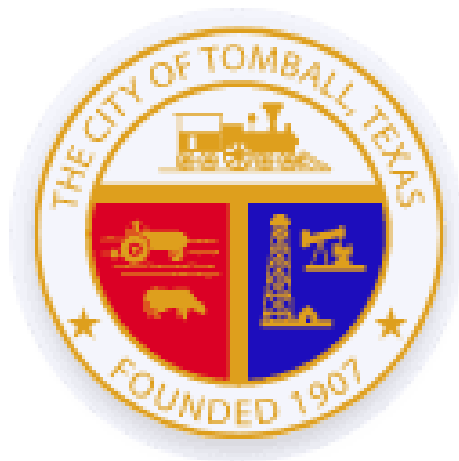


City of Tomball
Tax Increment Reinvestment Zone Number Three
Final Project & Financing Plan

City of Tomball, Texas
October 10, 2023



Prepared by



TXP, Inc.
1310 South 1st Street, Suite 105
Austin, Texas 78704
(512) 328-8300 phone
www.txp.com

Table of Contents

Section 1 – Introduction	1
Background	1
Purpose of a Tax Increment Reinvestment Zone	1
Existing Tax Increment Financing Districts in the City of Tomball	2
Purpose of this Document	2
Section 2 – Project Plan	3
Existing Zoning and Land Use Guidelines Applicable to TIRZ #3	3
Taxing Jurisdictions Applicable to TIRZ #3	3
Proposed Changes in Master Plans, Zoning Ordinances, and Building Codes	3
Relocation of Displaced Persons	3
Estimated Non-Project Costs	3
Section 3 – Revenue Forecast	6
Compliance & Reporting	6
Public Sector Entities Participating in TIRZ #3	6
Financial Forecast Assumptions	7
Financial Forecast Summary Results	8
Section 4 – Finance Plan	9
Project Overview & Costs	9
Duration of the Zone	9
Method of Financing Project Costs	9
Estimated Time when Related Costs or Monetary Obligations Incurred	9
Estimated Amount of Bonded Indebtedness	9
Economically Feasible	9
Implementation of the Project Plan	10
Eligible Project Costs & Categories	10
Future Eligible Projects	11
Appendix: TIRZ #3 Ordinance	13
Legal Disclaimer	14





List of Figures

Figure 1: How the Tax Increment is Calculated.....	1
Figure 2: TIRZ #3 Geographic Boundary.....	4
Figure 3: Existing Land Use within the TIRZ #3 (2021).....	4
Figure 4: Industrial Park Site Plan at Buildout.....	5

List of Tables

Table 1: Existing Land Use in TIRZ #3 (2021).....	3
Table 2: Participating Taxing Jurisdictions for TIRZ #3.....	6
Table 3: Projected TIRZ #3 Tax Revenue.....	8
Table 4: Eligible TIRZ #3 Project Costs.....	12



