

WHEREAS, the City recognizes the importance of its role in local economic development; and

WHEREAS, on December 8, 2010, City Council authorized the establishment of Tax Increment Financing Reinvestment Zone Number Nineteen (the Cypress Waters TIF District) in accordance with the Tax Increment Financing Act, as amended, V.T.C.A Texas Tax Code, Chapter 311 (the "Act") to promote development and redevelopment in the District through the use of tax increment financing by Ordinance No. 28074, as amended; and

WHEREAS, on June 8, 2011, City Council authorized the Cypress Waters TIF District Project Plan and Reinvestment Zone Financing Plan by Ordinance No. 28224, as amended; and

WHEREAS, the Act requires that if an amendment reduces or increases the geographic area of the zone, increases the amount of bonded indebtedness to be incurred, increases or decreases the percentage of a tax increment to be contributed by a taxing unit, increases the total estimated project costs, or designates additional property in the zone to be acquired by the municipality, the approval must be by ordinance after the City holds a public hearing on such amendments and provide interested persons the opportunity to speak and present evidence for or against such amendments; and

WHEREAS, the City desires, by the calling and holding of such public hearing, to provide a reasonable opportunity for any owner of property located within the Cypress Waters TIF District, any other taxing districts, and any other interested persons to speak for or against the amendment; and

WHEREAS, on May 11, 2015, the Cypress Waters TIF Board of Directors recommended the following amendments to the Cypress Waters TIF District and the Project Plan and Reinvestment Zone Financing Plan for the Cypress Waters TIF District to (1) modify the boundaries; (2) adjust the base year value of the District; (3) decrease the District's total budget from \$65,698,683 NPV (approximately \$160,115,818 total dollars) to \$25,779,665 (approximately \$49,465,852 total dollars), a decrease of \$39,919,018 NPV (approximately \$110,649,966 total dollars) to reflect the early termination of the District after repayment of Phase I, II and DWU/Irving water/wastewater obligations, and funding of the public safety building; (4) correct the infrastructure/utility improvements category consistent with changes to state law to allow TIF funding to be used for infrastructure constructed outside the boundary if it benefits the District; (5) make corresponding modifications to the Cypress Waters TIF District boundary, budget, and Project and Reinvestment Zone Financing Plans.

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That a public hearing shall be held at 1:00 p.m. on June 10, 2015, in the City Council Chambers, Dallas City Hall, 6th Floor, 1500 Marilla Street, Dallas, Texas, at which time any interested person may appear and speak for or against an amendment of the Cypress Waters TIF District's boundary to remove selected properties from the District. Those properties are depicted in the District's boundary map attached as **Exhibit A**.

Section 2. That notice of such public hearing shall be published in the official newspaper of the City of Dallas not later than seven (7) days prior to the date of such hearing, and that written notice of such hearing along with a copy of this resolution shall be delivered in writing to the presiding officer of the governing body of each taxing unit that includes in its boundaries real property that is located in the reinvestment zone.

Section 3. That after the public hearing is closed, City Council shall consider an ordinance amending Ordinance No. 28074 previously approved on December 8, 2010, as amended, and Ordinance No. 28224, previously approved on June 8, 2011, to: (1) modify the boundaries; (2) adjust the base year value of the District; (3) decrease the District's total budget from \$65,698,683 NPV (approximately \$160,115,818 total dollars) to \$25,779,665 (approximately \$49,465,852 total dollars), a decrease of \$39,919,018 NPV (approximately \$110,649,966 total dollars) to reflect the early termination of the District after repayment of Phase I, II and DWU/Irving water/wastewater obligations, and funding of the public safety building; (4) correct the infrastructure/utility improvements category consistent with changes to state law to allow TIF funding to be used for infrastructure constructed outside the boundary if it benefits the District; (5) make corresponding modifications to the Cypress Waters TIF District boundary, budget, and Project and Reinvestment Zone Financing Plans; and, at the close of the public hearing, consideration of an ordinance to reflect these changes as shown on the map attached hereto as **Exhibit A** and described in **Exhibit B**.

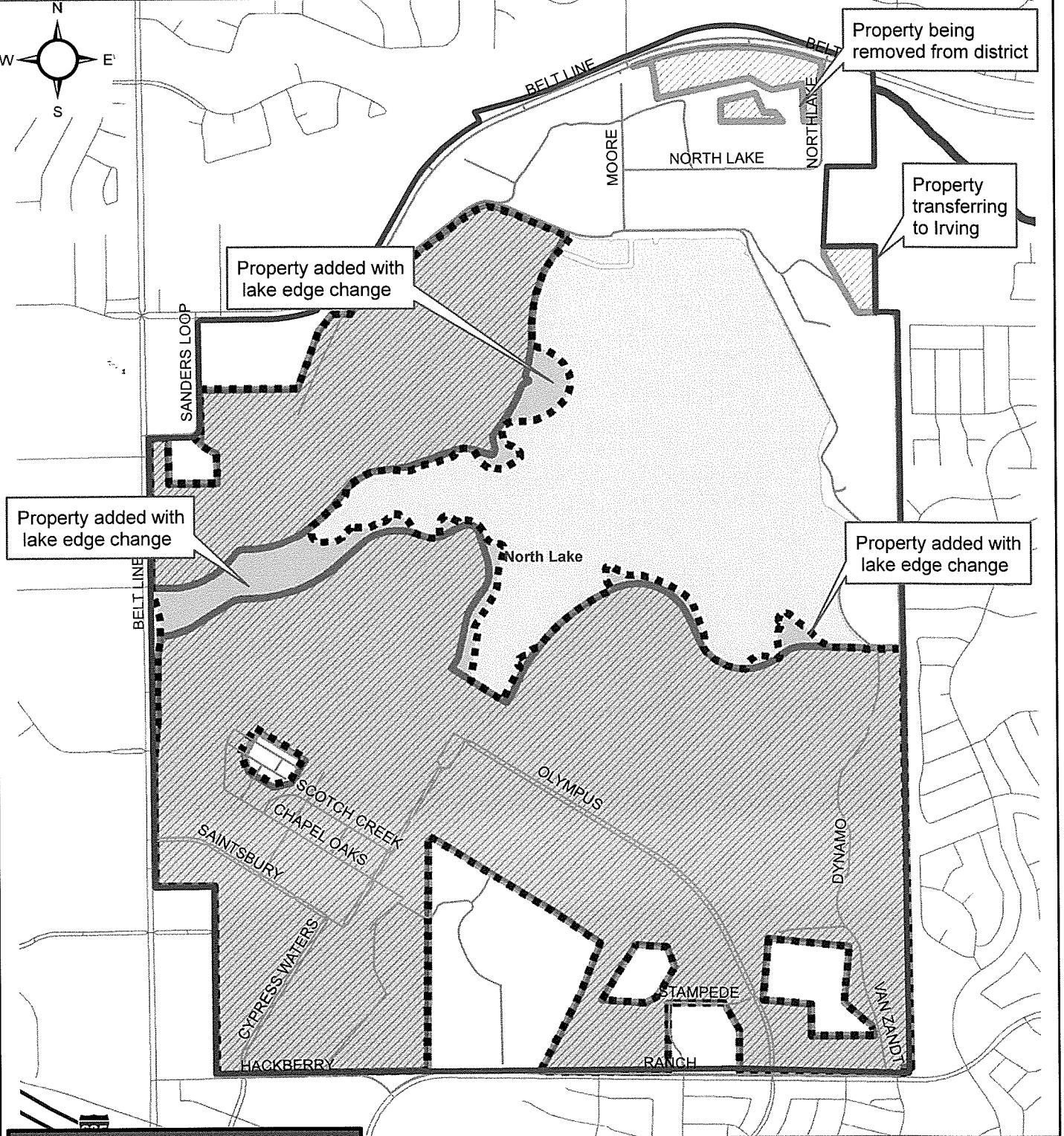
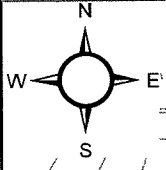
Section 4. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

