Plano
City of Excellence

Memorandum

Date: December 4, 2020

To: Mark D. Israelson, City Manager
Jack Carr, Deputy City Manager

From: Peter J. Braster, Director of Special Projects

Subject: Collin Creek Mall Funding Agreement

In July 2019, City Council approved a Development Agreement. The agreement outlines both the responsibilities of the Developer and the City of Plano. It is the framework for a public private partnership that makes the City, not just part of the revitalization, but a major component to ensure the revitalization can be accomplished. At the time of its approval, a second agreement (a Funding Agreement) that details the relationship was contemplated and noted in the Development Agreement.

The City and the developer have agreed to terms as outlined in the attached Funding Agreement. The agreement further defines and provides specifics about the responsibilities of the City and the Developer. The Funding Agreement is a balance between guarding the City's interests and financial stability; the current real estate development marketplace; and the capabilities of the developer.

The following is a summary of the Funding Agreement:

Article I: Defines the terms used in the agreement.

Article II: Defines the Scope of the agreement.

Article III: Offers specifics about the two public improvement districts the City has agreed to create. Notably, it defines parameters on the issuance of bonds; the required cash contribution of the developer for public improvements not covered by the bond revenue; using bonds proceeds to acquire land (as allowed by law); and provisions to transfer of property after the PIDs are established. The most impactful section to the City is subsection 3.02(c) Issuance of PID Bonds. This subsection establishes several things, including:

- (i) The maximum amount of bonds to be sold by the two PIDs. These amounts will be tempered by the other subsections as described below.
- (ii) Establishes the maximum overlapping tax rate equivalent of $3.09. That rate is defined by adding up all the tax rates from each of the taxing authorities and the PID levy. At the time of bond sales this is estimated using the developer provide Build Out Value supported by an independent appraisal. This limits the total

amount of bond sales by providing a maximum yearly repayment amount of the bonds.

(iii) Establishing these value to lien ratios will make the bond interest rates reasonable and they also limit the total amount of bonding capacity.

(iv) Same as (ii) but for the West PID.

(v) Same as (iii) but for the East PID.

(vi) This subsection requires all the property owners to agree to a levy. At this time, all the property is owned by the developer.

(vii) The City will not sell PID bonds until the grant financing the East Parking garage has been made available for use by the City.

(viii) The City will not sell PID bonds until the East Parking Garage construction costs have been covered by private financing and the City's existing bond proceeds.

(ix) through (xiii) require the developer to prove financially capable of taking on the project.

Article IV: This article outlines the City's intention to form a tax increment reinvestment zone (TIRZ). This occurred when Council approved the formation of the TIRZ in January 2020. The City has agreed to a 75% increment and the County agreed to a 50% increment. Preliminary estimates show the TIRZ will generate approximately $104 million over 36 years (from the 99 acres of mall property). Likewise, the City's general fund will realize approximately $35 million from the same properties.

The City will no longer use TIRZ revenues to buy down PID assessments as originally contemplated. Now, both parties agree that the City's TIRZ increment will be used to fund the two large parking garages (East and West). For the East Garage, TIRZ revenues will repay the NCTCOG $15 million loan. In addition, the City will issue $24 million TIRZ revenue bonds to construct the West Garage. Yearly TIRZ revenue will be used to repay the bonds. In total, these two items represent $42 million (includes interest payments) of the City's TIRZ revenue from the mall property. The remaining revenue can be used for other projects in TIRZ#4.

The County TIRZ revenue from the 99-acres equals approximately $27 million. The City agreed that these proceeds can be used by the developer with one important caveat: no third party financing (see Section 13.03).

Article V: This article outlines additional funding sources that have been set aside for the mall's revitalization. Specifically, $10 million in GO bond funds, approved by voters in 2013. Approving the development agreement will approve of the expenditure of these funds for public improvements on the mall site.

This article also contemplates improvements to the culvert system that carries Spring Creek through the mall property. The culverts have always been the City's responsibility. The culverts have reached a point where rehabilitation or reconstruction is needed. The work will be needed regardless of the mall's redevelopment. Depending on the solution, the cost of the work could be in excess of $50 million.

This article also outlines a mechanism for the PID's to fund portions of two large parking garages. The public portions of the parking garages will provide parking for the remaining shopping mall, restaurants, and open spaces/parks. A local government corporation, owned by the City, will allow PID funding, and other potential regional funding, to be accepted. It should be noted the City will not be required to fund any escalation of costs associated with the construction of the garages. Our total commitment is outlined in these subsections.

Article VI: This article is needed because public improvements will be constructed on public property. It should be noted that the transfer of property between the developer and the City will occur prior to construction of the public improvements.

Article VII: This section outlines the payment of public improvements. Section 7.02(a) requires the developer to pay all cost overruns for public improvements.

Articles VIII through XII: These are the standard agreement provisions.

In summary, here are the major deal points found within the Funding Agreement:

1. East PID Right of Way sales revenues realized by the Developer will be used solely for the private portion of the East Parking Garage.
2. City's $10 million 2013 revenue bonds will be used to acquire right of way, Developer will use proceeds to funds a portion of the East Garage.
3. The public portion of the East Garage and the entire West Garage will be owned by the LGC. All maintenance and operations costs to be funded through a separate assessment (filed with the deed restrictions).
4. The Developer will only receive TIRZ increment from the County as previously agreed. City will use City TIRZ increment to repay for COG loan and TIRZ revenue bonds.
5. The Developer will pay for all cost overruns.

Summary of Funding Sources for Public Improvements and Parking Garages:

Public Fund Sources:	
East PID Bond Sale:	$24,485,850
West PID Bond Sale:	$12,302,138
COG Grant for East Garage:	$15,000,000
Sub-Total	$51,787,988
COG Loan + Interest:	$16,578,253
2013 Bond Cost:	$13,000,000
TIRZ Rev Bond Cost:	$42,000,000
Total City	$71,578,253
Total Public:	$123,366,241
Private Funding of Public Improvements:	
East Garage:	$7,835,273
West PID additional funds:	$2,704,039
Total Private:	$10,539,312

Location Map