Section 1 – Introduction

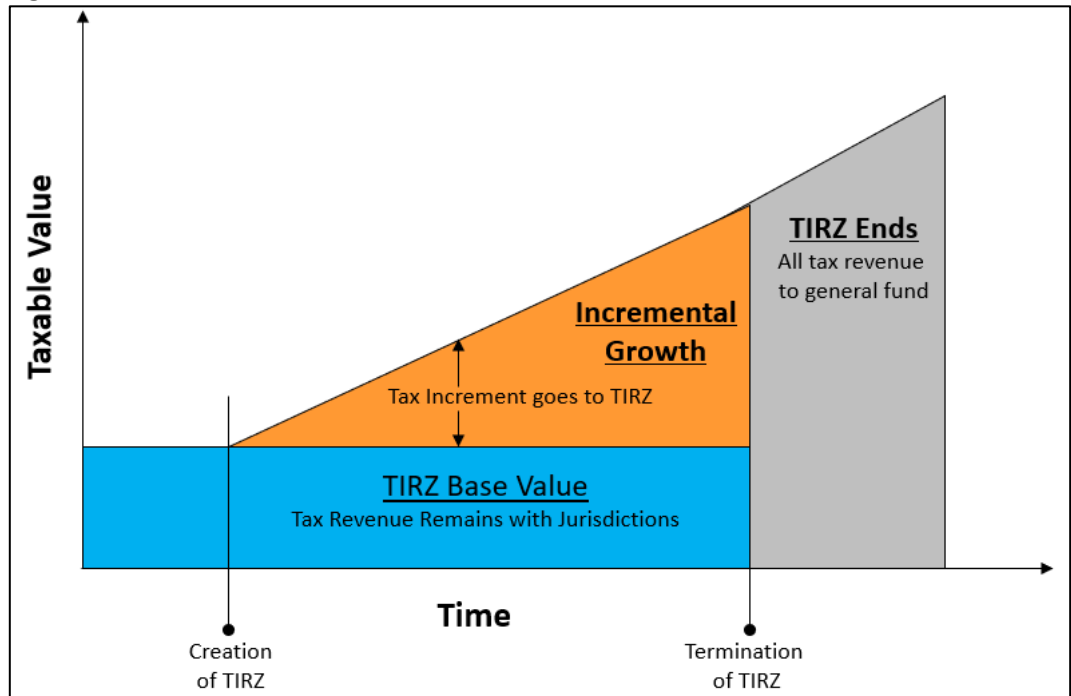
Background

In November 2021, the City of Tomball, Texas (“City”) by ordinance (Number 2021-39) approved the creation of City of Tomball Tax Increment Reinvestment Zone Number Three (“TIRZ #3”) consisting of approximately 240 acres of land. TIRZ #3 was created to help pay for infrastructure costs to facilitate the development of a 240-acre tract located at SH 249 and Rocky Road for light industrial and retail development. TIRZ #1 has a 30-year duration or until such time as the debt is paid off. The TIRZ #3 Board is comprised of five members.

Purpose of a Tax Increment Reinvestment Zone

A tax increment reinvestment zone (“TIRZ”) is a tool that local governments can use to finance needed improvements and infrastructure within a defined geographic area. These improvements usually are undertaken to promote the viability of existing businesses and to attract new commercial enterprises. The cost of eligible improvements is repaid by the contribution of future tax revenues by each taxing unit that levies taxes against the property. The additional incremental tax revenue that is received from the affected properties is referred to as the tax increment

Figure 1: How the Tax Increment is Calculated



Each taxing unit can choose to dedicate all, a portion, or none of the tax revenue that is attributable to the increase in property values due to the improvements within TIRZ. Each taxing unit determines what percentage of its tax increment, if any, it will commit to

repayment of the cost of financing the public improvements. The statutes governing tax increment financing are located in Chapter 311 of the Tax Code.

Existing Tax Increment Financing Districts in the City of Tomball

There are no other existing City of Tomball TIRZs. According to state law, cities with less than 100,00 residents may not create a new TIRZ if more than 30.0 percent of the property in the proposed new reinvestment zone is used for residential purposes at the time of designation. In addition, the total appraised value of taxable real property in the proposed reinvestment zone and in the existing reinvestment zones may not exceed 50.0 percent of the total appraised value of taxable real property within the city and its industrial districts. TIRZ #3 complies with these rules.

Purpose of this Document

This document is designed to meet the legal requirements of designating a TIRZ and to provide guidance for the TIRZ Board that has been established to manage TIRZ #3. The sections and subsections of this report correspond the required sections outlined in Chapter 311 of the Texas Tax Code.

Texas Tax Code allows the governing body of the municipality or county that designated the TIRZ to amend the plan and extend the term of the zone after notice and hearing in the manner provided for the designation of the zone. Any changes to this plan will need to be documented and approved by the TIRZ Board and City of Tomball.

Section 2 – Project Plan

TIRZ #3 covers approximately 240 acres (including roads and right of way). The 2021 baseline taxable property value of the TIRZ is \$7,843,320.

Table 1: Existing Land Use in TIRZ #3 (2021)

Land Use	Acreage
D1 - Qualified Agricultural Land	240.1

Source: Harris County Appraisal District; TXP, Inc.

