

Date: July 30, 2021

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

From: Peter J. Braster, Director of Special Projects

Subject: Collin Creek Mall Amended and Restated 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.

In December 2020, the City approved the Funding Agreement. At this time, the City and the developer have found it necessary to amend and restate the Funding Agreement (attached). The purpose of the Funding Agreement is to further define and provide 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 (changes are generally noted).

It should be noted that Collin Creek Development LLC, which has assigned its rights in and obligations under the Development Agreement and the Original Funding Agreement to MM CCM 48M LLC who is now the Developer. Like Centurion American, Mehrdad Moayed controls these entities.

Article I: Defines the terms used in the agreement. Changes include removing references the NCTCOG funding and adding the Parking Garage Public Improvement District.

Article II: Defines the Scope of the agreement. No changes.

Article III: Offers specifics about the now **three** 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. Although this subsection has numerous changes; the original parameters of controlling risk and costs remain. The intent of the subsections are outlined below:

- (i) The maximum amount of bonds to be sold by the **three** PIDs. These amounts will be tempered by the other subsections as described below.

- (ii) Establishes the maximum overlapping tax rate equivalent of \$3.09 for the East PID. That rate is defined by adding up all the tax rates from each of the taxing authorities and the PID levy. This limits the total amount of bond sales by providing a maximum yearly repayment amount of the bonds.
- (iii) Establishing “value to lien ratio” for the East PID will make the bond interest rates reasonable and they also limit the total amount of bonding capacity.
- (iv) Establishes the maximum overlapping tax rate equivalent of \$3.09 for the West PID.
- (v) Establishing “value to lien ratio” for the West PID will make the bond interest rates reasonable and they also limit the total amount of bonding capacity. Block U and Block V are an exception because they are commercial tract within the West PID and will now be treated similarly to those commercial tracts in the East PID.
- (vi) Establishes the maximum overlapping tax rate equivalent of \$3.09 for the Garage PID as combined with the West PID.
- (vii) Establishing “value to lien ratio” for the Garage PID when combined with West PID.
- (viii) Establishes the maximum overlapping tax rate equivalent of \$3.09 for the Garage PID as combined with the East PID.
- (ix) Establishing “value to lien ratio” for the Garage PID when combined with East PID.
- (x) This subsection requires all the property owners to agree to a levy. At this time, all the property is owned by the developer.
- (xi) The City will not sell PID bonds until the private financing portion of the East Parking garage construction costs have been deposited in the Trust account.
- (xii) The City will not sell PID bonds if the Developer is in default of either the Developer Agreement or this Funding Agreement.
- (xiii) Developer is required to be ready for construction.
- (xiv) Developer is 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.

The City will use the increment generated by the 99-acre Collin Creek Redevelopment Project to fund the former NCTCOG funded portion of the East Parking Garage. In order to generate funds for construction, the City will sell the increment to a third party. Council will vote on this action separately.

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. In addition, \$2.2 million of Park Acquisition Funds will purchase approximately 4.53 acres of Block Y for a public park.

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.

This article also outlines a mechanism for the Garage PID's to fund the West Parking Garage. A local government corporation, owned by the City, will allow PID 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 garage. Nor will the City be obligated for maintenance and operations of the garage. 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 and West 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 fund a portion of the East Garage.
3. Developer will use the proceeds of the City's \$2.2 million purchase of Block Y for the East Parking Garage.
4. The 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).
5. The Developer will not receive any TIRZ increment directly from the City. The City will use City TIRZ increment to generate funds for the East Parking Garage.
6. The Developer will pay for all cost overruns.

See the following page for a Summary of Funding Sources for Public Improvements and Parking Garages.

Public Fund Sources:

	Existing Funding Agreement	Amended Funding Agreement
East PID Bond Sale:	\$24,485,850	\$24,485,850
West PID Bond Sale:	\$12,302,138	\$12,302,138
COG Grant for East Garage:	\$15,000,000	
West Garage PID Bond Sale:		\$15,000,000
Sub-Total	\$51,787,988	\$51,787,988
COG Loan + Interest:	\$16,578,253	
2013 Bond Cost:	\$13,000,000	\$13,000,000
Park Bonds (Land Acquisition)		\$2,200,000
TIRZ Rev Bond Cost:	\$42,000,000	
TIRZ Increment Sale		TBD
Total City	\$71,578,253	TBD
Total Public:	\$123,366,241	TBD

Private Funding of Public Improvements:

	Existing Funding Agreement	Amended Funding Agreement
East Garage:	\$7,835,273	\$7,835,273
West PID additional funds:	\$2,704,039	\$2,704,039
Total Private:	\$10,539,312	\$10,539,312