

City of Houston, Texas, Ordinance No. 1999-824

AN ORDINANCE APPROVING THE SECOND AMENDMENT OF THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER EIGHT, CITY OF HOUSTON, TEXAS (GULFGATE); AUTHORIZING THE CITY SECRETARY TO DISTRIBUTE SUCH PLANS; CONTAINING VARIOUS PROVISIONS RELATED TO THE FOREGOING SUBJECT; AND DECLARING AN EMERGENCY.

* * * * *

WHEREAS, by City of Houston Ordinance No. 97-1524, adopted December 10, 1997, the City created Reinvestment Zone Number Eight, City of Houston, Texas (the "Gulfgate Zone") pursuant to Chapter 311 of the Texas Tax Code (the "Code") for the purposes of redevelopment in the area of the City generally referred to as the Gulfgate area; and

WHEREAS, the Board of Directors of the Gulfgate Zone has adopted and recommended, and the City has approved, by City of Houston Ordinance No. 97-1572, adopted December 17, 1997, the Project Plan and Reinvestment Zone Financing Plan for the Gulfgate Zone; and

WHEREAS, Chapter 311 of the Code authorizes the amendment of the plans; and

WHEREAS, the Board of Directors of the Gulfgate Zone has adopted and recommended, and the City has approved, by City of Houston Ordinance No. 1999-707, adopted July 7, 1999, the First Amendment of the Project Plan and Reinvestment Zone Financing Plan (the "Plans") for the Gulfgate Zone; and

WHEREAS, the Board of Directors of the Gulfgate Zone, at its August 10, 1999, board meeting, considered and adopted proposed amendments to the Plans (the "Amendments"), and recommended the Amendments for approval by the City Council; and

WHEREAS, before the Board of Directors of the Gulfgate Zone may implement the Amendments, the City Council must approve the Amendments; and

WHEREAS, a public hearing on the Amendments is required to be held by the provisions of Section 311.011 of the Code; and

WHEREAS, the City Council finds that notice of the public hearing was published in a newspaper of general circulation within the City in the time and manner required by law; and

WHEREAS, the City Council conducted a public hearing on the proposed Amendments on August 11, 1999; and

WHEREAS, at the public hearing, interested persons were allowed to speak for or against the proposed Amendments and the concept of tax increment financing; and

WHEREAS, evidence was received and presented at the public hearing in favor of the proposed Amendments and the concept of tax increment financing; **NOW, THEREFORE,**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. That the facts and recitations contained in the preamble of this Ordinance are hereby found and declared to be true and correct and are hereby adopted as part of this Ordinance.

Section 2. That the Project Plan and the Reinvestment Zone Financing Plan approved by City of Houston Ordinance No. 1999-707, passed and adopted on July 7, 1999, are hereby amended as follows:

- A. By substituting the Amended Budget and Estimated Expenses table and page 19R attached hereto as Attachment "1" for the Amended Budget and Estimated Expenses table and page 19 in the Plans;
- B. By substituting page 24R attached hereto as Attachment "2" for page 24 in the Plans;
- C. By substituting page 34R attached hereto as Attachment "3" for page 34 in the Plans;
- D. By substituting page 35R attached hereto as Attachment "4" for page 35 in the Plans;
- E. By substituting Exhibit E - Captured Appraised Value and page 38R attached hereto as Attachment "5" for Exhibit E - Captured Appraised Value and page 38 in the Plans; and
- F. By substituting page 39R attached hereto as Attachment "6" for page 39 in the Plans.

The Plans as so amended (the "Second Amended Plans") are hereby determined to be feasible and are approved. The appropriate officials of the City are authorized to take all steps reasonably necessary to implement the Second Amended Plans.

Section 3. That the City Secretary is directed to provide copies of the Second Amended Plans to each taxing unit levying ad valorem taxes in the Gulgate Zone.

Section 4. That City Council officially finds, determines, recites and declares a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, considered and formally acted upon. That City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.


