



Economic Development Proposals

Budget & Fiscal Affairs Committee

March 4, 2014

Presented by:
Andy Icken – Chief Development Officer
Gwendolyn Tillotson – Deputy Director Economic
Development





Presentation Overview

- **Amendment to Tax Abatement Guidelines**
- **Holmes Road Sanitary Line Chapter 380 Agreement**
- **Clear Lake Reserve Chapter 380 Agreement**
- **Downtown Living Initiative**



Tax Abatement

General Information

- **Grant/Incentive Program authorized by Tax Code Chapter 312**
- **Allows the municipality to further define guidelines**
 - Code of Ordinances Chapter 44 Article IV
 - Most recent ordinance approved 2011-1167
 - Abatement guidelines are effective for a 2 year term and requires renewal
- **City has 7 active agreements since 2010**
 - Requires Capital Investment and Job Creation
 - Allows City to recapture abatement if company is “non-compliant”



Tax Abatement

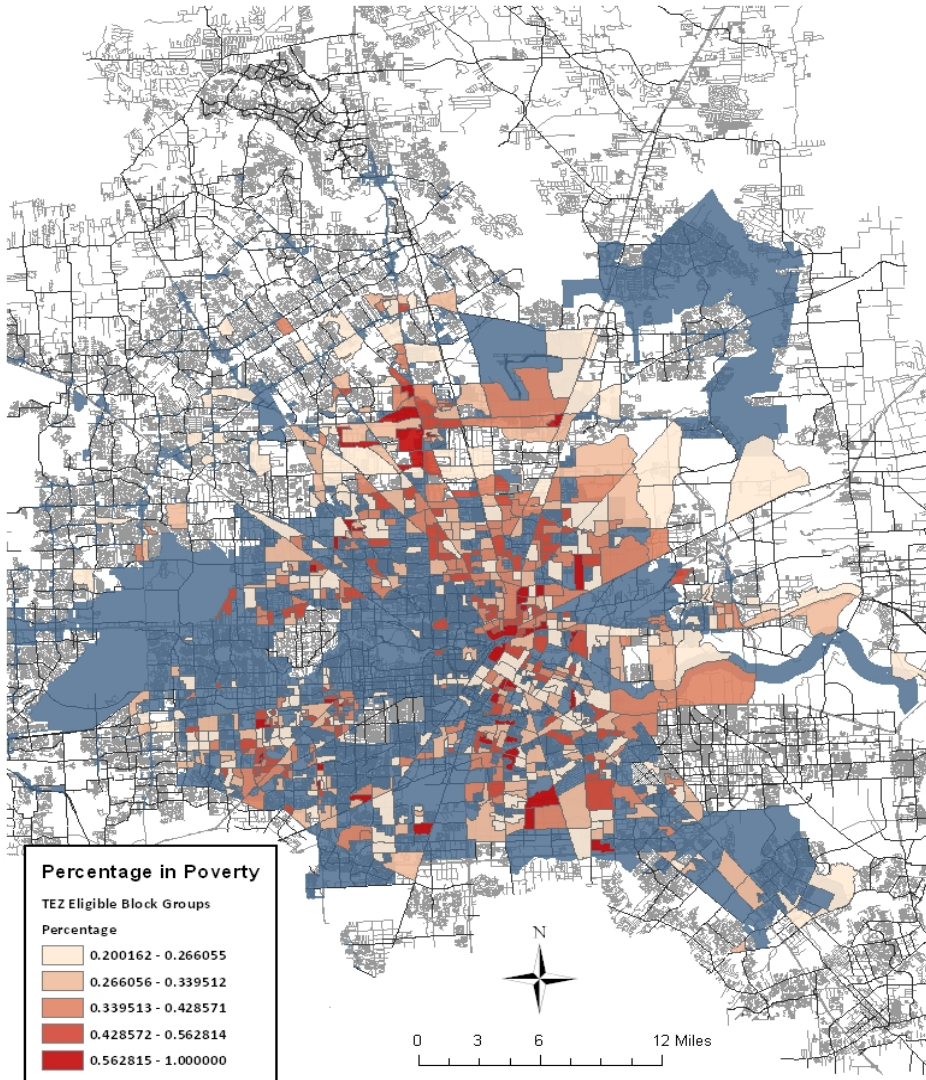
Proposed amendments to the existing guidelines

