

Mayor and Council Communication

DATE: 11/14/23

M&C FILE NUMBER: M&C 23-0969

LOG NAME: 17VEALEMRA

SUBJECT

(ETJ and CD 3) Authorize Execution of a Master Reimbursement Agreement with the Board of Directors of Tax Increment Reinvestment Zone Number Sixteen, City of Fort Worth, Texas (TIF) and PMB Veale Land Investors I, LP, and Other Entities (and their Respective Successors and Assigns) to Address Basic Payment Structures from Public Improvement District Assessments and TIF Revenues for Certain Eligible Costs within Fort Worth Public Improvement District No. 22 (Veale Ranch) and the TIF

RECOMMENDATION:

It is recommended that the City Council authorize the execution of a Master Reimbursement Agreement with the Board of Directors of Tax Increment Reinvestment Zone Number Sixteen, City of Fort Worth, Texas (TIF) and PMB Veale Land Investors I, LP and Other Entities (and their respective successors and assigns) setting forth a framework for reimbursement of certain eligible costs within the Veale Ranch Public Improvement District and TIF, including reimbursement from assessments and TIF revenues and establishing basic conditions associated with the possible issuance of future debt.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to approve a master reimbursement agreement that will serve as a roadmap for payment of costs associated with the development of Veale Ranch out of revenues generated by the public improvement district (PID) and tax increment reinvestment zone (TIRZ). As the project moves forward areas being developed will have more specific contracts that follow the structure outlined in the master agreement.

Background

PMB Veale Land Investors I, LP and other entities (collectively, Developer) entered into an agreement with the City on March 8th, 2023 for the development of approximately 5,200 acres consisting of parcels known as Veale Ranch/Team Ranch, Rolling V South, Rockbrook, and Ventana South (collectively, Development), which are located primarily within Fort Worth's extraterritorial jurisdiction in Parker County and Tarrant County (City Secretary Contract No. 59003, as it may be amended from time-to-time) (Development Agreement). To accomplish the Development envisioned by the Developer and City and to provide financing for certain improvements, the City and Developer agreed to work together to create a PID and TIRZ. The Development Agreement provides that the Development will be constructed and annexed in phases (each an Improvement Area) over a period of up to 50 years and that the PID assessments, TIRZ collections, and bond issuances will occur after annexation for 25 to 30-year periods for each Improvement Area in order to reimburse the Developer for certain authorized public improvements.

Following completion of all required legal processes, including the giving of notice, on August 8, 2023, the City conducted a public hearing and adopted Resolution No. 5782-08-2023, creating Fort Worth Public Improvement District No. 22 (Veale Ranch) (Veale Ranch PID). On September 12, 2023, City conducted a public hearing and adopted Ordinance No. 26420-09-2023, creating Tax Increment Reinvestment Zone Number Sixteen (Veale Ranch TIRZ). The Development Agreement provides that the parties will enter into a Master Reimbursement Agreement (MRA), that will serve as a guiding document outlining the essential terms by which reimbursement for public improvements within the Veale Ranch PID and Veale Ranch TIRZ will occur. On October 18, 2023, the Board of Directors for the TIRZ (TIRZ Board) authorized execution of the MRA consistent with the TIRZ Project and Financing Plan.

Master Reimbursement Agreement

The MRA sets a maximum reimbursement amount from assessments collected from the Veale Ranch PID at \$3 billion, which is consistent with the figure referenced in the resolution creating the Veale Ranch PID. As it pertains to the MRA, revenue from the Veale Ranch TIRZ will be used, in part, to offset or pay a portion for any assessments levied within the Veale Ranch PID to achieve the desired tax rate equivalent for the Veale Ranch PID for each Improvement Area and provide incremental funding for public infrastructure not funded by, or in lieu of, the Veale Ranch PID. The MRA also sets out the following: (1) conditions and means of reimbursement of public infrastructure costs from PID and TIRZ revenues; (2) levy of PID assessments will be done by individual Improvement Area and will be billed in annual installments; and (3) project cost eligibility and maximum budgeted costs for PID-related authorized public infrastructure.

With respect to possible bonds, the MRA outlines basic conditions that must be met for the City to consider issuing debt for any phase of the Veale Ranch PID. Key conditions include that bonds will generally (i) only be issued to reimburse for completed improvements, (ii) be subject to a value to lien ratio at or above 3:1, (iii) not have more than two years of capitalized interest, (iv) be structured to provide for level debt service, and (v) have term of thirty years. In addition, consistent with the terms previously agreed to in the Development Agreement, the MRA provides that bonds will not issue if any of the developers to be reimbursed from proceeds (i) has an uncured event of default, (ii) is not current on taxes, assessments, fees, or other monetary obligations to the City, or (iii) is associated with reimbursement from another bond issuance that is in default or has a drawn-down-and-unreplenished reserve.

The Development is located in both the City's territorial boundaries and the ETJ of Parker and Tarrant Counties (COUNCIL DISTRICT 3). Per the

terms of the Development Agreement, no PID assessment or City-associated TIRZ revenue will be available unless and until the land in question is fully annexed into the City.

FISCAL INFORMATION / CERTIFICATION:

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

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