

FINAL

FEASIBILITY ANALYSIS
(EXHIBIT D OF THE FINANCE PLAN)

February 2012

Tax Increment Financing Reinvestment Zone No. 1

City of Farmersville, Texas

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FORWARD

Schrader & Cline, LLC was asked to prepare a Feasibility Analysis using tax increment financing to encourage accelerated development and redevelopment for **Tax Increment Financing Reinvestment Zone (TIRZ) No. 1 in the City of Farmersville, Texas**. The areas of the City and County within the boundary of the TIRZ need public infrastructure projects that will provide a stimulus for new development.

Section I summarizes the history of and current conditions in the area of TIRZ No. 1

Section II details the tax increment analysis.

Section III contains Exhibits.

The following projections of development, redevelopment and tax revenues are subject to change. As underlying conditions in the national and regional economy change, the pace and value of new development and redevelopment projected for the TIRZ area may shift. Future property tax rates are particularly difficult to predict given their dependence on changes in the tax base, the mix of taxes levied and the various jurisdictions' overall fiscal and budgetary policies. Thus, the projected tax increments are subject to change. The analysis of future tax increment funds is dependent on a series of projections, assumptions, and other inputs. As a result, the report should be reviewed in totality.

Neither this report nor its conclusions may be referred to or included in any prospectus or part of any offering made in connection with private syndication of equity, sale of bonds, sale of securities or sale of participation interests to the public without express written approval.

SECTION I: HISTORY AND CURRENT CONDITIONS

Farmersville originated in 1849 as a settlement on the Jefferson-McKinney Road and near Republic of Texas National Road. Farmersville was named by pioneers for their chief occupation. The town was incorporated on June 2, 1873. As the town became a trade center, agriculture kept pace. Farmersville in the 1930's was known as the "Onion Capital of North Texas", annually shipping over 1,000 carloads of onions. Along with some small industry, cattle, cotton and maize crops remain important. The population of the city has continued to increase from 2,311 in 1970 to 3,301 in 2010, a 43% increase.

As the town has grown over time, the US 380 highway corridor has become the main development spine through the City of Farmersville. But even the expansion of the highway has done little to stimulate new economic development. Real property values have stagnated since 2008 and have even declined more recently. Some method of stimulating growth along this corridor is needed, especially to create growth beyond highway retail. This will require infrastructure (roadways, storm sewer, sanitary sewer, water) which does not presently exist, to pull development beyond the immediate highway corridor. Creation of a Tax Increment Financing Reinvestment Zone (TIRZ) is needed as an economic development tool to fund the needed public infrastructure to spearhead new private development along the US 380 corridor.

SECTION H: TAX INCREMENT ANALYSIS

This section documents the detailed analysis and inputs used to generate the tax increment revenue estimates.

Tax Increment Financing involves:

- Designating an eligible redevelopment area as a Tax Increment Financing Reinvestment Zone;
- Setting the assessment base at the level of the most recent assessment; and
- Placing tax revenues generated by the increase in assessed value in a tax increment fund for funding public improvements.

Thus, future tax increment revenues depend on four elements:

- The timing and added value of new development;
- Appreciation of existing land and improvements;
- The loss of value from any existing improvements demolished to make way for new development; and
- Future tax rates and the percentage of participation of the taxing jurisdiction.

Assessment policies typically set building assessments at 100 percent of fair market value, which are generally comparable to construction costs for new construction. Assessed values are established as of January 1 of the tax year. Thus, development in 2011 goes on the tax rolls for the Tax Year 2012. The 2011 certified taxable value of real property in the TIRZ boundary is \$54,203,918. This value is the base tax value. In this analysis, to be conservative, no increase in existing values or in value of new development after completion has been included.

All taxes from the existing 2011 certified value of both real and business personal property will continue to flow to the City and County. During the 30-year life of the TIRZ, 100% of taxes on increased real property value from the City and 50% of taxes on increased real property value from the County will flow to the TIRZ Fund: The County will receive 50% of taxes on increased real property value. Both the City and County will receive 100% of the taxes from the increased business personal property value.

For the purpose of determining the expected increase in value within the TIRZ boundary, the area was divided into nineteen (19) development tracts as shown in Exhibit 1 and Exhibit 2. Within each development tract, the expected increase in value was determined as shown in Exhibit 3. Once these values were determined, development time frames were applied as shown in Exhibit 4. Over the next thirty (30) years, it is projected that within the TIRZ boundary, the following new development will occur:

Commercial --	980,000 square feet
Retail --	660,000 square feet
Industrial --	977,000 square feet
Single-Family --	674 units
Multi-Family --	1,250 units

This new development will add an additional \$347,215,000 to the City and County real property taxable value (see Exhibit 5).