- **Extends the program to abate taxes for new improvements on demolished sites or deteriorated properties**
- **Establishes guidelines for eligibility**
 - Defines deteriorated/demolished properties
 - Establishes an abatement rate of 50% and up to 90% in distressed areas
 - Term not to exceed 10 years
- **Qualifying properties**
 - Property must have received an order from the DON
 - Qualifies property that comprise at least 4 dwelling units (commercial)
 - Requires the permit on new construction not more than one year after demolition



Texas Enterprise Zones

TEZ Eligible Block Groups: Houston

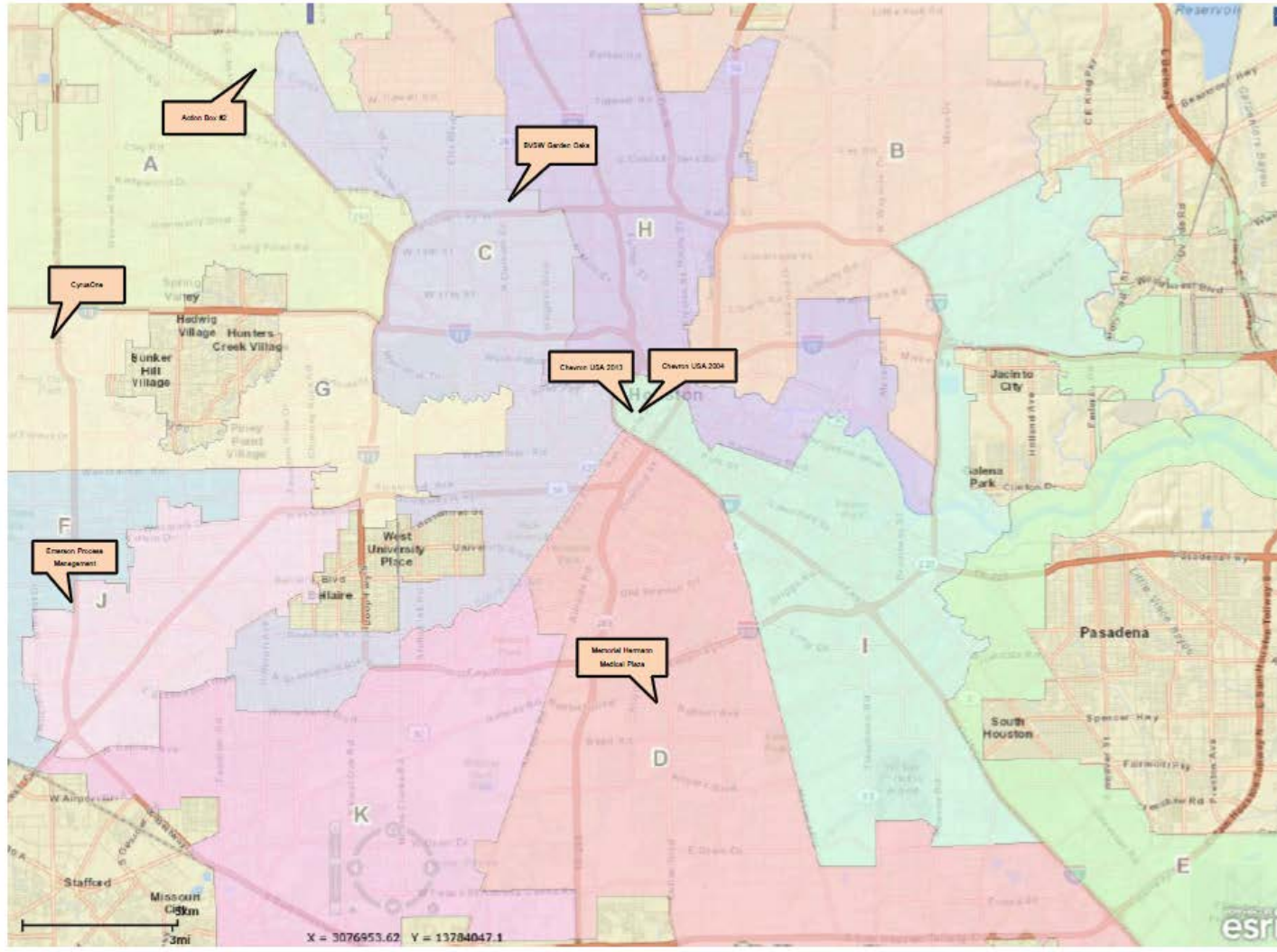


Criteria for Distressed Site

- Block groups at 20% or higher poverty rate
- Defined as Texas Enterprise Zone
- Eliminates subjectivity for qualifying sites as distressed



Active Tax Abatements



City of Houston Tax Abatement

Tax Abatement	DISTRICT
Memorial Hermann	D
Chevron USA 2004	I
Action Box #2	A
BVSW Garden Oaks	C
Emerson Process	F
CyrusOne	A
Chevron USA 2013	I

DISTRICTS	QTY
A	2
D	1
F	1
I	2



Economic Development 380 Programs

General Information

- **Grant/Incentive Program authorized by Local Gov't Code Chapter 380**
- **Allows the municipality to further define guidelines**
 - Code of Ordinances Chapter 44; Created by ordinance 99-74
- **City has executed 20 Incentive Agreements since 2010**
 - Requires Capital Investment/Job Creation
 - Public Infrastructure, Public Amenities, Residential, Mixed Use Development
- **Two 380 Program Frameworks**
 - Project based – typically single developer/owner
 - Program based for multiple projects in an area



Development Targets

- **Describe the city's target areas and development priorities**
 - Affordable housing in high income and low residential areas
 - Market housing in low income or distressed markets or low residential areas
 - Manufacturing with job creation/corporate relocation or expansion
 - Grocer retailers in food deserts
 - Brownfield redevelopment
 - Transit oriented development
 - Undeveloped areas of the city
 - Downtown development – currently focused on residential



Proposed Agreements

- **Holmes Road Sanitary Sewer Line – Council District K**
 - Construction of a 42” Sanitary Sewer Line from Buffalo Speedway to Knight Road
- **Reserve at Clear Lake– Council District E**
 - Development on a former Exxon Brownfield Site
 - Residential and Commercial Mixed Use Development
 - Represents the first new homes built in the area since late 1990’s
 - Provides high end housing option for the region

