expenditures associated with the design and construction of Zone No. 5 Projects, as well as other specific project-related costs, will be funded by tax increment revenues derived from increases in property values resulting from the new development in Zone No. 5.

The City may amend this Project and Finance Plan as may be necessary in accordance with law to accommodate the other redevelopment goals and projects outlined under "Project Overview and Project Costs."

TEXAS TAX CODE
SUBTITLE B. SPECIAL PROPERTY TAX PROVISIONS
CHAPTER 311. TAX INCREMENT FINANCING ACT
Sec. 311.011. PROJECT AND FINANCING PLANS

- (a) The board of directors of a reinvestment zone shall prepare and adopt a project plan and a reinvestment zone financing plan for the zone and submit the plans to the governing body of the municipality or county that designated the zone.
- (b) The project plan must include:
 - (1) a description and map showing existing uses and conditions of real property in the zone and a map showing proposed uses of that property;
 - (2) proposed changes of zoning ordinances, the master plan of the municipality, building codes, other municipal ordinances, and subdivision rules and regulations, if any, of the county, if applicable;
 - (3) a list of estimated non-project costs; and
 - (4) a statement of a method of relocating persons to be displaced, if any, as a result of implementing the plan.
- (c) The reinvestment zone financing plan must include:
 - (1) a detailed list describing the estimated project costs of the zone, including administrative expenses;
 - (2) a statement listing the proposed kind, number, and location of all proposed public works or public improvements to be financed by the zone;
 - (3) a finding that the plan is economically feasible and an economic feasibility study;
 - (4) the estimated amount of bonded indebtedness to be incurred;
 - (5) the estimated time when related costs or monetary obligations are to be incurred;
 - (6) a description of the methods of financing all estimated project costs and the expected sources of revenue to finance or pay project costs, including the percentage of tax increment to be derived from the property taxes of each taxing unit anticipated to contribute tax increment to the zone that levies taxes on real property in the zone;
 - (7) the current total appraised value of taxable real property in the zone;
 - (8) the estimated captured appraised value of the zone during each year of its existence; and
 - (9) the duration of the zone.

Existing Uses

1. Map showing existing uses and conditions of real property in Zone No. 5

Zone No. 5 consists of approximately 244 acres of commercial, retail, restaurants, residential and office uses within the City's designated Charter District 5 Downtown (CD-5D).

Development and redevelopment of the property within Zone No. 5's boundaries is necessary because the area is undeveloped or underdeveloped and because of obsolete platting, deterioration of structures or site improvements, or other factors, arrests the sound growth of the City's downtown.

The map on this page illustrates the current condition of the land.

MAP SHOWING EXISTING USES AND CONDITIONS OF REAL PROPERTY IN BOUNDARIES OF ZONE NO. 5



PROPOSED PROJECTS

1. Table showing proposed improvements for the TIRZ area.

Improvements proposed for Zone No. 5 are primarily related to: (a) support multi-modal transportation and mobility including sidewalks and downtown shuttle services (b) provide overall enhancement of the downtown area including but not limited to lighting, safety and other aesthetic features and/or (c) include acquisition of property for parking and other public priorities with the amounts allocated to include the required operation and maintenance costs within Zone. No. 5.

TABLE 2 – PROPOSED PROJECTS	
Proposed Projects	
Justice Center Streetscape Improvement Project (100 Block E Martin Luther King Street, San Marcos, TX)	
Alley Redevelopment Phase 1	
Ceatham Street Flats Alley Paving	
Pedestrian Safety and Comfort	
Downtown Reconstruction/Capital Area Metropolitan Planning Organization	
Downtown Shuttle (One Year Pilot)	

Changes to Municipal Ordinances

1. Proposed changes of zoning ordinances, the master plan of the municipality, building codes, other municipal ordinances, and subdivision rules and regulations, if any, of the county, if applicable;

The City does not expect any changes to zoning ordinances, the master plan, building codes or other ordinances as a result of the designation of Zone No. 5.

Estimated Non-Zone No. 5 Projects

2. A list of estimated Non-Zone No. 5 Projects

The City expects to continue developing projects included in its capital improvement plan ("CIP") that benefit areas within Zone No. 5 from CIP funds.

Method of Relocation

3. A statement of a method of relocating persons to be displaced as a result of implementing the plan.

Designation of Zone No. 5 is not anticipated to cause relocation of any residents.

Finance Plan

List of Estimated Zone No. 5 Project Costs

1. A detailed list describing the estimated Project Costs of Zone No. 5, including administrative expenses

Table 1 itemizes the estimated Zone No. 5 Project Costs. Currently there are no administrative expenses estimated to be incurred over the life of Zone No. 5.

Statement of Proposed Public Works

2. A statement listing the kind, number, and location of all proposed public works or public improvements in Zone No. 5

The improvements that Zone No. 5 is designed to facilitate will be located throughout Zone No. 5. These improvements will assist with the development and redevelopment of Zone No. 5. The Map of Project Boundaries shown on the cover page hereof illustrates the location of the proposed improvements.

Economic Feasibility Study/Information

3. An Economic Feasibility Study/Information

In connection with the proposed development of the property within Zone No. 5 the City has previously commissioned studies outlining the goals and feasibility of the redevelopment of Zone No. 5 CD-5D as set forth in Schedule A. This Finance Plan is economically feasible since all Project Costs are paid only from tax increment revenues as they become available.

