



FINAL PROJECT PLAN AND
REINVESTMENT ZONE FINANCING
PLAN FOR PROPOSED TAX
INCREMENT REINVESTMENT ZONE
NO. 2, ARROWHEAD TIRZ, CITY
OF DRIPPING SPRINGS

DECEMBER 13, 2016

1. OVERVIEW

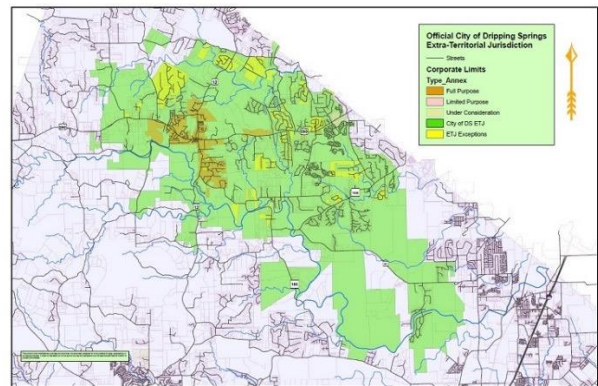
1.1 Background

The City of Dripping Springs (the “City”) is a Texas general law municipality incorporated in 1981, located 25 miles west of Austin, Texas. Dripping Springs has an unusually large Extra-Territorial Jurisdiction; with nearly 75,000 square acres the area expands from the city limits of Buda to Travis County and west of Austin. The Dripping Spring ETJ encompasses a majority of the northwestern half of Hays County. The City Limits and the City’s ETJ are below in the *Map Figure 1*.

According to the City's Comprehensive Plan (the “Comp Plan”) adopted in 2016, the population within the city limits has grown relatively slowly in the previous 10 years. However, the ETJ and School District saw much more rapid growth. This pattern was expected to continue, although potential development in areas that would become part of the City may increase the population of the City of Dripping Springs faster than the projections indicate.

The Dripping Springs population, within its city limits, is about 1,900 although its extraterritorial jurisdiction (ETJ) is home to nearly 30,000 residents. The city offers an exceptional school system and proximity to Austin and San Antonio.

Map Figure 1- City Limit and ETJ



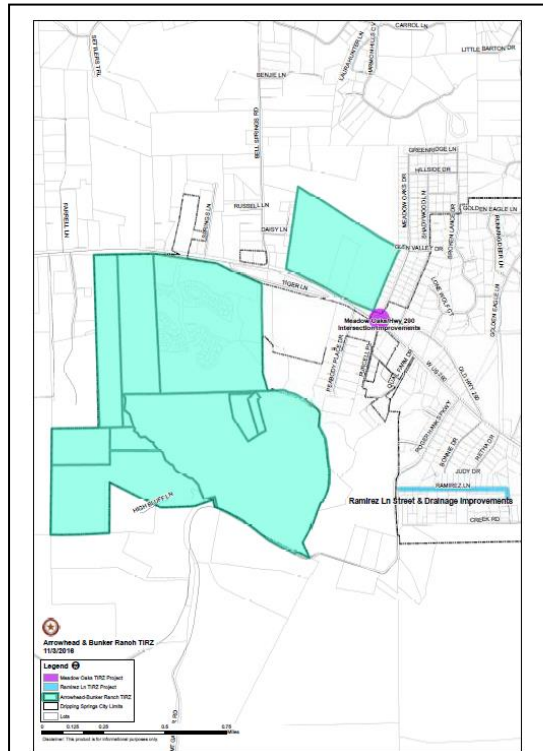
2. The Challenge

- a) Within the City Limits, the City has land available for development, in addition to areas of substandard development. The City needs additional means of planning and providing infrastructure to promote overall quality development in the area;
- b) The City's downtown has dilapidated and unoccupied buildings that inhibit the City's growth;
- c) The lack of sidewalks and the inadequacy of certain streets in Dripping Springs also inhibits the growth of the City; and
- d) Low quality and/or sub-standard developments will be an ongoing obstacle to annexation and City growth if allowed to continue.

3. Responding to the Challenge

The City is requesting that the County participate in a Tax Increment Reinvestment Zone ("TIRZ" or "Zone") to be created over certain commercial and residential areas within the City. *Map Figure 2* depicts the TIRZ Boundary and the respective areas of in-City included.

