



Legislation Text

File #: DIS 16-125, **Version:** 1

Discussion of issues relating to a proposed Chapter 380 Economic Development Program Agreement with Cencor Acquisition Company, Inc.

Summary:

The City is working with Cencor Acquisition Company, Inc., to propose a Chapter 380 Economic Development Program agreement under which Cencor would develop a retail development project at the northwest corner of Spencer Highway at East Boulevard. The project (Junction at Deer Park) is located on the site which currently includes a HEB retail grocery store and is proposed to include additional mixed used/retail space and/or restaurants. It is anticipated that the project will generate a substantial number of jobs, increase the tax base, both in ad valorem (property) taxes and sales taxes, and encourage economic development in the City.

Article III, Chapter 52-a of the Texas Constitution and Chapter 380 of the Texas Local Government Code provides authority for cities to establish a Chapter 380 economic development program under which a city may make grants of public funds for the public purposes of promoting local economic development and stimulating business and commercial activity and job creation within the City.

The City Council established a Chapter 380 economic development program on March 22, 2011, by approval of Resolution No. 2011-08. Additionally, an action plan included in the City's Strategic Plan report on September 29, 2014 was to "work with owners/developers of the planned retail center at East Blvd. and Spencer Highway to develop a 380 agreement."

This development is projected to generate significant property tax value and revenues for the City and sales and use taxes for the City, CCPD, FCPEMSD, and Community Development Corporation (TYPE B). Based on the developer's anticipated construction schedule, the developer's financial advisor estimates that over a 15 year period the projected increased revenues for the aforementioned entities are as follows:

Revenue Projection Summary (15 year Period: 2017-2031)

\$19,807,471	City General Fund 1% Sales Tax Revenue
<u>4,175,315</u>	plus: City Ad Valorem Tax Revenue
23,982,786	Total City 1% Sales Tax + Ad Valorem Revenue
9,903,735	Plus: Dedicated Type B Sales Tax Revenue
4,951,868	Plus: Dedicated CCPD Sales Tax Revenue
<u>4,951,868</u>	Plus: Dedicated FCPEMSD Sales Tax revenue

43,790,257	Total City and Special District Revenue
<u>(4,640,750)</u>	Less: 380 agreement maximum reimbursement amount
\$39,149,507	Net City, Special District and CDC Revenue

Some of the key provisions of this Chapter 380 economic development proposal include:

- The developer would make public infrastructure improvements consisting of design and construction of water, sanitary sewer, traffic and roadway improvements to support the Project. The estimated cost of the improvements is \$4,175,750.
- This development project is expected to create and retain a substantial number of jobs.
- The City would agree to make 380 Program Grant Payment payments to the developer solely from the Property Tax Increment Revenues and sales and use taxes generated of this project. The payments are contingent upon the public infrastructure payments improvements being made, the specified number of jobs being created, and the increased property and sales taxes being generated. The Maximum Reimbursement Amount is \$4,670,750 (which a maximum of \$4,175,750 for public infrastructure + \$465,000 for job creation/retention).
- A condition precedent to the provision of any 380 Program Grant Payment by the City to the developer requires the creation of a minimum of six (6) separate businesses operating on the Project.
- The term of the agreement would be from the effective date until the sooner of September 30, 2032, or payment of the Maximum Reimbursement Amount, unless terminated sooner under the provisions of the agreement.

Representatives of the developer will attend the Council Workshop and make a presentation.

Fiscal/Budgetary Impact:

It is projected by the developer's financial adviser that over a 15 year period the estimated total revenues to the City, CCPD, FCPEMSD, and CDC would be approximately \$43,790,257. The developer's financial adviser projects that net revenues over this period, after the \$4,670,750 maximum reimbursement amount from the City under the 380 agreement, would be approximately \$39,149,507.

Discussion only.