Existing Zoning and Land Use Guidelines Applicable to TIRZ #3

Existing City of Tomball land use, zoning guidelines, and policies would apply to all properties within the city limits.

Taxing Jurisdictions Applicable to TIRZ #3

TIRZ #3 is located within the following taxing jurisdictions:

- City of Tomball
- Tomball ISD
- Harris County
- Harris Co Flood Control
- Port of Houston Authy
- Harris County Hospital District
- Harris Co Educ Dept
- Lone Star College System
- Harris County ESD 15
- Harris County Emerg Serv District 8

Proposed Changes in Master Plans, Zoning Ordinances, and Building Codes

There are no anticipated changes to the master development and zoning ordinances.

Relocation of Displaced Persons

This plan currently does not call for nor anticipate the displacement and relocation of persons for the proposed projects.

Estimated Non-Project Costs

There are non-projects costs associated with this plan.

Figure 2: TIRZ #3 Geographic Boundary

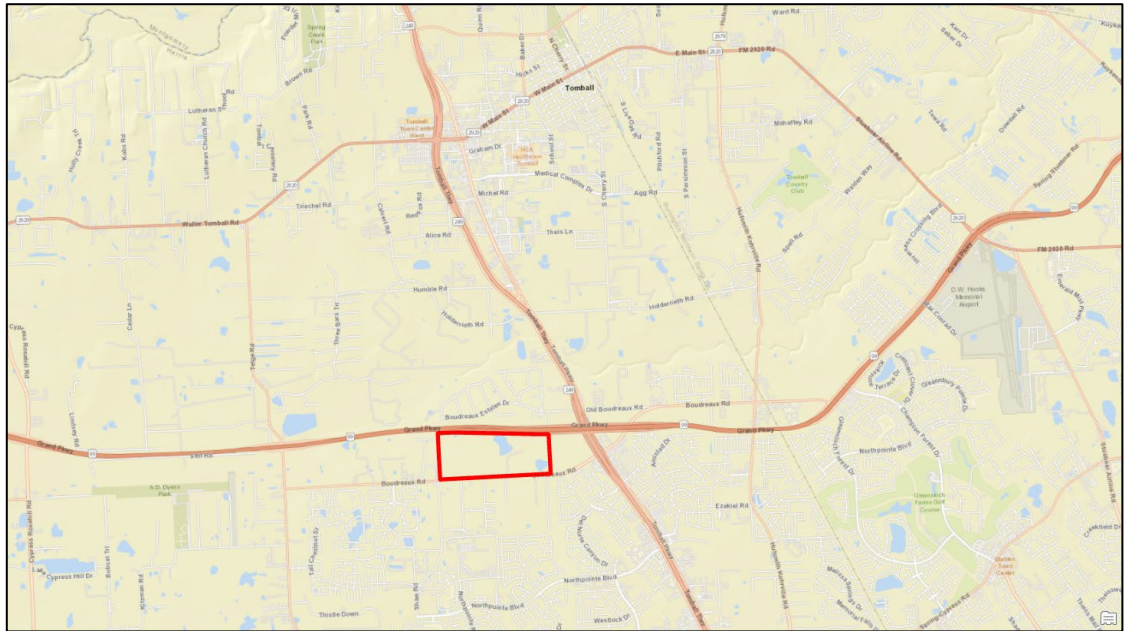


Figure 3: Existing Land Use within the TIRZ #3 (2021)



Figure 4: Industrial Park Site Plan at Buildout



Source: Lovett Industrial

Section 3 – Revenue Forecast

Tax increment financing is a tool used by local governments to publicly finance needed infrastructure and other improvements within a defined area. These improvements are usually undertaken to promote the viability of existing businesses and to attract new commercial enterprises to the area. The statutes governing tax increment financing are located in Chapter 311 of the State of Texas Tax Code.