The road and drainage improvements listed, Mercer Street, Triangle, Meadow Oaks and Ramirez Lane, will benefit every resident of Dripping Springs. Additionally, improvements will also benefit development in the area west of downtown by providing an area for residents of future development to participate in City activities and allow movement around the City itself and out into the greater Travis County area. These improvements are feasible and practical and will benefit the area within the TIRZ boundary.



Map Figure 2: TIRZ Boundary

The proposed TIRZ would afford the opportunity for the City to plan and prepare for the provision of public infrastructure to areas within its City Limits, including street and drainage improvements, Town Center improvements, Triangle/US 290/RR12 area road and drainage improvements, Public Parking downtown, and other road and drainage improvements.

The TIRZ is one layer of funding to help leverage additional funding sources for city improvements. Creating a TIRZ with identified projects is an effective method to communicate to the public and the development community the city's key areas for investment and targeted growth.

Town Center Concept Sketch Model



The City is experiencing and will continue to experience rapid growth. The City may need to update its land development code as it relates to the Town Center area in order to foster the development types that support the City's future goals. A detailed look at natural attributes, infrastructure, development trends, targeted development areas and the comprehensive plan should be evaluated to determine the new code requirements.

The City desires to maximize and preserve the taxable value of land and improvements in its City Limits. Residents understand that maintaining their property values depends in no small part on high quality development within the City Limits and ETJ.

If this opportunity is missed, the City will be unable to provide the full array of city services and roads to promote development inside the City Limits. But for the creation of the TIRZ this area is not likely to attract and maintain private investment sufficient or timely enough to provide the proposed public improvements.

2. FINAL PROJECT PLAN

This Preliminary Project Plan and Reinvestment Zone Financing Plan ("The Plan") has been prepared in accordance with the requirements of Chapter 311.011 of the Texas Tax Code

and outlines the improvements to be funded and implemented by the proposed Tax Increment Reinvestment Zone Number 2, Arrowhead TIRZ, Dripping Springs, Texas.

There are several key projects identified to help the city reach its real development potential Downtown and getting to Downtown through transportation projects. These projects involve the important aspects needed to create solid framework for a successful eighteen hour downtown that is accessible to all residents.

Town Center:

The Town Center Concept is the foundation of the TIRZ creation. The town center is the catalyst project that would spur new development downtown and increase the value of properties West of downtown who will often need to commute through downtown to reach employment and recreational activities in downtown Dripping Springs or in Austin. The timing of the town center is important to all of the parties involved in the project. Due to rapid population growth, the City, Library, and DSISD are all looking for new facilities. The idea to co-locate the various entities into a shared facility is a cost effective way to design civic services. This project will include downtown parking, city hall site acquisition and building a new civic building as a portion of the Town Center.

When creating a new town center in an existing historic environment, it's important to understand and respect the character of the town. Most importantly, we must be sensitive to the area being studied to house the newly created district.

Transportation Improvements:

Mercer Street and Old Fitzhugh Road:

The newly constructed benches and sidewalks on Mercer Street are a great start to creating a downtown sense of place. The next series of downtown investments identified in the TIRZ Project Plan are the redesign and construction of Mercer Street and Old Fitzhugh Road to create the Town Center. These two streets are the most important streets within the historic downtown. The street designs for these streets are critical to the success of the downtown. They must be designed in partnership with the targeted development patterns along these streets. In order to achieve the ideal street and development type, the City must update its development regulations within this Zone.



Photo Credit: Around Dripping Springs

Meadow Oaks and Ramirez Lane

Upgrades to these roads will assist developments west of downtown to be able to offer increased access to downtown and Austin. Meadow Oaks will improve the drive through 290, the major highway in Dripping Springs. Ramirez Lane improvements will also increase access to downtown from developments to the West.

Based on the existing street layout and the disconnected street pattern in new developments, connectivity is a serious challenge for the city. Providing new and alternative connections are addressed in the TIRZ Project Plan. The following projects will help connect neighborhoods:

1. Eastern extension of Benney Lane to Parade;
2. Roger Hanks Parkway;
3. Garza Road ROW (North Street) connect Mercer to Heritage Subdivision;
4. 290 at Meadow Oaks; and
5. Ramirez Lane.

Drainage:

Stormwater upgrades are necessary on the corner of RR12 and HWY 290 and at Ramirez Lane. This project is identified in the Project Plan to help spur development in this area and solve a regional stormwater issue.