APPROVED BY
CITY COUNCIL

MAY 27 2015


City Secretary

Exhibit A Cypress Waters TIF District Location Map



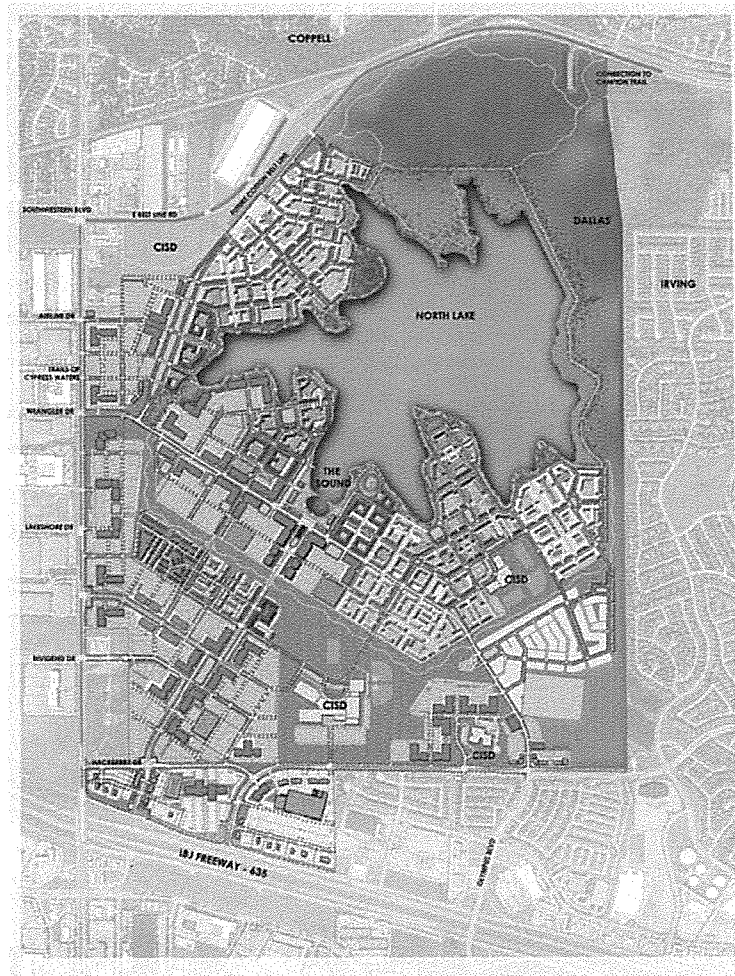
City of Dallas
 Office of Economic Development
<http://www.Dallas-EcoDev.org>
 Created May 2015

Legend

- Cypress Waters TIF Boundary
- Proposed Cypress Waters TIF Boundary

Exhibit B Cypress Waters

Tax Increment Financing District



Final Project Plan & Reinvestment Zone Financing Plan

June 8, 2011
Amended June 10, 2015

Acknowledgements

The Cypress Waters TIF District Project Plan and Reinvestment Zone Financing Plan was prepared by the City of Dallas, Office of Economic Development, based on an initial preliminary plan prepared by Billingsley Development Corporation. The Office of Economic Development wishes to acknowledge the efforts of everyone who contributed to the development of this plan, including the following organizations and individuals:

City of Dallas

A. C. Gonzalez	City Manager
Ryan Evans	First Assistant City Manager
Karl Zavitkovsky	Director, Office of Economic Development (OED)
Karl Stundins	Area Redevelopment Manager, OED
Sue Hounsel	Senior Coordinator, OED
Pam Thompson	Economic Development Analyst, OED
Chad Kopecki	Sr. Program Manager, Dallas Water Utilities
Barbara Martinez	Assistant City Attorney, City Attorney's Office
Marichelle Porteous	Assistant City Attorney, City Attorney's Office

Dallas City Council

Jerry R. Allen	Scott Griggs
DMPT Monica R. Alonzo	Vonciel Jones Hill
MPT Tennell Atkins	Sheffie Kadane
Rick Callahan	Philip T. Kingston
Dwaine Caraway	Lee Kleinman
Carolyn R. Davis	Adam Medrano
Sandy Greyson	Jennifer Staubach <u>Gates</u>

Former Dallas City Council

Mayor Dwaine R. Caraway	Delia Jasso
DMPT Pauline Medrano	Sheffie Kadane
Jerry Allen	Linda Koop
Tennell Atkins	Ann Margolin
Carolyn R. Davis	Ron Natinsky
Vonciel Jones Hill	Dave Neumann
Angela Hunt	Steve Salazar

Former Dallas Mayor, Manager, and Attorney

Mayor Tom Leppert
 Mary Suhm - City Manager
 Sarah Hasib – Assistant City Attorney

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Section 1: Project Plan

Background

The Cypress Waters Tax Increment Financing (TIF) District represents the outgrowth of the City of Dallas' effort to provide a model for supporting the development of underdeveloped land within the City of Dallas near employment centers and to take full advantage of the planned expansion of the DART light rail system along the Cotton Belt Line.

On May 26, 2010, pursuant to Resolution No. 10-1348, the City Council authorized the Cypress Waters Memorandum of Understanding ("MOU") to outline the strategies, future steps and conditions for the funding of infrastructure improvements necessitated by the development of Cypress Waters in order to ensure a coordinated, master-planned development for Cypress Waters within the corporate limits of the City but outside accessible city services. The Cypress Waters TIF District was created, and the City consented to the creation of the Cypress Waters MMD pursuant to the strategies outlined in the MOU and the commitments made by the Cypress Waters developer therein.

The Cypress Waters TIF District (the District) was established on December 8, 2010, in accordance with the MOU, to encourage the initial development of a large tract of undeveloped land within the City of Dallas (approximately 1,661 acres in total) surrounding North Lake. This District will promote the development of pedestrian-oriented traditional neighborhood development (TND) containing multifamily and residential development, a potential senior housing component, pedestrian-oriented retail development, and additional commercial development.

The District is located in the area north and east of the intersection of LBJ Freeway (I-635) and Belt Line Road, with the entire site being located within the City of Dallas. Upon initial approval, the District contained approximately 939 acres of contiguous undeveloped land which will be adjacent to a 340 acre lake (upon the planned reduction of North Lake). The remaining property in the 1,661 acre area is non-TIF area, including proposed school sites, drilling sites, and a former power plant. Due to the remoteness of the property in the Cypress Waters TIF District from the remainder of the City of Dallas, fully developing the property requires significant public expenditures for infrastructure/utility improvements (including extensive water and wastewater transmission, storage, and distribution improvements); construction of primary roadway improvements; facilities for police, fire, and emergency services; environmental remediation; lake reclamation, etc. The use of TIF funds has allowed this large, master-planned development, which is currently located outside of accessible City of Dallas services, to commence development much sooner, and to proceed to completion much more quickly, than such would occur absent the use and availability of TIF funds.

The Cypress Waters TIF District has been authorized by the City of Dallas, pursuant to Section 311.005, Texas Tax Code, because the Cypress Waters area substantially impairs the sound growth of Dallas, retards the provision of housing accommodations, constitutes an economic and social liability, and is a menace to the public welfare due to the predominance of defective or inadequate sidewalk and street layout.

Less than 10 percent of property in the District is currently being used for residential use with fewer than five living units.

In conjunction with the proposed TIF district, the Cypress Waters Municipal Management District (MMD) has been created by the Texas State Legislature. Municipal Management Districts (MMD) are self-governed, political subdivisions of the State of Texas. MMDs have the power to levy taxes on property in the district. In addition, MMDs can supply additional services that are supplemental or complementary to regular municipal services. Real property taxes must be approved by a majority of eligible voters in the MMD. The Cypress Waters MMD will benefit the proposed district by providing additional funding options and infrastructure creation capacity.

In May 2015, the Cypress Waters TIF board of directors recommended a minor boundary amendment to the district that 1) removed approximately 6 acres of property in anticipation of a boundary adjustment with the City of Irving and 2) removed approximately 22 acres that will not be served by the TIF district. The maps in this plan reflect both these adjustments and the previously anticipated change to the lake edge boundary. At the same time the board modified the infrastructure/utility improvements category to allow TIF funding to be used for infrastructure outside the District that benefits the District and reduced the overall budget.

Description of District

The Cypress Waters TIF District is generally bounded by East Belt Line Road to the north, South Belt Line Road to the west, Ranch Trail Drive and Hackberry Road to the south, and the City of Irving to the east. It is depicted in **Exhibit A**. District boundaries that follow public streets and highways shall be construed to extend to the far sides of such rights-of-way, measured from the reinvestment zone, except where zone boundaries abut another TIF zone or the jurisdictional limits of another City. In such cases, the boundary shall run to the centerline of the right-of-way. Boundaries that approximate property lines shall be construed as following such property lines.

At inception, the Cypress Waters TIF District was 939 acres in size, excluding existing rights-of-way and North Lake. With the 2015 amendment, including the previously anticipated change to the lake edge boundary, the district is approximately 960 acres. The lake is estimated to be 340 acres upon completion.

The original taxable appraised value of real property in the District for tax year 2010 was \$73,382 based on information derived from the final 2010 tax roll from the Dallas Central Appraisal District (DCAD). The estimated amended base value of the district is

Exhibit B

\$71,372. It will be adjusted to match final tax roll figures when available, including modifications to parcel edges near the lake. It equates to 0.0001% of the \$71,083,488,723 (certified 2010) of taxable real property in the City of Dallas. Texas cities may not designate a reinvestment zone if the total appraised value of taxable real property in the proposed zone and other existing zones exceeds 15% of the total appraised value of taxable real property in the municipality. The value of the proposed zone and other reinvestment zones in Dallas is less than this statutory limit. Moreover, the appraised value of taxable real property in this and all other Dallas TIF reinvestment zones combined is below the maximum threshold of 10% of the City's tax base as set by the City's Financial Management Performance Criteria (FMPC), as amended on September 24, 2008.

