



AGENDA MEMORANDUM

Action Item for the City Council Meeting October 27, 2020

DATE: October 21, 2020

TO: Peter Zaroni, City Manager

FROM: Heather Hurlbert, Director of Finance & Business Analysis
heatherh3@cctexas.com
361-826-3227

<p>Motion to approve a Development Reimbursement Agreement with South Padre Investment, Inc. for reimbursement of infrastructure costs related to development of the Bohemian Colony in TIRZ #5</p>
--

CAPTION:

Motion to approve a Development Reimbursement Agreement with South Padre Investment, Inc. for reimbursement of infrastructure costs related to the development of the Bohemian Colony, located in Tax Increment Reinvestment Zone No. 5, up to \$17,000,000 or a maximum of 20 years, whichever is less.

SUMMARY:

This motion authorizes a Development Reimbursement Agreement with South Padre Investment, Inc., for a development located in TIRZ #5 for infrastructure, specifically, street, stormwater, water infrastructure, and the development and maintenance of a 10-acre park. The reimbursement of the infrastructure costs will be from ad valorem taxes generated by the increment above the base value of approximately 261.6 acres. The TIRZ will exist until the infrastructure costs are reimbursed in full to the developer, up to \$17,000,000 or a maximum of 20 years, whichever is less. The base year will be the values as of tax year, January 1, 2020.

BACKGROUND AND FINDINGS:

On July 14, 2020, a presentation was made to the City Council that provided an overview of the developer-petitioned Tax Increment Reinvestment Zone (TIRZ) (Ch 311 Tax Code) for developer reimbursement of street, sewer, stormwater and water infrastructure and development and subsequent maintenance of a 10-acre park. The proposed development will have 999 multi-family units, 777 townhomes, and 450,000 sq./ft of commercial space. The proposed 258.9-acre development is located on the southwest corner of South Padre Island Drive (SPID) and Crosstown Expressway and is currently used primarily for agricultural purposes.

On August 11, 2020, an ordinance designating 258.9 acres within the jurisdiction of the City of Corpus Christi as a Tax Increment Financing District to be known as "Reinvestment Zone Number Five, City Of Corpus Christi, Texas" pursuant to petition by owners of Crosstown Commons subdivision; setting a maximum City financial participation of 75% over 20 years and a maximum contribution of \$9,000,000; and establishing a Board of Directors for the Reinvestment Zone passed on first reading.

On August 18, 2020, a second reading ordinance passed.

On September 9, 2020, Nueces County approved the interlocal agreement for its participation at 75% of its increment for the life of the TIRZ.

On October 13, 2020, Del Mar College approved an item on its agenda to approve the interlocal agreement at 75% for twenty years, up to \$4,000,000.

On October 20, 2020, the Tax Increment Reinvestment Zone Number Five Board approved the Project & Financing Plan.

Project Plan: The purpose of the TIRZ #5 is to finance the construction of public facilities and infrastructure necessary to stimulate residential and commercial development within the zone boundaries. Developer reimbursement will include street, sewer, stormwater, water infrastructure and development and subsequent maintenance of a ten-acre park.

The Project will be a master planned development that will include the construction of public infrastructure to support the development of 777 townhomes, 999 multifamily units, and 450,000 square feet of commercial space. The commercial space will be located as follows: 275,000 square feet within the BoCo master planned community and 175,000 square feet on the Ayers tract.

The area within the zone qualifies for a TIRZ because it suffers from economic stagnation, inadequate infrastructure, inadequate sidewalks, and street layout. Without intervention by the public sector, private market forces will not be sufficient to generate significant development and redevelopment. These conditions meet the criteria of the Tax Code of the State of Texas, Chapter 311, Section 005 for reinvestment zone designation.

Finance Plan: The reimbursement of the infrastructure costs will be from the ad valorem taxes generated by the increment above the base value of approximately 261.6 acres. The TIRZ will exist until the infrastructure costs are reimbursed in full to the developer, the TIRZ collects \$17,000,000 or a maximum of 20 years, whichever is less. The base year will be the values as of tax year 2020 and the total TIRZ contributions will not exceed \$17,000,000.

The taxable value added after 20 years is estimated at \$320,000,000. The following taxing jurisdictions will contribute to the TIRZ as detailed below.

Taxing Entity	Maximum Dollar Contribution	Increment Percentage	Tax Years
City of Corpus Christi	\$9,000,000	75%*	2020-2039
Nueces County	None	75%	2020-2039
Del Mar College	\$4,000,000	75%	2020-2039

*Excluding the residential street portion of the tax rate which is currently four cents.

The developer will be reimbursed for infrastructure from revenue generated by the increment over the base year. The amounts for each phase will be reimbursed after the infrastructure is completed and accepted by the City.

The Development Reimbursement Agreement includes the following:

- Maximum reimbursement to the Developer under the agreement is \$17,000,000.
- Construction of City infrastructure, including streets, drainage, and a 10-acre City Park.
- Reimbursement is limited to the cost of specified infrastructure

Developer reimbursement begins after a request for reimbursement has been submitted to the City and all required inspections and documentation has been received and accepted by the City and the infrastructure has been included in a recorded plot.

Developer reimbursement obligations:

- Limited to 100% of the increment collected by the TIRZ, less administrative costs and costs of park maintenance, for infrastructure that has been accepted by the City.
- Each such payment shall be made no later than April 30th of each year.
- Reimbursement ends with the earlier of these events:
 - TIRZ terminates on 12/31/2040.
 - Maximum reimbursement of \$17,000,000 is reached.
 - All eligible costs for the specified infrastructure have been reimbursed.

Developer Obligations:

- Developer agrees that the completed improvements shall substantially conform to the conceptual development plan.
- Developer shall obtain all permits from the City and begin construction of the first Phase or Subphase of townhomes development on or before April 30, 2022.
 - Completions of first Phase or Subphase of townhomes as evident by Certificate of Occupancy (C of O) on or before April 30, 2023.
- Developer shall obtain permits from the City and begin construction of the first Phase or Subphase of commercial development on or before December 31, 2025.
 - Developer shall receive a C of O for a building or buildings including not less than 50,000 square feet of gross floor area within the First Commercial Phase, on or before December 31, 2026.
- Development Progress:
 - The following Improvements shall be completed, as evidenced by receipt of a C of O, on or before December 31, 2034:
 - a) 500 townhome units; and
 - b) 600 multi-family units; and
 - c) 300,000 square feet of gross floor area of commercial development.

If the improvements are not completed on or before December 31, 2034, City may suspend payment of reimbursements for Eligible Infrastructure and holding costs until such time as these improvements are complete.

ALTERNATIVES:

City Council could choose not to approve the Development Reimbursement Agreement and choose to send back to the TIRZ #5 Board for revisions.

FISCAL IMPACT:

Del Mar College and Nueces County will participate at a rate of 75% of their tax increment with the base year being 2020. The City's twenty-year contribution is capped at \$9 million; TIRZ #5 estimated increment is \$17,000,000.

Funding Detail:

Fund:	NA
Organization/Activity:	NA
Mission Element:	NA

Project # (CIP Only): NA
Account: NA

RECOMMENDATION:

Staff recommends approving the Development Reimbursement Agreement. TIRZ #5 suffers from economic stagnation, inadequate infrastructure, inadequate sidewalks, and street layout. Without intervention by the public sector, private market forces will not be sufficient to generate significant development and redevelopment.

LIST OF SUPPORTING DOCUMENTS:

Development Reimbursement Agreement