Development Agreement

What is it?

An agreement between HWY 90 Castroville Partners, LTD, a Texas limited partnership, and City of Castroville, Texas, a Texas General Law Type A Municipality

Development Agreement

How is it authorized?

- Subchapter G of Chapter 212, Texas Local Government Code
- Chapter 380, Texas Local Government Code

Development Agreement

Why is it necessary?

- Subject property is located outside the City limits (with part inside the ETJ and part outside the ETJ)
- Current Texas law limits ability of a general law municipality to annex new territory
- In general, annexation requires mutual consent of the owners or residents of the property to be annexed and the annexing municipality

Development Agreement

Why is annexation desirable?

- Annexation provides benefits to both property owner/developer and municipality
  - Developer gains access to municipal services
  - Municipality can:
    - Obtain greater degree of control and oversight over development activities occurring in and around the municipality
    - Gain access to new revenue sources

Development Agreement

So how to voluntarily annex?

- By mutual agreement of property owner and municipality
- Terms of voluntary annexation to be memorialized in an agreement
- The result of this process is the Development Agreement

Development Agreement

How did we get here?

- Prior to 2018, Developer approaches City to discuss reduction of minimum residential lot size requirements and City's sharing development costs of public infrastructure related to mixed commercial and residential development of 417 acres of land located outside of the City's corporate limits in exchange for (i) voluntary annexation of Property into the City and (ii) increased development standards that will result in a high-quality development
- After 15 months of negotiation, the proposed Development Agreement is presented to the City Council for consideration

Development Agreement

So what does it say?

- Specifies the terms of development of Alsatian Oaks upon annexation into the City
- Provides for the developer's receipt of reimbursement for a portion of the costs of its investment in public infrastructure (source of reimbursement being limited to revenues generated from within the development)
- Provides for additional benefits to be received by the City to assist with its ability to accommodate responsible development in the City's eastern quadrant
- Does **<u>not</u>** require or attempt to modify any existing City agreements (including the agreement between the City and the ESD)

Project Scope

- 417.848 acres (**<u>Excludes</u>** Walmart)
- 378,030 sq. ft. of Commercial space (15-year projected development schedule) and 197 “living unit equivalent” (or LUEs)
- 950 single-family residential lots (24-year projected development schedule – roughly 40 lots per year) (950 LUEs)
- Parks, green space, amenity center (32 LUEs), public facilities set-asides, etc.
- At build-out (based on current year values):
    - Approximately \$35 million in public infrastructure
    - Approximately \$450 million in new taxable assessed valuation (\$108 million in commercial and \$342 million in residential)
- 1,179 LUEs (equivalent utility system connections)

INVESTMENT

$35,253,206
PUBLIC INFRASTRUCTURE

+

$108,498,048
RETAIL
378,030 SF

+

$342,054,345
RESIDENTIAL
950 LOTS

=

$485,805,599
TOTAL

Current City Statistics (2019)

- For comparison, City's 2019 total taxable assessed valuation was $207,751,496
- Average Home Value
  - Market Value - $200,203
  - Taxable Value – $186,478
- Electric Customers
  - Residential – 1,244
  - Commercial - 303
- Wastewater/Sewer Customers (current customers subsidized by other City utilities)
  - Residential – 1,031
  - Commercial – 163
- Water Customers
  - Residential – 1,145
  - Commercial – 211

Commercial Development

- To be built to City standards, except that general design will be as agreed to in development agreement (approved elevations as presented earlier by developer)
- Built to accommodate restaurants, retail, medical and professional
- Prohibited uses of commercial business include:
  - Sexually-oriented business
  - Shops dedicated to the sale of drug or tobacco paraphernalia
  - Unlicensed massage parlors
  - Flea markets, bingo halls, pawn shops, and payday lenders
- Financial models assume $150 per square foot in taxable valuation and $225 annual retail sales per square foot, inflated 1.5% annually, for estimated sales tax collections