All real property accounts known to be within the TIF district boundary, as amended, based on DCAD's final 2010 tax roll, are listed in **Appendix A**. The base value of the TIF district/zone is the total appraised value of all taxable real property in the zone, as determined by the Dallas Central Appraisal District's final tax roll for 2010, including adjustments for the previously anticipated change to the lake edge. The base value of the District may be adjusted in the future to reflect property tax protests and settlements, or corrections that affect the 2010 valuation of properties within the Cypress Waters TIF District. Inclusion of property in a TIF district does not change tax rates for any property in the district. Rates remain the same as tax rates outside the district, given a constant set of taxing jurisdictions.

The boundary of this District follows the proposed new shoreline of North Lake. If at any time during the life of the Cypress Waters TIF District, the shore line should be reconfigured or moved, the boundary of the TIF District will follow the new location of the shore line. The updated maps in this amended plan reflect the new expected location of the shore line.

The term of the Cypress Waters TIF District began on January 1, 2011. The District's base year is 2010. It is scheduled to terminate on the earlier of (1) December 31, 2040, (including collection of the 2040 increment in calendar year 2041 and any related matters to be concluded in 2041) or (2) when the amended budget of approximately \$26 million net present value (NPV) has been collected, whichever occurs first.

The City's participation rate will be 0% in 2011 then rise to 85% for 2012 and each of the remaining years of the TIF. The County's participation is anticipated to be 0% in 2011-2013 then rise to 55% for 20 years or until the District is terminated.

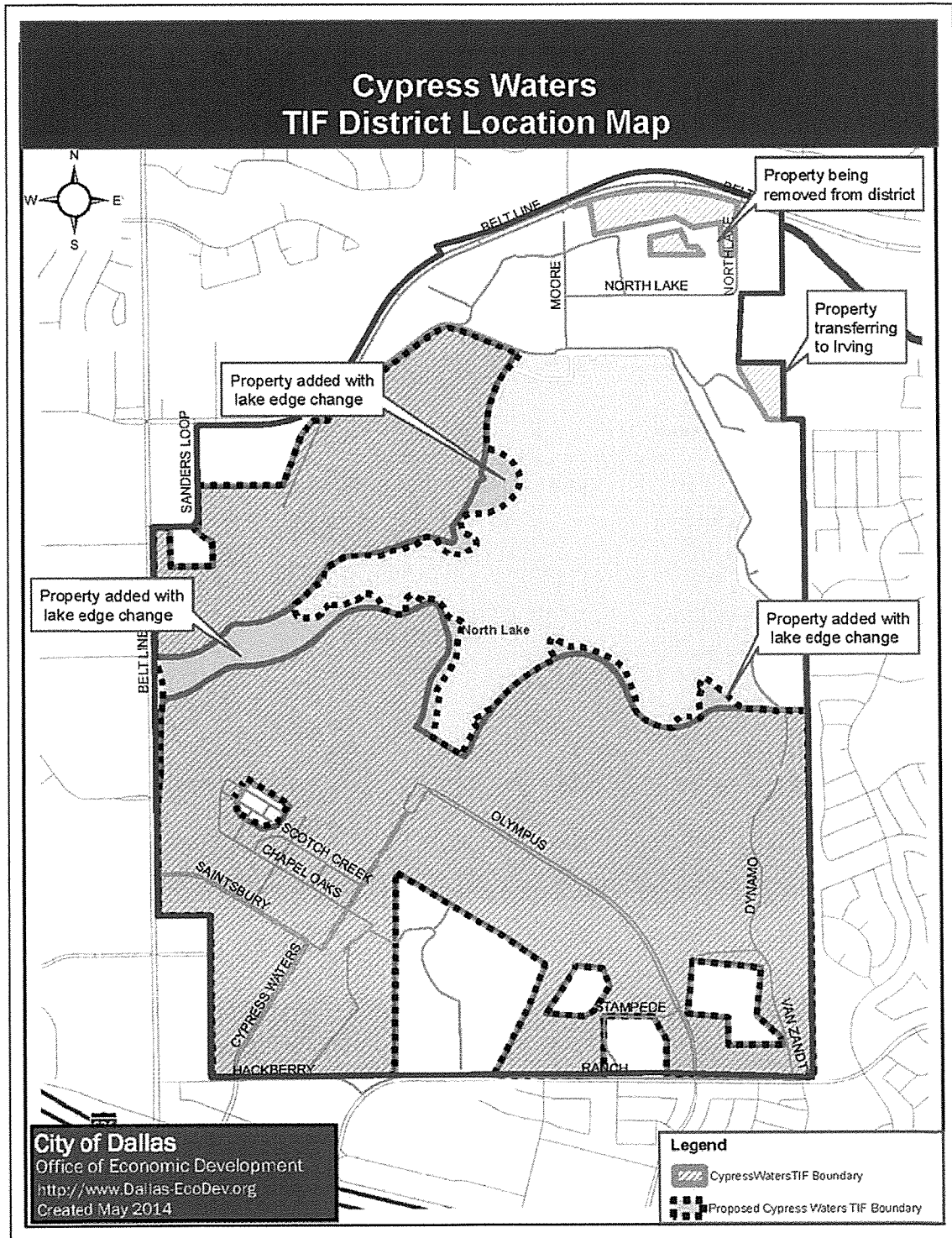
TIF funds will be disbursed annually, subject to the availability of funds, and according to development agreements or securities obligations approved by the City Council. All such agreements and obligations must be consistent with the TIF project plan and financing plan approved by the TIF board and the City Council, as prescribed by the TIF Act.

Pursuant to the June 10, 2015 project plan amendments, the developer requested early termination of the Cypress Waters TIF District after repayment of the Phase I and II projects, funding of the water and wastewater improvements as listed in a future inter-local agreement with Irving, and funding of the planned public safety building as listed in the revised budget. Since no TIF funding will be committed for any developer-led project beyond the first two phases, adherence to the Mixed income Housing Policy, design review process, and MWBE process will not be required in the remaining build out of the District.

Accordingly, all payments to the Cypress Waters TIF District Fund will terminate upon the satisfaction of the Phase I and II projects, funding of the water and wastewater improvements as listed in a future inter-local agreement with Irving, and funding of the planned public safety building, all totaling approximately \$26 million (net present value), or December 31, 2040 (including collection of the 2040 increment in calendar year 2041 and any related matters to be concluded in 2041), whichever occurs first.

The Tax Increment Financing Act, Chapter 311 of the Texas Tax Code, Vernon's Texas Codes Annotated, (the "Act"), provides that the TIF fund may pay expenditures for public improvements within the TIF District and other expenses permitted by law, including financing costs of the public improvements and administrative costs for the TIF program. Dollars from the TIF fund may pay or reimburse a developer, a developer's assignees, or another entity for legally eligible expenditures duly approved by the City. Alternatively, subject to TIF board and City Council approval, TIF dollars may pay debt service for securities issued by the City or by the Cypress Waters Municipal Management District (the MMD) to fund eligible TIF expenses. TIF funds may not be used to reimburse Cypress Waters MMD fees that are not specifically related to the TIF District.

Exhibit A: Amended Map of the Cypress Waters TIF District



Existing Conditions

The Cypress Waters TIF District, at creation, was wholly undeveloped property that was being used for agricultural purposes only. Public infrastructure improvements are needed throughout the District. Without TIF financial incentives, it was highly unlikely that development of the area would occur in a comprehensive manner that adheres to strong design standards and satisfies the provisions for affordable housing at any time within the near future. The aerial photos in **Exhibit B** show the existing conditions within the District's boundary.

DART's planned expansion of the light rail system along the Cotton Belt Line is anticipated to be a potential asset for the TIF District.

Existing Land Uses

The Cypress Waters TIF District is currently used solely for agricultural purposes. The District is adjacent to North Lake and the site of a TXU/Luminant Energy power generation plant which has been decommissioned and is currently scheduled for demolition. Upon completion of the plant demolition, North Lake is planned to be lowered, which would reduce its size from approximately 800 acres to approximately 340 acres. The aerial photos in **Exhibit B** show the existing land uses within the District's boundary.

Existing Zoning

913 acres of the property within the TIF District have recently been rezoned as PD 741. The remaining 34 acres remain un-zoned. The development standards within PD 741 are based on MU-3 zoning and include certain code enhancements such as additional allowed uses, reduced setbacks, increased density, ground floor transparency, pedestrian friendly street sections and enhanced landscaping. All of these reinforce the design practices of a Traditional Neighborhood Development. See **Exhibit C** for a map of the existing zoning.

