



AGENDA MEMORANDUM

Corpus Christi Tax Increment Reinvestment Zone #3 Meeting April 27, 2021

DATE: April 14, 2021

TO: Peter Zaroni, City Manager

FROM: Alyssa Barrera Mason, Executive Director, CCDMD
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<p>Approval of a 2nd Amendment TIRZ #3 Reimbursement Agreement for the Ward Building at 541 N Chaparral Street</p>
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CAPTION:

Motion approving Amendment No. 2 to the Downtown Development Reimbursement Agreement with Peoples Street Project, LLC (Ward Building) for the property located at 541 N Chaparral St which increases the total incentive by an amount not to exceed \$40,000 for a total incentive not to exceed \$430,000 and provides a sixteen-month (16) extension that the Developer must complete improvements on or before December 31, 2022, effective upon signature by the City Manager or designee.

SUMMARY:

This motion authorizes Amendment No. 2 to the Downtown Development Reimbursement Agreement which increases the incentive amount of the Project Specific Development Agreement from \$200,000 to \$240,000. \$40,000 of this incentive will be paid upfront to the Developer within 60 days following receipt of proof of payment of Development Services permitting fees. The Chaparral Street Property Improvement Grant component will remain the same at \$190,000. Additionally, this motion authorizes an extension of the completion date requirement. This \$6,400,000 mixed-use project is a redevelopment of the historic 1936 Montgomery Ward Building that has sat vacant for nearly 50 years. The developer will be utilizing Federal and State Historic Tax Credits to maintain the historical integrity of the building.

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 total project costs have increased nearly 50% from \$4,300,000 in March 2019 to over \$6,400,000. Construction costs nationwide have risen significantly over the last few years. As a result, the Developer is requesting a permit fee waiver for this project which is approximately \$40,000. Since this process is without precedent, the DMD has initiated discussions with a few City Council members and City Staff. Feedback has included a \$40,000 increase to the Project Specific Development Agreement with \$40,000 upfront after the Developer provides proof of payment to Development Services for the permit fees.

The Developer experienced several delays during the approval process for Federal and State Historic Tax Credits in addition to the tightening of the financing markets directly related to the economic effects of COVID-19. The developer has secured the construction financing, received approval of the Federal and State Historic Tax Credits, and has selected a local general contractor. The Developer has invested over \$500,000 to date into the project which includes installation of a new roof, removal of all debris, and remediation of asbestos and anticipates construction can start as early as June 2021.

ALTERNATIVES:

The Board could not approve this item or could change the increase in incentive amount. Additionally, the Board could not approve the extension or limit the completion date requirement.

FINANCIAL IMPACT:

The funding source for this project is from the TIRZ #3 Project Specific Development Program. The funds for this program are from a reimbursement on taxes paid by the property owner on an annual basis. If the developer fails to pay the required taxes on the property or files an appeal to the Nueces County Appraisal District or any state or federal court of the assessed value of the Property for ad valorem tax purposes, the City and TIRZ #3 shall be under no obligation to make any payments under this agreement until such time as the appeal is resolved and all taxes are paid in full. Any late fees, fines, or interest assessed as a result of the failure to pay taxes or the appeal process shall not be reimbursed to the Developer under this agreement. Reimbursement is limited to the actual amount of property tax paid on the Improvements.

The other funding source for this project is from the TIRZ #3 Chaparral Street Property Improvement Grant Program. The funding will remain per the original agreement and there is no financial impact for this program per this amendment.

Funding Detail:

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

RECOMMENDATION:

Staff recommends approving this motion for the TIRZ #3 to increase the Project Specific Development incentive by \$40,000. This project will activate a 50-year-old vacant historic

building in the heart of downtown and will act as a catalyst for additional developments and help attract new businesses and residents to the area. This developer has already successfully completed a historic redevelopment across the street from this development known as the Nueces Lofts, a 64-unit residential apartment complex, which has been instrumental to downtown revitalization.

LIST OF SUPPORTING DOCUMENTS:

Ward Building Permit Fee Assistance Request Letter

TIRZ #3 Amendment No. 2 – Ward Building

TIRZ #3 Ward Building Rendering