

2012C12544

Cameron County Commissioners Court Agenda Request Form

No. 3Z

Date: December 11, 2012 Meeting Date Request: December 20, 2012
 Deadline for Action: _____ Contact Person: Frank Bejarano
 Department: P D & M Phone: 544-0828 Fax: 544-0891
 Dept. Head /Official Signature: _____

Caption:

Consideration and Approval of an Interlocal Agreement with the City of Port Isabel, Texas relating to Port Isabel Tax Increment Reinvestment Zone No. 1.

Background: (Briefly summarize your request, if needed use separate sheet(s) or attach supporting documentation).

This agreement was requested by Port Isabel. The City is requesting 100% tax increment financing from the County for 15 years, ending in 2027. The County's tax increment share over this period is estimated at \$2,632,475.

Please initial or place a check mark:

Reviewed and approved by County Judge N/A Auditor [Signature] Budget [Signature] Legal [Signature] Personnel N/A

Final Date: _____
 Dept. Fund: _____ Est. County Tax Increment Share: \$2,632,475 Funding/Slating Budgeted: Yes No
 Account Code: _____ Impact on Fiscal Budget: Yes No

Comments:
 * If the request is for a tax increment, please specify the tax revenue.

 Approved: _____ Taken: _____ Denied: _____ Motion made by: _____ Seconded: _____ Vote: _____

INTERLOCAL AGREEMENT
TAX INCREMENT REINVESTMENT ZONE #1

I. PARTIES

A. Address

1. This Interlocal Agreement (the "Agreement") is made by and between the CITY OF PORT ISABEL, TEXAS (hereafter referred to as "CITY"), a municipal corporation and home-rule city in the State of Texas principally situated in Cameron County, acting by and through its governing body, the City Commission of the City of Port Isabel, Texas (City Commission) and through its City Manager pursuant to Ordinance No. 682, passed and approved by the City Commission on January 31, 2012 (first reading) and February 15, 2012 (second reading) and on behalf of the TAX INCREMENT REINVESTMENT ZONE #1, CITY OF PORT ISABEL, TEXAS, a separate reinvestment zone created by the CITY pursuant to Chapter 311 of the Texas Tax Code ("ZONE "), and Cameron County, a political subdivision of the State of Texas ("COUNTY"). Collectively, the City, County, and Zone may be referred to as the "Parties". This Agreement is made pursuant to Chapter 791, Texas Government Code and Chapter 311 of the Texas Tax Code for the participation of CITY and CAMERON COUNTY in the Project (the "Project").
2. The initial addresses of the Parties are listed below. Each party may designate a different address by giving the CITY at least ten (10) days prior written notice.

CITY

City Manager
City of Port Isabel
305 E. Maxan
Port Isabel, Texas 78578

CAMERON COUNTY

County Judge
Cameron County
1100 E. Monroe
Brownsville, Texas 78520

With Copy to:

ZONE BOARD #1

Chairman(s)
Tax Increment Reinvestment Zone #1
City of Port Isabel, Texas
305 E. Maxan
Port Isabel, Texas 78578

B. Index

In consideration of the covenants set forth in this Agreement, and subject to its terms and conditions, the CITY, CAMERON COUNTY, and ZONE BOARD hereby agree to the terms and conditions of this Agreement. This Agreement consists of the following sections:

<u>Section</u>	<u>Description</u>	<u>Page</u>
I.	Parties	1
II.	Definitions	2
III.	Background	4
IV.	Rights and Obligations of CAMERON COUNTY	4
VI.	Term and Termination	6
VII.	Miscellaneous	7
Exhibit "A"	Project Plans & Finance Plans for ZONE #1	
Exhibit "B"	City of Port Isabel Ordinance # 682	
Exhibit "C"	Maps of ZONE #1	

C. Parts Incorporated

All of the above described exhibits are hereby incorporated into this Agreement by this reference for all purposes.

II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set out below:

1. "Administrative Costs" means reasonable costs directly incurred by a Participating Taxing Entity (as hereinafter defined) related to its agreement to participate in the development of the ZONE, as described in this Agreement. These costs include, but are not limited to, costs and expenses for legal review and financial analysis related to the ZONE incurred prior to entering into this Agreement, as well as any such costs and expenses incurred after this Agreement becomes effective. The Administrative Costs for all Participating Taxing Entities are estimated to be Fifteen Thousand (\$15,000) over the life of the zone.
2. "Agreement" means this Interlocal Agreement between the City and County for the Zone.

3. "Captured Appraised Value" means the captured appraised value of the ZONE, as defined by Section 311.012(b), Texas Tax Code (and as said Code may be amended from time to time).
4. "City" means the City of Port Isabel, Texas and its successors and assigns.
5. "County" means Cameron County, Texas, and its successors and assigns.
6. "Participating Taxing Entity" or "Participating Taxing Entities" means, singularly, a taxing unit participating in the ZONE, and collectively, all taxing units participating in the ZONE.
7. "Project Costs" means the items set forth and described in Section 311.002(1), Texas Tax Code (as said Code may be amended from time to time), which are included in the Project Plan for the Project.
8. "Project Plan" or "Project Plans" means singularly the Project Reinvestment Zone and Financing Plan for the ZONE adopted and approved by the City Commission of the CITY. The Project Plan for Zone #1 is attached hereto as Exhibit "A".
9. "Tax Increment" means the total amount of ad valorem taxes levied and collected each year by a Participating Taxing Entity each year on the Captured Appraised Value of taxable real property in each ZONE. Further, with respect to CAMERON COUNTY, this term means the total amount of ad valorem taxes levied and collected only on behalf of CAMERON COUNTY each year.
10. "Tax Increment Base" means the total appraised value of all real property taxable by a Participating Taxing Entity and located in the ZONE as of January 1, 2012, the year in which the ZONE was designated. CAMERON COUNTY increment payments shall start for the tax year 2013.
11. "Tax Increment Fund" means the tax increment fund created by the CITY for the deposit of Tax Increments for the ZONE, entitled "Tax Increment Reinvestment Zone #1, City of Port Isabel, Texas Tax Increment Fund.
12. "Tax Increment Payment" means the amount of the Tax Increment that a Participating Taxing Entity agrees to deposit semi-annually into the ZONE'S Tax Increment Fund in accordance with this Agreement.
13. "Term" shall mean a period of fifteen (15) years for the Agreement, beginning on December 20, 2012 and ending on December 31, 2027.

14. "ZONE" means Tax Increment Reinvestment Zone #1, City of Port Isabel, Texas, created by the CITY. A description of the zone is contained in Exhibit "C", attached hereto.
15. "ZONE BOARD" means the Board of Directors of the ZONE #1.

Otherwise, the terms used herein have the meanings ascribed to them in Chapter 311, Texas Tax Code.

III. BACKGROUND

- A. On January 31, 2012 and February 15, 2012, the City Commission of the City of Port Isabel created and established a Tax Increment Reinvestment Zone #1, pursuant to Chapter 311, Texas Tax Code by passage and approval of Ordinance No. 682, which created the ZONE. The ZONE may provide funding for eligible project costs within the ZONE as provided for in Chapter 311 of the Texas Tax Code, as amended. The ZONE is projected to terminate on December 31, 2027.

IV. RIGHTS AND OBLIGATIONS OF CAMERON COUNTY

A. Tax Increment Participation by CAMERON COUNTY

1. Subject to the limitations set out in this Agreement, CAMERON COUNTY agrees to participate in the ZONE by contributing to the Zone's Tax Increment Fund one hundred percent (100%) of its respective Tax Increments each year during the term of this Agreement, beginning with the 2013 tax year.
2. The Parties hereto agree that CAMERON COUNTY'S contribution to the Tax Increment Fund shall be used to fund project costs to support the development and revitalization efforts in the ZONE as allowed under Chapter 311 of the Texas Tax Code as amended. Unless otherwise changed by formal amendment pursuant to Section VI.D of this agreement, CAMERON COUNTY'S contributions to the Tax Increment Fund shall end when it has contributed its proportionate share, 31.6059% (County's projected maximum tax increment of \$2,632,475 divided by \$8,329,049, combined City (projected maximum, but not limited to tax increment amount) and County maximum projected tax increment as described in Exhibit A)), of the actual costs of the project, or the maximum total contribution provided for in this Agreement, whichever is less, subject to any early termination as otherwise provided in this Agreement not to extend beyond December 31, 2027, the end date for the

County's participation as set forth in Section V.A. in any event. Subject to any limitations of V.T.C.A., Tax Code § 311.014, County tax increment actually paid in excess of its proportionate share of the actual costs of the project shall be returned without delay upon project completion.