Alsatian Oaks - Retail Power Center

Property Value Projections - By Individual Parcel / Building

Parcel	GLA	Year Built	Building Cost per SF	Land Value per SF	Total Property Value Year of Delivery	Total Property Value Year 31
Lot 1 (Wal-Mart Outparcel)	3,000	Year 5	$162	$12.00	$1,017,952	$1,476,993
Lot 2 (Wal-Mart Outparcel)	7,000	Year 4	$159	$12.00	$1,715,560	$2,526,521
Lot 3	12,000	Year 3	$157	$12.00	$2,734,255	$4,087,164
Lot 4	3,500	Year 8	$169	$12.00	$1,192,537	$1,654,721
Lot 5	3,500	Year 9	$172	$12.00	$1,133,454	$1,549,497
Lot 6	10,500	Year 6	$164	$12.00	$2,333,756	$3,336,110
Lot 7	4,500	Year 7	$166	$12.00	$1,444,363	$2,034,208
Lot 8	3,000	Year 10	$174	$12.00	$1,092,008	$1,470,777
Lot 9	3,500	Year 11	$177	$12.00	$1,162,052	$1,541,986
Lot 10	3,000	Year 12	$179	$12.00	$1,065,975	$1,393,593
Lot 11	3,500	Year 13	$182	$12.00	$1,138,926	$1,466,960
Lot 12	6 PUMPS	-	-	-	-	-
LOT "A"	7,700	Year 2	$155	$12.00	$2,047,171	$3,106,013
LOT "B"	8,750	Year 1	$150	$12.00	$2,023,399	$3,115,995
LOT "C"	7,350	Year 8	$169	$12.00	$1,895,358	$2,629,930
Anchor 2	30,000	Year 10	$174	$4.00	$5,774,513	$7,777,432
In-Line Retail	26,750	Year 11	$177	$4.00	$5,218,783	$6,925,068
Jr. Anchor 6	18,600	Year 11	$177	$4.00	$3,628,772	$4,815,202
Jr. Anchor 5 (Left)	7,700	Year 11	$177	$4.00	$1,502,223	$1,993,376
In-Line Retail	14,000	Year 11	$177	$4.00	$2,731,324	$3,624,332
In-Line Retail	14,000	Year 10	$174	$4.00	$2,705,465	$3,643,870
In-Line Retail	14,350	Year 11	$177	$4.00	$2,811,130	$3,730,232
Jr. Anchor 5 (Right)	11,900	Year 12	$179	$4.00	$2,363,478	$3,089,871
Jr. Anchor 3	18,700	Year 12	$179	$4.00	$3,712,852	$4,853,963
Jr. Anchor 1	16,950	Year 13	$182	$4.00	$3,410,990	$4,393,424
Grocery Anchor	59,100	Year 13	$182	$4.00	$11,893,159	$15,318,631
LOT "D" - Combined Retail	65,180	Year 15	$188	$4.00	$13,551,228	$16,942,179
Total	378,030				$81,300,684	$108,498,048

Residential Development

- To be built to City standards, except as modified by development agreement
- Minimum “gross” lot size of 8,000 square feet; minimum “net” lot size of 6,000 square feet
- Minimum 1,400 square feet per home of living space (excludes garages in calculation)
- Limited to site-built homes on slabs
- Requirement of 75% all-masonry (stone, brick or stucco) exterior from ground to roofline (including 2-story homes)
- Floorplan restriction prohibits same home built side-by-side or across the street

Residential Lots

- “Net” square feet means the actual, platted lot size
- “Gross” square feet means the Net square footage per lot **plus** required, dedicated green space and parks within the development allocated to each platted lot on a pro rata basis (recognition that some developable and undevelopable land is set aside to reduce density)
- Standard lot depths are measured at 120 feet
- Lot size variance is based on length of frontage
- Permitted frontages are 50’, 60’, and 70’ (or larger), producing net lot sizes of 6,000, 7,200 and 8,400 square foot lots
- Current western expanding San Antonio residential developments are mixes of 40’, 45’ and 50’ lot frontages
- Development Agreement restricts 50’ frontage lots to not more than 60% (or 570) of all residential lots, with a mix of 60’ and 70’ frontage lots comprising the remaining 40% (or 380) residential lots

Residential Lots

- Developed lot value is based on an assumption that each 10 feet of lot frontage equates to $10,000 in “value”
- Lot value comprises approximately 20% of total value of the lot, as developed
- 50’ Lot X $10,000 (per 10’) X 5 = $250,000 base value home
- Financial models assumes residential home values of
    - $250,000 (50’ frontage lots)
    - $300,000 (60’ frontage lots)
    - $350,000 (70’ frontage lots)
- Financial assumptions are based on current year values