Section 5. There exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 11th day of August, 1999.

APPROVED this _____ day of _____, 1999.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is AUG 17 1999.



 City Secretary

^{DA}
 (Prepared by Legal Dept. Michael Mans)
 (MAM/mam 08/10/99) Assistant City Attorney
 (Requested by Robert M. Litke, Director, Planning and Development)
 (L. D. File No. 61-97066-11)

U:\WPFILES\TIRZ8\AMENDPLN.NO3

AYE	NO	
✓		MAYOR BROWN
••••	••••	COUNCIL MEMBERS
✓		TATRO
✓		YARBROUGH
✓		WONG
✓		BONEY
✓		TODD
✓		DRISCOLL
✓		KELLEY
ABSENT-ON PERSONAL BUSINESS		FRAGA
✓		CASTILLO
ABSENT-OUT OF CITY ON PERSONAL BUSINESS		PARKER
ABSENT-ON PERSONAL BUSINESS		ROACH
ABSENT-OUT OF CITY CITY BUSINESS		SANCHEZ
ABSENT		BELL
ABSENT		ROBINSON
CAPTION	ADOPTED	

GULFGATE AMENDED PROJECT COSTS

ORIGINAL ZONE PROJECT COSTS	
Property Acquisition	5,250,000
Related Cost and Creation Fees	1,250,000
Financing Cost	8,251,920
HISD Schools and Educational Facilities	12,043,726
Total Original Zone Project Costs	26,795,646

PROPOSED ANNEXATION PROJECT COSTS	
Box Culvert Removal (1015 LF), Replacement & Realignment (1154 LF)	2,116,150
Contingency @ 10%	211,615
Engineering @ 15%	349,165
Subtotal	2,676,930
Right Turn Lane Additions - I-610 & I-45 frontage roads to Woodridge & Convert Left Turn Land to Esplanade - Woodridget from I45 to Winkler	100,000
Traffic Signalization (5) - New or modernized signals at I-45 and Woodridge, Winkler and Woodridge, Gulfgate Center Drive and Woodridge, I-610 and Woodridge, Telephone and Woodridge	500,000
Contingency @ 10% (2)	60,000
Engineering @ 15% (2)	99,000
Subtotal	759,000
Refurbished Crosswalk - Loop 610 between Evergreen and Woodridge (1)	100,000
Landscaping & Irrigation - along Woodridge and Winkler ROWs	127,870
Contingency @ 10% (2)	12,787
Engineering @ 15% (2)	21,099
Subtotal	261,756
TIRZ Annexation - Professional and Legal Fees	210,000
Related Costs & Interest Carry (3)	680,000
Subtotal	890,000
Total Proposed Annexation Project Costs	4,587,686

Annexation Projects Financing Cost (4)	6,230,033
--	-----------

HISD Annexation School & Educational Facilities	3,823,437
---	-----------

TOTAL AMENDED PROJECT COSTS	41,436,802
------------------------------------	-------------------

- (1) Includes concrete replacement; painting; safety compliance; beautification.
- (2) Contingency & Engineering applied to Landscaping and Irrigation only.
- (3) Estimate-based on two years interest carry on \$3.4 million. May not include all financing costs.
- (4) Estimated interest calculated on bonds at 6.5%, inclusive of capitalized interest and debt reserve.
- (5) Source: Cobourn Linseisen & Ratcliff, Inc., Traffice Engineers, Inc., McDugal-Steele and information provided by the Developer.

E. Method of Financing (311.011(c)(6))

The Public improvements within the expansion area will be initially funded by Wulfe and will be reimbursed from the proceeds of tax increments generated by the new or re-developed projects within the expansion area. Once all financial obligations related to public improvements in the expansion area are met, revenue from the added area can be used for the benefit of the original zone.