Based on the increase in value shown in Exhibit 5, and the tax rate participation outlined previously, the income to the TIRZ Fund will total \$39,909,000 as shown in Exhibit 6. This TIRZ Fund estimate exceeds the \$31,500,000 for infrastructure projects listed in the Project Plan by almost 27%.

CITY OF FARMERS VILLE
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1

SECTION HI: EXHIBITS

EXHIBIT 1

CITY OF FARMERS VILLE
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1

-11

City of Farmersville, Texas,
**Proposed Tax Increment
Reinvestment Zone**
December 2011

Tract 3b
(EU); MM

Tr

• T
(EL)

Tract 5a
City Limits,
132 Ave,

1,100 FTJ
82 Acres

IMO
I (Car,
Lanes)

Tract 10
• 1 k.s-e-s

• C
Acm

11,111 1.120 ACRES

TJ
0 1000200t

CITY OF FARMERSVILLE
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1

City of Farmersville, Texas.
Proposed Tax Increment
Reinvestment Zone

December 2011

Tract 44 •
(City of Farmersville)
(223 Acres)
(entirely vacant)

Tract 4b
(ETJ)
(158 Acres)
(entirely vacant)

(City of Farmersville)
(entirely vacant)

(88 Acres)
(entirely vacant)

(City of Farmersville)
(entirely vacant)
(Vacant in C.L. 563 Acres)
(entirely vacant)

6,000
11,01/0

EXHIBIT 3 (CONT)

- 4a 223 ac., 75 ac. reserved, 75 ac. vacant
 Highway Retail — 20.7 ac. (3,000 LF frontage @ 300' deep = 900,000 SF)
 10% lot coverage = 90,000 SF @ \$60/SF = \$5,400,000
 Multi-Family — 75 ac. - 20.7 ac. = 54.3 ac.
 54.3 ac. @ 15% coverage = 354,796 SF (say 355,000 SF)
 355,000 SF @ 1,000 SF/un = 355 un @ \$60K/un = \$21,300,000
- 4b 188 ac., 174 ac. vacant
 Street Retail — 20.7 ac. (3,000 IF frontage @ 300' deep = 900,000 SF)
 10% lot coverage = 90,000 SF @ 50% dev. = 45,000 SF
 45,000 SF @ \$50/SF = \$2,250,000
 Single-Family — 174 ac. - 20.7 ac. = 153.3 ac. @ 20% dev. = 30.66 ac.
 30.66 ac. @ 4 du/ac. = 122 un @ 175K/un = \$21,350,000
- 4c 136 ac., 109 ac. vacant
 Highway Retail — 20.7 ac. (3,000 LF frontage @ 300' deep = 900,000 SF)
 10% lot coverage = 90,000 SF @ \$60/SF = \$5,400,000 Multi-Family
 — 109 ac. - 20.7 ac. = 88.3 ac. @ 25% dev. = 22 ac. 22 ac. @
 15% coverage = 143,748 SF (say 144,000 SF) 144,000 SF @
 1,000 SF/un = 144 un @ \$60K/un = \$8,640,000
- 5 167 ac., 37 ac. vacant
 Assume 4,000 SF of development every 5 years
 4,000 SF/yr 5 times = 20,000 SF @ 60K/SF = \$1,200,000
- 6a 87 ac., 56 ac. vacant
 Assume redevelopment and new development on 40 ac.
 40 ac. @ 15% coverage = 261,360 SF @ \$60/SF = \$15,680,000
- 6b 62 ac., 38 ac. vacant
 Assume mixed-use development
 38 ac. @ 15% coverage = 248,292 SF @ \$60/SF = \$14,900,000
- 6c 3 ac., 2 ac. vacant
 Assume no development
- 52 ac., 19 ac. vacant
 Assume redevelopment and new development on 25 ac.
 25 ac. @ 15% coverage = 163,350 SF @ \$60/SF = \$9,800,000

EXHIBIT 3 (CON'T)