Alsatian Oaks - Single Family Residential

Single Family Property Tax Valuation by Neighborhoods / Lots

Growth	Villages / Lots	Builder Year	Construction Completion	Units Per Year	Cumulative Units	Total Property Value Year of Delivery	Total Property Value Year 31
4 Years Growth	Unit 1	Year 1	2022	50	50	$15,000,000	$22,758,333
	Unit 1	Year 2	2023	12	62	$3,600,000	$5,381,281
	Unit 2	Year 3	2024	60	122	$15,000,000	$22,090,643
	Unit 2	Year 4	2025	46	168	$11,500,000	$16,685,872
4 Years Recession	Unit 3	Year 5	2026	35	203	$8,750,000	$12,508,150
	Unit 3	Year 6	2027	33	236	$8,250,000	$11,619,112
	Unit 4	Year 7	2028	20	256	$6,000,000	$8,325,382
	Unit 4	Year 8	2029	16	272	$4,800,000	$6,561,878
8 Years Growth	Unit 5	Year 9	2030	50	322	$17,500,000	$23,569,963
	Unit 5	Year 10	2031	42	364	$14,700,000	$19,506,176
	Unit 6	Year 11	2032	49	413	$12,250,000	$16,014,923
	Unit 6	Year 12	2033	23	436	$5,750,000	$7,406,117
	Unit 7	Year 13	2034	50	486	$17,500,000	$22,207,247
	Unit 7	Year 14	2035	55	541	$19,250,000	$24,066,967
	Unit 8	Year 15	2036	50	591	$15,000,000	$18,476,336
	Unit 8	Year 16	2037	42	633	$12,600,000	$15,290,761
4 Years Recession	Unit 9	Year 17	2038	31	664	$7,750,000	$9,266,041
	Unit 10	Year 18	2039	35	699	$8,750,000	$10,307,053
	Unit 10	Year 19	2040	35	734	$8,750,000	$10,154,732
	Unit 10	Year 20	2041	35	769	$8,750,000	$10,004,662
4 Years Growth	Unit 11	Year 21	2042	45	814	$11,250,000	$12,673,042
	Unit 11	Year 22	2043	43	857	$10,750,000	$11,930,833
	Unit 12	Year 23	2044	50	907	$12,500,000	$13,668,041
	Unit 12	Year 24	2045	43	950	$10,750,000	$11,580,803
Total			**23 Years**		**950**	**$266,700,000**	**$342,054,345**
Average Home Value							***$360,057***
Annual Property Tax Growth Rate							***1.50%***

Public Infrastructure

- Inside Development Infrastructure (benefits only Alsatian Oaks)
  - Streets – arterials, collectors, access (including improvements to Hwy 90, though technically "outside" the development)
  - Water
  - Sanitary Sewer/Wastewater (inside and outside development)
  - Natural Gas
  - Detention Pond
- Outside Development (improvements to benefit area inside and outside of Alsatian Oaks)
  - Water capacity solution to bring sufficient capacity to development boundary
- All Public Infrastructure:
  - To be built to City code and standards
  - To be dedicated to the City at no cost and lien free
  - Required inspection by City selected/approved inspector prior to acceptance of dedication
  - All warranties and guaranties transferred to City

Public Infrastructure

- All Costs of Public Infrastructure to be paid by Developer
- Estimated Cost of Inside Development Infrastructure is $21,496,331
- Cost of Outside Development public infrastructure to be determined by public procurement/bid process
- Developer reimbursement of Public Infrastructure costs represents the basis of Developer incentives under the Development Agreement
- Developer incentives later discussed in greater detail, but in general:
  - Costs of Inside Development Public Infrastructure reimbursed over time with split of collected ad valorem and sales <u>solely within the Development</u>
  - Costs of Outside Development Public Infrastructure reimbursed over time with reimbursement of impact fees charged <u>solely within the Development</u>
- Developer reimbursement limited to actual costs of Public Infrastructure and subject to availability of revenues generated <u>solely within the Development</u>

Phase I Offsite Public Infrastructure

- City-appointed engineers to analyze immediate, medium, and long-term water utility system needs of the area in which development is located
- Within 6 months of execution of Development Agreement, City notifies Developer of scope and cost of necessary system improvements to service Alsatian Oaks for first 3 to 5 years of projected development
- Cost borne by Developer to be calculated by allocated amount of usage of capacity
- Developer contribution to be paired with other funding sources (contribution from other benefited developer; excess City debt proceeds from prior projects) to bring short term utility solution to the area
- Developer to receive impact fee credit in an amount equal to contribution toward immediate area water utility solution
- Structure allows City to utilize existing resources to provide capacity for expeditious commencement of development

Phase II Offsite Public Infrastructure

- Within 1 year after completion of Phase I Public Infrastructure, City-appointed engineers to notify Developer of scope and cost of necessary system improvements to service Alsatian Oaks for long-term or balance of projected development
- Structured to represent a regional solution, of which Alsatian Oaks is a part, including adequate size, scope, expansion capability and location to accommodate other development in the area
- Portion of Phase II costs borne by Developer to be calculated by pro rata amount of usage of capacity
- Developer contribution to be paired with other funding sources (contribution from other benefited developer; other sources) to bring long term utility solution to the area
- Developer to receive impact fee credit in an amount equal to contribution toward long-term area water utility solution
- Structure allows City to pair a broader planning strategy with available funding sources

Offsite Public Infrastructure

- If City does not perform with respect to Phase I or Phase II Offsite Infrastructure obligations by identified deadlines, Developer permitted to proceed with its own water utility system capacity solution
- Infrastructure will be sized and located exclusively for the service of Alsatian Oaks
- Likely more costly option because of loss of economies of scale; singular focus will likely defeat area/regional goals, but provides to Developer a path for continued project development
- Developer to receive impact fee credit in an amount equal to cost of capacity-based public infrastructure