Exhibit B: Cypress Waters TIF District – Existing Conditions & Uses



Aerial: 2010

Aerial in 2013

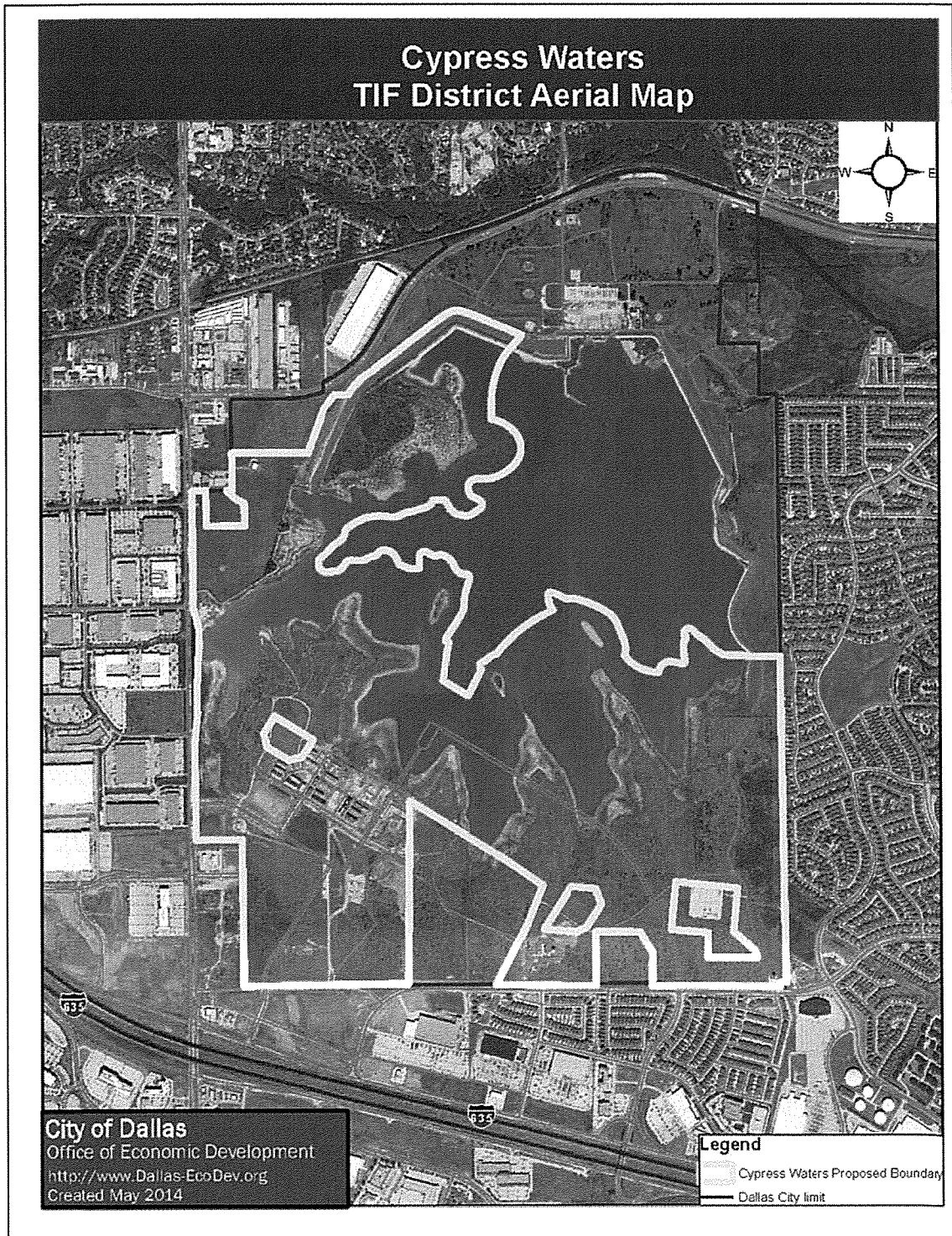
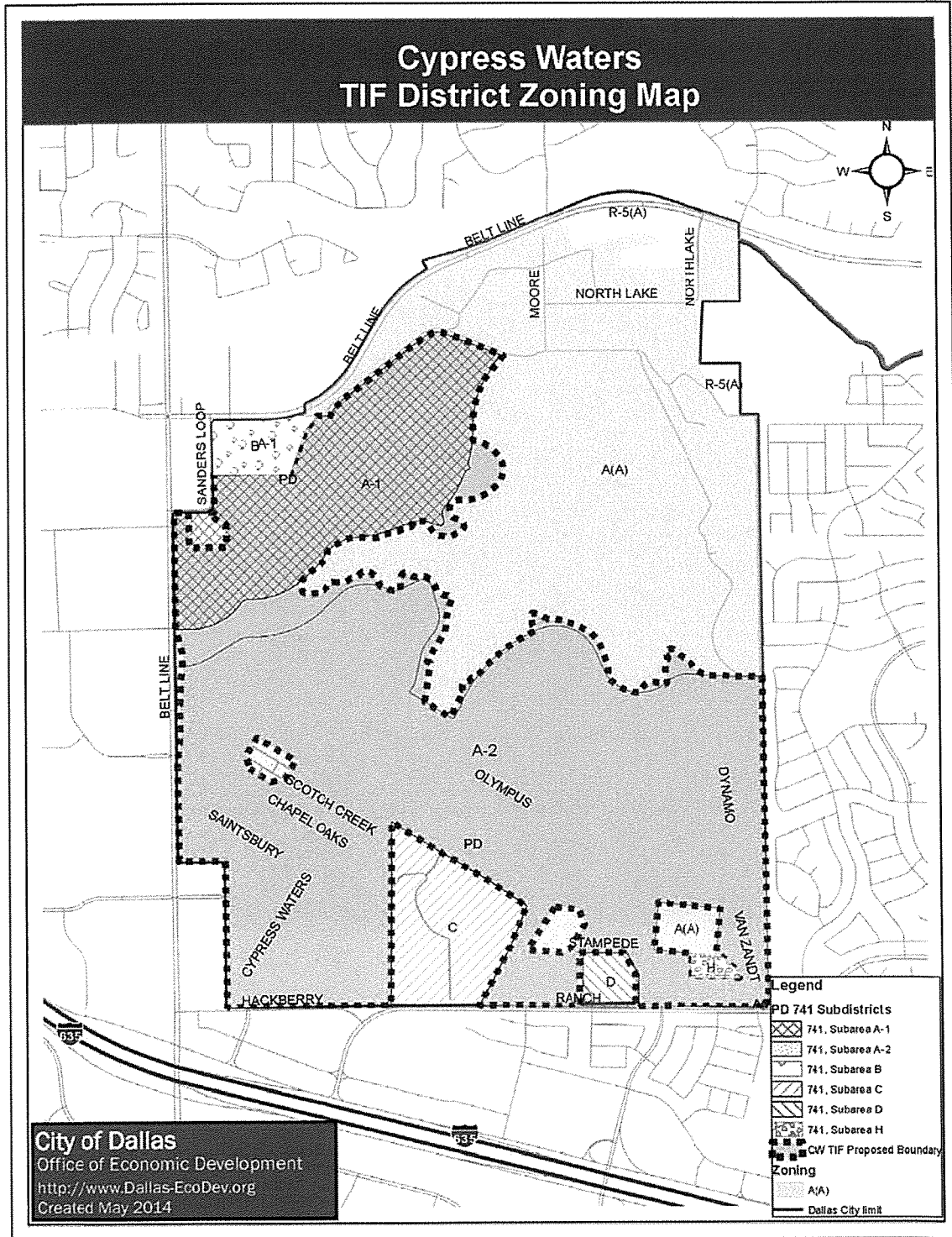


Exhibit C: Amended Cypress Waters Zoning Map – PD 741



Development Goals and Objectives

Progress toward the goals and objectives of the Cypress Waters TIF District will facilitate the development of new multi-family units, for-sale residential units, senior housing, pedestrian oriented retail centers, office space, data centers, and light warehouse/industrial use, as well as public infrastructure improvements within the community.