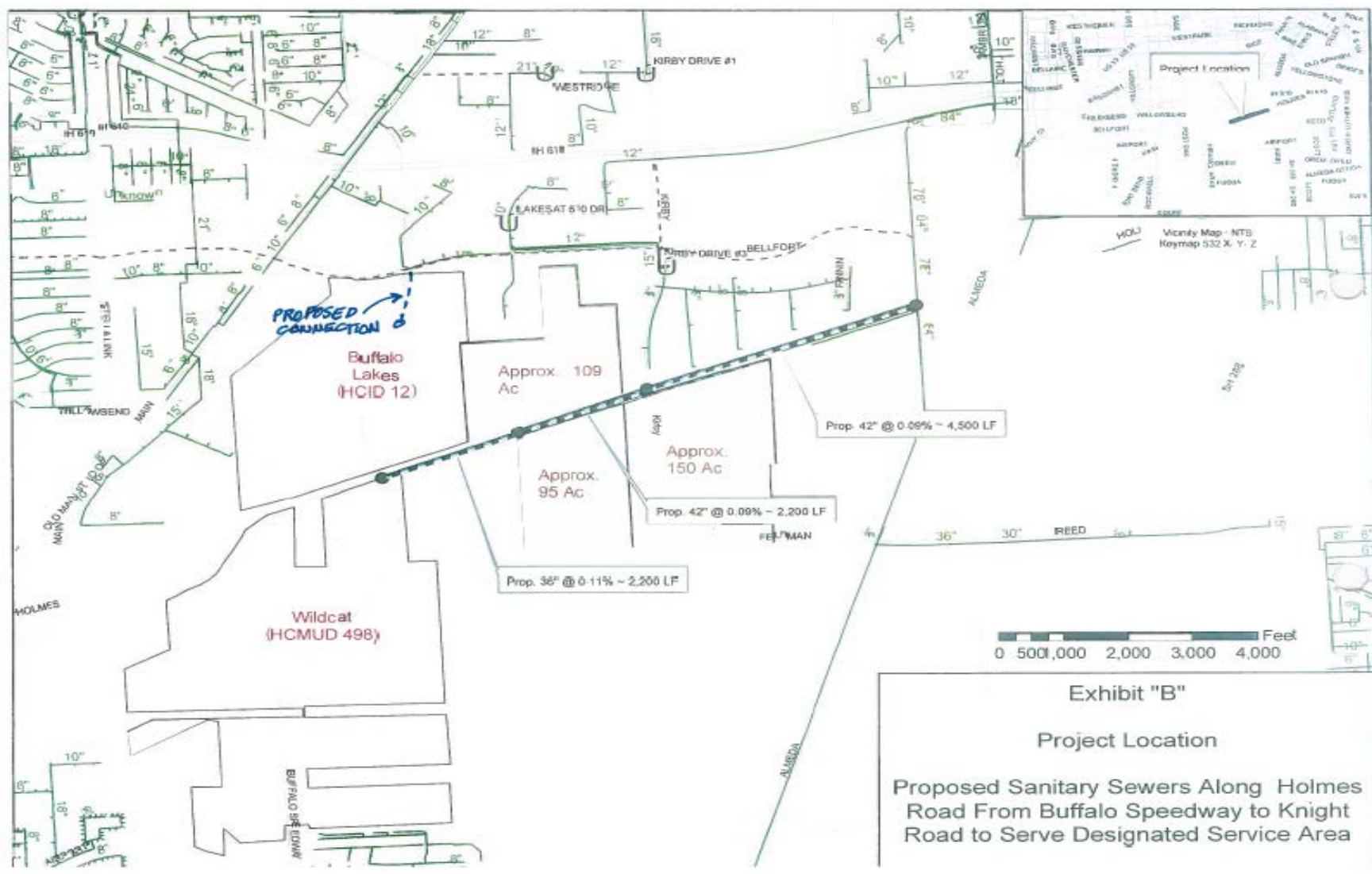


Holmes Road Sanitary Sewer Line

- **Construction of a 42” Sewer Line from Buffalo Speedway to Knight Road**
- **A priority project for the City – PWE will construct project**
 - Planned since 2010 to be funded through a cost allocation agreement with developer partners
- **Provide permanent sewer capacity for more than 1,700 acres**
- **Provide permanent sewer capacity for 4 immediate development projects that will connect temporarily to an existing line**