Incremental revenue will be generated from the participation of the City, Harris County and Houston ISD. Participation is being requested from those jurisdictions in the amounts and percentages shown:

Jurisdiction	Requested Participation	% of 1998 Total Tax Rate	% of Expansion Area Increment
City of Houston	\$0.665/\$100	100%	38.6%
Harris County	\$0.4166/\$100	64%	24.2%
Houston ISD	\$0.96/\$100	66%	37.2%

Houston ISD will retain \$0.32/\$100 of its participation to fund school and educational facilities. This retainage is approximately \$3,823,437 in the expansion area and \$12,043,726 in the original Zone area (based on a 69% HISD participation rate [100% starting in 1999] and the portion of its participation above \$0.64/\$100).

F. Current Appraised Value (311.011(c)(7))

According to the Harris County Appraisal District, the appraised value as of January 1, 1998, the base year for the added property, is \$11,918,330.

G. Captured Appraised Value (311.011(c)(8))

The captured appraised value is the difference between the appraised value in the base year and the appraised value resulting from the proposed new development. The captured appraised value projected to be generated in the added area is expected to increase to \$49,310,790 over the life of the zone. A detailed account of projected future values and annual revenue within the added area is located on the following page.

A. Estimated Project Cost Description

The estimated project cost for the Zone is \$26.8 million of which \$5.25 million will be used by the Gulfgate Redevelopment Authority for the acquisition of the Shopping Center and related expenses. The Gulfgate Redevelopment Authority will execute a long-term (50 year) lease back with a purchase option, to a Joint Venture which will redevelop it. The Joint Venture or Limited Partnership (the "Joint Venture") will be composed of a Wulfe-controlled entity and the Houston Redevelopment Authority ("HRA"), a not-for-profit corporation.

HRA and Wulfe will each furnish \$1,950,000 to the Venture as their initial equity contributions. Each Venturing Partner will make an additional equity contribution of approximately \$565,000 at a later date. Upon substantial completion of the redevelopment, equity contributions from the Venturing Partners will equal approximately \$2,515,000 each. In lieu of paying the additional \$565,000 in cash, the HRA may make its contribution in the form of capital improvements, provided by the City, to the extent that such capital improvements are included in the construction budget for the Shopping Center. The specific items eligible for credit against the equity contribution will be subject to approval by the City through the Development Agreement.

The total cost of the project, which includes acquisition, demolition and development of the new Shopping Center containing approximately 550,000 square feet is estimated at approximately \$50 million. The estimated budget for TIRZ reimbursement is \$6.5 million, which includes the acquisition cost, bond issuance cost and related professional fees, plus interest. The estimated interest on the \$6.5 million in bonds or notes is approximately \$8.251 million. Exhibit D illustrates the annual estimated debt service requirements to support the \$6.5 million in bonds or notes, based on a 9.5% interest rate. In addition, the administrative expenses for operating the Zone will also be paid from Zone revenues. The cost of administration over the life of the Zone is approximately \$740,000 and is illustrated as annual payments on Exhibit E. The Zone will pay HISD the portion of its participation above \$0.64/\$100 to fund school and educational facilities, estimated at \$12 million. These educational facilities are not required to be located in the Zone, but must be in the City of Houston. The proposed duration of the Zone is 30 years.

In consideration of their defined contributions, the Wulfe entities, collectively, and the HRA will each have a fifty per cent (50%) equity position in the Joint Venture, and each will have a right-of-first refusal if either Partner wants to sell. The Joint Venture will assume the existing outstanding mortgage without recourse. Wulfe Gulfgate, Inc. will serve as Managing Partner or General Partner. On behalf of the Joint Venture, Wulfe will endeavor to secure third party financing for the balance of the acquisition, payment of the initial assumable loan, construction and related development costs in the amount of approximately \$40,000,000. During the life of the Joint Venture, each Venturing Partner will share in all new revenues generated by the Shopping Center in proportion to its ownership interest. If additional capital beyond the projected \$2,515,000 each is required, either party may provide it and be repaid before the Venturing Partners receive any distribution.