Estimated Bonded Indebtedness

4. The estimated bonded indebtedness to be incurred

The City currently anticipates paying Project Costs or reimbursing a developer for qualified Project Costs solely from tax increment revenues on an annual basis. No bond indebtedness will be incurred for Zone No. 5.

Time when Costs/Obligations Incurred

5. The time when costs or monetary obligations are to be incurred

When payment of costs or reimbursements of costs are to be made is a function of the availability of Zone No. 5 tax increment revenues. Schedule B is a projection of tax increment revenues which are available and expected to be available in the future to pay or reimburse Zone No. 5 Project Costs.

Financing, Expected Sources of Revenue

6. A description of the methods of financing all estimated project costs and the expected sources of revenue to finance or pay Project Costs, including the percentage of tax increment to be derived from the property taxes of each taxing unit that levies taxes on real property in Zone No. 5.

Methods of Financing. The Project Costs will be paid directly for site improvements for certain Zone No. 5 Project Costs. Project Costs will be paid solely from tax increment revenues of Zone No. 5 as they are realized by Zone No. 5.

Sources of Tax Increment Revenue. The tax increment revenue necessary to pay the Zone No. 5 Project Costs is expected to come from increased property values in Zone No. 5. Schedule B displays the projected assessed valuations resulting from increases in value. These new tax increment revenues will be used to pay for Zone No. 5 Project Costs.

This Plan is based on a contribution rate (and current tax rates which are subject to change) shown from the City and County.

Table No. 3 Participating Jurisdictions		
Taxing Jurisdiction	2019 Tax Rate (1)	% Dedicated
City of San Marcos	\$0.6139/\$100	70%
Hays County	\$0.3899/\$100	70%

(1) 2019 Tax Rate for purposes of illustration only. Tax Rate will be levied from year to year by the City and County, respectively, and will vary. The 2019 total tax rate does not include the Road and Bridge rate.

Current Appraised Value of Property

7. Current Total Appraised Value of Property in Zone No. 5

The total current appraised value within Zone No. 5 as of July 22, 2019 is \$265,192,298.

Estimated Captured Value

8. Estimated Captured Value of Zone No. 5 in Each Year of Existence

The estimated captured appraised value of Zone No. 5 during each year of its existence is shown on Schedule B - Projected Assessed Valuation.

Duration of Zone

9. Duration of Zone

The duration of Zone No. 5 was through December 31, 2027. Zone No. 5 took effect on the date it was created, being December 14, 2011. The City Council established January 1, 2011 as the base year of Zone No. 5. The term of Zone No. 5 has been extended and is currently scheduled to terminate on December 31, 2027.

Schedule A
Economic Feasibility Study/Information

Schedule B
Projected Assessed Valuations

Tax Year	Total Valuation	Value Increase from Base Year	Yearly % Increase	70% City Tax	70% County Tax	Total Revenue	Cumulative Revenue
2012 Actual	\$105,083,437	\$899,281	0.86%	\$3,338	\$2,671	\$6,008	\$6,008
2013 Actual	\$116,524,339	\$12,356,933	10.9%	\$45,929	\$36,933	\$82,862	\$88,870
2014 Actual	\$143,130,508	\$41,268,182	24.7%	\$145,098	\$116,541	\$257,294	\$346,164
2015 Actual	\$145,033,604	\$42,341,838	0.7%	\$151,841	\$121,198	\$269,342	\$615,506
2016 Actual	\$151,017,107	\$48,375,011	4.1%	\$173,485	\$136,200	\$309,684	\$925,190
2017 Actual	\$190,650,978	\$86,366,376	24.9%	\$371,208	\$242,594	\$613,802	\$1,538,992
2018 Actual	\$226,246,103	\$119,056,967	31.3%	\$509,532	\$310,695	\$820,227	\$2,359,219
2019 Estimated	\$248,228,788	\$141,039,652	21.1%	\$606,090	\$384,940	\$991,029	\$3,350,249
2020 Estimated	\$297,874,546	\$190,685,410	20.0%	\$819,432	\$520,438	\$1,339,870	\$4,690,119
2021 Estimated	\$327,662,000	\$220,472,864	10.0%	\$947,438	\$601,737	\$1,549,175	\$6,239,293
2022 Estimated	\$344,045,100	\$236,855,964	5.0%	\$1,017,841	\$646,451	\$1,664,292	\$7,903,585
2023 Estimated	\$361,247,355	\$254,058,219	5.0%	\$1,091,764	\$693,401	\$1,785,165	\$9,688,751
2024 Estimated	\$379,309,723	\$272,120,587	5.0%	\$1,169,384	\$742,699	\$1,912,083	\$11,600,833
2025 Estimated	\$398,275,209	\$291,086,073	5.0%	\$1,250,884	\$794,461	\$2,045,345	\$13,646,179
2026 Estimated	\$418,188,970	\$310,999,834	5.0%	\$1,336,460	\$848,812	\$2,185,271	\$15,831,450

Assumptions:

Estimated Years

City Tax Rate \$0.6139

County Tax Rate \$0.3899

EXHIBIT C

[Meeting Minutes of June 5, 2020 Zone Board Meeting]

EXHIBIT D

[Interlocal Agreement Amendment]