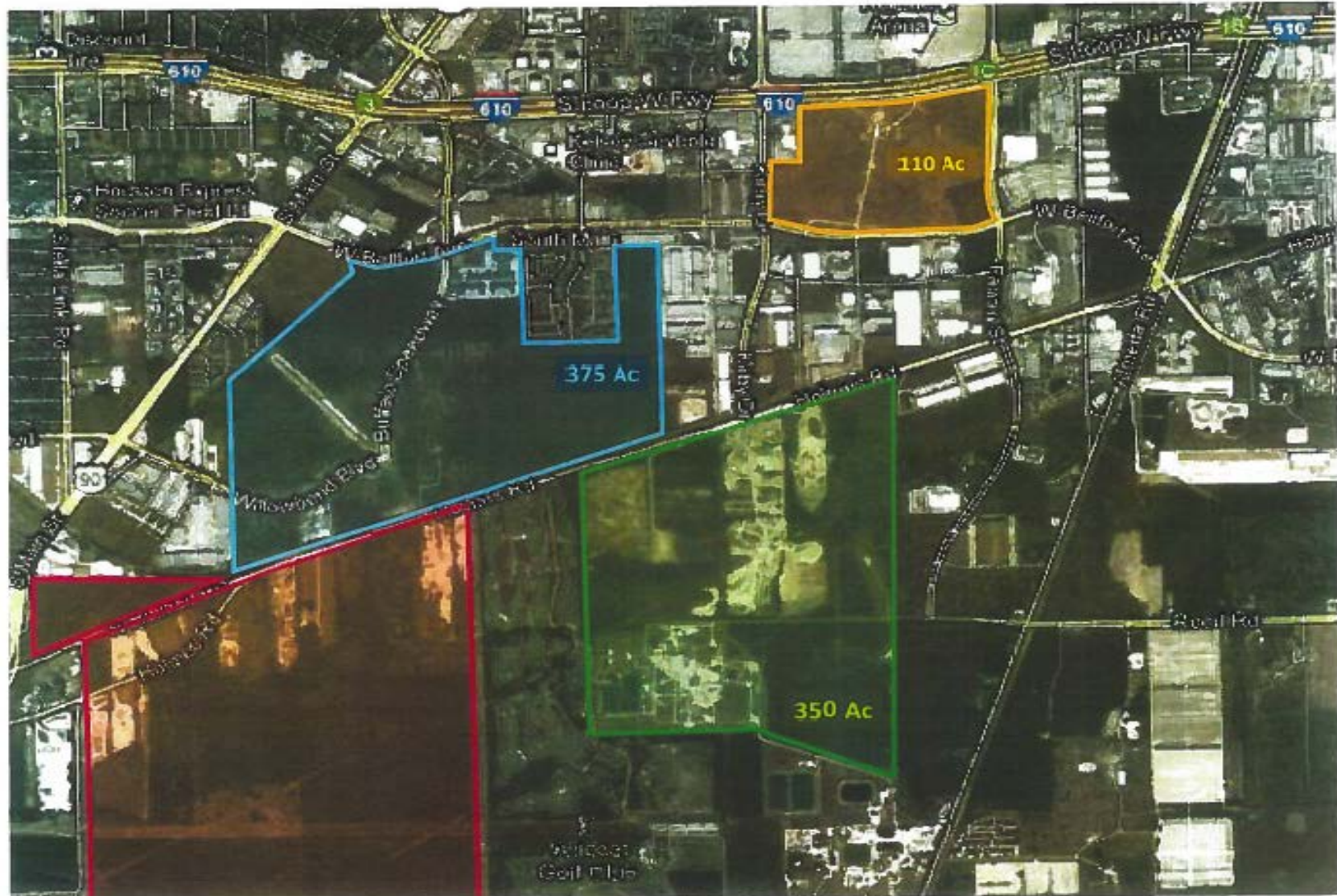


Holmes Road Sanitary Sewer Line





Long Term Development Benefitted Areas





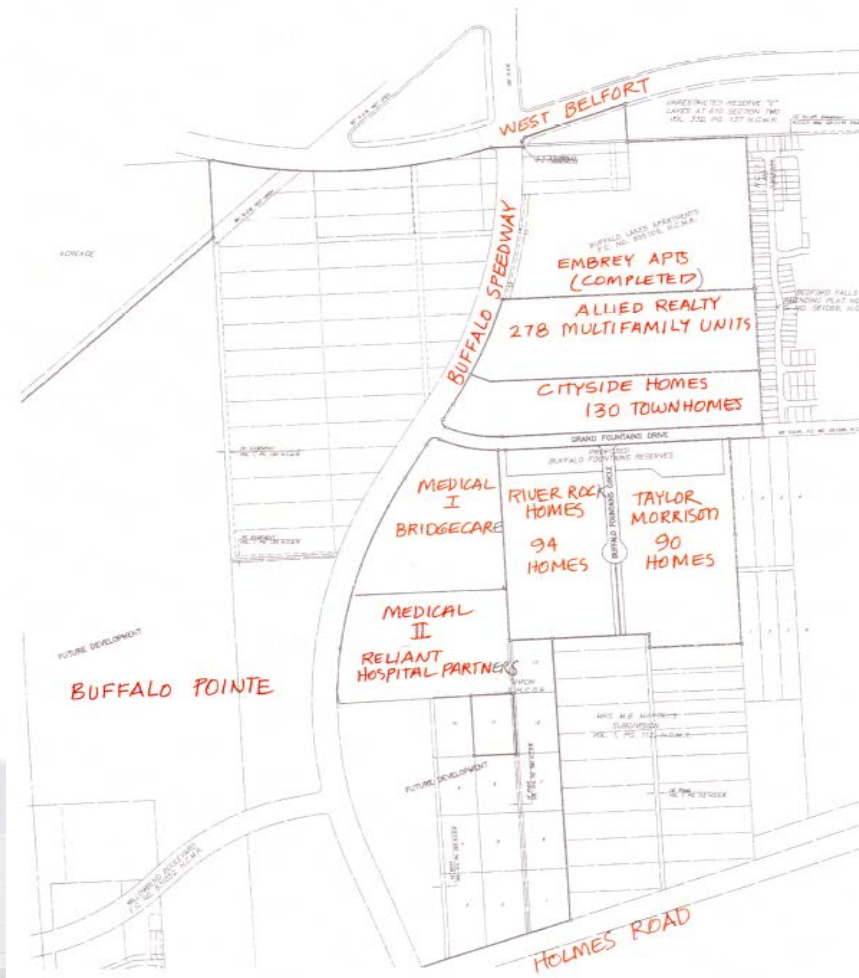
Holmes Road Sanitary Sewer Line Near Term Development

- The developer for Buffalo Pointe has four tracts for development
 - Developer has requested and been granted temporary connection into the West Belfort sewer line to serve the new development
 - The temporary lift station will be decommissioned when new line available
 - Developer has completed closing transaction on first tract

Developer	Use	Acreage	Phase/Unit	Delivery/Operating	Connections	Value Increment	
Allied Realty	Garden-Style Urban Apts	8.674	1 / 278 MR units	Q4 ('14) - Q2 ('15)	132	\$30,000,000.00	
CitySide Homes	Urban Townhomes	3.2	1 / 65 SF homes	Q2 ('14) - Q1 ('15)	65	\$19,500,000.00	
	Urban Townhomes	3.2	2 / 65 SF homes	Q2 ('15) - Q1 ('16)	65	\$20,500,000.00	
River Rock Homes	Luxury Townhomes	1.86	1 / 27 SF Homes	Q3 ('14) - Q1 ('15)	27	\$9,600,000.00	