The following development goals address the specific needs of the proposed Cypress Waters TIF District:

- **Goal 1** – To create additional taxable value attributed to new private investment in projects in the Cypress Waters TIF District totaling approximately \$2.2 billion over the thirty year life of the TIF District.
- **Goal 2** – To attract new private development, including approximately 10,000 new residential units, 4,000,000 square feet of primarily office space, (including other commercial space uses, such as approximately 700,000 square feet of data center use and 2,000,000 square feet of light warehouse/industrial use), and an estimated 150,000 square feet of pedestrian-oriented retail space, all of which are anticipated to create an estimated 9,000 on-site jobs.
- **Goal 3** –To improve ridership on DART via the planned expansion along the Cotton Belt Line.
- **Goal 4** – To improve recreational opportunities for the community and the future residents within the TIF District via extensive, publicly accessible green space on the site along the lake edge and along power line easements in addition to multiple parks, hike and bike trails and pedestrian connections throughout the District. Additional open space may be available through the utilization of Coppell ISD land and as part of an MMD and/or TIF-funded public amenity center.
- **Goal 5** – To create a model for exceptional development standards in terms of complexity, scope, design, environmental sensitivity, and connectivity.
- **Goal 6** – To develop the property in a manner where fiscal impacts for the remainder of the City are limited and a development pattern is secured that is a net benefit to the City from a fiscal, land use and community standpoint.
- **Goal 7** – To generate an NPV of **\$26** million or approximately \$49 million in total dollars in TIF revenues over the 30-year life of the District.

The following objectives set the framework for the planned public improvements within the Cypress Waters TIF District:

- Provide funding for environmental remediation and lake reclamation assistance to encourage the development of property within the District.
- Install basic infrastructure including, but not limited to, storm water drainage, approximately 45 miles of water transmission and distribution improvements, pump stations, ground storage tanks, and pressure tanks; approximately 5 miles of wastewater improvements and three wastewater lift stations; and approximately 6 miles of primary roads, while providing street and streetscape improvements that will attract new development and improve accessibility to transit and the trail system in the area.
- Provide funding for construction of facilities to house both the intermediate and final public safety services.
- Direct the District's overall development through the application of a comprehensive planning system called Traditional Neighborhood Development (TND) to include a variety of housing types and land uses in a defined area including educational facilities, civic buildings and commercial establishments to be located within walking distance of private homes. A TND is designed to include a network of paths, streets and lanes suitable for pedestrians as well as vehicles, which provides residents the option of walking, biking, or driving to places within their neighborhood.
- Blend traditional multi-family and single-family neighborhoods with commercial and retail areas. It will be designed with strict architectural guidelines to ensure quality and excellence while emphasizing aesthetics, human comfort and the creation of a sense of place.

This plan is intended to encourage private development and public infrastructure improvements, thereby improving and enabling initial development opportunities for the Cypress Waters TIF District.

Market Feasibility and Planned Development

The predominant land use in the Cypress Waters TIF District development program is mixed-use and Traditional Neighborhood Development (TND), including a range of residential housing types, commercial space, and pedestrian-oriented retail space. The residential development should increase the demand for new retail space in the area. The District's planned private development includes:

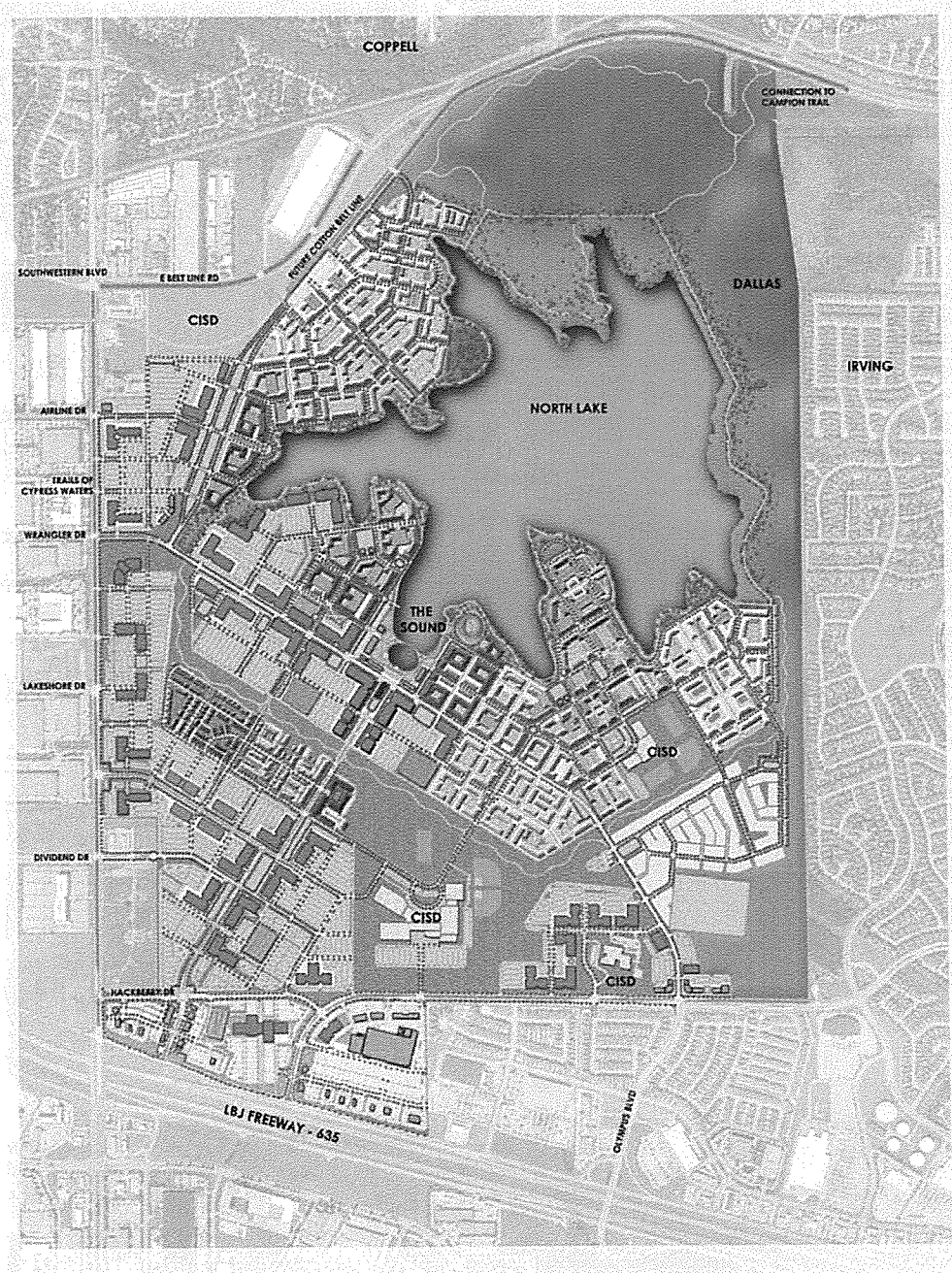
- Up to 10,000 new residential units in a range of residential types
- Approximately 4,000,000 square feet of primarily office space, (including other commercial space uses, such as approximately 700,000 square feet of data center use and 2,000,000 square feet of light warehouse/industrial use) An estimated 150,000 square feet of pedestrian-oriented retail space

By creating a more sustainable mix of high density residential, retail and office uses in the North Lake area, the area will be converted from low tax base agricultural land to developed property with a substantial increase in property values.

Market analysis shows a demand for the Cypress Waters project. It is anticipated that the project will attract people from not only Dallas County but the three adjacent metroplex counties (Tarrant, Collin, and Denton Counties). Although the appeal of creating a one-of-a-kind TND within the City of Dallas has been a key aspect in analyzing the project's financial feasibility, it is highly unlikely that a development of this scale would occur without public assistance.

High density residential development via the TND is anticipated to be the primary driver of initial development within the TIF District; however, it is possible that commercial development may precede residential development if near-term market demand moves in that direction. For example, one or more data centers may be constructed prior to any other development. See **Exhibit D** for the conceptual master plan.

**Exhibit D:
Cypress Waters Development – Amended Conceptual Master Plan**



TIF District Policy Considerations

City policy for creation of new TIF districts requires that newly created TIF district plans include public objectives, such as a provision for mixed income housing, development of design guidelines that promote the high quality design of structures and infrastructure within the TIF district, utilization of minority- and women-owned businesses in new construction, promotion of jobs for neighborhood residents, and resolution of issues related to the relocation of area residents displaced by new development. The MOU supports these objectives. These issues are addressed specifically below.

Mixed Income Housing. Twenty percent of all housing units in projects using TIF funds will meet the City's and County's established criteria for affordable housing. Affordable housing units are those which are affordable to a household earning 80% or less of the median family income for the Dallas metropolitan area. Affordable rental rates will be adjusted annually according to the affordable housing schedule produced annually by the City's Housing Department. The City's TIF District Mixed Income Housing Policy outlines the details for the provision of affordable housing in the District, subject to this Project Plan.

A developer may, subject to City and County approval, propose an alternative means of fulfilling the City and County's affordable housing requirements.

New affordable housing within the District may include senior or tax credit financed units. Affordable housing units should be dispersed throughout the community, subject to the terms of this Project Plan. Mixed-income projects will be encouraged where possible.