B. Tax Increment Payment

1. CAMERON COUNTY'S obligation to contribute its Tax Increment Payments to the Tax Increment Fund, as provided in paragraph IV (A) (1) of this Agreement, shall accrue as CAMERON COUNTY collects its Tax Increment. The Parties hereto agree that all real property taxes collected each year by CAMERON COUNTY that are attributable to real property in the ZONE shall first constitute taxes on the Tax Increment Base. Subject to the limitations on the County's total participation in the ZONE as set forth in Section IV.A.2, after the total amount of taxes on the Tax Increment Base have been collected, the collected amount shall then constitute the Tax Increment. CAMERON COUNTY agrees to contribute its Tax Increment Payments to the Tax Increment Fund semi-annually on March 1 and September 1 (or the first business day thereafter) of each tax year. The amount of each Tax Increment Payment shall be based on the Tax Increments that are received, but which have not been previously deposited, during the semi-annual period preceding each deposit date. The Parties agree that CAMERON COUNTY'S obligation to deposit Tax Increment Payments after December 31, 2027 shall only be for taxes collected and received after such date that are attributable to the time period during which CAMERON COUNTY agreed to participate.
2. Any delinquent deposit of a Tax Increment Payment under this Agreement by CAMERON COUNTY shall be administered as provided in Section 311.013(c) of the Texas Tax Code (or its successor provision). The Parties expressly agree that CAMERON COUNTY shall not owe any penalty or interest on Tax Increments that have been levied, but not received by CAMERON COUNTY. In addition, CAMERON COUNTY shall not be obligated to contribute its Tax Increment Payment from any tax accounts that are classified as exempt or from any non-Tax Increment revenue sources.
3. The CITY and the ZONE BOARD agree to comply with the approved Project Plan for the ZONE (Exhibit "A") and apply the County's tax increment payments to the actual costs of the Projects in ZONE. The City will keep the County promptly

informed as to all changes in the project costs as those costs become known. The CITY agrees to provide prior written notice to CAMERON COUNTY of a proposed material change (defined in this context as any change in the boundaries of the ZONE or any 10% or more increase in the Total Project Plan's actual costs to be incurred within the ZONE) to the Project Plan. CITY shall have the right to amend and modify the Project Plan and without providing prior written notice to CAMERON COUNTY so long as such amendment or modification does not constitute a material change. CAMERON COUNTY shall have a period of 30 business days from the date of receipt of such notice of a material change to provide comment(s) and objection(s) to the proposed change. The absence of written objection(s) or comment(s) by CAMERON COUNTY to the CITY will constitute approval of the proposed material change by CAMERON COUNTY. If CAMERON COUNTY provides notice to the City that it objects to the proposed material change, and the objection(s) and any comment(s), as set out in the notice, is(are) not resolved within 60 calendar days from the date of such notice, CAMERON COUNTY may thereafter discontinue its Tax Increment Payments - towards the unapproved proposed material change or changes but shall continue to participate in other projects in the Zone's Project Plans to which there have been no unapproved material changes subject to the other terms of this Agreement. The Parties agree that this paragraph does not permit any increase in the COUNTY'S tax increment payment participation in the ZONE. Any increased participation shall require a formal amendment to this Agreement as set forth in Paragraph IV., B.6 and VI., I below.

4. If the County believes that CITY has materially breached this Agreement, then CAMERON COUNTY may provide written notice to the CITY and the ZONE Board stating its intent to terminate its participation in the ZONE and detailing its objection(s) or concern(s) regarding any breach. If the objection(s) and/or concern(s) as set out in the notice is (are) not cured within 60 calendar days from the date of such notice, then CAMERON COUNTY shall provide another 60 calendar days notice to the CITY if COUNTY intends to discontinue its Tax Increment Payments and, upon expiration of said notice period, may terminate its participation in the ZONE. Failure to submit an annual report or audit to the Cameron County Commissioners Court, as required by Section VI.K., shall be considered a material breach of this Agreement.

5. Except for contributing its respective Tax Increment Payments to the Tax Increment Fund as set out in this Agreement, CAMERON COUNTY shall not have any obligation or responsibility for any costs or expenses associated with the development of the ZONE or the implementation of the Project Plan, including, without limitation, any obligation to pay or repay any debt.
6. Notwithstanding anything in this Agreement to the contrary, the CITY'S total Tax Increment Payment to the Tax Increment Fund over the term of this Agreement shall be, but not limited to, Five Million Forty Five Thousand Five Hundred Forty-Five Dollars and No Cents, (\$5,045,549). Notwithstanding anything in this Agreement to the contrary, CAMERON COUNTY'S total Tax Increment payment to the Tax Increment Fund over the term of this Agreement shall not exceed Two Million Six Hundred and Thirty-Two Thousand Dollars Four Hundred and Seventy-Five and no cents (\$2,632,475). The Parties may agree in writing to increase these amounts during the term of this Agreement.

C. Management of the ZONE

1. The CITY is the only Participating Taxing Entity with any responsibility for managing or administering the Projects. CAMERON COUNTY may inspect the Project sites and review Project plans and drawings at times and intervals, which will not interfere with ongoing operations.
2. The ZONE BOARD shall be composed of seven (7) members, as provided under Section 311.009(a) of the Texas Tax Code. CITY may appoint the remaining ZONE BOARD members; however, CAMERON COUNTY shall have the right to have one individual appointed to the ZONE BOARD as provided by statute.

D. Expansion of the ZONES

The obligation of CAMERON COUNTY to participate in the ZONE is limited to the description of the ZONE in Exhibit "C" attached hereto. CAMERON COUNTY'S participation shall not extend to the Tax Increment on any additional property added to the ZONE by the CITY unless CAMERON COUNTY approves such participation in writing.

V. TERM AND TERMINATION

A. Agreement Term and Termination

This Agreement shall become effective as of the last date of execution by the Parties hereto, and shall remain in effect until December 31, 2027 unless earlier terminated as provided in this Agreement (the "Agreement Term"). Subject to the terms of this Agreement, CAMERON COUNTY agrees to participate under this Agreement, beginning with the 2012 tax year and ending in accordance with the terms provided in this Agreement. The Parties agree and understand that CAMERON COUNTY'S Tax Increment Payments will not be made after December 31, 2027 except for Tax Increment levies generated during the life of the ZONE but collected after December 31, 2027 subject to the limitations set out in paragraph IV. A. 2, of this Agreement.

B. Early Termination

Neither CITY nor the ZONE BOARD shall take any action to terminate the ZONE earlier than the duration of the ZONE as specified in this Agreement, unless the purpose for the ZONE no longer is deemed feasible by the CITY and ZONE BOARD.

C. Disposition of Tax Increments

Upon expiration or termination of the ZONE, any money remaining in the Tax Increment Fund shall be paid to the Participating Taxing Entities on a pro-rata basis in accordance with Section 311.014(d) of the Texas Tax Code.

VI. MISCELLANEOUS

A. Understanding

Any and all costs incurred by the CITY are not, and shall never become general obligations or debt of CAMERON COUNTY. The eligible project costs incurred by the CITY shall be payable solely from the Tax Increment Fund in the manner and priority provided in this Agreement. There shall also be no recourse against any Participating Taxing Entity, public official, ZONE, or ZONE BOARD if all, or any part of the CITY'S costs, are not reimbursed. It is recognized by the ZONE BOARD that the Project Plan does not forecast sufficient tax revenues to reimburse the CITY for all its estimated contributions or costs. It is expected that the project costs not fully covered by the tax revenues will be paid by grant monies obtained by the CITY.

B. Severability

1. In the event any term, covenant, or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant, or condition herein contained, provided that such invalidity

does not materially prejudice any Party hereto in its respective rights and obligations contained in the valid terms, covenants, or conditions hereof.

2. In the event any term, covenant, or condition shall be held invalid and said invalidity substantially impairs a material right of a Participating Taxing Entity or any ZONE BOARD, then this Agreement shall be void as to that Participating Taxing Entity and that Participating Taxing Entity shall have no further obligation to contribute any future Tax Increment Payments to the Tax Increment Funds. In such a situation, the Parties hereto agree that the Tax Increment Funds shall not refund any prior Tax Increment Payments under this provision of this Agreement.

C. Entire Agreement

This Agreement merges the prior negotiations and understandings of the Parties hereto and embodies the entire agreement of the Parties.

D. Written Amendment

This Agreement may be changed or amended only by a written instrument duly executed on behalf of each Party hereto. All Parties to this Agreement understand and recognize that only the City Commission of the CITY and only the CAMERON COUNTY Commissioners Court have authority to change or amend this Agreement on behalf of CITY or CAMERON COUNTY, respectively.

E. Notices

All Notices required or permitted hereunder shall be in writing and shall be deemed delivered the earlier of (i) when actually received or, (ii) on the third day following deposit in a United States Postal Service post office or receptacle with proper postage affixed (certified mail, return receipt requested) addressed to the respective other Party at the address prescribed in Section I of this Agreement, or at such other address as the receiving Party may have theretofore prescribed by notice to the sending Party.

F. Non-Waiver

Failure of any Party hereto to insist on the strict performance of any of the agreements herein or to exercise any rights or remedies accruing hereunder upon default or failure of performance shall not be considered a waiver of the right to insist on, and to enforce by any appropriate remedy, strict compliance with any other obligation hereunder or to exercise any right or remedy occurring as a result of any future or failure of performance.

G. Assignment

Except for the CITY'S right to assign and delegate this Agreement and the performance of obligations to the ZONE BOARD, no Party shall assign this Agreement at law or otherwise without the prior written consent of the other Parties and no Party shall delegate any portion of its performance under this Agreement without the written consent of the other Parties. All Parties to this Agreement understand and recognize that only the City Council of CITY and only the Commissioner's Court of CAMERON COUNTY have authority to approve a delegation or assignment (of any kind) of this Agreement.

H. Successors

This Agreement shall bind and benefit the Parties and their legal successors. This Agreement does not create any personal liability on the part of any elected official, or agent of a Party to this Agreement.

