

Mayor and Council Communication

DATE: 01/14/25

M&C FILE NUMBER: M&C 25-0031

LOG NAME: 17DISSOLUTION OF TIF10

SUBJECT

(CD 10) Authorize the Dissolution of Tax Increment Reinvestment Zone No. 10, Lone Star

RECOMMENDATION:

It is recommended that the City Council approve the dissolution of Tax Increment Reinvestment Zone No. 10, as the bond obligations have been satisfied per terms of the agreement.

DISCUSSION:

Pursuant to a Master Economic Development Agreement (Master Agreement) between the City, Tarrant County, the Lone Star Local Government Corporation (LGC), and Cabela's Retail, Inc. (Cabela's), the LGC issued Lone Star Local Government Corporation Tax Increment Contract Revenue Bonds (Bonds) for construction of public improvements and publicly-owned exhibition and recreation space associated with the Cabela's store being developed near the intersection of Interstate Highway 35-W and State Highway 170 (Project) (M&Cs C-20113 C-20518). The Bonds were supported by allocation of revenues from participating taxing units (Participants) in Tax Increment Reinvestment Zone (TIRZ) 10, or TIF 10.

Cabela's purchased the Bonds from the LGC under a Purchase Agreement dated March 4, 2005. Cabela's sold and assigned the Bonds and rights to payment thereunder to Preston Hollow Capital, LLC in October 2018.

The LGC and Wells Fargo Bank, as Trustee and predecessor in interest to Computershare Trust Company, N.A., created an Indenture of Trust, securing the Bonds. Section 6.01 of the Indenture provides that, if the City transfers all Participants' Tax Increments from its Tax Increment Fund to the Corporation in accordance with the terms of the Tri-Party Agreement, and such Tax Increments transferred are not sufficient for the payment of any Principal Installments or interest payable on the Bonds on the date when such principal installment or interest becomes due and payable, an Event of Default shall not be deemed to have occurred under the terms of the Indenture.

Schedule I of the Purchase Agreement states that principal and interest of the Bonds shall be payable *solely* from the sources identified in the Indenture as the "Trust Estate." It further states that, if on July 1, 2024, the Trust Estate is not sufficient to pay in full the outstanding principal of and interest on the Bonds, such remaining unpaid amounts shall be forgiven.

All Participants' Tax Increments from the Tax Increment Fund have been transferred by the City to the Corporation and remitted to the Trustee, and the amounts in the Trust Estate as of the Bonds' maturity was not sufficient to pay in full the outstanding principal and interest on the Bonds. In accordance with Schedule I of the Purchase Agreement, such remaining unpaid amounts are considered forgiven.

On September 16, 2024, a letter was submitted to the Trustee with the aforementioned history and background of the project. It was acknowledged and signed by Sandra Adrian, Vice President of Computershare Trust Company, N.A. the same day and remitted to the Economic Development Department.

As of September 30, 2024, the write-off amounts for the bonds are as follows:

- Principal: \$31,617,000.00
- Interest: \$28,357,428.49

This Project and the repayment of the Bonds were the only purposes identified in the project and financing plan for this TIF. Now that the Bonds have matured, staff recommends dissolving the TIF.

TIRZ 10, or TIF 10, is located in COUNCIL DISTRICT 10.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this recommendation will have no material effect on City funds.

Submitted for City Manager's Office by: William Johnson 5806

Originating Business Unit Head: Robert Sturns 2663

Additional Information Contact:

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