- 8a 188 ac., 125 ac. vacant
125 ac. @ 5% coverage = 272,250 SF @ \$60/SF = \$16,335,000
25 years of 30 year build out = \$13,625,000
- 8b 659 ac., 640 ac. vacant
640 ac. @ 5% coverage = 1,393,920 SF @ \$60/SF = \$83,635,000
15 years of 30 year build out - \$41,817,600
Assume 50% developed = \$20,908,800
- 8c 443 ac., 427 ac. vacant
427 ac. @ 5% coverage = 930,000 SF @ \$60/SF = \$55,800,000
18 years of 30 year build out = \$33,480,000
Assume 50% developed = \$16,740,000
- 8d 139 ac., 129 ac. vacant
129 ac. @ 5% coverage = 280,960 SF @ \$60/SF = \$16,857,600
20 years of 30 year build out = \$11,238,400
Assume 50% development = \$5,619,200
- 8e 54 ac., 54 ac. vacant
54 ac. @ 5% coverage = 117,612 SF @ \$60/SF = \$7,050,000
15 years of 30 year build out = \$3,525,000
Assume 50% developed = \$1,762,500

EXHIBIT 4

**CITY OF FARMERS VILLE
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1**

FUTURE DEVELOPMENT ASSUMPTIONS

TRACT	ASSUMPTIONS		
Ia 26 ac. 16 ac. vac.	Used information provided by developer		
	Retail	2012 - 2015	\$1,800,000
	Bank	2013	400,000
	Storage	2016	500,000
	TOTAL		\$2,700,000
Ib 251 ac. 207 ac. vac.	Highway Retail	2021 - 2040	\$9,000,000
	Single-Family (20% dev.)	2026 - 2040	23,800,000
	TOTAL		\$32,800,000
Ic 24 ac.	N/A		
2 101 ac. 100 ac. vac.	Used information provided by developer except extended development time frame from 5 to 11 years		
	Assisted Living	2013, 2016, 2019	\$13,500,000
	Medical Office	2013, 2016, 2019, 2022	10,000,000
	Retail	2015, 2017	3,000,000
	Storage	2014, 2017, 2020	6,000,000
	Single-Family	2012 - 2022	41,720,000
	Multi-Family	2016, 2019, 2022	27,000,000
	TOTAL		\$101,220,000
3a 91 ac. 60 ac. vac.	Highway Retail	2013 - 2035	\$7,200,000
	Multi-Family	2018, 2021	12,720,000
	TOTAL		\$19,920,000
3b 196 ac. 168 ac. vac.	Highway Retail	2021 - 2040	\$5,400,000
	Single-Family (20% dev.)	2021 - 2040	20,650,000
	TOTAL		\$26,050,000
4a 223 ac. 75 ac. vac. 75 ac. CCCC	Highway Retail	2016 - 2040	\$5,400,000
	Multi-Family	2020, 2025	21,300,000
	TOTAL		\$26,700,000

EXHIBIT 4 (CON'T)

TRACT	ASSUMPTIONS		
4b 188 ac. 174 ac. vac.	Street Retail (50% dev.) Single-Family (20% dev.) TOTAL	2026 - 2040 2026 - 2040	\$2,200,000 21,350,000 \$23,550,000
4c 136 ac. 109 ac. vac.	Highway Retail Multi-Family (25% dev.) TOTAL	2026 - 2040 2030, 2035	\$5,400,000 8,640,000 \$14,040,000
5 167 ac. 37 ac. vac.	4,000 SF of development every 5 years	2016, 2021, 2026, 2031, 2036	\$1,200,000
6a 87 ac. 56 ac. vac.	Redevelopment & New development 40 ac. @ 15% coverage	2014 - 2040	\$15,680,000
6b 62 ac. 38 ac. vac.	Mixed-Use 38 ac. @ 15% coverage	2014 - 2040	\$14,900,000
6c 3 ac. 2 ac. vac.	N/A		
7 52 ac. 19 ac. vac.	Redevelopment & New development 25 ac. @ 15% coverage	2014 - 2040	\$9,800,000
8a 188 ac. 125 ac. vac.	Light Industrial 125 ac. @ 5% coverage 30-year build out	2016 - 2040	\$13,625,000

(CON'T)

TRACT 1		ASSUMPTIONS	
8b 659 ac. 640 ac. vac.	Light Industrial 531 ac. @ 5% coverage 30-year build out	2026 - 2040	\$20,908,800
8c 443 ac. 427 ac. vac.	Light Industrial 427 ac. @ 5% coverage 30-year build out	2023 - 2040	\$16,740,000
8d 139 ac. 129 ac. vac.	Light Industrial 129 ac. @ 5% coverage 30-year build out	2021 - 2040	\$5,619,200
8e 54 ac. 54 ac. vac.	Light Industrial 54 ac. @ 5% coverage 30-year build out	2026 - 2040	\$1,762,500
GRAND TOTAL			<u>\$347,215,500</u>