Additional Developer Contributions

- 2-acre set aside for municipal services within development's commercial area ($500,000 value)
- 18.96 acre set aside for new elementary school; agreement with Medina Valley ISD to convey, at District's option, to the District at its cost
- $1,500,000 cash contribution to the City, to be used by City for quality of life project or public service project
  - City to notify Developer of project by 1st anniversary of Development Agreement execution
  - Developer to approve project – focus on quality of life
  - Developer to receive signage evidencing source of funding
  - Funding due to City by 3rd anniversary of completion of Phase I Offsite Public Infrastructure
  - Developer has agreed to use of funds for youth sports and recreation activities
- Developer pays City's costs of legal counsel to negotiate Development Agreement ($100,000)

Provision of Services

- City, upon annexation, to provide all public services typical to property within its corporate limits, to include:
  - Police protection
  - Maintenance of public infrastructure, including streets, once dedicated
  - Water, wastewater, and natural gas service
- CPS Energy provides electric service (subject to City 3% franchise fee)
- Within service territory of Medina County ESD, who will provide fire and emergency response services
- Cable, internet, and telephone service to be provided by private enterprise

Development Pays its Own Way

- Developer pays
  - Costs of public infrastructure (onsite and offsite)
  - Contributions that will act to enhance and compliment the community
  - City’s costs of negotiation
- Total Developer Capital Contribution
  - $23,596,331 for direct onsite public infrastructure, certain offsite sewer system improvements, Highway 90 access improvements, and other public benefits, plus $11,656,875 interest cost carry (calculated at 6%)
  - To be determined allocated costs of Offsite Public Infrastructure, plus interest cost carry

Cost Reimbursement

Developer to receive reimbursement for

- (A) the lesser of (i) actual costs of public infrastructure and related financing costs and (ii) $23,596,331 for capital costs and $11,656,875 for interest costs, plus
- (B) actual cost of contribution to Offsite Public Infrastructure and related actual interest cost

Source of Cost Reimbursement

LIMITED SOLELY TO REVENUES GENERATED WITHIN THE ALSATIAN OAKS DEVELOPMENT

- Onsite Public Infrastructure and Other Public Contributions
  - City Split of its 2/3 Sales Tax Revenues and M&O Ad Valorem Tax Revenues collected within the Development
  - Sales Tax Revenues to be split **DO NOT INCLUDE** 1/3 Sales Tax Revenues to be received by the ESD pursuant to existing contract
  - Beginning on Phase I Outside Public Infrastructure Completion Date, 80% of collections for 15 years; thereafter and continuing through 33rd anniversary of beginning of reimbursement period, 70% of collections
- Offsite Public Infrastructure
  - Impact Fee Credit
  - Subject to same time limits for reimbursement

Duration of Cost Reimbursement

- Reimbursement to continue until the earlier to occur of actual cost reimbursement and the 33rd anniversary of Phase I Outside Public Infrastructure Completion Date
- 33rd anniversary extended to 38th anniversary if Developer is required to deliver its own Outside Public Infrastructure
- If the development exceeds performance projections, reimbursement will occur more quickly and the Development Agreement terminates earlier
- If the duration ends and the full cost amount incurred by developer is not reimbursed, Development Agreement still terminates

Financial Risk Borne by Developer

- Financial risk of performance borne exclusively by developer
- Developer has upfront payment obligation, including performance obligations if the Phase I Public Infrastructure is completed
- No reimbursement for incomplete unfinished Public Infrastructure; City acceptance triggers developer right to request reimbursement
- No development, no source for reimbursement, no recoupment of costs of Public Infrastructure

In Exchange, City Gets Revenues

- Currently, subject property generates no revenue for the City
- Except for “tap fees” inside the development (where the developer is required to install all public infrastructure and utility system connections), developer pays all City fees
  - o $2,079,449 in Building Permits Fees
    - Residential - $1,746,546
    - Commercial - $332,903
  - o $1,351,642 in Plan Review Fees
    - Residential - $1,135,255
    - Commercial - $216,387
  - o $8,033,529 in Impact Fees*
    - Residential - $6,473,158
    - Commercial - $1,342,628
    - Amenity Center - $218,043

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* Subject to reduction to reimburse developer for contribution to cost of Offsite Public Infrastructure

Sales Tax and Property Tax Splits

- City receives 20% of sales and M&O property tax receipts in Years 1 through 15; 30% in years 16 through termination; and 100% thereafter
  - Over life of Development Agreement
    - $5,867,960 in estimated sales tax revenues to City
    - $8,140,214 in estimated M&O ad valorem tax revenues to City
- City receives 100% of debt service (or I&S) ad valorem tax from inception (lessening the existing debt burden on City residents)
  - Over life of Development Agreement, an **additional** $2,570,235 in I&S debt service ad valorem tax revenues **at current debt service rate**