Pursuant to the June 10, 2015 plan amendments, at the request of the developer and upon recommendation by the TIF Board, after considering the significant reduction in TIF funding for infrastructure proposed by the developer, the Cypress Waters TIF District will terminate after repayment of the Phase I and II projects, funding of the water and wastewater improvements as listed in a future inter-local agreement with Irving, and funding of the planned public safety building as listed in the revised budget. Accordingly, no mixed income housing is required to be provided in the remaining build out of the District. If the Project Plan is ever amended to subsidize any developer-led projects in the future in Cypress Waters with TIF funds, however, the City's TIF District Mixed-Income Housing Policy and the requirements of the MOU shall thereafter apply to all residential units constructed in Cypress Waters.

Design Guidelines. High quality urban design, utilizing a TND approach, is an objective for the Cypress Waters TIF District. Design guidelines for new development in the TIF District were developed and recommended by the TIF board. Development projects receiving TIF dollars will be required to comply with the approved guidelines. City staff will review projects for compatibility with the design guidelines to ensure that the development sets a standard for future development in the City of Dallas.

The design guidelines emphasize a network of paths, streets and lanes suitable for pedestrians as well as vehicles which provides residents the option of walking, biking or driving to places within their neighborhood and will provide for strict architectural guidelines that ensured quality and excellence emphasizing aesthetics, human comfort and the creation of a sense of place.

Business Inclusion and Development (BID) Plan. All TIF-funded projects must follow the City's adopted Business Inclusion and Development Plan. This policy outlines goals for certified Minority- and Women-Owned Business (M/WBE) participation in publicly funded infrastructure projects. The BID Plan goal is 25% for construction of public improvements. The goal for private improvements is negotiated in the development agreement. The process for BID compliance and City oversight will be negotiated with City staff and included in the development agreement for each individual project.

Promotion of Jobs for Neighborhood Residents. TIF applicants must agree to sponsor job fairs or other programs to attract neighborhood residents to any permanent jobs created in the developments within the District.

Existing Resident Displacement. The Act requires that existing resident displacement be minimized. Since all of the land within the TIF District was undeveloped at inception, there was no resident displacement to be considered or minimized.

Section 2: Public Improvement Plan

The amended Project Plan's enumerated public improvements provide for approximately \$26 million NPV or \$49 million in total dollars for the categories listed below. See **Exhibit F** for a budget of the proposed TIF-funded Project Plan Improvements ("Project Costs").

Project Costs

The following describes the Cypress Waters TIF District's eligible TIF Project Costs:

1. Infrastructure/Utility Improvements – This category includes TIF eligible expenditures for design and engineering for infrastructure and utility improvements; water and wastewater infrastructure improvements; primary road way construction; improvements for medians and parkways; and storm water drainage and management. This category also includes design, engineering, acquisition and construction of streetscape improvements, including lighting, sidewalk, trail, and path improvements; constructing and enhancing pedestrian and vehicle continuity in the District; streetscape improvements related to specific projects; and landscaping of public areas. Because of the District's remote location outside of accessible Dallas City services, the board may find it necessary and convenient to recommend that the City of Dallas negotiate with adjacent cities to provide necessary utility improvements, including water and wastewater improvements funded by the Cypress Waters TIF District.

Approximately **\$18** million, before Dallas Water Utilities cost participation, will be required to accomplish the needed infrastructure improvements in the Cypress Waters TIF District.

2. Grants for Public Safety Facilities – The City intends to make economic development loans or grants to further implement this Plan and to enable the construction of both temporary and permanent public safety facilities (including police and fire) within the District.

Approximately **\$6.0** million will be needed to facilitate grants for these public safety facility projects in the Cypress Waters TIF District.

3. Administration and Implementation – Administration costs, including reasonable charges for time spent by the municipality's employees and/or employees associated with any non-profit groups established to assist with implementation within the TIF District, will be eligible for reimbursement as project costs, upon approval by the TIF Board of Directors and in connection with the implementation of the Final Plan. Other TIF-related administrative expenses such as the City's legal and consulting fees (including but not

limited to bond counsel and financial advisor fees), management expenses, meeting expenditures and equipment are included in this category, including some expenses, such as design and engineering costs for preparing plans for the district, incurred by the Owner or Developer in connection with the creation of the TIF.

It is estimated that approximately **\$1.5** million will be needed for the administration and implementation of the TIF Plan.

Dallas Water Utilities Participation

In addition to the funds provided by the TIF, Dallas Water Utilities may commit to pay, or reimburse the developer for, 30% of the eligible costs of water and wastewater improvements for the District.

It is estimated that approximately **\$15** million may be committed by Dallas Water Utilities to reimburse developer and TIF fund. Any expenditure by Dallas Water Utilities over 30% may be reimbursable by the TIF district like any other TIF-eligible expenditure.

See Section 3: Financing Plan for details on how funds may be used.

Section 3: Financing Plan

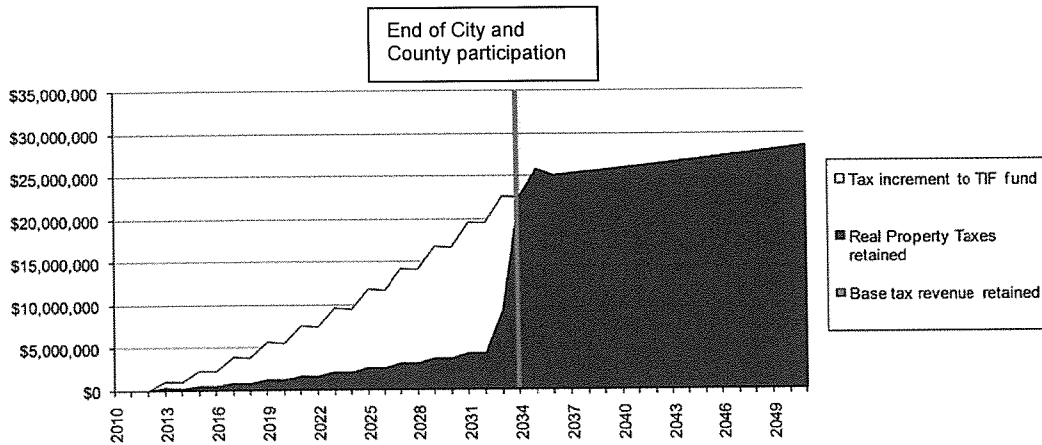
TIF Financing Overview

Tax increment financing is a tool local governments of Texas have used since 1986 to finance public improvements within defined areas that have unique challenges and opportunities for economic development. Statutory law governing TIF is found in the Act. The public improvements facilitated by tax increment financing strengthen existing communities and attract investment.

A municipality may designate an area as a TIF reinvestment zone if it determines that development or redevelopment activities in the area would not occur solely through private investment in the foreseeable future. All or a part of the increased tax revenue due to greater real property value in the district flows to a tax increment fund for a specified maximum term of years (subject to extension in accordance with state law). Money flowing to the TIF fund is disbursed according to a plan approved by a board of directors (the "TIF Board") and the City Council, as prescribed by the Act. With the exception of environmental remediation and demolition, historic façade restoration and funding for a TIF grant program, money in the TIF fund may only be used for public improvements.

Exhibit E illustrates how rising tax revenue from a TIF district's greater appraised property values flows over time to its participating taxing jurisdictions' general funds and to a TIF fund. The irregular diagonal line of **Exhibit E** depicts increasing values at various rates over time.

Exhibit E: Property Tax Flow with Tax Increment Financing



Inclusion of property in a TIF zone does not change any tax rate for the property. Tax rates in a TIF district are the same as tax rates outside the district.

Since 1986, Dallas has created twenty TIF districts. Without the creation of these TIF districts, it is doubtful that development in the State Thomas, Cityplace/West Village, Victory/American Airlines Center, Downtown, and other areas would have revitalized in the manner that they have. Most of the initial TIF districts were located in or around the downtown area or adjacent to DART light rail line stations. The Cypress Waters TIF District follows this mode in that DART’s proposed expansion along the Cotton Belt Line will pass through or near the District.

Project Budget. The Reinvestment Zone Financing Plan provides for incremental financing and predicts revenues for the Cypress Waters TIF District.

EXHIBIT F:
Cypress Waters TIF District Project Plan Improvements Budget

Amended TIF District Project Plan Improvement Budget

Category	Total Estimated TIF Expenditure (NPV - 2010 Dollars)*	Estimated TIF Expenditure (Total)**
Infrastructure Improvements (Phase I, II, and Irving/DWU water and wastewater improvements)	\$18,279,665	\$35,273,767
Public Safety Improvements	\$6,000,000	\$11,313,895
Administrative & Implementation***	\$1,500,000	\$2,878,190
Total Project Costs	\$25,779,665	\$49,465,852

* All values discounted to 2010 dollars at 5% annually. Total dollar expenditure value will depend on timing of project cost.