I. Project Plan

The Parties agree an amendment to any Project Plan shall not apply to CAMERON COUNTY unless CAMERON COUNTY approves the amendment as provided in this Agreement if such amendment to any Project Plan (i) has the effect of directly or indirectly increasing the percentage or amount of Tax Increment to be contributed by CAMERON COUNTY to the Tax Increment Fund; or (ii) increases or reduces the geographical area of any ZONE set forth in its Project Plan.

J. No Waiver of Immunity

No Party hereto waives or relinquishes any immunity or defense on behalf of itself, its trustees, officers, employees, and agents as a result of its execution of this Agreement and performance or non-performance of the covenants contained herein.

K. Access to Financial Information

The CITY shall conduct or cause to be conducted, at a minimum, an annual audit of the Zone Fund by April 30th of each year during the term of the Agreement, a copy of which will be provided to CAMERON COUNTY. Furthermore, each Party to this Agreement shall have reasonable access to financial information and audit reports regarding the operation of the ZONE, contribution of Tax Increment Payments to the Tax Increment Fund, and expenditures from the Tax Increment Fund for Project Costs. Further, in accordance with Section 311.016 of the Texas Tax Code, CITY shall prepare and deliver an annual report to the Cameron County Commissioners' Court no later than January 1st of every year for the duration of the Agreement. No payments will be made by

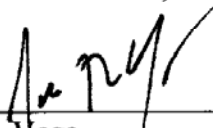
CAMERON COUNTY unless the Cameron County Commissioners' Court has received the annual report by the CITY.

L. ZONE Designation

CITY represents that its designation of the ZONE meets the criteria of Section 311.005(a), Texas Tax Code, and said designation also complies with Texas Attorney General Opinion No. JC-0152 (December 8, 1999).

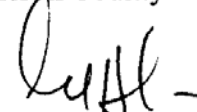
IN WITNESS HEREOF, the CITY OF PORT ISABEL and CAMERON COUNTY have made and executed this Agreement in triplicate originals on this 20th day December of 2012.

City of Port Isabel, Texas



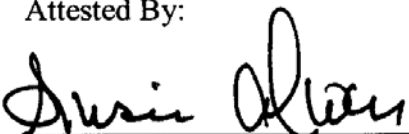
Joe E. Vega,
Mayor

Cameron County



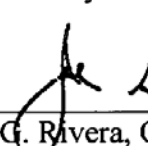
Carlos H. Cascos, CPA
County Judge

Attested By:



Susie Alcocer, City Secretary

Attested By:



Joe G. Rivera, County Clerk




Exhibit A

**City of Port Isabel Tax Increment Reinvestment Zone Project Plan and Finance
Plan for Zone #1**

FINAL

**PROJECT PLAN
AND FINANCING PLAN
FOR**

Reinvestment Zone Number One

City of PORT ISABEL, Texas

Port Isabel Redevelopment Program

August 28, 2012

Table of Contents

	Page
I. EXECUTIVE SUMMARY	3
II. PROJECT PLAN	6
III. PROJECT FEASIBILITY	11
IV. REINVESTMENT ZONE FINANCING PLAN	12
V. ZONE BOARD MEMBERS	19

EXHIBITS

- A. MAP OF EXISTING CONDITIONS
- B. MAPS OF ZONE PROPERTIES
- C. SUMMARY OF TIRZ REQUIREMENTS

SECTION I – EXECUTIVE SUMMARY

Overview of Plan

The City of Port Isabel Tax Increment Reinvestment Zone (“TIRZ”) Number One, represents an important opportunity for the City of Port Isabel in partnership with Cameron County and the Laguna Madre Water District to promote and encourage development and redevelopment in areas of the City that have significant and varied impediments to development.

Large and small tracts of land in and around the city have remained vacant or are in need of redevelopment due to inadequate city street infrastructure, inadequately sized or no utility lines, substandard streets, drainage issues, water and sewer availability and land uses that are no longer compatible with the growth of the City. The costs associated with the remediation of these development and redevelopment issues are of a magnitude that without additional sources of funds the growth of the city will be significantly impaired.

The creation of the TIRZ will provide the following benefits:

1. Funding for necessary public improvements associated with the needed infrastructure improvements.
2. Replace low value existing land uses with high value single-family residences, multi-family residences and commercial development.
3. Offer employment opportunities and reduce commuting time for Port Isabel and Cameron County residents.
4. Help to balance population growth in Cameron County.
5. Provide a more efficient use of existing city and county services.
6. Help to address structural imbalances in the Port Isabel economy and housing market.

Development Goals and Objectives

The development goals and objectives, which are expected to meet the specific needs of the City of Port Isabel Tax Increment Reinvestment Zone Number One, are:

- Provide for new commercial and residential land uses through the enhancement of the Port to Highway 48 Boulevard along with new sewer and water lines sized for existing and future growth.
- Begin to address the need for expanded housing opportunities for Port Isabel residents and Port Isabel workers who have to commute to work.
- Provide employment opportunities to service increasing population growth within the City of Port Isabel and surrounding Cameron County.
- Solve long-range storm drainage issues that affect the City, surrounding Cameron County and its residents.

- Provide for economic development incentives to address structural imbalances in the Port Isabel economy.

The City of Port Isabel Tax Increment Reinvestment Zone Number One Project Plan and Reinvestment Zone Financing Plan (Project Plan) provides a long term program to increase single-family and multi-family housing opportunities and add population within the District. The plan also provides for more and expanded commercial property uses using tax increment financing to fund required public improvements. This long-term program is expected to attract additional commercial and residential development to include affordable, work force and market rate housing.

Planned Private Development

The Port Isabel TIRZ Private Development Program includes;

Phase 1	2012	\$10,000,000	Condominiums
Phase 2	2013	\$1,500,000	Single Family
Phase 2a	2013	\$5,000,000	Commercial
Phase 3	2014	\$5,000,000	Commercial
Phase 3a	2014	\$2,317,500	Single Family
Phase 3	2015	\$10,000,000	The Oasis
Phase 3a	2015	\$3,983,000	Single Family
Phase 4	2016	\$5,000,000	Commercial
Phase 4a	2016	\$4,723,750	Single Family
Phase 5	2017	\$5,000,000	Commercial
Phase 5b	2017	\$11,250,000	Multi-Family
Phase 6	2018	\$5,000,000	Commercial
Phase 7	2019	\$5,000,000	Commercial
Phase 7a	2020	\$2,714,000	Single Family
Phase 8	2021	\$5,000,000	Commercial
Phase 8a	2021	\$3,478,750	Single Family
Phase 9	2022	\$5,000,000	Commercial
		\$60,000,000	Commercial
	150	\$11,250,000	Multi-Family
	150	\$18,717,000	Single Family
Captured Value		\$ 89,967,000	

The total private investment is expected to be in excess of \$ 89,967,000 as further commercial development occurs

Planned Public Improvements

The public improvements enumerated in the Project Plan, with an estimated cost of \$12,390,000 provide for the extension streets, sewer collection and water distribution facilities, new street construction, Highway 100 Improvements and additional public facility acquisition and/or construction. The public improvements planned for the Port Isabel Redevelopment Program are designed to help meet the long-term needs to secure and insure growth and investment in the City and in Cameron County.

Planned Public Construction

Planned Public Improvements Include:

Boulevard Port Road To Hwy 48	\$	2,500,000
Street, Water and Sewer Extensions	\$	4,000,000
Multi-Family Property Acquisition	\$	3,000,000
Streetscape Hwy 100	\$	750,000
Public Housing Enhancements	\$	1,125,000
Public Facilities	\$	2,000,000

A complete list of all costs associated with the project is found under the project budget located in the Financing Plan beginning on page 10.

The Tax Increment Reinvestment Zone Financing Plan provides for tax increment allowable expenses in the approximate amount of \$ 13,440,000 but the plan also limits the reimbursable expenses at \$ 8,302,723. The Reinvestment Zone Financing Plan provides for incremental financing and predicts revenues for the City of Port Isabel Tax Increment Reinvestment Zone Number One.

Section II – Project Plan

Background

On October 27, 2009 the City Commission of the City of Port Isabel approved a “Resolution of Intent” to consider the creation of the City of Port Isabel Tax Increment Reinvestment Zone Number One. On January 31, 2012 the City Commission approved Ordinance No. 682 authorizing the creation of the Tax Increment Reinvestment Zone. On February 15, 2012 the Commission approved Ordinance No. 683 appointing a Board of Directors for the Zone.

Meetings and statutory presentations were held with individuals and taxing entities in Cameron County on the following dates:

- Cameron County Commissioner Pct. 3 October 20, 2011
- Laguna Madre Water District November 2011
- Cameron County Commissioners Court on. November 23, 2011
- Point Isabel Independent School District on October 18, 2011

Program Concepts

The City of Port Isabel Tax Increment Reinvestment Zone represents an important opportunity for the City of Port Isabel in partnership with Cameron County to develop a viable long-range revitalization plan for areas of the City, which have lacked a wide range of commercial, and single and multi-family housing opportunities. New commercial/retail/foodservice, single-family, multi-family and lodging construction are the key components of the revitalization plan. The construction of an additional multi-lane thoroughfare with new utility lines will serve to increase investment by the private sector into this area. Increased employment opportunities for Port Isabel and surrounding county and community residents will be enhanced through the development and redevelopment activity within the Zone.

