



AGENDA MEMORANDUM

Corpus Christi Tax Increment Reinvestment Zone #4 Meeting August 27, 2020

DATE: August 21, 2020

TO: President and Honorable Board Members,
Corpus Christi Tax Increment Reinvestment Zone #4

THROUGH: Heather Hurlbert, Director of Finance and Business Analysis

FROM: Randy Almaguer, Senior Management Analyst
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<p>Update of TIRZ #4 Reimbursement Agreement for The Breakers at North Beach, L. P.</p>
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CAPTION:

Staff update on the TIRZ #4 Development Reimbursement Agreement with The Breakers at North Beach, L.P. located at 3612 Surfside Boulevard.

SUMMARY:

The TIRZ #4 Development Reimbursement Agreement ("Agreement") with The Breakers at North Beach, L.P. is a development agreement for the construction of a 138-unit upscale hotel and a 109-unit luxury multifamily residential development. The project is referred to as the Frazier Hotel and is still in preliminary design. According to Section 3(a) of the Agreement, the developer is required to obtain all required building permits from the City and must commence construction of the improvements within six months of the date the Agreement is signed by the City which was December 2, 2019. This milestone has not been reached, and as a result, the City sent a letter of default to the developer dated July 15, 2020. Section 12 of the Agreement provides for a 60-day cure period from the date of the default notice for the developer to cure the event of default. City staff will be negotiating a cure provision with the developer that will be presented for consideration of approval to the TIRZ #4 Board during the September or October 2020 regular meeting.

BACKGROUND AND FINDINGS:

On November 12, 2019, the City Council adopted an ordinance for the creation of a tax increment reinvestment zone (TIRZ #4) located at North Beach. Additionally, on that same day, the TIRZ #4 Board adopted and recommended that City Council approve a Project and Financing Plan. City Council approved that Project and Financing Plan on November 19, 2019 as a one reading ordinance.

The incentives adopted by the TIRZ #4 Board in the Project and Financing Plan were structured to encourage development that is key to our community's long-term goal of North Beach revitalization.

The development agreement is for the construction of a 138-unit upscale hotel and a 109-unit luxury multifamily residential development, including a 320-unit concealed parking facility on bottom floors, 47 surface parking spaces, a restaurant, fitness center, pool and manicured courtyard areas. According to the developer, the total development costs are \$39,131,000. The development incentive consists of a Project Specific Development Agreement with a cap of \$7,826,200 to be paid over an eighteen-year period.

A timeline of events for the Frazier Hotel is as follows:

- November 20, 2019 - Permit application was submitted by the developer for site work only; which included grading and filling material
- November 22, 2019 - Permit application for site work was processed by the City's Development Services Department
- December 12, 2019 - Plan review was completed by Development Services and comments were sent back to applicant
- December 30, 2019 - Permits for construction, grading and drainage were issued, and the City stamped plans for the Frazier concept floorplans and renderings
- June 2, 2020 - Deadline for the first milestone per Section 3(a) of the Agreement. Milestone was not met. No inspections had been scheduled, and no permit application and/or full set of plans had been submitted for the parking lot and hotel building. Conceptual and rendering plans were the only items submitted. This resulted in the developer being in default of the Agreement.
- July 15, 2020 - City sent a default notice for failure to comply with the Agreement as the developer had not obtained all necessary construction permits or commenced construction
- July 20, 2020 - City received a request from Jeff Blackard, as a representative of The Breakers and North Beach, L.P., to extend the deadline outlined in Section 3(a) for 12 months
- August 14, 2020 - As City was evaluating Mr. Blackard's request and preparing an item for the Board to review, City received a new request from an attorney who claimed to be sending the letter on behalf of The Breakers at North Beach, L.P. That request asked for an extension of the deadline to commence construction until 12 months after "COVID" and an extension of the deadline to complete construction until 36 months after "COVID."
- August 21, 2020 - City responded via email to the August 14th letter from the attorney and sent a letter granting an extension to the cure period until September 30, 2020

City staff will negotiate a cure provision with the developer that will be presented for consideration of approval to the TIRZ #4 Board during the September or October 2020 regular meeting.

ALTERNATIVES:

N/A

FISCAL IMPACT:

N/A

FUNDING DETAIL:

Fund: N/A
Organization/Activity:
Mission Element:
Project # (CIP Only):
Account:

RECOMMENDATION:

City staff recommends a cure provision be negotiated with the developer to be presented for consideration of approval to the TIRZ #4 Board during the September or October 2020 regular meeting.

LIST OF SUPPORTING DOCUMENTS:

Agreement
Permit for Construction
Letter of Default sent by the City to the Developer
Developer's response to the Letter of Default