** All values are estimated based on annual TIF project costs and debt service schedules. These values depend on timing of projects and will fluctuate. An interest rate of 5% is used throughout the TIF term.

***Admin is calculated at \$60,000 for 25 years, in 2010 dollars. Estimated total admin follows total dollar growth.

Note: In addition, DWU may agree to fund up to 30% of TIF-eligible water and sewer improvements.

The project's principal costs in **Exhibit F** are expressed as if paid in 2010. Cash for most of these expenditures will not be drawn until subsequent years.

Financing Process. A developer will typically apply for and be authorized by the City Council for TIF improvements, then fund and build the improvements. Upon completion and acceptance of the work by the City, the developer will be reimbursed with TIF funds if and when they are available. TIF payments are made based on available increment and other conditions set forth in project development agreements. Previously, public improvements were publicly bid with private groups advancing funds for these improvements and earning applicable interest until the advance was repaid by the future cash flows to TIF District fund, if and when funds were available. However, based on legislative changes in 2005, the City may now allow for private, competitive bidding of TIF public improvements.

Likewise, Dallas Water Utilities or another City entity may apply for and be authorized by the City Council to construct TIF improvements and be reimbursed by the TIF district.

In general, TIF funds may be applied only to expenditures listed in the project plan as costs of public works, public improvements, programs, or other projects benefitting the zone, plus other costs incidental to those expenditures and obligations.

Bonds. It is contemplated that the Cypress Waters MMD may secure MMD bonds or other obligations; however, with this amendment, TIF revenues are not anticipated to be pledged in support of such bonds.

Grants. State law has been amended to permit the Cypress Waters TIF District to consider making direct grants to implement the Plan. As necessary or convenient to implement this Plan, the District's Board of Directors may provide for a program to make economic development loans or grants from TIF funds in an aggregate amount not to exceed the amount of tax increment produced by the municipality and paid into the tax increment fund for the District. Projects receiving such loans or grants must be consistent with the goals and objectives of the Cypress Waters TIF District Project Plan and Reinvestment Zone Financing Plan and would be subject to specific project agreements and City Council approval of the loan or grant program and the project agreements.

The City will implement sufficient controls to ensure that any grant funding provided will be used to satisfy at least one of the following objectives relevant to the Cypress Waters TIF District:

1. Develop and diversify the District's economy
2. Eliminate unemployment or underemployment
3. Develop or expand transportation, business, and commercial activity

Financing Policy and Long Term Financing. The goal of the Cypress Waters TIF District is to leverage increment accrued to maximize development in the District.

Expected Revenues. **Exhibit G** lists development projects that are anticipated in the Cypress Waters TIF District through 2040. Some of the projects may not occur or may be replaced by another potential project. This schedule represents the best estimate for the District's anticipated development. The actual timing, floor area, uses and other attributes for the listed projects may differ from the provided information.

Unit values supporting appraisal estimates in **Exhibit G** are based on observations of values assigned to comparable developments by the Dallas Central Appraisal District (DCAD). Actual construction costs or trading prices may differ. Because tax increments are measured by DCAD values, these are the relevant measures of value for a TIF financing plan.

Exhibit G: Amended Anticipated Development Projects in TIF District

Year Complete	Single Family (SF)	Multi-Family (SF)	MF (Premium) (SF)	Office (SF)	Retail (SF)	Taxable Value (added each year)
2013						
2014		581,259				\$49,407,015
2015				520,585		\$65,073,125
2016		156,403		218,395		\$40,593,630
2017				426,500		\$53,312,500
2018		689,603		165,000	10,000	\$80,241,280
2019				300,000		\$37,500,000
2020			431,842	250,000		\$75,297,859
2021				200,000	15,000	\$26,500,000
2022		689,603		100,000		\$71,116,280
2023				100,000		\$12,500,000
2024			431,842	100,000	10,000	\$57,547,859
2025				193,836		\$24,229,500
2026		689,603		193,836		\$82,845,780
2027				193,836	10,000	\$25,229,500
2028			431,842			\$44,047,859
2029						\$0
2030		689,603			10,000	\$59,616,280
2031	154,300					\$22,373,500
2032			431,842			\$44,047,859
2033	154,300				10,000	\$23,373,500
2034		689,603				\$58,616,280
2035	154,300					\$22,373,500
2036		689,603				\$58,616,280
2037	154,300					\$22,373,500
2038		689,603				\$58,616,280
2039	154,300					\$22,373,500
2040		689,603				\$58,616,280
2041	154,300					\$22,373,500
2042		689,603				\$58,616,280
2043	154,300					\$22,373,500
2044	154,300					\$22,373,500
2045	154,300					\$22,373,500
2046	154,300					\$22,373,500
Total	1,543,000	6,944,092	1,727,367	2,961,988	65,000	\$1,366,922,728

Exhibit B

Annual Real Property Appraisals to the TIF Fund

Based on the development projects identified in **Exhibit G** and other stated assumptions, **Exhibit H** estimates increment projections for the TIF District and annual percentages and amounts of the real property tax growth increment reinvested each year in the Cypress Waters TIF District fund. Cumulative increased property value is expected to reach approximately \$1.5 billion during the TIF District's 30-year term.

Starting with tax year 2012 (Year 2 of the TIF zone), a portion of the real property tax collected by the City of Dallas flowed to the TIF fund. This fund will reimburse TIF project costs according to the duly adopted project plan and financing plan for the Cypress Waters TIF District. Annual percentage of collected annual tax increments invested in the TIF fund by the City of Dallas equals 85%.

Dallas County has been asked to participate in the TIF program. Beginning in 2014, Dallas County is anticipated to agree to contribute 55% of the tax increment generated from county taxes assessed and collected within the Cypress Waters TIF District. County participation will require the approval of the County Commissioners Court and final terms of the County's contributions of tax increment shall be set forth in an interlocal participation agreement between the City and County. Should the full budget be reached prior to the end of the 20-year commitment, additional collection will cease.

Including the school district, hospital district, DCCCD, City, and County, and including sales, BPP, etc, the majority of tax increments generated in the Cypress Waters TIF District over the District's 30-year term will flow to the general operating funds of the relevant taxing jurisdictions.

Exhibit H: Amended Annual Real Property Appraisals and City/County Tax to the Cypress Waters TIF Fund