Development Goals and Objectives

The planned public improvements within the City of Port Isabel Tax Increment Reinvestment Zone will insure the future of the City as a viable option as companies look to expand or relocate and will provide for landlocked tracts of land to be developed. The addition of lodging facilities and an enhanced visitor event center will complement the destination tourism and fishing industries.

Description of District

The City of Port Isabel Tax Increment Reinvestment Zone is located throughout the City. It uses a series of major through-fares and city street right-of-ways to connect the various properties within the Zone. The market value of property within the Zone is estimated to be \$28,208,703, however, the total assessed value of the property in the Zone, the Base Value of the Zone, is estimated at \$27,798,326 per preliminary figures from the Cameron County Appraisal District. The City of Port Isabel TIRZ includes approximately 175+/- acres of public and privately held land surrounding the City as shown on the Exhibit "A"

Existing Uses and Conditions

The City of Port Isabel has determined that the improvements in the Zone will significantly enhance the value of all of the taxable real property in the Zone and will be of general benefit to the municipality, and that the Zone area meets the requirements of Section 311.005 of the Act, being that the Zone area:

"is predominantly open or undeveloped, and because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impairs or arrests the sound growth of the City" and

The City of Port Isabel, pursuant to the Act, further finds and declares that:

1. the proposed zone is a geographical area located wholly within the City limits or extraterritorial jurisdiction of Port Isabel;
2. less than thirty percent (30%) of the property in the proposed Zone is used for residential purposes, as the term "residential" is defined in Section 311.006(d) of the Act;
3. the total appraised value of the taxable real property in the proposed Zone or in existing reinvestment zones, if any, does not exceed fifty per cent (50%) of the total appraised value of taxable real property in the City and in industrial districts, if any, created by the City;
4. the proposed Zone does not contain more than fifty percent (50%) of the total appraised value of real property taxable by Cameron County and the Point Isabel Independent School District,
5. development or redevelopment within the boundaries of the proposed Zone will not occur solely through private investment in the reasonably foreseeable future.

City of Port Isabel TIRZ Zoning

Properties within the Zone are currently zoned: N Non Zoned District, R-1 Single Family Residential District, A-1 Multi-family residence District, A-2 Mobile Home/Manufactured Home District, B-1 Business District, B-2 General Business District H-1 Industrial District, and PDD Planned Development District. The City does not have an Agricultural use zone but relies on the appraisal district to designate that land use. There are no proposed changes in zoning ordinances, the City of Port Isabel Comprehensive Master Plan, building codes or subdivision rules and regulations that would affect properties in the Zone

Relocation of Area Residents

In the event that it became necessary to relocate a person or persons because of a TIRZ redevelopment activity the City would work with the Port Isabel and Cameron County Housing Authorities to find housing equal to or better than the housing stock they are being relocated from. The boundaries of the Zone include commercial and multi-family properties in need of redevelopment, in the event that the building are not repairable but must be razed the City will work with the Port Isabel and the Cameron County Housing Authorities to relocate the tenants. No structure will be demolished without the existing tenant base being relocated to comparable housing with in the market area.

Non Project Costs

The plan does not contemplate any non-project costs. However, the Board reserves the right to incur non-project costs in the event that drainage issues that are affecting property within the Zone require the expenditure of funds outside the boundaries of the Zone in order to ameliorate drainage issues within the Zone. The Board also reserves the ability to procure easements for the Laguna Madre Water District in order to extend water or sewer service between Zone properties.

Proposed Public Improvements

BOULEVARD PORT ROAD TO HIGHWAY 48

The Cameron County Regional Mobility Authority has determined that a need exists for a by-pass road from the Port of San Benito-Port Isabel to Highway 48, which ties the City to the City of Brownsville. The RMA has approximately \$1,200,000 for the funding of a two lane connector between the Port and Highway 48. The construction of this road would open a very large tract of land for future development, however, a two lane road without sewer and water does not meet the long range goals of the City. The City will participate in the construction of the road by providing the funding to expand the road from two lanes to four lanes and will provide for funding for water and sewer mains large enough to service the entire surrounding property from TIRZ revenues. Water and sewer will be stubbed out at various points along the road in order to facilitate future development of the land. The RMA will be reimbursed for their cost of the road construction out of the TIRZ fund as those funds become available.

STREET, WATER AND SEWER EXTENSIONS

The City will establish a policy through its TIRZ development guidelines of reimbursing single and multi-family developers for public infrastructure. The guidelines will provide for 100% reimbursement for public improvements for single-family lots for homes that will be sold to the Port Isabel and Cameron County residents in the price range of \$75,000 to \$115,000. Developers building in the price range of \$115,001 to \$135,000 will be eligible for reimbursement up to 80%. In the price range \$135,001 TO \$150,000 the eligible reimbursement would be 60%. Houses constructed with a sales price between \$150,001 and \$200,000 would be eligible for reimbursement

of 25% of their public improvements. Immediate family members and employees of the developer that purchase homes in the development would not have any reimbursement associated with their lot, i.e. if the reimbursement to the developer is \$12,000 per lot then that sum of money would be deducted from the developers' eligible reimbursement. It is the goal of the Zone to facilitate the construction of approximately 150 new single family homes over the life of the TIRZ

ECONOMIC DEVELOPMENT INCENTIVES MULTI-FAMILY PROPERTY

The growth and health of the Cities economy has been adversely impacted by a lack of affordable multi-family housing. Port Isabel employers report difficulty in finding and retaining qualified employees who live in the City or surrounding area. Land prices in the City are such that the development of quality affordable and workforce housing is difficult. No new multi-family properties have been developed in the City for over twenty years. As an economic development incentive to produce additional multi-family housing within the City, the City may from time to time underwrite the acquisition of property for multi-family development, or use TIRZ funds to facilitate the construction of new multi-family dwelling units.

HIGHWAY 100 AND DOWNTOWN BEAUTIFICATION AND STREETSCAPE

In its downtown area the City has been able to do some street landscaping, which enhances the retail and food service business in the downtown area. It is the intent of the City to extend that streetscaping from the downtown area along Highway 100 to Port Road. The TIRZ would participate in sidewalk construction and reconstruction, tree planting and other landscaping. The Zone would not participate in any maintenance. The Port Isabel Downtown District Plan outlines improvements in the historic downtown area, primarily along Maxam Street, when appropriate TIRZ funds may be used in the implementation of that plan.

PUBLIC HOUSING ENHANCEMENTS - ECONOMIC DEVELOPMENT INCENTIVES

The Zone may from time to time purchase substandard structures from either the Cameron County Housing Authority or the Port Arthur Housing Authority, rehabilitate the structures or demolish the buildings and make the property available to not for profit housing providers for single and multi-family development or will fund replacement housing in the event that the property is sold for other commercial uses.

PUBLIC FACILITIES

The City has a need to consolidate all of its maintenance activities in one location. This will serve to enhance significant saving in that City workers are not spending time going from here to there but are able to accomplish all there maintenance activities under one roof and in one maintenance yard. Additionally the City will have a need to enhance and upgrade their public safety communication system to include the ability to coordinate and communicate with Cameron County and other regional municipalities. Purchase of property for visitor center, parking and the landscaping and sidewalks for the parking lot are included in the plan.

The planned improvements are designed to begin to meet the long-term needs to secure growth and investment in Port Isabel and central Cameron County.

Conclusions

Based upon a set of conservative assumptions and analysis of the Project Plan and Reinvestment Zone Financing Plan, the City of Port Isabel has concluded that the Project Plan and Reinvestment Zone Financing Plan is feasible.

SECTION III - Project Feasibility

The feasibility of any development has two aspects that must be considered:

1. Financial or economic feasibility
2. Market feasibility.

The purpose of the TIRZ is to address the financial aspect of the development. TIRZ incremental funds provide for a portion of the development costs incurred for public improvements, thus insuring the financial feasibility of the Project. This project is financially feasible and can be developed with the funding of public improvements from TIRZ funds, however the City acknowledges that the incremental funds to be generated from the project do not cover all of the cost of the proposed public improvements and that other funding sources will be necessary.

Market feasibility addresses issues relating to product absorption, type of product, and demand. The existing economic base is expected to increase due to new commercial opportunities that will be generated through the construction of the new Port Road bypass corridor. Additionally developers and builders have approached the City with preliminary plans for which they will be pulling permits in 2012 and 2013. There is demonstrated demand for the type and size of the planned private improvements in the Zone. The public improvements schedule for the Zone will insure that these private improvements are built.

SECTION IV – REINVESTMENT ZONE FINANCING PLAN

Tax Increment Financing

The Tax Increment Financing Act (Chapter 311 of the Tax Code), provides for municipalities to create “reinvestment zones” within which various public works and improvements can be undertaken, using tax increment revenues, bonds or notes, to pay for those improvements. At the time an area is designated a reinvestment zone for tax increment financing (“TIF”), the existing total of appraised value of real property in the zone is identified and designated as the “tax increment base.” Taxing units levying taxes in the zone during its life are limited to revenues from this base.

Public improvements are made in the area to attract private development that would not otherwise occur. As the costs of new development are added to the tax rolls, property values will rise. This rise in new value is called the “captured appraised value.” The taxes that are collected by the participating taxing jurisdictions on the increment between the base value and the new higher value, the tax increment, are then deposited into a TIF Trust Fund, which is used to pay for the public improvements. Once the public improvements are completed and paid for, the TIF is dissolved and any remaining amounts of taxes collected are kept by the taxing jurisdiction. In effect, the taxing jurisdictions are “investing” future earnings to receive the benefit of higher tax revenues from new development. Taxing jurisdictions are not restricted from raising or lowering their tax rate during the life of the zone.

