

CITY COUNCIL MEMORANDUM

AGENDA ITEM

Approve the Master Economic Development Agreement By and Among the City of Killeen, Killeen Tax Investment Zone #2 and La Cascata Retail Village LLP.

ORIGINATING DEPARTMENT

City Attorney

BACKGROUND INFORMATION

The City of Killeen has in place a Chapter 380 Economic Development Program, designed to promote local economic development and to stimulate business and commercial activity in the city. Additionally, pursuant to the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the "TIF Act"), the City has designated a reinvestment zone to promote development or redevelopment of property within the City. Under the TIF Act, the City has the power to use tax increments within the reinvestment zone to finance and refinance public works and public improvement projects.

DISCUSSION/CONCLUSION

In 2012, the Killeen Economic Development Corp. began discussions with representatives of the La Cascata Retail Village LLP ("Developer") regarding development of a shopping center development, containing approximately 320,000 square feet of rentable area, on the western border of Skylark Field. The Developer advised that an agreement with the City to provide a performance-based economic development grant to defray a portion of the costs would make the project more feasible. After negotiations between the representatives of KEDC, the City and Developer, the following terms were reached, and are being recommended to Council:

TIRZ #2 Components:

- Financing of \$8,000,000 in eligible project costs (i.e., off-site streets, water, wastewater, storm drainage and other public improvements necessary in connection with the development) with TIRZ funds;
- Developer must create a taxable appraised value of at least \$37,000,000 within one year after the first payment date, \$50,000,000 within two years after the first payment date, and \$55,000,000 within three years after the first payment date and throughout the balance of the TIRZ #2 term;
- No TIRZ revenues will be paid to developer if the taxable appraised value drops below 60% of the annual projected appraised values in any given year;
- Term of the TIRZ will be extended.

Sales Tax Rebates/380 Agreement Components:

- An annual sales tax rebate of one half of 1% collected by the city until an amount of \$3,600,000 has been rebated;
- Payments will not begin until the construction of \$5,000,000 in new capital improvements and all public infrastructure at the site has been completed, at least \$100,000 in City sales tax revenues have been generated, and 75 full-time or 300 part-time jobs have been created;
- Sales taxes from a business relocating to the site from another location in the City will not be eligible for inclusion in the available city sales tax revenues for the site;
- Sales tax rebates will be limited to those companies in a retail sector where there is documented retail leakage outside the city limits of Killeen.

FISCAL IMPACT

The City and the TIRZ #2 Board agree to finance \$8,000,000 in public infrastructure through use of TIRZ funds, and to rebate up to \$3,600,000 in sales tax rebates over the life of the agreement.

RECOMMENDATION

Staff recommends that Council consider the attached Ordinance approving the Master Economic Development Agreement By and Among City of Killeen, Texas, Killeen Tax Increment Investment Zone #2 and La Cascata Retail Village LLP.