



## Legislation Text

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**File #:** Ord. 2024-26(b), **Version:** 1

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### **AGENDA CAPTION:**

Receive a Staff presentation and hold a Public Hearing to receive comments for or against Ordinance 2024-26, amending the project plan and reinvestment zone financing plan for Tax Increment Reinvestment Zone No. 4 - Kissing Tree, to increase reimbursements to the developer by \$16,000,000.00 and to add eligible project costs for completing the Centerpoint Road four lane extension, changing the water storage tank to an elevated storage tank, and upgrading a water line; providing authorization to consummate the transactions contemplated by this amendment; including procedural provisions and declaring an effective date; and consider approval of Ordinance 2024-26, on the second of two readings.

**Meeting date:** June 4, 2024

**Department:** Finance

### **Amount & Source of Funding**

**Funds Required:** \$16,000,000

**Account Number:** N/A

**Funds Available:** Tax Increment Reinvestment Zone #4 - Kissing Tree

**Account Name:** N/A

### **Fiscal Note:**

**Prior Council Action:** In 2010, City Council approved Resolution 2010-148, entering into a development agreement with Carma Paso Robles, LLC for a mixed used retail, commercial, and residential development that is now known as Kissing Tree. In 2011 City Council approved Ordinance 2011-68, creating Tax Increment Reinvestment Zone (TIRZ) #4. Also in 2011, City Council approved Resolution 2011-143, entering into a new development agreement with Carma Paso Robles LLC, who was acquired by Brookfield Residential Inc. that authorized reimbursement for public improvements up to \$20,000,000. In Sept 2014, Council approved resolution 2014-121 expressing continued support for the project and directing staff to bring back documents necessary to increase reimbursement for eligible public improvements from \$20,000,000 to \$30,000,000. In December 2020, Council approved Ordinance 2020-86, amending the project plan and reinvestment zone financing plan to include additional projects and increase the maximum amount of tax increment that may be reimbursed to the developer from \$20,000,000 to \$30,000,000. In 2021, City Council approved Resolution 2021-139 increasing the developer reimbursement agreement from \$20,000,000 to \$30,000,000. On June 4, 2024, City Council unanimously voted to approve Ordinance 2024-26 on the first of two readings.

**City Council Strategic Initiative:** [Please select from the dropdown menu below]

Quality of Life & Sense of Place

Choose an item.

Choose an item.

**Comprehensive Plan Element (s):** [Please select the Plan element(s) and Goal # from dropdown menu below]

- Economic Development - Choose an item.
- Environment & Resource Protection - Choose an item.
- Land Use - Choose an item.
- Neighborhoods & Housing - Choose an item.
- Parks, Public Spaces & Facilities - Choose an item.
- Transportation - Choose an item.
- Core Services
- Not Applicable

**Master Plan:** [Please select the corresponding Master Plan from the dropdown menu below (if applicable)]

Choose an item.

**Background Information:**

TIRZ #4 was created in 2011 to pay for public infrastructure in the Kissing Tree housing development. The zone has a duration of 33 years, and the termination date is December 31, 2044. The Kissing Tree development will consist of approximately 3,182 homes that are age restricted to 55 years and older.

The project and financing plan authorizes 40% of the incremental taxes collected over the base year to be deposited in the TIRZ #4 fund and be paid to the developer for reimbursement of public infrastructure costs. This is a joint TIRZ, with Hays County also contributing 40% of incremental taxes collected to the TIRZ #4 fund.

When TIRZ #4 was originally approved, the estimated reimbursable project costs were \$22,183,000, and developer reimbursement was limited to \$20,000,000. The total estimated investment by the developer for costs not reimbursable through the TIRZ was \$77,107,163. Carma Paso Robles' partner was unable to raise the required capital for the development and in 2014, Brookfield Residential made the decision to take over construction of the development.

Due to inflationary pressures from the delay in the development and additional projects being added, City Council expressed support through passage of Resolution 2014-121 in 2014 to increase the total developer reimbursement from \$20,000,000 to \$30,000,000. City Council subsequently approved Ordinance 2020-86 amending the TIRZ #4 project and financing plan. The total estimated reimbursable costs in the amended

project and financing plan were \$32,439,546 and the amended plan limited developer reimbursement to \$30,000,000. The development agreement with Brookfield Residential was subsequently amended with Resolution 2021-139 that increased reimbursement from \$20,000,000 to \$30,000,000.

Inflation following the COVID-19 pandemic hit historic highs, which increased the cost of the development significantly. In addition, the City has identified new and upgraded projects that may be paid for through TIRZ #4. The combination of these two factors have led to a request to amend the project and financing plan, as well as the development agreement.

On February 26, 2024, The TIRZ #4 Board approved amending the project and financing plan and development agreement to increase reimbursable expenses by \$16,000,000, from \$30,000,000 to \$46,000,000. The total estimated reimbursable costs are now \$46,842,284 and the reimbursement will be capped at \$46,000,000. The total investment into the project by Brookfield Residential that is not reimbursable through the TIRZ has increased from \$77,107,163 to \$355,589,467.

The \$16,000,000 increase in reimbursable public infrastructure cost includes three upgraded or new projects requested by the City. These projects include:

- 1) Upgrading the Trunk Hill water tank to an elevated storage tank. The estimated cost for this project increased from \$1,274,465 to \$5,752,373.
- 2) Expanding the 2 lane section of Centerpoint Road to 4 lanes throughout the development. This is a new project with an estimated cost of \$3,538,371.
- 3) Upgrading the water line from 8 inches to 16 inches and connect to McCarty Lane. The estimated cost for this project is \$299,904.

The original taxable value of the Kissing Tree project was estimated to be \$816,457,650. The value of the development has grown higher than anticipated and the preliminary value for Fiscal Year 2025 is \$605,925,865. The total incremental taxable value at full buildout in FY 2032 is estimated to be \$1,555,784,168. The cash flow analysis estimates the \$46,000,000 to be fully paid during Fiscal Year 2035.

### **Council Committee, Board/Commission Action:**

Tax Increment Reinvestment Zone #4 Board - the Board met on February 26, 2024, and approved the revised project plan and reinvestment zone financing plan and development agreement, to increase public infrastructure reimbursable costs by \$16,000,000 to a total of \$46,000,000.

### **Alternatives:**

1. Accept the recommendation of the TIRZ #4 Board and approve the amended project plan and reinvestment zone financing plan that increases public infrastructure reimbursable costs from \$30,000,000 to \$46,000,000.
2. Not accept the recommendation of The TIRZ #4 Board.

### **Recommendation:**

City Council approve the amended project plan and reinvestment zone financing plan as recommended by the TIRZ #4 Board.