Financing Plan

The Reinvestment Zone Financing Plan developed by the City provides that potentially \$13,440,000 of public improvements will be partially paid for with TIF funds. The Reinvestment Zone Financing Plan also projects incremental funds for financing and revenues for the City of Port Isabel TIRZ. It is not anticipated that tax increment funds in an amount to fully reimburse the City for all approved project costs will be generated over the projected life of the Zone

Financing Method: Incremental funds will be spent as they accrue and TIF Revenue Bonds may be issued for larger projects and paid for with annual TIRZ proceeds

Financing Policy: The goal of the City of Port Isabel Tax Increment Reinvestment Zone is to borrow only those funds needed as the necessity arises in order to reduce interest expense.

Long Term Financing: The developers of the commercial/industrial/retail sites, and the single and multi-family homes will arrange for long term financing for their individual projects.

Tax Increment Bonds: The City may at some point in the future issue bonds for capital improvements within the Zone. However, the City will issue no bonds without sufficient Zone revenue to service the principal and interest on the bonds.

Development Schedule And Assumptions

The Development Schedule is based upon the immediate needs of the City and the public works are listed by priority. The City intends to remain flexible in order to leverage other funds with TIRZ funds to maximize the efficiency of the City's funds.

Begin Construction	2012
Construction Complete	2026
Boulevard Port Road To Hwy 48	\$ 2,500,000
Street, Water and Sewer Extensions	\$ 4,000,000
Multi-Family Property Acquisition	\$ 3,000,000
Streetscape Hwy 100	\$ 750,000
Public Housing Enhancements	\$ 1,125,000
Public Facilities	\$ 2,000,000
Administrative and Start Up Expense	\$ 65,000
Total Costs	\$ 13,440,000

Financial Assumptions

No tax rate changes have been factored into the financial pro forma's for the District. A 2% per year inflation rate in the value of the private improvements has been factored into the pro-forma. All projections assume that taxable appraised value and tax rates will remain unchanged, with the exception of the 2% per year inflation factor, over the entire 15-year life of the District. It has also been assumed that the taxing entities will continue to collect tax revenues at the same rate and that homestead and other exemption rates will remain unchanged. The finance plan assumes a collection rate of 97.5% because 70% of the new development will be in the form of commercial construction, the long-term lenders who do the permanent financing for these types of projects generally require proof that the taxes are current. Residential projects that receive incentive financing will have, as a term of the assistance, to have property taxes included in the mortgage payments. The City acknowledges that in any given year the collection rate will initially be lower with the balance of the taxes due being paid in arrears.

City of Port Isabel Project Review

City of Port Isabel - TIF Reinvestment Zone # One

Summary Fact Sheet January 5, 2012

Plan of Finance

Site Area	175 +/- Acres
Base Value (January 1, 2012)	\$27,798,326

Project:

Phase 1	2012	\$10,000,000	Condominiums
Phase 2	2013	\$1,500,000	Single Family
Phase 2a	2013	\$5,000,000	Commercial
Phase 3	2014	\$5,000,000	Commercial
Phase 3a	2014	\$2,317,500	Single Family
Phase 3	2015	\$10,000,000	The Oasis
Phase 3a	2015	\$3,983,000	Single Family
Phase 4	2016	\$5,000,000	Commercial
Phase 4a	2016	\$4,723,750	Single Family
Phase 5	2017	\$5,000,000	Commercial
Phase 5b	2017	\$11,250,000	Multi-Family
Phase 6	2018	\$5,000,000	Commercial
Phase 7	2019	\$5,000,000	Commercial
Phase 7a	2020	\$2,714,000	Single Family
Phase 8	2021	\$5,000,000	Commercial
Phase 8a	2021	\$3,478,750	Single Family
Phase 9	2022	\$5,000,000	Commercial

Totals

		\$60,000,000	Commercial
	150	\$11,250,000	Multi-Family
	150	\$18,717,000	Single Family

Assumptions

Captured Value	\$	89,967,000
Growth Factor		2.00%
Collection Rate		97.50%
Estimated Total TIF Revenues	\$	8,329,049
Estimated TIF Life		15 Years

Projected Value of New Tax Increment

The estimates of new tax increment are based upon the development schedule.

Year	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Phase 7	Phase 8	Phase 9	Phase 10	Phase 11	Total
2012	10,000,000											10,000,000
2013		6,500,000										6,500,000
2014			7,317,500									7,317,500
2015				13,983,000								13,983,000
2016					9,723,750							9,723,750
2017						16,250,000						16,250,000
2018							5,000,000					5,000,000
2019								5,000,000				5,000,000
2020									2,714,000			2,714,000
2021										8,478,750		8,478,750
2022											5,000,000	5,000,000
	<u>10,000,000</u>	<u>6,500,000</u>	<u>7,317,500</u>	<u>13,983,000</u>	<u>9,723,750</u>	<u>16,250,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>2,714,000</u>	<u>8,478,750</u>	<u>5,000,000</u>	<u>89,967,000</u>

Schedule of Projected Income From Value of New Tax Increment

Tax Year	Tax Increment Zone				City of Port Isabel			Cameron County		
	Beginning Assessed Value	Annual Value of New Development	Projected Year-End Assessed Value	Projected Captured Value	Captured Taxable Value	Tax Rate Contribution	Tax Increments	Captured Taxable Value	Tax Rate Contribution	Tax Increments
2012	27,798,326		27,798,326	10,000,000	-	0.626367	61,071	-	0.326802	
2013	27,798,326	10,000,000	37,798,326	10,000,000	10,000,000	0.626367	61,071	10,000,000	0.326802	31,863
2014	37,798,326	6,500,000	44,288,326	16,630,000	16,630,000	0.626367	101,561	16,630,000	0.326802	52,988
2015	44,288,326	7,317,500	51,892,176	24,093,850	24,093,850	0.626367	147,143	24,093,850	0.326802	76,771
2016	51,892,176	13,983,000	66,154,836	38,356,510	38,356,510	0.626367	234,246	38,356,510	0.326802	122,216
2017	66,154,836	9,723,750	82,729,836	54,931,510	54,931,510	0.626367	335,471	54,931,510	0.326802	175,029
2018	82,729,836	16,250,000	87,829,836	60,031,510	60,031,510	0.626367	366,617	60,031,510	0.326802	191,280
2019	87,829,836	5,000,000	92,929,836	65,131,510	65,131,510	0.626367	397,763	65,131,510	0.326802	207,530
2020	92,929,836	5,000,000	95,698,116	67,899,790	67,899,790	0.626367	414,669	67,899,790	0.326802	216,350
2021	95,698,116	2,714,000	98,466,396	70,668,070	70,668,070	0.626367	431,575	70,668,070	0.326802	225,171
2022	98,466,396	8,478,750	107,114,721	79,316,395	79,316,395	0.626367	484,391	79,316,395	0.326802	252,727
2023	107,114,721	5,000,000	109,257,015	81,458,689	81,458,689	0.626367	497,475	81,458,689	0.326802	259,553
2024	109,257,015		111,442,156	83,643,830	83,643,830	0.626367	510,819	83,643,830	0.326802	266,516
2025	111,442,156		113,670,999	85,872,673	85,872,673	0.626367	524,431	85,872,673	0.326802	273,618
2026	113,670,999		115,944,419	88,146,093	88,146,093	0.626367	538,315	88,146,093	0.326802	280,862
2027										
				\$ 89,967,000			\$ 5,045,549		\$ 2,632,475	
Annual Growth Factors Years Thereafter				2011-2012	0.00%		100%			100%
Combined Compound Growth Rate					2.00%		0.00%			97.50%

Schedule of Projected Income From Value of New Tax Increment Continued:

Laguna Madre Water District			Fiscal Year Ending		Fiscal Year Ending		Cumulative TIF Revenues	
Captured Taxable Value	Tax Rate Contribution	Tax Increments	Combined TIF Collections	2012	2013	TIF Revenue	2012	2013
10,000,000	0.080820	-	100,814	2012	2013	100,814	100,814	100,814
16,630,000	0.080820	7,880	167,654	2014	2014	167,654	268,467	268,467
24,093,850	0.080820	13,104	242,900	2015	2015	242,900	511,367	511,367
38,356,510	0.080820	18,986	386,687	2016	2016	386,687	898,054	898,054
54,931,510	0.080820	30,225	553,786	2017	2017	553,786	1,451,840	1,451,840
60,031,510	0.080820	43,286	605,201	2018	2018	605,201	2,057,041	2,057,041
65,131,510	0.080820	47,305	656,616	2019	2019	656,616	2,713,658	2,713,658
67,899,790	0.080820	51,323	684,524	2020	2020	684,524	3,398,182	3,398,182
70,668,070	0.080820	53,505	712,433	2021	2021	712,433	4,110,615	4,110,615
79,316,395	0.080820	55,686	799,620	2022	2022	799,620	4,910,235	4,910,235
81,458,689	0.080820	62,501	821,217	2023	2023	821,217	5,731,452	5,731,452
83,643,830	0.080820	64,189	843,246	2024	2024	843,246	6,574,698	6,574,698
85,872,673	0.080820	65,911	865,716	2025	2025	865,716	7,440,414	7,440,414
88,146,093	0.080820	67,667	888,635	2026	2026	888,635	8,329,049	8,329,049
		69,459		2027	2027			
Participation Level		\$ 651,026						
Tax Rate Growth Factor	0.00%							
Tax Rate Collection Factor	97.50%							
			\$ 8,329,049			\$ 8,329,049		

Project Budget

Sources of Funds

TIF Revenues	\$	8,329,049
Total TIF Proceed Funds	\$	8,329,049
Total Sources of Funds	\$	<u>8,329,049</u>

Uses of Funds

Begin Construction	2012
Construction Complete	2026
Boulevard Port Road To Hwy 48	\$ 2,500,000
Street, Water and Sewer Extensions	\$ 4,000,000
Multi-Family Property Acquisition	\$ 3,000,000
Streetscape Hwy 100	\$ 750,000
Public Housing Enhancements	\$ 1,125,000
Public Facilities	\$ 2,000,000
Administrative and Start Up Expense	\$ 65,000
Total Costs	\$ 13,440,000
Project Financing Surplus (Shortage)	\$ (5,110,951)

Financial Feasibility

Based upon a set of conservative assumptions and analysis of the project-financing plan, the City of Port Isabel has concluded that the plan is feasible.