Benefits to All Taxing Units

The TIRZ as proposed will allow the City, County, and Library to partner with each other for public improvements each may have planned for the area. The City believes that a TIRZ is the best mechanism by which to partner with the County and also with private sector developers to plan, fund, and construct the needed improvements over the long-range time horizon such an ambitious undertaking might require. The City, County, and Library will be able to fund a large building site for a building complex with city services and a new 30,000 sq foot library building.

Through the TIRZ, the City, County, and Library can both maximize the value of the ETJ to the benefit of their respective voters and citizens, as well as contribute to the community cohesion that comes with planned development. Developers seeking to partner with the TIRZ will be required to petition for annexation into the City if requested by the City. This performance driven structure will shift the cost and risk of construction to the private sector, with repayment coming out of new growth resulting from the infrastructure provided.

1. Changes to Municipal Ordinances Required 311.011(b)(2))

Some changes to the development code for the Town Center area could be needed to fully complete the projects. Other than these changes and the ordinance changes that will be required by the annexation and zoning of properties currently in the ETJ, there are no other contemplated changes to the City's Code of Ordinances or Comp Plan.

2. Non-Project Costs (311.011(b)(3))

Non-Project Costs will consist of unreimbursed costs of public rights-of way, utility upgrades, street relocation cost, technology investment, public open space improvements, and other private investment. The projects, which are expected to result from the TIRZ major infrastructure improvements, consist of private investment in various development projects which will include internal infrastructure such as roads, water, sewer, and drainage facilities, along with the private development. The total value of such projects can reasonably be projected to total more than thirty-two million dollars (\$32,000,000) at TIRZ end.

3. REINVESTMENT ZONE FINANCING PLAN

The TIRZ is intended to provide a funding and/or reimbursement mechanism for major public infrastructure to provide roadways and public utilities to un-served properties within the Zone, along with various landscape, beautification and urban design components. The comprehensive and long-term nature of the project will promote stability, and sustainable commercial, residential, retail and light industrial opportunities in an area that is currently underutilized and undervalued. The TIRZ may fund all or a portion of the eligible projects.

3.1 Estimated Project Cost Description (311.011(c)(1))

The project costs below comply with the categories established in Section 311.002 of the Texas Tax Code. The dollar amounts are approximate estimates based on assumptions of how the land may develop and are expressed in year 2016 dollars. Project Costs may be adjusted to actual development plans, bid costs and/or for inflation. Projects will be undertaken and paid for as funds are available from increment or other sources. The intent is to complete as many of the projects as can be funded from tax increment revenues notwithstanding whether the costs or tax increments exceed the estimates herein, and costs may be moved among line items.

Project Description	Project Cost Estimate ¹	Projected Proportionate Cost
Capital Projects Roads and Drainage	\$6,700,000	\$2,115,000
Civic Facilities City Hall as portion of Town Center Public Parking Downtown	\$2,500,000 \$150,000	\$625,000 \$37,500
Professional Fees for Creation of Zone	\$65,000	\$65,000
Total Estimated Project Costs	\$9,415,000	\$2,842,500

In addition to the projects described above, the following categories established in Section 311.2(1) of the Texas Tax Code as eligible project costs will be considered eligible project costs. The TIRZ will fund project costs at the discretion and approval of the Board of Directors of the TIRZ. And, when appropriate and practicable, the TIRZ will consider which categories are eligible for financing projects, such as:

- *Capital Projects* related to demolition, environmental abatement, and remediation

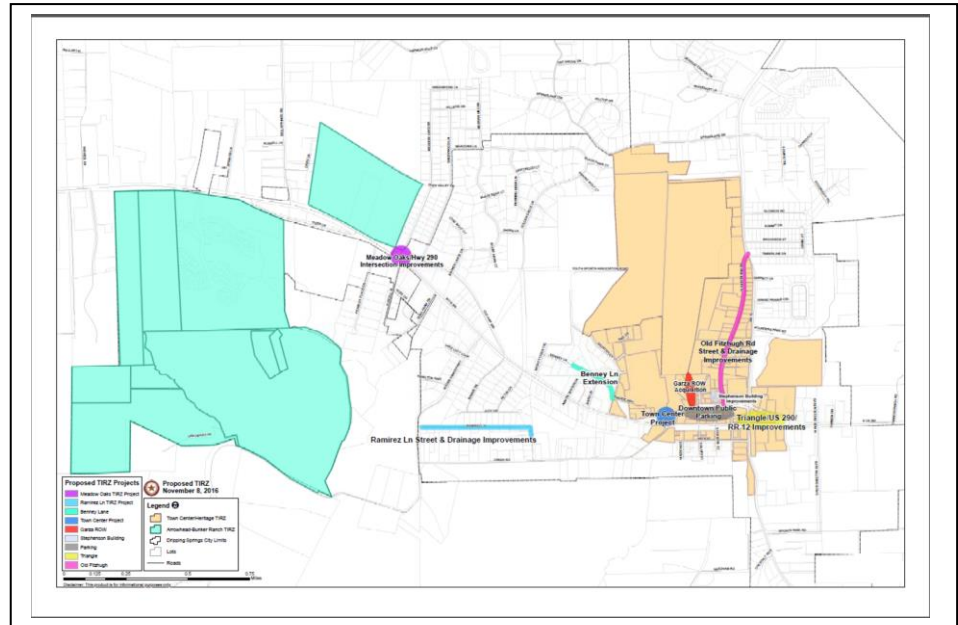
¹ TIRZ # 1 will partially fund the projects listed above that also benefit that area.