The Gulfgate Redevelopment Authority will issue bonds or notes in an amount required to pay the estimated \$6.5 million, plus capitalized interest and related TRIZ expenses. The TIRZ, the City and the Redevelopment Authority will enter into a contract pursuant to which the City and TIRZ will pay the tax increments to the Redevelopment Authority. The Redevelopment Authority will use these tax increment payments to secure the repayment of the bonds or notes. Schools and educational facilities estimated at \$12 million will be financed and administered separately by HISD. Wulfe will not commence any construction phase for the new Shopping Center until leases are in place to generate a cash flow sufficient to service any construction and related development loans.

EXHIBIT E - Captured Appraised Value

GULFGATE MALL
CAPTURED APPRAISED VALUE
ON PROPOSED 71.55 ACRE PROJECT

NEW TAX INCREMENT CREATED
FROM PROPOSED DEVELOPMENT

TAX YEAR	TOTAL TAXABLE VALUE (1)	TAX INCREMENT
1997	8,063,000	BASE YEAR
1998	8,063,000	0
1999	12,159,756	4,096,756
2000	28,305,673	20,242,673
2001	48,645,341	40,582,341
2002	49,229,085	41,166,085
2003	51,819,834	43,756,834
2004	55,441,672	47,378,672
2005	61,106,972	53,043,972
2006	61,840,256	53,777,256
2007	62,582,339	54,519,339
2008	63,333,327	55,270,327
2009	64,093,327	56,030,327
2010	64,862,447	56,799,447
2011	65,640,796	57,577,796
2012	66,428,486	58,365,486
2013	67,225,628	59,162,628
2014	68,032,335	59,969,335
2015	68,848,723	60,785,723
2016	69,674,908	61,611,908
2017	70,511,007	62,448,007
2018	71,357,139	63,294,139
2019	72,213,425	64,150,425
2020	73,079,986	65,016,986
2021	73,956,946	65,893,946
2022	74,844,429	66,781,429
2023	75,742,562	67,679,562
2024	76,651,473	68,588,473
2025	77,571,290	69,508,290
2026	78,502,146	70,439,146
2027	79,444,172	71,381,172
TOTAL		

PROJECTED TIRZ FUNDS AVAILABLE

TAX COLLECTION YEAR	CITY TAX (2) INCREMENTAL REV @ \$0.665	COUNTY TAX (3) INCREMENTAL REV \$0.42768	HISD TAX (4) INCREMENTAL REV @ \$1.459	TIRZ (5) ADMIN EXPENSE	TIRZ NET REVENUE	NET CUMULATIVE REVENUE
1997	0	0	0	0	0	0
1998	0	0	0	0	0	0
1999	0	0	0	0	0	0
2000	25,881	16,645	56,783	(50,000)	49,309	49,309
2001	127,883	82,245	280,574	(40,000)	450,702	500,011
2002	256,379	164,884	562,492	(25,000)	988,755	1,458,766
2003	260,067	167,256	570,583	(25,000)	972,905	2,431,671
2004	276,434	177,782	606,492	(25,000)	1,035,708	3,467,379
2005	299,315	192,498	656,692	(25,000)	1,123,504	4,590,884
2006	335,105	215,516	735,216	(25,000)	1,260,837	5,851,720
2007	339,738	218,495	745,380	(25,000)	1,278,612	7,130,333
2008	344,426	221,510	755,665	(25,000)	1,296,601	8,426,934
2009	349,170	224,561	766,074	(25,000)	1,314,806	9,741,740
2010	353,972	227,649	776,608	(25,000)	1,333,229	11,074,969
2011	358,831	230,774	787,269	(25,000)	1,351,873	12,426,842
2012	363,748	233,936	798,057	(25,000)	1,370,741	13,797,583
2013	368,724	237,137	808,975	(25,000)	1,389,835	15,187,418
2014	373,760	240,375	820,024	(25,000)	1,409,159	16,596,577
2015	378,856	243,653	831,205	(25,000)	1,428,714	18,025,291
2016	384,014	246,970	842,521	(25,000)	1,448,504	19,473,796
2017	389,233	250,327	853,972	(25,000)	1,468,532	20,942,327
2018	394,515	253,724	865,561	(25,000)	1,488,800	22,431,127
2019	399,861	257,162	877,288	(25,000)	1,509,311	23,940,438
2020	405,270	260,641	889,157	(25,000)	1,530,068	25,470,506
2021	410,745	264,161	901,168	(25,000)	1,551,074	27,021,580
2022	416,285	267,724	913,323	(25,000)	1,572,333	28,593,912
2023	421,892	271,330	925,624	(25,000)	1,593,846	30,187,758
2024	427,566	274,979	938,073	(25,000)	1,615,618	31,803,376
2025	433,308	278,672	950,671	(25,000)	1,637,650	33,441,026
2026	439,119	282,409	963,420	(25,000)	1,659,948	35,100,974
2027	444,999	286,191	976,322	(25,000)	1,682,513	36,783,486
TOTAL	9,779,094	6,289,207	21,455,185	(740,000)	36,783,486	

