



AGENDA MEMORANDUM

Action item for the City Council Meeting of December 10, 2024

DATE: December 2, 2024

TO: Peter Zaroni, City Manager

FROM: Arturo Marquez, CEcD, Ms. Econ, Director of Economic Development
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Approval of a 380 incentive agreement for the development of Calallen Town Center44

CAPTION:

Resolution authorizing a Chapter 380 Economic Development Agreement between the City of Corpus Christi, Texas and 2AVH Calallen, LP; which will provide for ad valorem and sales tax rebates not to exceed a total of \$5,200,000.00 pursuant to Texas Local Government Code Section 380.001 *et seq.*

SUMMARY:

This motion authorizes an agreement with 2AVH Calallen LP in the amount of up to \$5,200,000 for the development of the Calallen Town Center. This project will develop 27 acres into a 120,000 square feet junior box retail center with pad sites for retail or restaurants and a small retail center at approximately 14,000 square feet for local and small businesses.

BACKGROUND AND FINDINGS:

2AVH Calallen LP is the owner of the property located at the Northwest corner of I-69 and CR52. This project will develop a greenfield site within the City limits into a large multi-tenant retail center.

The developer anticipates the total project investment to be approximately \$53,800,000 which includes 3 phases. Phase 1 will include the entire site's utility work, drainage, excavation and fill, site access, and the majority of the flatwork. Additionally, two casual sit-down restaurants will be constructed along I-69. Phase 2 will consist of four pad site developments for retail or restaurants and an approximate 14,000 square feet retail strip center. Phase 3 will consist of a 120,000 SF junior box retail center with a retail mix of clothing, beauty products, and a national anchor retail store. Phase 1 & 2 are expected to be completed in 2026 with phase 3 anticipated to be completed by the end of 2027.

This project will develop a strategic piece of land along the City's I-69 corridor in Calallen. The

highest and best use for this property is retail and, due to its location, will draw in hundreds of thousands of customers annually from outside the City limits while bringing in additional sales tax dollars. Retail development in Calallen is in a unique position in that it captures a large customer base from the surrounding area which is outside the City limit. This population can choose between the same, if not, shorter drive to Portland and their fast-growing retail corridor versus La Palmera Mall, Moore Plaza, and the surrounding retailers within the City limit for their shopping needs.

While this project is a greenfield development, it is considered an infill project since it is turning this land into its highest and best use within the City limits. It is important for the City to encourage and facilitate these types of developments as they can often be cost effective to the City since they are located within existing City infrastructure (Streets, Water, Wastewater, and Gas) and within the purview of existing City Services (Police, Fire, Code, & Infrastructure Maintenance Schedules).

The City currently collects \$489 in property taxes on these two properties with an additional \$739 collected for other taxing entities. This development is projected to generate approximately \$2,130,000 in City property taxes over 10 years upon completion. In addition, approximately \$5,200,000 will be generated for Nueces County, Del Mar College, and Calallen ISD. Additionally, the City and other taxing entities will be able to capitalize on three years of roll back on the removal of the agricultural exemption when the development begins.

The property currently does not generate any sales tax. Over the 10 year period, an estimated \$7,400,000 in Sales Tax will be collected by the City's General Fund. In addition, \$3,700,000 will be collected by Type A/B & Crime Control District combined.

The Developer is requesting a reimbursement of up to \$5,200,000 from the tax increment through City property tax and sales tax generated from the development to offset \$11,000,000 in new utility infrastructure. The Developer will be reimbursed annually in an amount not to exceed \$5,200,000 or 10 years, whichever occurs first.

ALTERNATIVES:

City Council could not approve this agreement or limit the incentive amount.

FISCAL IMPACT:

There is no fiscal impact in the current fiscal year. Based on an estimated completion date, the first incentive payment is anticipated to be paid during fiscal year 2027 and will be a rebate of property taxes paid and sales tax collections on the entire property.

RECOMMENDATION:

City Staff recommends authorizing this agreement.

LIST OF SUPPORTING DOCUMENTS:

380 Developer Agreement
Presentation