



AGENDA MEMORANDUM
Corpus Christi Tax Increment Reinvestment Zone #3 Meeting June 23, 2020

DATE: June 8, 2020

TO: Peter Zanoni, City Manager

FROM: Alyssa Barrera Mason, Executive Director, CCDMD
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| Approval of 1st Amendment TIRZ #3 Reimbursement Request for Peoples Street Project, LLC (Ward Building) at 541 N Chaparral Street |
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CAPTION:

Motion approving Amendment No. 1 to the Downtown Development Reimbursement Agreement for Peoples Street Project, LLC (Ward Building) which provides a twelve-month extension that the Developer must complete improvements on or before August 31, 2021, effective upon signature by the City Manager or designee.

SUMMARY:

This motion authorizes an extension of the completion date requirement for the Ward Building project from August 28, 2020 to August 31, 2021. This \$4,300,000 project is a redevelopment of the historic 1936 Montgomery Ward Building that has remained vacant for nearly 50 years. The developer will be utilizing Federal and State Historic Tax Credits to maintain the historical integrity of the building.

This project consists of the following improvements:

- 1st Floor: Commissary Commercial Kitchen Plus Retail Space
- 1st Floor Mezzanine: Co-working/Presentation Space
- 2nd Floor: 14 Art Studios
- 3rd Floor: 8 Apartment Units
- Roof: New Roof (Completed) & Solar Power Features with Battery Back-up
- Exterior: Restoring Historic Façade to include Street-level Storefront and Awning

BACKGROUND AND FINDINGS:

On April 23, 2019, the TIRZ #3 Board approved a Downtown Development Reimbursement Agreement with Peoples Street Project, LLC (Ward Building) for the property located at 541 N Chaparral St. The project fit the criteria for the Project Specific Development Program and the Chaparral Street Property Improvement Grant Program, which was created to encourage specific types of developments and activate vacant buildings, key to our community's long-term goal of Downtown Revitalization.

The developer has invested over \$500,000 into the project to date but has encountered several issues related to the advancement of the project that include complications with the design plans to meet the Secretary of the Interior's Standards for Rehabilitation which is necessary to obtain Federal and State Historic Tax Credits. The developer also had challenges to find a suitable contractor willing to perform this project due to the complicated design elements and structural deficiencies contained within the building. Additionally, and most recently, the lender has required additional documents from the developer to secure the loan due to the recent tightening of liquidity directly related to the economic effects of COVID-19.

Below is a list of what the developer has completed to date for this project:

1. Installed a new roof
2. Removed all debris from site
3. Remediated asbestos
4. Finalized multiple engineering reports including structural, foundation, soil testing, elevator, and stairwell tests
5. Finalized design plans
6. Secured partnership for the 2nd floor art studios with the Art Center of Corpus Christi with approximately 100 artists interested in renting studio space
7. Submitted and approved for Part 1 of the Federal and State Historic Tax Credits (HTC)
8. Submitted Part 2 and Part A for the Federal and State HTC
9. Secured HTC investors
10. Construction firm selected
11. Finalized the 1st floor Commissary Kitchen plans

The developer's timeline moving forward is as follows:

1. Approval of redevelopment plans and 12-month performance deadline extension from the Corpus Christi Housing Finance Corporation (CCHFC)
2. Approval of Part 2 and Part A of the Federal and State HTC
3. Finalize loan documents and HTC investor documents (Lender and HTC investors will not sign documents until Part 2 and Part A of the HTC process is approved in conjunction with TIRZ #3 and CCHFC extension approval)
4. Proceed to construction in September 2020 upon finalization of loan and HTC investor documents

The Agreement includes a cap of \$200,000 to be paid over a ten (10) year period, or until the termination of TIRZ #3, whichever comes first, composed of:

- 75% Reimbursement of taxes paid to the City, County, and Del Mar on the new improvements

Additionally, the Agreement includes a reimbursement of \$190,000 through the Chaparral Street Property Improvement Grant Program to be paid out as follows:

- \$100,000 in Year 1
- \$90,000 in Year 2

ALTERNATIVES:

The Board could not approve this amendment or limit the completion date requirement.

FINANCIAL IMPACT:

There is no financial impact associated with this item. The funding source for this project is from the TIRZ #3 Project Specific Development Agreement and the Chaparral Street Property Improvement Grant. The Project Specific Development Agreement is a reimbursement on property taxes paid annually by the Developer. The Chaparral Street Property Improvement Grant has a budget of \$200,000 and this project consists of two expenditures consisting of \$100,000 for year one (FY19) and \$90,000 for year two (FY20). The funds have been encumbered.

Funding Detail:

Fund: 1112 – TIF #3
Organization/Activity: 10279 – Project Specific Development
10276 – Chaparral Street Property Improvement Grant
Mission Element: 707 - Economic Development
Project # (CIP Only): N/A
Account: 540450 – Reimbursement to Developers

RECOMMENDATION:

Staff recommends approving the amendment to the Agreement and extending the completion date for this project by twelve months from August 28, 2020 to August 31, 2021. This project will activate a 50-year-old vacant historic building in the heart of downtown by creating much needed mixed-use space. This developer has already successfully completed a historic redevelopment across the street from this property known as the Nueces Lofts, a residential apartment complex, which has been instrumental to downtown revitalization.

LIST OF SUPPORTING DOCUMENTS:

Letter Requesting Extension – Peoples Street Project, LLC (Ward Building)
Amendment No. 1 Development Reimbursement Agreement – Peoples Street Project, LLC (Ward Building)