The costs of improvements in the defined zone are repaid by the contribution of future property tax revenues by each taxing unit that levies taxes against the property. Specifically, each taxing unit can choose to dedicate all, a portion, or none of the tax revenue that is attributable to the increase in property values due to the improvements within the reinvestment zone. The additional tax revenue that is received from the affected properties is referred to as the tax increment. Each taxing unit determines what percentage of its tax increment, if any, it will commit to repayment of the cost of financing the public improvements.

Compliance & Reporting

The TIRZ Board policies shall comply with all federal, state, and local laws, rules, and regulations. The TIRZ Board will submit project status reports and financial reports as required by state law.

Public Sector Entities Participating in TIRZ #3

All project costs will be paid through the contribution of incremental property taxes collections. This City of Tomball will contribute 75.0 percent of its total tax rate (maintenance and operations (M&O) and interest and sinking (I&S) ad valorem tax rate for 30 years or until such time as the debt is paid off, whichever is less.

Table 2: Participating Taxing Jurisdictions for TIRZ #3

Entity	Property Tax Rate per \$100 (2021)	2021 Taxable Baseline Value
City of Tomball	\$0.333339	\$7,843,320

Source: TXP, Inc.

Financial Forecast Assumptions

- **TIRZ Duration** – The TIRZ will have a 30-year lifespan.
- **TIRZ Allocation** – All participating taxing jurisdictions will contribute 75 percent of their total incremental tax collections.
- **Tax Rate** – While tax rates do change over time, the 2023 tax rates were held constant for the duration of the TIRZ.
- **Existing Properties** – The 2021 baseline property value of the TIRZ is \$7,843,320.
- **Real Property** – Only taxable real property values are included in the tax increment calculations. By law, business personal property values are excluded from TIRZ.
- **Inflation & Appreciation Rate** – The inflation rate used for construction costs and the value of improvements is 2.5 percent per year.
- **Net Present Value** – The net present values of the tax increment were calculated at a discount rate of 5.0 percent.
- **Future Development Patterns** – The developer of the project, Lovett Industrial, provided a build out schedule that is incorporated into the tax revenue forecast.

Financial Forecast Summary Results

The following table depicts the anticipated revenue generated over 30 years. The first TIRZ increment will occur in 2022 (total 2022 value less 2021 baseline value). Note, 2022 taxes are not due until January 2023.

Table 3: Projected TIRZ #3 Tax Revenue

Year	Period	Tax Rate per \$100	Taxable Value	Taxable Value Less Baseline Value	TIRZ Tax Revenue @ 75%	City Retained Tax Revenue @ 25%
2021	Baseline	0.333339	\$7,843,320	\$0	\$0	\$0
2022	1	0.287248	\$7,843,320	\$0	\$0	\$0
2023	2	0.293320	\$153,730,404	\$145,887,084	\$320,937	\$106,979
2024	3	0.293320	\$193,705,098	\$185,861,778	\$408,877	\$136,292
2025	4	0.293320	\$240,352,295	\$232,508,975	\$511,496	\$170,499
2026	5	0.293320	\$270,188,351	\$262,345,031	\$577,133	\$192,378
2027	6	0.293320	\$298,233,895	\$290,390,575	\$638,830	\$212,943
2028	7	0.293320	\$305,689,742	\$297,846,422	\$655,232	\$218,411
2029	8	0.293320	\$313,331,986	\$305,488,666	\$672,045	\$224,015
2030	9	0.293320	\$321,165,286	\$313,321,966	\$689,277	\$229,759
2031	10	0.293320	\$329,194,418	\$321,351,098	\$706,940	\$235,647
2032	11	0.293320	\$337,424,278	\$329,580,958	\$725,045	\$241,682
2033	12	0.293320	\$345,859,885	\$338,016,565	\$743,603	\$247,868
2034	13	0.293320	\$354,506,382	\$346,663,062	\$762,624	\$254,208
2035	14	0.293320	\$363,369,042	\$355,525,722	\$782,121	\$260,707
2036	15	0.293320	\$372,453,268	\$364,609,948	\$802,105	\$267,368
2037	16	0.293320	\$381,764,600	\$373,921,280	\$822,589	\$274,196
2038	17	0.293320	\$391,308,715	\$383,465,395	\$843,586	\$281,195
2039	18	0.293320	\$401,091,432	\$393,248,112	\$865,107	\$288,369
2040	19	0.293320	\$411,118,718	\$403,275,398	\$887,166	\$295,722
2041	20	0.293320	\$421,396,686	\$413,553,366	\$909,776	\$303,259
2042	21	0.293320	\$431,931,603	\$424,088,283	\$932,952	\$310,984
2043	22	0.293320	\$442,729,893	\$434,886,573	\$956,707	\$318,902
2044	23	0.293320	\$453,798,141	\$445,954,821	\$981,056	\$327,019
2045	24	0.293320	\$465,143,094	\$457,299,774	\$1,006,014	\$335,338
2046	25	0.293320	\$476,771,672	\$468,928,352	\$1,031,595	\$343,865
2047	26	0.293320	\$488,690,963	\$480,847,643	\$1,057,817	\$352,606
2048	27	0.293320	\$500,908,237	\$493,064,917	\$1,084,694	\$361,565
2049	28	0.293320	\$513,430,943	\$505,587,623	\$1,112,242	\$370,747
2050	29	0.293320	\$526,266,717	\$518,423,397	\$1,140,480	\$380,160
2051	30	0.293320	\$539,423,385	\$531,580,065	\$1,169,423	\$292,356
Total					\$23,797,469	\$7,835,038
NPV @ 5%					\$10,125,491	\$3,353,689