	Luxury Townhomes	5.08	2 / 32 SF Homes	Q2 ('15) - Q4 ('15)	32	\$12,000,000.00	
			3 / 35 SF Homes	Q4 ('15) - Q2 ('16)	35	\$13,400,000.00	
Taylor Morrison	Garden-Style Townhomes	4.12	1 / 40 SF Homes	Q3 ('14) - Q1 ('15)	40	\$18,000,000.00	
	Garden-Style Townhomes	3.6	2 / 40 SF Homes	Q2 ('15) - A1 ('16)	40	\$19,000,000.00	
Bridgcare (Rehab Hospital)	Rehabilitation Center	4.5	1 / 90 bed Hospital (short stay)	Q3 ('15)	72	\$12,000,000.00	
Houston Pain Assoc (MOB / Clinic)			1 / 60K SF MOB	Q4 ('15)	14	\$11,000,000.00	
Total		34.234			522	\$165,000,000.00	
					(Existing 352 MR Units)	168	\$35,000,000.00
Grand Total					690	\$200,000,000.00	



Proposed Near Term Development Schematic





Holmes Road Sanitary Sewer Line Long Term Development

- The line will provide service capacity to more than 1,700 acres of undeveloped land in South Houston
- The line will present opportunities for residential, commercial, office and retail development
- The line will provide developers and builders “in-city” alternatives to Pearland and other communities within the ETJ