Alsatian Oaks - Net City Revenue

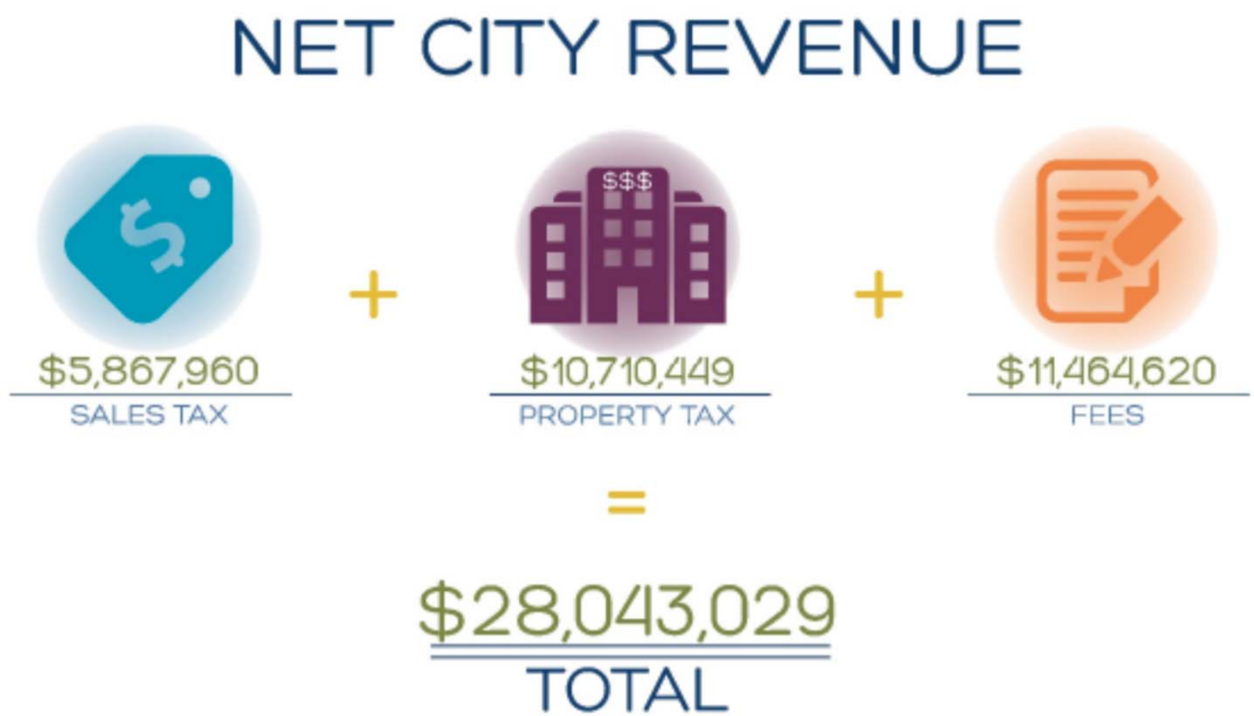
Retail Sales Tax Revenue

Year	Operations	Total Retail Sales	City Tax (2/3) *1.00%*	Net City Revenue *20%/30%*
2021	Year 1	$1,750,000	$17,500	$3,500
2022	Year 2	$4,086,250	$40,863	$8,173
2023	Year 3	$6,547,544	$65,475	$13,095
2024	Year 4	$8,045,757	$80,458	$16,092
2025	Year 5	$8,766,443	$87,664	$17,533
2026	Year 6	$12,047,940	$120,479	$24,096
2027	Year 7	$14,028,659	$140,287	$28,057
2028	Year 8	$16,409,089	$164,091	$32,818
2029	Year 9	$18,055,225	$180,552	$36,110
2030	Year 10	$28,026,054	$280,261	$56,052
2031	Year 11	$47,441,444	$474,414	$94,883
2032	Year 12	$55,173,066	$551,731	$110,346
2033	Year 13	$75,215,662	$752,157	$150,431
2034	Year 14	$76,343,897	$763,439	$152,688
2035	Year 15	$90,525,055	$905,251	$181,050
2036	Year 16	$91,882,931	$918,829	$275,649
2037	Year 17	$93,261,175	$932,612	$279,784
2038	Year 18	$94,660,093	$946,601	$283,980
2039	Year 19	$96,079,994	$960,800	$288,240
2040	Year 20	$97,521,194	$975,212	$292,564
2041	Year 21	$98,984,012	$989,840	$296,952
2042	Year 22	$100,468,772	$1,004,688	$301,406
2043	Year 23	$101,975,804	$1,019,758	$305,927
2044	Year 24	$103,505,441	$1,035,054	$310,516
2045	Year 25	$105,058,023	$1,050,580	$315,174
2046	Year 26	$106,633,893	$1,066,339	$319,902
2047	Year 27	$108,233,401	$1,082,334	$324,700
2048	Year 28	$109,856,902	$1,098,569	$329,571
2049	Year 29	$111,504,756	$1,115,048	$334,514
2050	Year 30	$113,177,327	$1,131,773	$339,532
2051	Year 31	$114,874,987	$1,148,750	$344,625
Cumulative		**$2,110,140,792**	**$21,101,408**	**$5,867,960**