Conclusions

Based upon a set of conservative assumptions and analysis of the City of Port Isabel Tax Increment Reinvestment Zone District Project Plan and Reinvestment Zone Financing Plan, The City of Port Isabel TIRZ has concluded that the City of Port Isabel Tax Increment Reinvestment Zone Project Plan and Reinvestment Zone Financing Plan is feasible. The success of the City of Port Isabel Tax Increment Reinvestment Zone project plan will encourage other mixed-use commercial/industrial/retail/lodging and market rate residential and affordable housing. The new residential population base; will support an expanding retail base, will supplement the existing job market, will attract additional private development into the City of Port Isabel and Western Cameron County and will serve to stabilize and enhance future property values.

Board of Directors Tax Increment Reinvestment Zone Number One, City of Port Isabel

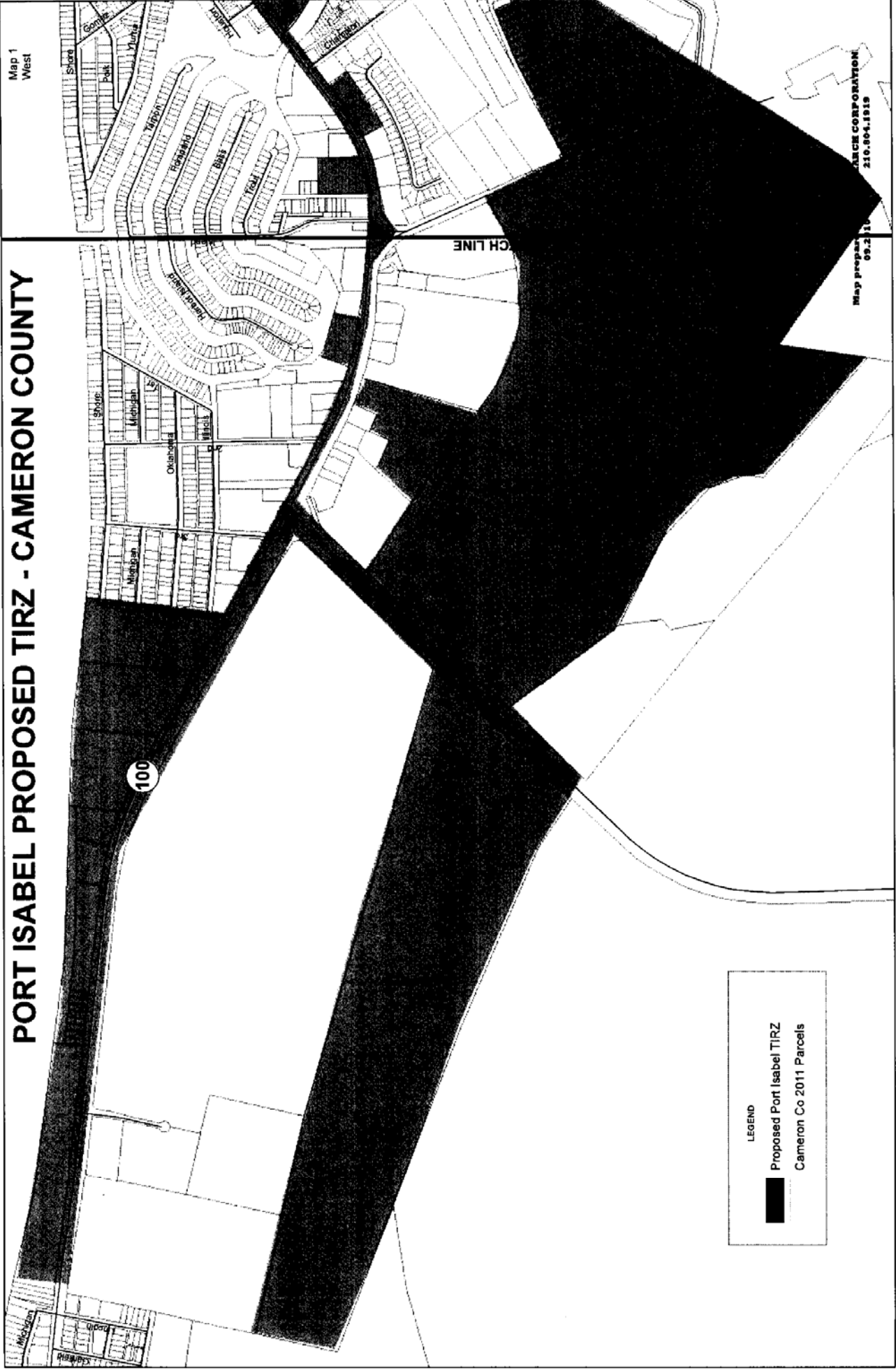
- 1. Anna Cateora, City of Port Isabel**
- 2. Gary Snyder, City of Port Isabel**
- 3. Ramona Kantack-Alcantara, City of Port Isabel**
- 4. Martin Cantu, Jr., City of Port Isabel**
- 5. Mavelia Calvillo, City of Port Isabel**
- 6. Cameron County**
- 7. Laguna Madre Water District**

