

City of Mesquite, Texas

Legislation Text

File #: 20-4868, Version: 1

A resolution authorizing the City Manager to finalize and execute an Amended and Restated Master Development Agreement between the City of Mesquite, Texas, the Board of Directors of Reinvestment Zone Number Thirteen, City of Mesquite, Texas (Spradley Farms), and Spradley Farms, LTD, regarding the development of approximately 652 acres of land generally located between FM 2757 and IH-20, and north of IH-20 east of FM 740 in Kaufman County, Texas, located within the corporate limits of the City of Mesquite, Texas, as a mixed use planned development consisting of residential and commercial components and other associated uses and being commonly referred to as “Spradley Farms”; authorizing the City Manager to take such actions and execute such documents as are necessary or advisable to consummate the transactions contemplated by the agreement and authorizing the City Manager to administer the agreement on behalf of the City.

(This item was postponed at the June 15, 2020, City Council meeting.)

On November 4, 2019, the City entered into a Master Development Agreement with Spradley Farms, LTD and TIRZ Number Thirteen to develop a mixed-use residential and commercial development with 2,513 residential units on 652 acres of undeveloped land in Kaufman County known as Spradley Farms. Subsequently, on January 6, 2020, the City Council approved Resolution No. 01-2020 repealing the City’s support to the Texas Commission on Environmental Quality (TCEQ) for the creation of a Municipal Management District (MMD) until such time that City staff and the Developer, The Nehemiah Company, could further refine certain financing elements and possibly reduce the total amount of TIRZ revenue used to finance such costs without diminishing the overall quality of the proposed development.

In response to the City’s desire to further overall financing discussions, Spradley Farms, LTD filed suit on February 10, 2020, seeking injunctive relief to reverse the City’s repeal of support at the TCEQ. After several motions, the parties agreed to mediation and began discussions in earnest on May 11, 2020. After three weeks of productive dialogue, the parties agreed to new financing terms as well as other deal points favorable to both parties in order to allow the development to move forward. These terms are specified in the form of a Rule 11 Agreement and Settlement Agreement that Council approved at the June 8, 2020, City Council meeting. The proposed resolution would authorize the City Manager to finalize and execute an Amended and Restated Master Development Agreement, which incorporates the mutually agreed upon terms of the Rule 11 Agreement.

Some of the key changes of this Agreement include: the extension of the TIRZ term from 35 years to 45 years; the reduction of the City’s tax increment participation rate from 70 percent to 60 percent; a reimbursement cap of total TIRZ revenues at \$159 million; a requirement that the MMD obligate a minimum tax rate of \$0.38 per \$100 of assessed valuation to pay debt service for any bonds issued; a cascading flow of how TIRZ revenues are to be applied, beginning with funding of required bond revenue reserve accounts, then bond principal and interest payments, and then an annual debt service reserve account before any excess TIRZ revenues are considered. Upon meeting these bond covenants, any excess TIRZ revenues will flow into an Excess TIRZ Revenue Fund and on November 15 of each year, any excess TIRZ revenues in that fund will be proportionately transferred back to the City and County based on their respective TIRZ increment participation rates (it’s anticipated that Kaufman County will participate at a rate of 55 percent for 35 years).

The Rule 11 and Settlement Agreement also provides the Developer's commitment to participate monetarily in the construction of a future public safety facility by conveying three acres of land with direct access to FM 2757 for the facility site and payment of a \$1,000 public safety fee per building permit issued by the City, which for 2,513 lots equates to \$2.5 million over time through total buildout.

Recommended/Desired Action

Staff recommends approval of the resolution.

Attachment(s)

Resolution (will be provided prior to Monday's Council meeting)

Drafter

Ted Chinn

Head of Department

Cliff Keheley