Alsatian Oaks - Net City Revenue

Combined Property Tax Revenue

Year	Operations	Captured Appraised Value @ 85%	Castroville *$0.50885*	Net City Revenue *20%/30%*
Less: Debt Service Component			*-$0.04149*	
Net Tax Rate			***$0.46736***	
2021	Year 1	$0	$0	$0
2022	Year 2	$1,719,889	$8,038	$1,608
2023	Year 3	$16,235,783	$75,879	$15,176
2024	Year 4	$21,863,436	$102,180	$20,436
2025	Year 5	$36,399,613	$170,116	$34,023
2026	Year 6	$47,585,867	$222,395	$44,479
2027	Year 7	$57,720,847	$269,762	$53,952
2028	Year 8	$66,826,868	$312,319	$62,464
2029	Year 9	$75,553,982	$353,106	$70,621
2030	Year 10	$81,730,727	$381,973	$76,395
2031	Year 11	$105,967,877	$495,247	$99,049
2032	Year 12	$134,548,537	$628,821	$125,764
2033	Year 13	$153,050,225	$715,289	$143,058
2034	Year 14	$174,210,092	$814,181	$162,836
2035	Year 15	$191,698,244	$895,913	$179,183
2036	Year 16	$222,454,761	$1,039,656	$311,897
2037	Year 17	$238,541,583	$1,114,838	$334,452
2038	Year 18	$252,829,706	$1,181,615	$354,484
2039	Year 19	$263,209,652	$1,230,126	$369,038
2040	Year 20	$274,595,297	$1,283,338	$385,001
2041	Year 21	$286,151,726	$1,337,347	$401,204
2042	Year 22	$297,881,502	$1,392,167	$417,650
2043	Year 23	$311,912,224	$1,457,740	$437,322
2044	Year 24	$325,728,408	$1,522,311	$456,693
2045	Year 25	$341,239,334	$1,594,803	$478,441
2046	Year 26	$355,495,424	$1,661,429	$498,429
2047	Year 27	$360,827,855	$1,686,351	$505,905
2048	Year 28	$366,240,273	$1,711,646	$513,494
2049	Year 29	$371,733,877	$1,737,321	$521,196
2050	Year 30	$377,309,885	$1,763,380	$529,014
2051	Year 31	$382,969,534	$1,789,831	$536,949
Cumulative			**$28,949,120**	**$8,140,214**
Debt Service Portion of Tax, Collected by City at 100%				**$2,570,235**
Total Net City Property Tax Revenue				**$10,710,449**



* Fees include impact fees all or a portion of which may be used to reimburse developer for contribution to costs of Offsite Public Infrastructure

Utilities Revenues

- Property within CPS Energy service territory
  - CPS Energy to provide electric service
  - City to receive 3% Franchise Fee
- City to provide water and wastewater utility service to 1,179 **new** LUEs
- City receives from inception 100% of utility system revenues derived from development
- City **currently** has $15,595,000 in utility system debt paid by existing utility system customer base
- Current utility has unused water and wastewater capacity paid for by existing utility system customer base (to be discussed later)
- New customers will diffuse these fixed costs over a larger customer base, freeing up additional revenues to be utilized on a City-wide basis
- City must undertake rate study to determine appropriate rate scale to apply to “new” Castroville customers

City Protections

- Representations, warranties and covenants to assure performance
- Developer required to deliver to City project development progress reports not less frequently than every 180 days
- Developer defaults, City has right to terminate
    - No further reimbursement obligation to the developer EXCEPT for public infrastructure/benefits completed by the developer and conveyed to and accepted by City
- City has takeover rights
    - If at any time the City determines that it can complete public infrastructure, or finance capital costs incurred, more cheaply than developer, it has the right to assume responsibility and terminate reimbursement obligation
    - Likely to have benefit if build-out occurs ahead of schedule, as City will have value within the development and likely access to finance at less than 6% (the assumed rate at which the financing reimbursement component is calculated)