Exhibit "A" To Finance and Development Plan

Maps of Zone Property

PORT ISABEL PROPOSED TIRZ - CAMERON COUNTY

Map 1
West



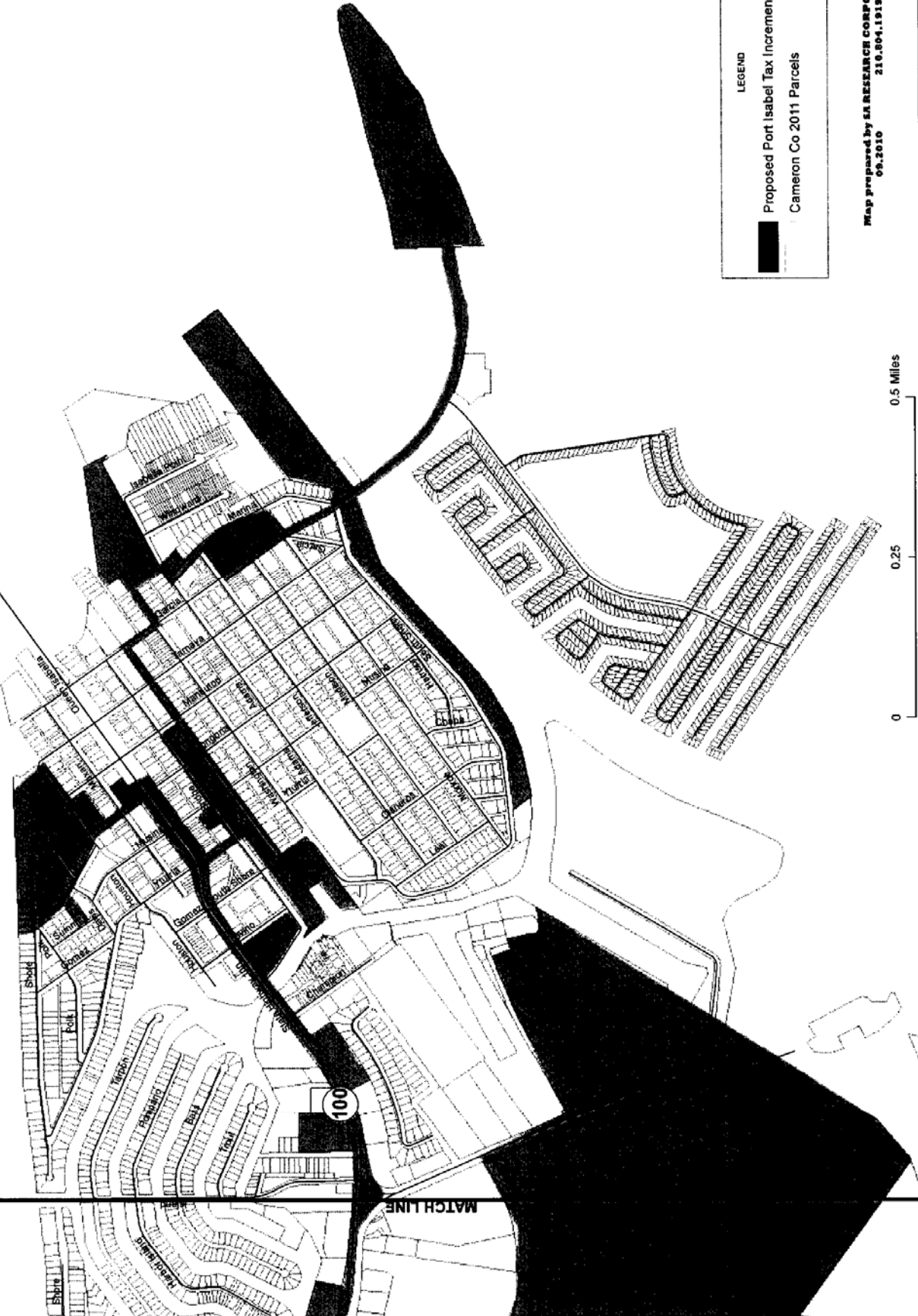
LEGEND

- Proposed Port Isabel TIRZ
- Cameron Co 2011 Parcels

Map prepared by: [unreadable] ARCH CORPORATION
210.604.1919
09.2.11

PORT ISABEL PROPOSED TIRZ - CAMERON COUNTY

Map 2
East



LEGEND

- Proposed Port Isabel Tax Increment Reinvestment Zone
- Cameron Co 2011 Parcels

Map prepared by SA RESEARCH CORPORATION
09.2010 210.804.1919

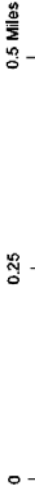


Exhibit “B” To Finance and Development Plan

TIRZ REQUIREMENTS

Section 311 of the State Tax Code (Tax Increment Financing Act) specifies that TIRZ (TIF) project and financing plans meet certain requirements. These requirements are listed below, along with a reference indicating where these elements can be located in the plan.

Project Plan

- | | |
|--|--------------|
| 1. Map of existing uses and conditions | Exhibit A |
| 2. List proposed improvements and uses | Page 18 |
| 3. Description of Zone Property | Exhibit A |
| 4. Project Feasibility | Page 11 |
| 5. Proposed zoning changes | Page 7 |
| 6. Estimated non-project costs | None claimed |
| 7. Relocation plan for current residents | Page 8 |

Financing Plan

- | | |
|---|--------------|
| 1. Detailed estimate of project costs. | Page 18 |
| 2. Proposed public improvements | Page 18 |
| 3. Project Timeline | Page 14 |
| 4. Estimated amount of bonded indebtedness | Undetermined |
| 5. Time when costs/obligations will be incurred | 2012 - 2027 |
| 6. Methods of financing, sources of Revenue | Page 12 |
| 7. Current total appraised value. | Page 16 |
| 8. Estimated captured appraised value | Page 17 |
| 9. Duration of Zone | Page 18 |

Exhibit B

Ordinance No. 682

City Commission of the City of Port Isabel, Texas

ORDINANCE 682

AN ORDINANCE OF THE CITY COMMISSION OF CITY OF PORT ISABEL, CAMERON COUNTY, TEXAS DESIGNATING AN AREA KNOWN AS THE CITY OF PORT ISABEL DEVELOPMENT PROJECT AS A TAX INCREMENT REINVESTMENT ZONE; DESCRIBING THE BOUNDARIES OF THE ZONE; CREATING A BOARD OF DIRECTORS FOR THE ZONE; PROVIDING FOR AN EFFECTIVE DATE AND TERMINATION DATE FOR THE ZONE; NAMING THE ZONE "REINVESTMENT ZONE NUMBER ONE CITY OF PORT ISABEL; AND ESTABLISHING A TAX INCREMENT FUND; AND CONTAINING OTHER PROVISIONS RELATED THERETO.

WHEREAS, the City Commission (the "Commission") of the City of Port Isabel, Texas (the "City") desires to support development and redevelopment in the City to be funded in whole or in part, through the creation of a Tax Increment Reinvestment Zone (the "Zone"), as hereinafter more specifically defined and named and with boundaries as hereinafter provided, pursuant to the provisions of the Tax Increment Financing Act (the "Act"), Texas Tax Code, Chapter 311; and

WHEREAS, the City indicated its intent to create the Zone by approving a "Resolution of Intent" to create the Zone at the regularly scheduled City Commission meeting on March 29, 2011; and

WHEREAS, the Project will support financing of costs associated with the construction of public improvements related to several possible development and redevelopment projects, which may include (i) The Port Road Bypass Boulevard infrastructure improvements, (ii) streets, water and sewer infrastructure, and (iii) Highway 100 streetscaping improvements; and

WHEREAS, pursuant to the Act, the City may designate a contiguous geographical area within the City or the City's Extraterritorial Jurisdiction; and

WHEREAS, Pursuant to the Act, the City has directed that a Preliminary Reinvestment Zone Financing Plan (the "Preliminary Plan") be prepared for the proposed Zone; and

WHEREAS, A Public Hearing was held on January 10, 2012 in the City Commission Board Room to consider the creation of a Tax Increment Reinvestment Zone for the Project and its respective benefits to the City and to property in the proposed Zone; and

WHEREAS, 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;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF PORT ISABEL:

SECTION 1. DESIGNATING THE AREA AS A REINVESTMENT ZONE. The area described in Section 2 below and more commonly referred to as the "Port Isabel Development Project" and officially assigned the name as designated in Section 5 below (which reinvestment zone so described, named and designated is hereinafter referred to as the "Zone"), is hereby designated as a Tax Increment Reinvestment Zone.

SECTION 2. DESCRIPTION OF THE BOUNDARIES OF THE REINVESTMENT ZONE. Attached hereto as Exhibit "A", which is incorporated herein by reference for all purposes is a Cameron County Appraisal District Map with the parcels, area and boundaries of the Zone shaded in red.

SECTION 3. CREATION AND COMPOSITION OF A BOARD OF DIRECTORS FOR THE ZONE. There is hereby created a Board of Directors (the "Board") for the Zone, with all the rights powers and duties as provided by the Act to such Boards or by action of the City Commission. Pursuant to Section 311.009(a) of the Texas Tax Code the Board shall consist of not less than five (5) and not more than fifteen (15) members. **The City of Port Isabel Tax Increment Reinvestment Zone Board shall consist of seven (7) members; five (5) appointees from the City of Port Isabel, one (1) appointee from the Laguna Madre Water District and one (1) appointee from Cameron County.** Each taxing unit other than the City that levies taxes on real property in the Zone may appoint one member to the Board. A unit may waive its right to appoint a member. The City Commission shall appoint the remaining directors. Appointees shall be for a two (2) year term. Upon expiration of their respective terms of office, replacements to the Board shall be appointed. Vacancies on the Board shall be filled by the respective taxing unit making such appointments for the remainder of the unexpired term.

SECTION 4. EFFECTIVE DATE AND TERMINATION DATE OF THE ZONE. The Zone shall take effect on January 10, 2012 and continue until its termination date of December 31, 2027 unless otherwise terminated earlier as a result of payment in full of all project costs, tax increment bonds, if any, including interest on said bonds as authorized or permitted by law.

SECTION 5 ASSIGNING A NAME TO THE ZONE. The Tax Increment Reinvestment Zone created hereby is assigned the name of "REINVESTMENT ZONE NUMBER ONE, CITY OF PORT ISABEL, TEXAS."

SECTION 6. TAX INCREMENT BASE. The tax increment base for the Zone is the total assessed value of all real property taxable by the City and located in the Zone, determined as of January 1, 2011, the year in which the Zone was designated as a Reinvestment Zone (the "Tax Increment Base").

SECTION 7. ESTABLISHMENT OF A TAX INCREMENT FUND. There is hereby created and established in the depository bank of the City, a fund to be called the "REINVESTMENT ZONE NUMBER ONE, CITY OF PORT ISABEL, TEXAS TAX INCREMENT FUND" (HEREIN CALLED THE "Tax Increment Fund"). Money in the Tax Increment Fund, from whatever source, may be disbursed from the Tax Increment Fund, invested, and paid as permitted by the Act or by any agreements entered into pursuant to the Act, or as otherwise authorized by law.

SECTION 8. FINDINGS. The City hereby finds and declares that (a) improvements in the Zone will significantly enhance the value of all the taxable real property in the Zone and will be of general benefit to the City; and (b) the Zone meets the requirements of Section 311.005 of the Act, being that the Zone area:

"be predominantly open or undeveloped, and because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impairs or arrests the sound growth of the municipality..."

The City of Port Isabel, pursuant to the Act, further finds and declares that:

1. the proposed zone is a contiguous geographical area located wholly within the City limits or extraterritorial jurisdiction of Port Isabel;
2. less than thirty percent (30%) of the property in the proposed Zone is used for residential purposes, as the term "residential" is defined in Section 311.006(d) of the Act;
3. the total appraised value of the taxable real property in the proposed Zone or in existing reinvestment zones, if any, does not exceed fifty per cent (50%) of the total appraised value of taxable real property in the City and in industrial districts, if any, created by the City;
4. the proposed Zone does not contain more than fifty percent (50%) of the total appraised value of real property taxable by Cameron County and the Point Isabel Independent School District, and
5. development or redevelopment within the boundaries of the proposed Zone will not occur solely through private investment in the reasonably foreseeable future.