- including site work and fill, necessary to prepare sites and existing structures for new use.
- *Land Costs* associated with property formally conveyed to the public in conjunction with the implementation of projects otherwise eligible for reimbursement may also be eligible for reimbursement.
 - *Matching Funds* may be contributed in support of local, state, federal or other capital improvements programs that benefit the project and the region.
 - *Streetscape, Gateways, Parks, and Community Facilities* that enhance or serve the existing and future development. These may include, but are not limited to, lighting, sidewalks, landscaping and related street furniture, greenbelts and paths, trails, parks, outdoor pavilions, non-profit community and arts space, and recreational/sports facilities.
 - *Professional Services* incurred for architectural, planning, engineering, legal, landscape architecture, financial, marketing, public relations, management, leasing, bookkeeping, tax role verification, environmental, archaeological, and other services and advice necessary to a project.
 - *Financing Costs* related to developer's interest, city interest, and financing interest, legal fees, underwriter's fees, brokerage charges, transfer or placement charges, premium and fees paid for loans, credit enhancement fees, notes, bonds or other instruments of credit issued to pay for project costs.
 - *Operational Expenses* as may be necessary to provide for the proper administration of the Zone, operation of Zone facilities and services provided therein, over the life of the TIRZ.

3.2 Kind, Number and Location of Proposed Public Improvements (311.011(c)(2))

Proposed public improvements include drainage, roadways, and various facilities. The majority of these improvements, including roadways, city hall as portion of Town Center, and parking, will be located in the City. Urban design components may also be within the City Limits. The map below indicates the probable location of the listed improvements; however, final alignments will be determined at the time of design. Public infrastructure improvements and civic facilities will be considered eligible projects anywhere within the Zone.

Map Figure 3-
Location of
Proposed
Projects in TIRZ
#1 and TIRZ #2



3. Economic Feasibility (311.011(c)(3))

Currently, the projected cost estimates for the projects benefitting the Arrowhead TIRZ No. 2 are \$2,842,500. This estimate does not include the administrative expenses of running the TIRZ, but do include the expenses in creating the TIRZ. Using 50% of the incremental increase of the Tax Rate of \$.17, \$.085, after thirty (30) years, the expected amount in the Tax Increment Fund will be conservatively estimated at \$2,806,735. Thus, the TIRZ with a 50% of the increment, currently at \$.085, the TIRZ will be able to fund a majority of the projected estimated costs. See Attachment "A".

4. Estimate of Bonded Indebtedness To Be Incurred (311.011(c)(4))

Bonds, notes or other obligations may be issued to yield net proceeds sufficient to pay all or a portion of the eligible project costs and related professional fees that are currently estimated at, but are not limited to, \$2,806,735. The City, at its sole discretion, may issue or cause to be issued bonds, notes, or other obligations secured by tax increment revenues, the proceeds of which could be used to pay for or reimburse Project Costs, including public improvements, capitalized interest, professional fees, developer interest and costs of issuance of the bonds.

5. Estimated Time When Monetary Obligations Are To Be Incurred (311.011(c)(S))

Since the build-out horizon for TIRZ improvements will be market driven, it is anticipated that the completion of the infrastructure will take a minimum of five years, although some projects may be started within the first two years in anticipation of the increase in TIRZ Funds. Bond issuance will occur at appropriate times as determined by the City and the City's Financial Advisor. Project Costs, administrative costs, and costs related to the creation and organization of the TIRZ may be paid from the issuance of bonds or directly from tax increment revenue.