Option to Reduce City Burden

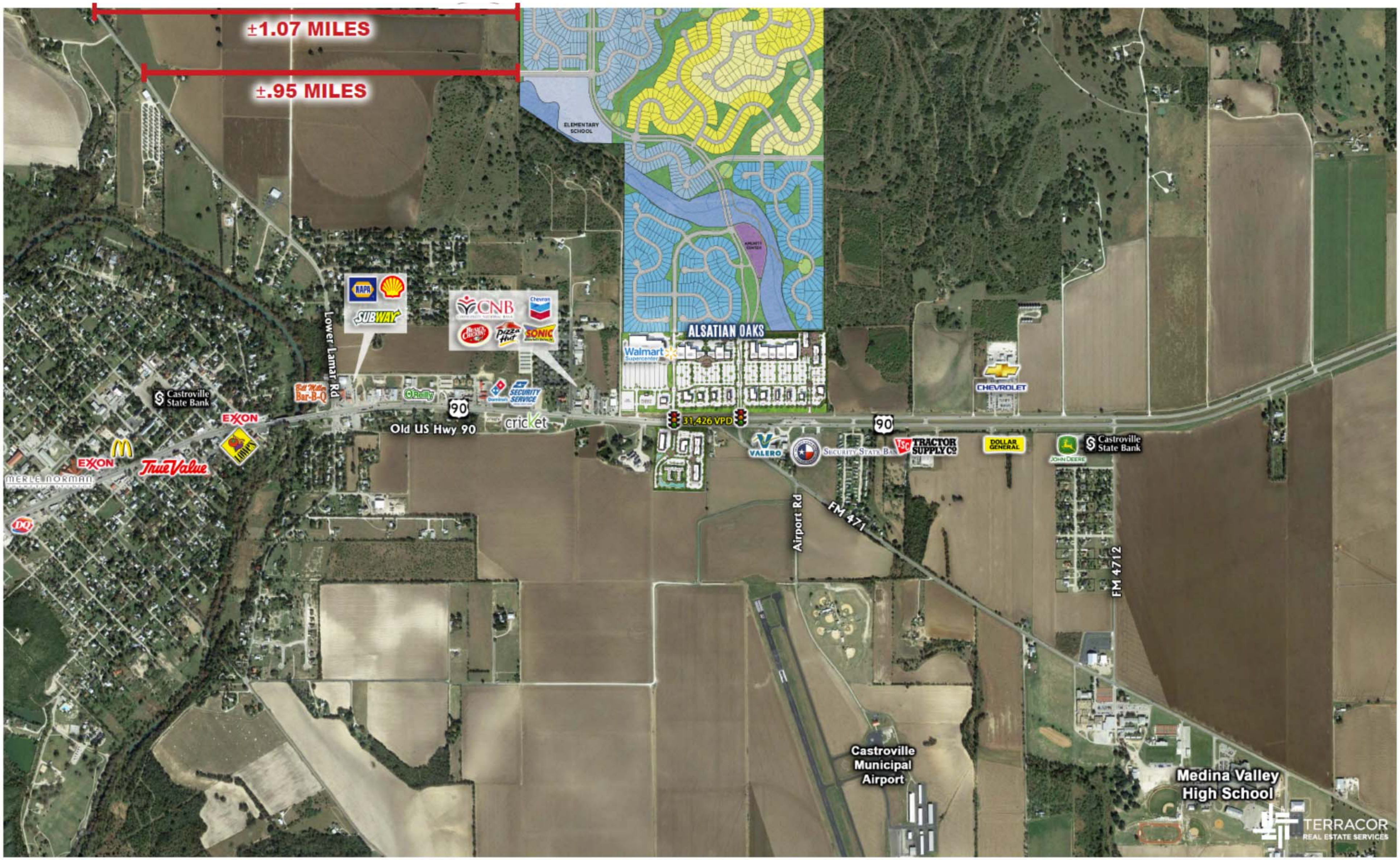
- Developer has agreed to assist with creation of Tax Increment Reinvestment Zone over property, once annexed
- Allows other taxing districts (County, ESD, Hospital District) to contribute a portion of their tax revenues to lessen the City's burden
- TIRZ revenues can be used for improvements outside the Zone property that will enhance or benefit the Zone property (such as traffic mitigation)
- All taxing units benefit by the increased value and development standard resultant from the Development Agreement
- Equitable result that all who benefit should participate
- The quicker the developer is reimbursed, the quicker the City enjoys the full benefit of its investment

Anchor Tenant Provides Resources to Solve Regional Issues

- Funding source for solving regional water infrastructure issues
- Increased customer base to utilize unused utility system capacity, reducing existing fixed cost per utility system customer
- Funding source for a true quality-of-life project that will meaningfully impact the community's youth