SECTION 9. DESIGNATION OF A SECTION 311.005 (a) ZONE. The Zone is designated pursuant to Section 311.005(a) of the Act.

SECTION 10. SEVERABILITY. If any of the provisions 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 circumstance shall nevertheless be valid, as if such invalid provisions had never appeared herein, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision

SECTION 11. The Zone shall take effect immediately upon passage of this Ordinance, pursuant to Section 311.004 (a)(3) of the Act

PASSED, APPROVED AND ADOPTED the first reading on this 31st day of January 2012.

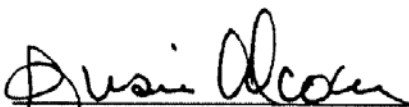
PASSED, APPROVED AND ADOPTED the second and final reading on this 15th day of February 2012

CITY OF PORT ISABEL TEXAS



JOE E. VEGA, MAYOR

ATTEST:



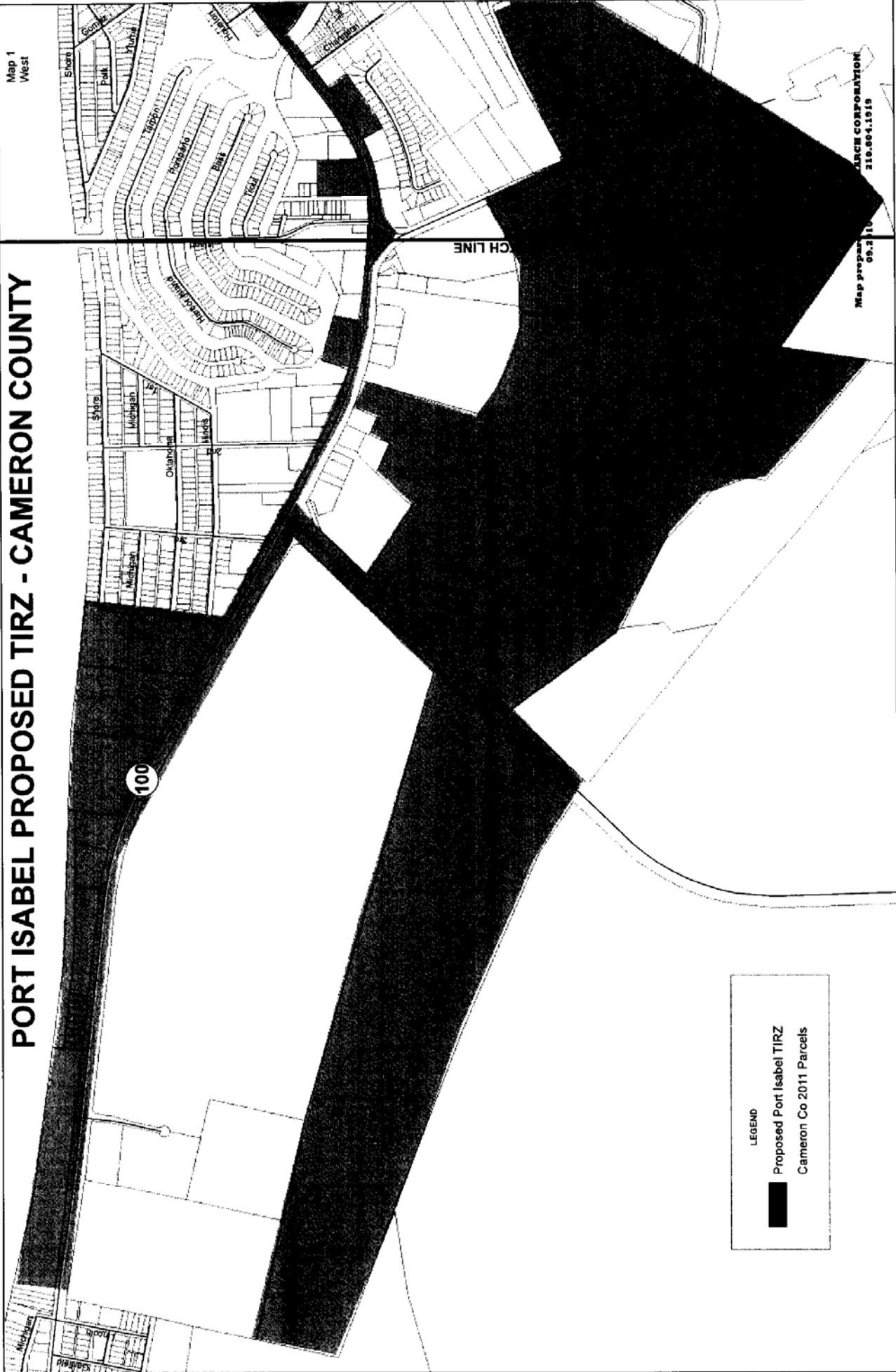
Susie Alcocer
City Secretary

Exhibit C

Zone #1 Maps

PORT ISABEL PROPOSED TIRZ - CAMERON COUNTY

Map 1
West

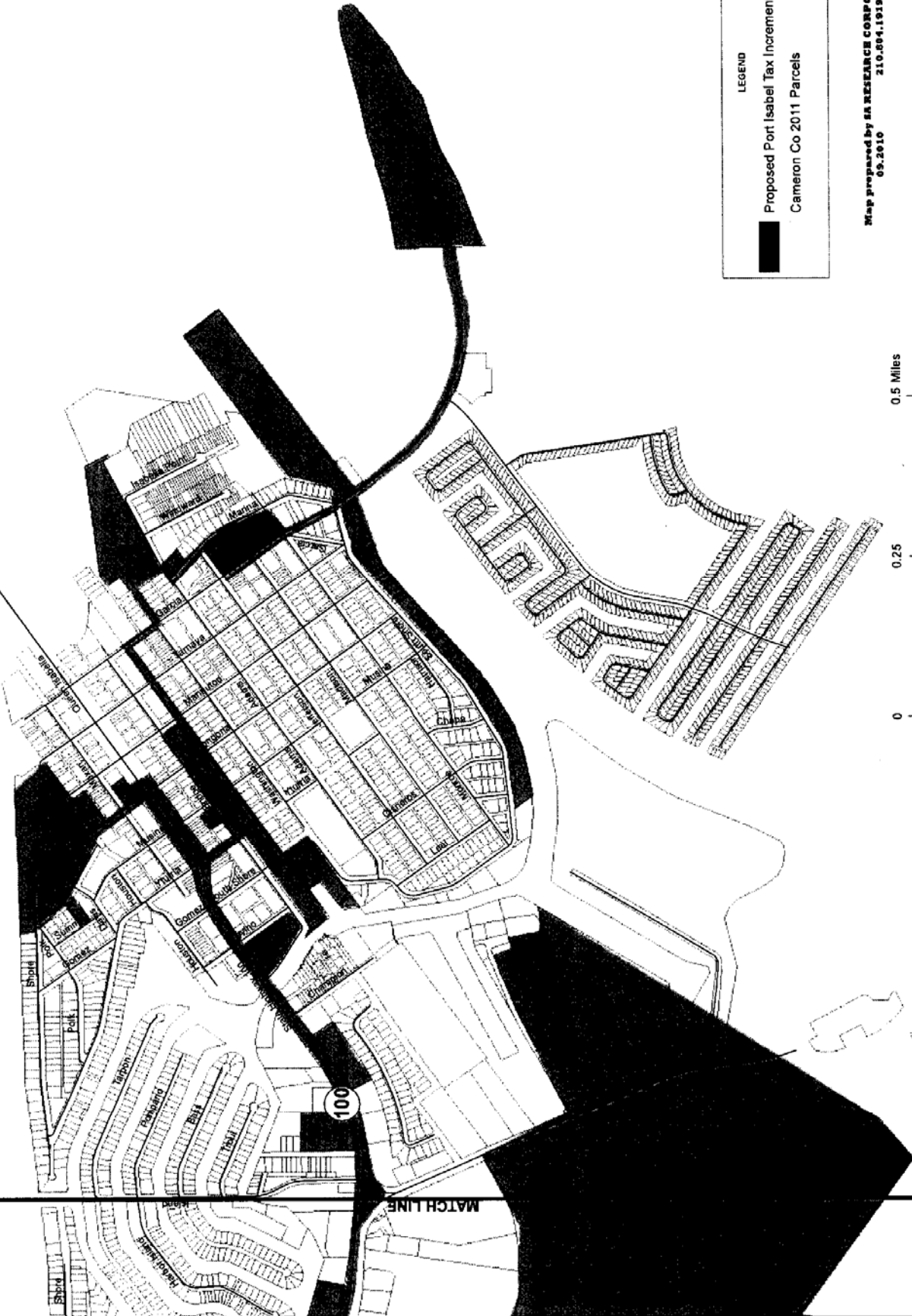


LEGEND

- Proposed Port Isabel TIRZ
- Cameron Co 2011 Parcels

Map prepared by
TIRZ CORPORATION
210.604.1919

PORT ISABEL PROPOSED TIRZ - CAMERON COUNTY



LEGEND

■ Proposed Port Isabel Tax Increment Reinvestment Zone
Cameron Co 2011 Parcels

Map prepared by SA RESEARCH CORPORATION
05.2010 210.664.1919

0.5 Miles

0.25

0

MATCH LINE