6. Methods and Sources of Financing (311.011(c)(6))

The primary sources of revenue will be the ad valorem property taxes generated on the annual increment value above the base year value. The City has adopted an increment of 50% or

\$.085 for a period of 30 years. This participation will create an estimated fund of \$2,806,735 in 30 years.

To ensure timely construction of public improvements, pay-as-you-go and other various methods of financing may be utilized. These include:

- *Tax Increment Bonds or Notes.* As allowed by annual incremental increases in Zone assessed value, tax-exempt tax increment bonds or notes may be issued to fund improvements.
- *Direct Reimbursements.* Projects that are closely related to particular private development projects or public infrastructure programs of public agencies, municipalities, and authorities may be financed through reimbursement agreements with a developer, public agency, municipality, or authority using a direct payment annually from the TIRZ increment fund.
- *Other private financing.* Some projects may be financed on a short-term basis through private financial institutions.
- *Grants/Other Public Funds.* To the extent permitted by law, efforts will be made to leverage TIRZ funds with other public funds and economic development tools.

7. Current Appraised Value of Taxable Real Property (311.011(c)(7))

Based upon the 2016 Hays County Appraisal District certified tax roll, the base year value of the proposed TIRZ will be \$14,625,030.00.

8. Estimated Captured Appraised Value By Year (311.011(c)(8))

The table on the following page shows the Captured Appraised Value and the resulting revenue from the City and County for the duration of the Zone.

9. Duration of Zone (311.011(c)(9))

The Zone is being proposed for a thirty (30) year period, with the final payment of increment being made on values and at rates for 2045, which revenue may be paid in 2046. Therefore, the Zone will terminate for purposes of collection on December 31, 2046.

Captured Appraised Value- City

			<i>Projected</i>	
			Incremental	TOTAL
TIRZ #2			Tax Base	<i>Projected</i>
Increment	Tax	TIRZ #2	Subject	Assessed
Year	Year	Base	to Capture	Valuation
Base	2016	\$14,625,030	\$ -	\$ 14,625,030
1	2017	14,625,030	5,186,104	19,811,134
2	2018	14,625,030	22,386,888	37,011,918
3	2019	14,625,030	57,712,633	72,337,663
4	2020	14,625,030	101,223,166	115,848,196
5	2021	14,625,030	146,451,035	161,076,065
6	2022	14,625,030	193,447,530	208,072,560
7	2023	14,625,030	242,265,304	256,890,334
8	2024	14,625,030	276,077,187	290,702,217
9	2025	14,625,030	303,599,466	318,224,496
10	2026	14,625,030	332,158,298	346,783,328
11	2027	14,625,030	352,301,389	366,926,419
12	2028	14,625,030	363,491,031	378,116,061
13	2029	14,625,030	363,491,031	378,116,061
14	2030	14,625,030	363,491,031	378,116,061
15	2031	14,625,030	363,491,031	378,116,061
16	2032	14,625,030	363,491,031	378,116,061
17	2033	14,625,030	363,491,031	378,116,061
18	2034	14,625,030	363,491,031	378,116,061
19	2035	14,625,030	363,491,031	378,116,061
20	2036	14,625,030	363,491,031	378,116,061
21	2037	14,625,030	363,491,031	378,116,061
22	2038	14,625,030	363,491,031	378,116,061
23	2039	14,625,030	363,491,031	378,116,061
24	2040	14,625,030	363,491,031	378,116,061
25	2041	14,625,030	363,491,031	378,116,061
26	2042	14,625,030	363,491,031	378,116,061
27	2043	14,625,030	363,491,031	378,116,061
28	2044	14,625,030	363,491,031	378,116,061
29	2045	14,625,030	363,491,031	378,116,061
30	2046	14,625,030	363,491,031	378,116,061

COST ESTIMATES FOR POTENTIAL TIRZ PROJECTS IN DOWNTOWN TIRZ

(Note: These estimates are not based on plans and specifications nor a detailed scope of work; they represent rough orders of magnitude; Potential Proportionate Cost based on current and future development is also projected)

1. Town Center Improvements - Street, drainage, street trees, way finding signage, street lighting and sidewalk improvements.