PROJECTED TIF INCREMENT SCHEDULE									
Tax Year	Property Value Total	Anticipated Captured Value	Part'n Rate City	TIF Contribution City	Part'n Rate County	TIF Contribution Dallas County	Total TIF Contribution	TOTAL TIF 2009 NPV @ 5.00%	
Original base	\$73,382		.797		.2431				
new base	2010	\$71,372	\$0	\$0	0.00%	\$0	\$0	\$0	
1	2011	\$73,382	\$0	\$0	0.00%	\$0	\$0	\$0	
2	2012	\$219,395	\$146,013	\$989	85.00%	\$0	\$989	\$854	
3	2013	\$9,625,083	\$9,551,701	\$64,708	85.00%	\$0	\$64,708	\$54,090	
4	2014	\$59,427,196	\$59,353,814	\$402,092	85.00%	\$79,359	\$481,451	\$431,320	
5	2015	\$108,834,211	\$108,762,839	\$736,814	85.00%	\$145,421	\$882,235	\$1,089,657	
6	2016	\$176,515,946	\$176,444,574	\$1,195,324	85.00%	\$235,915	\$1,431,239	\$2,106,812	
7	2017	\$220,366,220	\$220,294,848	\$1,492,387	85.00%	\$294,545	\$1,786,933	\$3,316,278	
8	2018	\$277,783,900	\$277,712,528	\$1,881,364	85.00%	\$371,316	\$2,252,679	\$4,768,375	
9	2019	\$363,395,558	\$363,324,186	\$2,461,340	85.00%	\$485,783	\$2,947,122	\$6,577,653	
10	2020	\$406,908,992	\$406,837,620	\$2,756,121	85.00%	\$543,962	\$3,300,084	\$8,507,143	
11	2021	\$489,439,953	\$489,368,581	\$3,315,227	85.00%	\$654,310	\$3,969,538	\$10,717,531	
12	2022	\$523,679,053	\$523,607,681	\$3,547,180	85.00%	\$700,090	\$4,247,270	\$12,969,948	
13	2023	\$603,717,263	\$603,645,891	\$4,089,399	85.00%	\$807,105	\$4,896,504	\$15,443,016	
14	2024	\$625,460,522	\$625,389,150	\$4,236,699	85.00%	\$836,177	\$5,072,875	\$17,883,155	
15	2025	\$693,253,507	\$693,182,135	\$4,695,962	85.00%	\$926,819	\$5,622,782	\$20,459,016	
16	2026	\$728,245,252	\$728,173,880	\$4,933,014	85.00%	\$973,605	\$5,906,619	\$23,036,055	
17	2027	\$823,257,397	\$823,186,025	\$5,502,184	85.00%	\$1,100,641	\$6,602,825	\$25,779,665	
18	2028	\$861,214,201	\$861,142,829	\$0	0.00%	\$0	\$0	\$25,779,665	
19	2029	\$918,840,991	\$918,769,619	\$0	0.00%	\$0	\$0	\$25,779,665	
20	2030	\$932,623,606	\$932,552,234	\$0	0.00%	\$0	\$0	\$25,779,665	
21	2031	\$1,007,123,484	\$1,007,052,112	\$0	0.00%	\$0	\$0	\$25,779,665	
22	2032	\$1,044,939,439	\$1,044,868,067	\$0	0.00%	\$0	\$0	\$25,779,665	
23	2033	\$1,105,322,107	\$1,105,250,735	\$0	0.00%	\$0	\$0	\$25,779,665	
24	2034	\$1,145,626,041	\$1,145,554,669	\$0	0.00%	\$0	\$0	\$25,779,665	
25	2035	\$1,222,305,956	\$1,222,234,584	\$0	0.00%	\$0	\$0	\$25,779,665	
26	2036	\$1,263,349,648	\$1,263,278,276	\$0	0.00%	\$0	\$0	\$25,779,665	
27	2037	\$1,341,795,417	\$1,341,724,045	\$0	0.00%	\$0	\$0	\$25,779,665	
28	2038	\$1,384,631,451	\$1,384,560,079	\$0	0.00%	\$0	\$0	\$25,779,665	
29	2039	\$1,464,896,448	\$1,464,825,076	\$0	0.00%	\$0	\$0	\$25,779,665	
30	2040	\$1,509,578,997	\$1,509,507,625	\$0	0.00%	\$0	\$0	\$25,779,665	
31	2041			\$0	0.00%	\$0	\$0	\$25,779,665	
32	2042			\$0	0.00%	\$0	\$0	\$25,779,665	
33	2043			\$0	0.00%	\$0	\$0	\$25,779,665	
34	2044			\$0	0.00%	\$0	\$0	\$25,779,665	
35	2045			\$0	0.00%	\$0	\$0	\$25,779,665	
36	2046			\$0	0.00%	\$0	\$0	\$25,779,665	
37	2047			\$0	0.00%	\$0	\$0	\$25,779,665	
38	2048			\$0	0.00%	\$0	\$0	\$25,779,665	
39	2049			\$0	0.00%	\$0	\$0	\$25,779,665	
40	2050			\$0	0.00%	\$0	\$0	\$25,779,665	
41	2051			\$0	0.00%	\$0	\$0	\$25,779,665	
*TIF fund collection includes both RP tax and agricultural exemption rollback taxes				\$41,310,805		\$8,155,047	\$49,465,852		
NPV				\$21,534,143		\$4,245,522	\$25,779,665		

Financial Assumptions

The key factors influencing the financial feasibility study and its conclusions are the financial assumptions that have been adopted.

Inflation. The generally accepted inflation for construction costs and the value of improvements is 3% per annum. Based on current market rates, net present values of the tax increment were calculated at a discount rate of 5% per annum.

Appreciation. Property appreciation is assumed to be **1.5%** percent per annum on average.

Tax Rate Changes. Although tax rates will certainly increase during the 30-year development period, the financial plan assumes that the 2010 tax rate will remain constant for the life of the Cypress Waters TIF District. Actual collections will incorporate any tax rate changes that may occur.

Remittance to the TIF Fund. The proposed duration of the Cypress Waters TIF District is 30 years. (It is scheduled to terminate December 31, 2040.) The City of Dallas is expected to participate at a rate of 85%. Dallas County will be asked to participate at a rate of 55% for a period of 20 years. TIF collections will terminate once the TIF budget of \$26 million (net present value) has been collected or December 31, 2040, whichever occurs first. Based on current development projections, the TIF budget is expected to be reached in **2027**, after 16 years of collections.

Financial Feasibility

The private development plans, public improvement program, general financing strategy and financial assumptions were all included in a preliminary assessment prepared by Billingsley Development Corporation and the City of Dallas, Office of Economic Development. The study is intended to be used as part of the economic feasibility study for the District in accordance with the provisions of Section 311.011, Texas Tax Code, and is available upon request.

During the Cypress Waters TIF District's 30-year term, cumulative private development is expected to increase property value to approximately \$1.5 billion. The TIF will only receive revenue from the taxable value which exceeds the base year's value. However, the base value for Cypress Waters TIF District is negligible. As a result, the captured taxable value accruing to the Cypress Waters TIF District will be about the same as the total taxable value for the District: **\$1.5 billion**.

If revenues are received at the predicted rate, increment collections will be reached and final project improvements completed by Year **17** of the TIF term. On a strict "pay-as-you-go" basis, the progress of the public improvements portion of the development program is driven by the revenues received and matched by the City's contributions. Therefore, if revenues exceed these projections, then the public improvements may be

completed ahead of schedule. However, if revenues do not meet expectations, then the progression of public improvements will be slowed or discontinued altogether based upon the advice of the Board of Directors and the approval of the City Council.

The Reinvestment Zone Financing Plan provides that the City and County will begin to realize additional revenues from the TIF in Year 3 (2013) of the program.

Based upon a set of TIF District analyses and assumptions, the Project Plan and Reinvestment Zone Financing Plan is feasible.

TIF Project Costs and Debt Service

Pursuant to this Project Plan and Reinvestment Zone Financing Plan and pursuant to one or more development agreements, balances in the TIF fund will be disbursed to reimburse TIF project costs. The City will not be obligated to reimburse TIF project costs unless there are sufficient dollars in the TIF fund to facilitate reimbursement. Disbursement from the TIF fund shall be executed in a timely fashion and not unreasonably withheld.

Reimbursement of TIF project costs appears to be economically feasible if development, project cost expenses, real property appraisals, tax levies and tax collections occur according to the analyses and assumptions in this plan.

The reinvestment zone was designated by the City Council in calendar year **2010**, thus making the certified **2010** tax roll (based on January 1, **2010** conditions, and adjusted for final valuations) the base value for the zone. The TIF zone will terminate upon the earlier of: (1) the end of calendar year 2040 or (2) upon full satisfaction of the Phase I and II projects, funding of the water and wastewater improvements as listed in a future inter-local agreement with Irving, and funding of the planned public safety building.

The tax increment financing fund may have a residual balance of cash after all its financial obligations have been met. Any residual balance will be refunded to taxing entities participating in the TIF program on a pro rata basis according to their respective contributions.

No bonded indebtedness is currently anticipated for the TIF fund.

Financial Policies

General financial policies are governed by the City of Dallas Public/Private Partnership Program that was first approved by the City Council on March 13, 1996. This program provides a framework for development incentives in a variety of areas. Within this framework are specific proposed policies for the Cypress Waters TIF District:

- Public improvements will occur at a pace that coincides with private development.

- Private developers must enter into a development agreement with the City if they desire the municipality 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 public funds may change over time as the District becomes more developed.
- If a developer requests funding for infrastructure improvements at a time when sufficient funds are not available in the TIF Fund, then improvements may be:
 - Deferred until funds are available
 - Constructed at the sole expense of the developer
 - Constructed at the expense of the developer with the City providing reimbursement as sufficient funds become available
- Should project costs that directly benefit the project's developer be paid, such as grants made to a developer as permitted by Chapter 311, Texas Tax Code, the City will enact and implement controls sufficient to ensure that any grant funds provided will be used to fulfill the public purposes of developing and diversifying the Cypress Waters TIF District's economy, eliminating unemployment or underemployment, and developing or expanding the District's transportation, business and commercial activity.
- Some desired improvements that benefit the entire district are beyond the capacity of TIF funding. Other sources of funding, such as General Obligation Bonds and grants, will be explored for these types of improvements.

The Cypress Waters TIF Board may periodically recommend amendments to these financial policies which will affect the TIF District's operations.

Conclusion

Based upon a set of analyses and assumptions relevant to the Cypress Waters TIF District Preliminary Project Plan and Reinvestment Zone Financing Plan, the plan has been determined to be feasible. The success of the District's development projects will allow the City of Dallas to improve and increase the area's inventory of affordable housing units as well as create new commercial and retail uses to complement the district. Additionally, adopting design standards and providing incentives to attract a more desirable mix of development will enable the Cypress Waters TIF District to serve as a model for developing similar areas.

**Appendix A: 2010 DCAD Certified Real Property Accounts in
the Cypress Waters TIF District**

[CHART WILL BE ADDED TO TIF PLAN BEFORE FILING]