Type	Use	Units	Cost / Unit	Value
Residential	Garden-Style Apartments			
	1 / Connection @ Buffalo Pointe	352		\$35,000,000
	2 / The Reserve @ Buffalo Pointe	278		\$30,000,000
	Urban Townhomes	350	315,000	\$110,250,000
	Luxury Townhomes	300	400,000	\$120,000,000
	Garden-Style Townhomes	200	500,000	\$100,000,000
	Patio Homes	180	650,000	\$117,000,000
	Urban Apartments	500	150,000	\$75,000,000
	Condos	300	400,000	\$120,000,000
Independent/Assisted Living	150		\$25,000,000	

Type	Use	SF	Cost/SF	Value
Commercial	Medical Office	1,000,000	200	\$200,000,000
	General Office	500,000	200	\$100,000,000
	Retail/Entertainment	300,000	160	\$48,000,000
	Parking Structure	1,000		\$9,000

Total Projected Value:

\$1,080,259,000



Holmes Road Sanitary Sewer Line Developer Agreement

- **The proposed agreement between all public entities**
 - City of Houston
 - Harris County Improvement District No. 12
 - Greater Houston Redevelopment Authority (RDA for TIRZ No. 24)
 - **Estimated Cost for the line is \$11M**
 - **The line will be constructed as a PWE project**
 - **\$11M will be allocated as below:**
 - PWE will enter into a Cooperative Developer Agreement for 1/3 the costs, or approx. \$3.5M
 - Greater Houston RDA will contribute up to \$3.5M towards the cost of construction
 - COH 380 developer agreement will contribute \$3.5M towards the cost of construction
 - **HCID No. 12 will issue contract revenue bonds and use bond proceeds to “upfront” construction of the sewer line**
 - The RDA and the 380 developer agreements will reimburse the debt service on the bond
 - The COH will reimburse the actual interest on the debt
 - The term of the debt service is 25 years; COH may retire debt earlier if desired
- FUNDING SOURCES:**
- The RDA will reimburse from the increment on new development within a 300 acre area
 - The COH will reimburse from the increment created from the established Economic Impact Area, of not more than the annual debt service, which is estimated at \$485,000



The Reserve at Clear Lake

- **Proposed Mixed Use Development on a former reclaimed restricted ExxonMobil Brownfield Site**
- **Developer Partners**
 - Trendmaker Residential Developer
 - Fidelis Commercial Developer
- **Fidelis secured state sanction from the Texas RR Commission to develop the land**
- **Fidelis procured a restriction waiver from ExxonMobil to develop residential**
- **Site comprises 410 acres**
 - Approximately 375 acres will be developed as residential
 - Approximately 45 acres will be developed as commercial



The Reserve At Clear Lake Current Land Site

DISCOVERY TRACT HA209

APPROX. 412 AC

JURISDICTION

AUGUST 2007

LEGEND

 UTILITY DISTRICTS



HARRIS COUNTY

DATA SOURCE:
UTILITY DISTRICTS - TSD
AERIAL PHOTOGRAPH DATE: MARCH 2007
THIS DRAWING IS INTENDED FOR INFORMATIONAL
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LJA Engineering & Surveying, Inc. 





The Reserve at Clear Lake The Proposed Development

- **Trendmaker Residential Development**

- 741 Single Family Housing Units
- Will Construct Infrastructure in Multiple Phases
- Will Construct Housing Unites in Phases as infrastructure is built
- Construction to begin April 2014
- Homes range from low \$200's to \$500,000
- Estimated Value of New Development is \$275 million
- Airport TIER 3

- **Fidelis Commercial Development**

- 40 Acres of commercial, including a major grocer brand
- Approximately 250,000 square feet
- Will construct in a single phase
- Construction to begin in April/May 2014
- Estimated Value of New Development is \$34 million