Estimated Cost = \$5,400,000 Proportionate Cost: \$1,350,000

2. Triangle/US 290/RR12 area road and drainage improvements to enhance development

Estimated Cost = \$500,000 Proportionate Cost: \$125,000

3. City Hall site acquisition and building of portion of Town Center

Estimated Cost = \$2,500,000 Proportionate Cost: \$625,000

4. Public Parking in downtown area to enhance economic development

Estimated Cost = \$150,000 Proportionate Cost: \$37,500

5. Ramirez Lane Street and Drainage Improvements to enhance property values

Estimated Cost = \$350,000 Proportionate Cost: \$280,000

6. Meadow Oaks/US 290 intersection relocation and improvement to enhance traffic safety

Estimated Cost = \$450,000 Proportionate Cost: \$360,000

Total Estimated \$ 9,350,000 Total Estimated Proportionate Cost: \$2,777,500

ATTACHMENT "A" ECONOMIC FEASIBILITY

TIRZ #2 Increment Year	Tax Year	TIRZ #2 Base	Tax Base Subject to Capture	Projected Assessed Valuation	Collection Delinquencies at 2%	Total Net Tax Collections	Tax Collections on Base Value	Collections on Incremental Value	Participation at \$0.0850 Tax Rate	TIRZ Admin Expense	Net TIRZ #2 Revenue	Revenue Discounted at 5%	Retained Taxes (General Fund)
Base	2016	\$14,625,030	\$ -	\$ 14,625,030	\$ 497	\$ 24,365	\$ 24,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1	2017	14,625,030	5,186,104	19,811,134	674	33,005	24,365	8,640	4,320	25,000	(20,680)	(19,695)	4,320
2	2018	14,625,030	22,386,888	37,011,918	1,258	61,662	24,365	37,297	18,648	25,500	(6,852)	(6,215)	18,648
3	2019	14,625,030	57,712,633	72,337,663	2,459	120,515	24,365	96,149	48,075	26,010	22,065	19,060	48,075
4	2020	14,625,030	101,223,166	115,848,196	3,939	193,003	24,365	168,638	84,319	26,530	57,789	47,543	84,319
5	2021	14,625,030	146,451,035	161,076,065	5,477	268,353	24,365	243,987	121,994	27,061	94,933	74,382	121,994
6	2022	14,625,030	193,447,530	208,072,560	7,074	346,649	24,365	322,284	161,142	27,602	133,540	99,649	161,142
7	2023	14,625,030	242,265,304	256,890,334	8,734	427,979	24,365	403,614	201,807	28,154	173,653	123,412	201,807
8	2024	14,625,030	276,077,187	290,702,217	9,884	484,310	24,365	459,945	229,972	28,717	201,255	136,217	229,972
9	2025	14,625,030	303,599,466	318,224,496	10,820	530,162	24,365	505,797	252,898	29,291	223,607	144,139	252,898
10	2026	14,625,030	332,158,298	346,783,328	11,791	577,741	24,365	553,376	276,688	29,877	246,811	151,520	276,688
11	2027	14,625,030	352,301,389	366,926,419	12,475	611,299	24,365	586,934	293,467	30,475	262,992	153,766	293,467
12	2028	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	31,084	271,704	151,295	302,788
13	2029	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	31,706	271,082	143,761	302,788
14	2030	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	32,340	270,448	136,595	302,788
15	2031	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	32,987	269,801	129,779	302,788
16	2032	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	33,647	269,141	123,297	302,788
17	2033	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	34,320	268,468	117,132	302,788
18	2034	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	35,006	267,782	111,269	302,788
19	2035	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	35,706	267,082	105,693	302,788
20	2036	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	36,420	266,368	100,391	302,788
21	2037	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	37,149	265,639	95,349	302,788
22	2038	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	37,892	264,896	90,555	302,788
23	2039	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	38,649	264,139	85,996	302,788
24	2040	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	39,422	263,366	81,661	302,788
25	2041	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	40,211	262,577	77,540	302,788
26	2042	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	41,015	261,773	73,621	302,788
27	2043	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	41,835	260,953	69,896	302,788
28	2044	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	42,672	260,116	66,354	302,788
29	2045	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	43,526	259,262	62,987	302,788
30	2046	14,625,030	363,491,031	378,116,061	12,856	629,941	24,365	605,576	302,788	44,396	258,392	59,786	302,788
					\$ 319,345	\$ 15,647,929	\$ 755,324	\$ 14,892,605	\$ 7,446,302	\$ 1,014,202	\$ 6,432,100	\$ 2,806,735	\$ 7,446,302