AND…

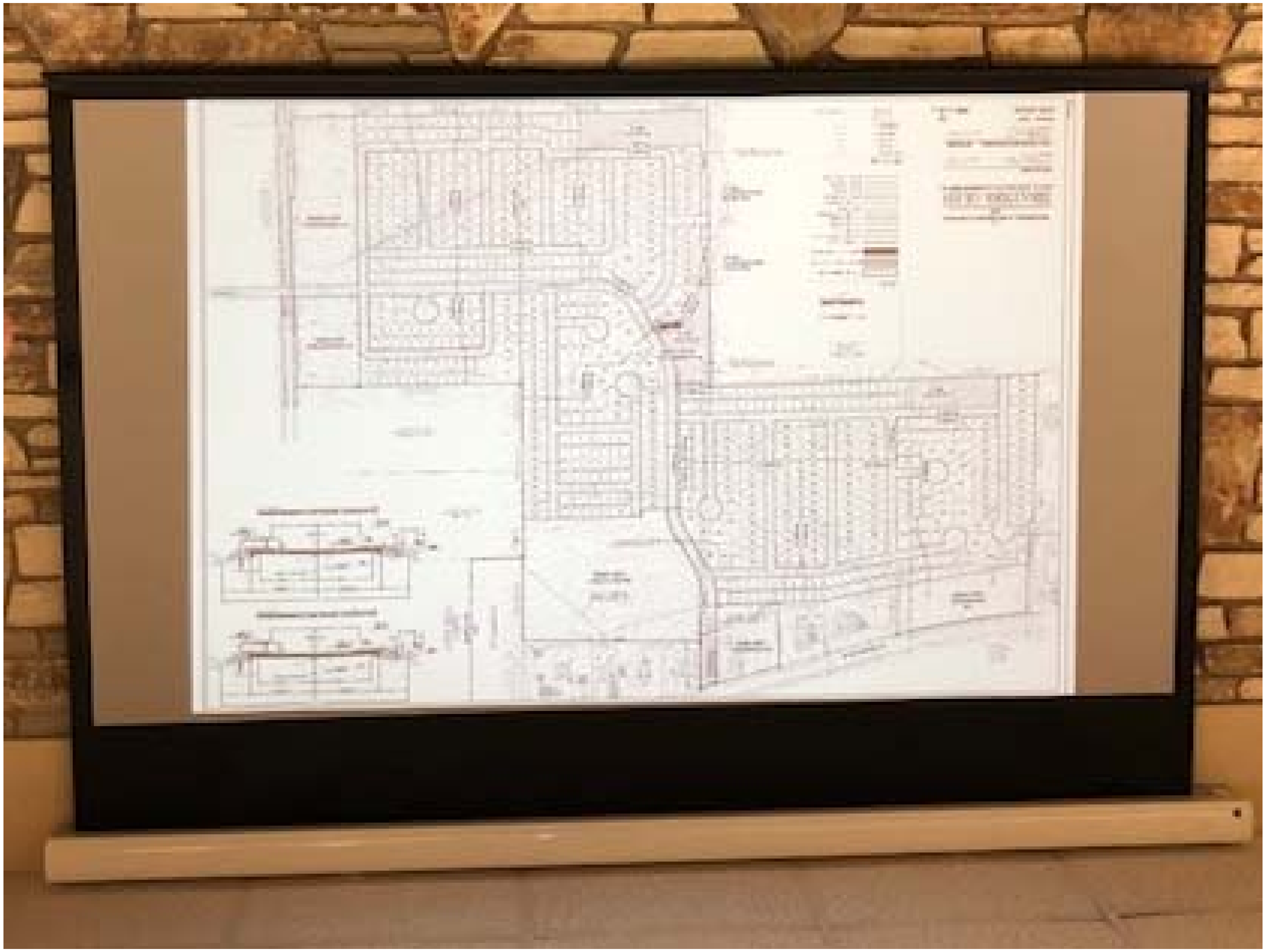
- Potential near term opportunity to provide relief from West-bound Highway 90 traffic congestion


±1.07 MILES
±.95 MILES
ELEMENTARY SCHOOL
ALSATIAN OAKS
Walmart Supercenter
Lower Lamar Rd
Castroville State Bank
Old US Hwy 90
90
31,426 VPD
CHEVROLET
VALERO
Security State Bank
TRACTOR SUPPLY Co.
DOLLAR GENERAL
JOHN DEERE
Castroville State Bank
Airport Rd
FM 471
FM 4712
Castroville Municipal Airport
Medina Valley High School
TERRACOR REAL ESTATE SERVICES

So what are others doing?

- Western Bexar County developments
  - including 40’, 45’ and 50’ frontage lots (with 40’ frontage lots being entry-level homes)
  - Compliant with San Antonio development restrictions
  - Largest lots are comparable to our smallest
  - No “gross” square footage component

- City of Fredericksburg
  - Voluntary annexation agreement for 45’ frontage lots (5,400 sq. feet)
  - Plat approved at Council with no discussion or public commentary
  - Approved plat in following graphic



What next?

- If the Council approves, the work is just beginning
  - Engineering to determine scope of Offsite Public Infrastructure (already in progress)
  - Rate study to determine requisite utility rate scale for new entries into the City
  - City to determine strategy to maximize and leverage $1,500,000 contribution (within requirements of Development Agreement)
- Additional Special Meetings
  - Next special meeting scheduled for September 4, at which time citizens' questions will be addressed
  - Additional special meetings will be added if public input and participation is necessary
- City Council, at open meeting, to discuss and possibly act on entering into Development Agreement after conclusion of special meetings