Source: TXP, Inc.

Section 4 – Finance Plan

Project Overview & Costs

TIRZ #3 will provide support for catalytic infrastructure and economic development projects that will facilitate the development of a 240-acre tract located at SH 249 and Rocky Road for light industrial and retail development.

Public infrastructure investment is required to redevelop the area. This is the priority spending focus of TIRZ #3. In addition, other projects might be added to the list as future development projects and related opportunities present themselves. The anticipated project costs are divided into major categories. Based on the revenue forecast, it is anticipated that most these expenses will occur within 5 years of the TIRZ being established.

Duration of the Zone

The total duration of TIRZ #3 is 30 years. The baseline year is 2021. It is scheduled to terminate on December 31, 2051, (including collection of the 2051 increment in calendar year 2052 and any related matters to be concluded in 2052).

Method of Financing Project Costs

All project costs will be paid through the contribution of incremental property taxes collections. The City of Tomball will contribute 75.0 percent of incremental tax revenue to the Zone.

Estimated Time when Related Costs or Monetary Obligations Incurred

The TIRZ will reimburse developers and pay for projects as funds become available. It might take the TIRZ multiple years to accrue funds required for a project or to repay a developer.

Estimated Amount of Bonded Indebtedness

It is anticipated that financial transactions by the TIRZ are to be on a cash only basis and to the extent only that funds are available. However, if the resources become available to issue debt, the TIRZ #3 Board may recommend to the City of Tomball that it is appropriate to issue TIRZ debt if the Tax Increment Fund can make such payments. The TIRZ Board is under no obligation to issue any notes or debt.

Economically Feasible

The TIRZ Board and City of Tomball staff reviewed the TXP forecasts and model assumptions. It was determined that the TIRZ would generate sufficient revenue to pay for the Project Plan. Therefore, the financial forecasts are reasonable and its assumptions appear to be sound. The project plan is economically feasible.

Implementation of the Project Plan

The City of Tomball City Council at all times shall have and retain paramount authority to direct the actions of the TIRZ #3 Board in connection with the administration of the Plans, and in that regard the Board shall have only the powers and authority granted to it from time to time by the City Commission.

Eligible Project Costs & Categories

1. Parks & Streetscape Enhancements

This category includes gateway features, linear parks, corridor landscaping, public plazas, etc.

2. Infrastructure Improvements

This category includes water, sanitary sewer and storm water improvements, roadway and street intersection enhancements, public transportation, relocation of aboveground utilities, public sidewalks, public safety facilities, and related right of way. This category includes eligible expenditures for design and engineering.

