



**AGENDA MEMORANDUM**  
Corpus Christi Tax Increment Reinvestment Zone #4 Meeting September 22, 2020

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**DATE:** September 18, 2020

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

**FROM:** Heather Hurlbert, Director of Finance and Business Analysis  
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<p><b>Amendment to the agreement for “The Frazier” at 3612 Surfside Blvd.</b></p>
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**CAPTION:**

Discussion and possible action to authorize the City Manager to execute an amendment to the agreement with The Breakers at North Beach, L.P. for the development located at 3612 Surfside Boulevard for a total incentive amount not to exceed \$7,826,200 which (1) extends the performance deadlines in section 3(a) and (b) to require the Developer to obtain the necessary permits and commence construction on or before January 31, 2024 and to complete construction on or before July 31, 2026, (2) amends section 1(a)(6) of the agreement to allow for partial payment up to ¼ of the total maximum incentive amount if only the apartments are developed, and (3) amends Exhibit A to add the following requirements: (a) that the hotel be a four-star branded hotel or a part of the lifestyle collection of a major hotel brand and (b) that 33% of the parking spaces constructed as part of the development be available for public parking.

**SUMMARY:**

In November 2019, the TIRZ #4 Board adopted and recommended that City Council approve a Project and Financing Plan, which City Council approved on November 19, 2019. The TIRZ #4 Board then approved execution of an agreement with The Breakers at North Beach, LP, providing incentives for the construction of a 138-unit upscale hotel and a 109-unit luxury multifamily residential development. As well as a 320-unit concealed parking facility on bottom floors, 47 surface parking spaces, a restaurant, fitness center, pool, and manicured courtyard areas. Development costs are estimated at \$39,131,000 with an incentive consisting of a Project Specific Development Agreement with a cap of \$7,826,200 to be paid over an eighteen-year period. The Developer did not meet the first milestone of the agreement and a notice of default was sent in July 2020. The developer sent conflicting responses for cure of the default and the City responded with an offer to extend the deadline to January 31, 2024 to commence construction and July 31, 2026 to complete construction. The developer's representative then had three requests; that the developer apply for permits 90 days after the City commences construction on canal, the developer would begin construction 30 days after obtaining permits, and the developer would

complete construction 3 years after obtaining permits.

## **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 the adoption of 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 are structured to encourage development key to our community's long-term goal of North Beach revitalization. Development of mixed-use development to build the density that will support locally owned business is a high priority.

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. 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.

- The City shall reimburse annually up to 95% of the property tax increment paid on the improvements to the property to the participating taxing entities in TIRZ #4. This amount is estimated to be \$7,826,200 of reimbursement of taxes paid to City of Corpus Christi and Nueces County for 18 years beginning the first tax year for which the tax is levied after the Developer receives a Certificate of Occupancy
- Reimbursement amount consists of the Project Costs that make the Development eligible under the Incentive Guidelines

The qualifying cost elements for the Project Specific Development Agreement include:

- The total reimbursement by the TIRZ #4 will not exceed 20% of the total project cost if a development is at least 20,000 square feet or creating 100 or more new residential units.
- Environmental Remediation/Code Compliance
- Historic Preservation
- Structured Parking, including availability for public parking
- Urban Design/Landscaping
- Public Improvements/Utilities, including drainage

On November 20, 2019, permit application was submitted for site work only, which included grading and filling material.

On November 22, 2019, application was processed.

On December 12, 2019, a plan review was completed, and comment were sent out to the applicant.

December 30, 2019, permits and city stamped plans were issue for site work only.

On June 2, 2020, there had not been any inspections scheduled, permit application and/or full set of plans had not been submitted for the parking lot and hotel building. Conceptual and Rendering plans have been submitted.

On July 15, 2020, a notice was sent out to the developer regarding failure to comply with terms of the agreement, specifically that all required building permits had not been obtained from the City and construction had not been commenced by June 2.

The City received a response from the developer, requesting a one-year extension to obtain permits and begin construction. Then a representative from the developer also sent a letter with a request for an extension that would begin construction “12 months after COVID” and extend the deadline to complete construction until “36 months after COVID”.

City staff spoke to the developer’s representative and requested that a date be set as to avoid ambiguity regarding the end of COVID. The recommendation by staff was a deadline of January 31, 2024 to commence construction and July 31, 2026 to complete construction. The City’s proposal also suggested some changes to the performance terms in exchange for the extension. These would (1) require that the hotel be a four-star branded hotel or equivalent, (2) require that more parking be available for public use or an increase from 22% to 33% of the parking spaces constructed, and (3) reduce the provision that allows for payment of up to ½ of the incentive if only the apartments are built to ¼ of the total maximum incentive amount.

The developer’s representative then rejected the City’s proposed amendment to the agreement and responded with a request for the following amendment.

- Developer apply for permits 90 days after City commences construction on canal
- Developer to begin construction 30 days after obtaining permits
- Developer to complete construction 3 years after obtaining permits

**ALTERNATIVES:**

N/A

**FISCAL IMPACT:**

N/A

**FUNDING DETAIL:**

Fund: 1114-TIF No. 4 North Beach  
Organization/Activity: 13901- TIF 4 Activity EDV  
Mission Element: 707- Economic Development  
Project # (CIP Only): N/A  
Account: 540450- Reimbursement to Developer

**RECOMMENDATION:**

City staff recommends the following items in an amendment:

- Extension of deadline to January 31, 2024 to begin construction and July 31, 2026 to complete construction.
- Additional amendments to the agreement:
  - Requirement to build a four-star branded hotel or equivalent
  - Require that more parking be available for public use or an increase from 22% to 33% of the parking spaces constructed
  - Reduce provision that allows Developer to receive ½ of the incentive if only the apartments are built to ¼ of the total maximum incentive amount.

Additionally, staff recommends that, if the TIRZ #4 Board and the Developer cannot come to an agreement on a modification of the terms, the incentive agreement be terminated.

**LIST OF SUPPORTING DOCUMENTS:**