Reserve at Clear Lake Development Schematic





Reserve at Clear Lake Proposed Infrastructure Improvements

- **Given the former use of the land, all infrastructure is needed to support the new development, including**
 - Street pavement to extend and or widen El Dorado Blvd, Clear Lake City Blvd and Space Center Blvd
 - Water and sewer utilities at El Dorado Blvd, Clear Lake City Blvd and Space Center Blvd
 - Traffic Signalization at El Dorado Blvd at Clear Lake City Blvd and at Clear Lake City Blvd at Space Center Blvd



Reserve at Clear Lake Trendmaker Infrastructure Improvements

Phase 1	El Dorado Boulevard from the intersection of Clear Lake City Boulevard north to the first intersection north of the ExxonMobil Fee Strip. Roadway to be a four lane boulevard section (Paving , drainage, pipeline crossings, street lights and related appurtenances)	\$1,080,000
Phase 2	El Dorado Boulevard from the first intersection north of the ExxonMobil Fee Strip to the first intersection north of the roundabout. Roadway to be a four lane boulevard section (Paving, drainage, street lights, and related appurtenances)	\$902,000
Phase 3	El Dorado Boulevard from the first intersection north of the roundabout to the northernmost boundary of the Trendmaker Property. Roadway to be a four lane boulevard section (Paving, drainage, street lights, and related appurtenances) [1]	\$490,000
Phase 4	Collector road from the roundabout west to the first intersection (Paving, drainage, street light and related appurtenances)[2]	\$302,000
Phase 5	Collector road from the first intersection west to Space Center Boulevard (Paving, drainage, street lights, pipeline crossings, turn lanes on Space Center and related appurtenances)[\$508,000
Phase 6	Intersection improvements at the intersection of Clear Lake City Boulevard and El Dorado Boulevard (Paving, drainage, demolition and relocation of existing infrastructure)	\$450,000
Phase 7	Landscape, irrigation, plantings, sidewalks and related appurtenances adjoining El Dorado Boulevard from the intersection of Clear Lake City Boulevard to the northern boundary of the Trendmaker Property, and adjoining collector road from round about west to Space Center Boulevard	\$529,160
Phase 8	Engineering, Design, Permitting Costs of items 1-7 above (actual costs only)	\$1,309,420
Total		\$5,570,580



Reserve at Clear Lake Fidelis Infrastructure Improvements

Phase 1	Detention relocation and clearing (Includes excavation, filling, demolition, storm sewer, relocation of existing infrastructure and related appurtenances)	\$2,203,000
Phase 2	Extension of Clear Lake City Boulevard from its current four lane terminus east to the intersection of El Dorado Boulevard (Paving, drainage, pipeline crossings, demolition and relocation of existing infrastructure)	\$900,000
Phase 3	Intersection improvements at Space Center Boulevard and Clear Lake City Boulevard. (Paving, drainage, demolition and relocation of existing infrastructure)	\$225,000
Phase 4	Traffic Signal and related improvements at the intersection of Clear Lake City Boulevard and El Dorado Boulevard (Traffic signal, demolition, relocation of existing infrastructure)	\$250,000
Phase 5	Engineering, Design, Permitting Costs of items 1-4 above (actual costs only)	\$679,820

Total **\$4,257,820**



Reserve at Clear Lake General Agreement Terms

- **Agreement Term**
 - 10 year agreement beginning with the completion of the first phase
- **General Terms**
 - Any modifications to the proposed development requires approval
 - Complete construction of the infrastructure improvements
 - Reimbursement of phased improvements will be paid as housing units are developed
 - Trendmaker and Fidelis must submit certification documents demonstrating compliance



The Reserve at Clear Lake Developer Agreement

- **The proposed agreement between**
 - City of Houston
 - Trendmaker Clear Lake LLC
 - Clear Dorado Land Associates, L.P. (an affiliate of Fidelis Realty Partners)
- **Estimated costs for infrastructure:**
 - \$5.6M for residential infrastructure
 - \$4.2M for commercial infrastructure
- **Trendmaker and Fidelis will construct the improvements according to defined standards for conveyance and acceptance**
- **Maximum reimbursement is capped at \$9.8M**
- **Project will be reimbursed from 75% of the incremental revenue on the new development**