3. Economic Development Grants

It is anticipated that economic development loans or grants might be made to assist in implementing the project plan. The City, with advisement from the TIRZ Board shall have the authority to establish and administer economic development programs, including but not limited to grants and loans, authorized under Chapter 380 of the Texas Local Government Code. Should such loans or grants be made, it will be done with the intent to fulfill the public purposes of developing and diversifying the economy, eliminating unemployment or underemployment, and developing or expanding transportation, business, and commercial activity in the TIRZ.

4. Developer Reimbursement for Public Improvements

The TIRZ Board will seek to enter into agreements as necessary with other owners of undeveloped property in the Zone for the repayment of costs associated with infrastructure that benefit the Zone such as streets, water and sewer improvements, open space improvements, landscaping, flood control, and any other public projects that benefit the Zone. These projects will be evaluated and approved on a case-by-case basis.

A developer will typically apply for and be authorized by the TIRZ and Tomball City Council for TIRZ improvements, then fund and build the improvements. Upon completion and acceptance of the work by the City, the developer will be reimbursed with TIRZ funds if and when they are available. TIRZ payments are made based on available increment and other conditions set forth in project development agreements.

Private developers must enter into a development agreement with the TIRZ if they desire the public sector to share in the costs of infrastructure improvements required for their projects. Reimbursement priorities and the method of apportioning available increment will be described in the development agreement. Each development agreement is unique. Accordingly, the nature and extent of support from the TIRZ may change over time as the area becomes more developed.

5. Non-Project Costs

It is not possible to quantify other non-project costs at this time, other than to say that they are anticipated. However, these costs should not exceed TIRZ #3 revenue less other costs delineated in the project plan. Consultants, engineers, surveyors, and other costs incurred not related to the other categories and other unforeseen costs are included in this category.

6. Administration & Implementation

The City will support the TIRZ administration with staff personnel. This support shall include keeping and maintaining the records of the Zone, accounting services as the Zone Board may request, and other administrative support. In addition, other eligible operations costs under this project category would include contracting for professional services as requested by the Board (ex. engineering firm, land planning, or other technical support). The administrative operations and implementation costs are estimated at \$10,000 per year.

Future Eligible Projects

The categories described above are meant to include all project types eligible under Chapter 311, Section 311.002 of the Texas Tax Code. For a detailed list of projects that will be included as Project Costs, see Table 6. The costs illustrated in Table 4 are estimates and may be revised. Savings from one line item may be applied to a cost increase in another line item. It is anticipated that the individual TIRZ project cost will be evaluated and reimbursed on a case-by-case basis, consistent with the categories listed in the document, and brought forward to the TIRZ board and City Council for consideration.

Table 4: Eligible TIRZ #3 Project Costs

Project	Estimated Cost
Site Clearing	\$343,425
Roads and thoroughfares	\$1,350,637
Water production/tank facilities	\$839,007
Water distribution facilities	\$163,988
Wastewater conveyance, collection, and treatment facilities	\$982,596
Storm	\$1,969,940
Detention	\$2,133,424
Land	\$984,755
Impact Fees	\$114,234
Soft Costs	\$1,197,329
Contingencies	\$276,808
Developer Interest	\$1,027,951
Total	\$11,384,094
Utility Agreement - Storage Tank	
Developer Cost (Reimbursed by TIRZ @ 50% of total cost)	\$2,838,875
Administration & Implementation	\$300,000
Total TIRZ Cost	\$14,522,969

Source: Lovett Industrial and City of Tomball



Appendix: TIRZ #3 Ordinance

See Attached Document



Legal Disclaimer

TXP, Inc. (TXP) reserves the right to make changes, corrections, and/or improvements at any time and without notice. In addition, TXP disclaims any and all liability for damages incurred directly or indirectly as a result of errors, omissions, or discrepancies. TXP disclaims any liability due to errors, omissions, or discrepancies made by third parties whose material TXP relied on in good faith to produce the report.

Any statements involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that such opinions or estimates will be realized. The information and expressions of opinion contained herein are subject to change without notice, and shall not, under any circumstances, create any implications that there has been no change or updates.