EXHIBIT 5

FUTURE DEVELOPMENT - \$K

YEAR	TRACT																		TOTAL	
	1a	1b	1c	2a	3a	3b	4a	4b	4c	5	6a	6b	6c	7	8a	8b	8c	8d		8e
2011		----	----					----	----				----					----		0
2012	750	----		1,120			----	----					----							1,870
2013	400	----	----	9,800	313	----				----		----								10,513
2014	450	----	----	6,200	313	----			----		580	555	----	360		----	----		----	8,458
2015	600		-----	5,700	313	---	----	----	---		580	555	----	360	----				----	8,108
2016	500	----		20,200	313		216		---	240	580		555-	360	545	----	----			23,509
2017	---			7,700	313		216	---	---	----	580		555-	360	545		---	---		10,269
2018		----	--		6,673						580		555-	360	545				----	13,129
2019	-	-	----	20,200	313		216	----	----	---	580		555-	360	545	----	----			22,769
2020	---			6,200	313		10,866	---		----	580		555-	360	545	---		-----	----	19,419
2021		450	----	4,200	6,673	1,303	216	----		240	580		555-	360	545	---	----	280		15,402
2022			450 -	15,700	313	1,303	216	---	----		580	555	----	360	545	---	----	280	----	20,302
2023	---		450 -	---	313	1,303	216			----	580	555	----	360	545	----	930	280	----	5,532
2024			450 -		313	1,303	216	----	----		580		555-	360	545	----	930	280	---	5,532
2025			450 -		313	1,303	10,866		----		580		555--	360	545		930	280	---	16,182
2026	----	2,030			313	1,303	216	1,570	360	240	580		555--	360	545	1,394	930	280	117	10,793
2027		2,030	----		313	1,303	216	1,570	360		580		555--	360	545	1,394	930	280	117	10,553
2028		2,030			313	1,303	216	1,570	360		580		555--	360	545	1,394	930	280	117	10,553
2029	---	2,030			313	1,303	216	1,570	360		580	555	--	360	545	1,394	930	280	117	10,553
2030		2,030			313	1,303	216	1,570	4,680		580	555	----	360	545	1,394	930	280	117	14,873
2031		2,030			313	1,303	216	1,570	360	240	580	555	----	360	545	1,394	930	280	117	10,793
2032	----	2,030			313	1,303	216	1,570	360	----	580		555--	360	545	1,394	930	280	117	10,553
2033		2,030			313	1,303	216	1,570	360	----	580		555--	360	545	1,394	930	280	117	10,553
2034		2,030			313	1,303	216	1,570	360		580		555--	360	545	1,394	930	280	117	10,553
2035		2,030	----		314	1,303	216	1,570	4,680		580		555--	360	545	1,394	930	280	117	14,874

EXHIBIT 6

**CITY OF FARMERS VILLE
TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 1**

TIRZ FUND

YEAR	NEW DEVELOPMENT, \$K	CUMULATIVE NEW DEVELOPMENT, \$K	TIRZ FUND, \$K*
2011			
2012	1,870	1,870	
2013	10,513	12,383	14
2014	8,458	20,841	93
2015	8,108	28,949	156
2016	23,509	52,458	217
2017	10,269	62,727	393
2018	13,129	75,856	470
2019	22,769	98,625	569
2020	19,419	118,044	740
2021	15,402	133,446	885
2022	20,302	153,748	1,001
2023	5,532	159,280	1,153
2024	5,532	164,812	1,195
2025	16,182	180,994	1,236
2026	10,793	191,787	1,357
2027	10,553	202,340	1,438
2028	10,553	212,893	1,518
2029	10,553	223,446	1,597
2030	14,873	238,319	1,676
2031	10,793	249,112	1,787
2032	10,553	259,665	1,868
2033	10,553	270,218	1,947
2034	10,553	280,771	2,027
2035	14,874	295,645	2,106
2036	10,480	306,125	2,217
2037	10,240	316,365	2,296
2038	10,240	326,605	2,373
2039	10,240	336,845	2,450
2040	10,370	347,215	2,526
2041			<u>2,604</u>
TOTAL	347,215	347,215	39,909**

*Based on 2011 tax rates of:

City - \$0.63/\$100 valuation
 Co. (50%) - 0.12/5100 valuation
 TOTAL \$0.75/\$100 valuation

**City contribution: \$33,524,000 (84%)
 County contribution: \$6,385,000 (16%)