HISD (6) EDUCATIONAL @ \$0.819	HISD (7) NON EDUCATIONAL @ \$0.64	TOTAL HISD ZONE REVENUE
0	0	0
0	0	0
0	0	0
31,875	24,908	56,783
157,498	123,075	280,574
315,751	246,741	562,492
320,293	250,290	570,583
340,450	266,042	606,492
368,630	288,062	656,692
412,709	322,507	735,216
418,414	326,966	745,380
424,188	331,478	755,665
430,031	336,044	766,074
435,944	340,664	776,608
441,928	345,341	787,269
447,984	350,073	798,057
454,113	354,862	808,975
460,315	359,709	820,024
466,591	364,614	831,205
472,943	369,577	842,521
479,371	374,600	853,972
485,877	379,684	865,561
492,460	384,828	877,288
499,122	390,035	889,157
505,865	395,303	901,168
512,688	400,635	913,323
519,593	406,031	925,624
526,581	411,492	938,073
533,653	417,018	950,671
540,809	422,610	963,420
548,052	428,270	976,322
12,043,726	9,411,459	21,455,185

- (1) A 1.2% growth rate applied.
- (2) City of Houston Zone participation at a tax rate of \$0.665/\$100 at a 95% collection rate.
- (3) Harris County Zone participation at a total tax rate of \$0.4678/\$100 at a 95% collection rate; 1998 tax \$0.41660 applied to Zone Revenues.
- (4) HISD Zone participation at a total tax rate of \$1.4459/\$100 at a 95% collection rate; \$0.64/\$100 for Educational Improvements and \$0.819/\$100 for HISD Non Educational Improvements.
- (5) TIRZ Administration net of first three years TIRZ Admin which are included in the project debt.
- (6) HISD School & Educational Facilities Improvement Revenue at \$0.819/\$100 at a tax collection rate of 95%.
- (7) HISD Non Educational Improvement Revenue at \$0.64/\$100 at a tax collection rate of 95%.
- (8) Jurisdiction participation shown at 1999 rates; over the life of the Zone, participation levels may vary in accordance with the Interlocal agreements.
- (9) HISD 1998 tax participation rate is \$0.96; \$0.32/\$100 for HISD School & Educational Facilities; \$0.64/\$100 for HISD Zone Projects.
- (10) HISD tax participation of \$1.459/\$100 is applied from 1999 through the life of the Zone; \$0.819/\$100 for HISD School & Educational Facilities; \$0.64/\$100 for HISD Zone Projects.

\$9,779,094. In addition, the new Shopping Center is projected to generate initially an estimated \$825,000 annually in net sales tax revenue to the City. Over the life of the TIRZ, an estimated \$1,274,000 in franchise fees and \$2,796,000 in water and sewer fees will be generated to the City. Exhibit F illustrates these City revenues over the life of the TIRZ and the estimated captured appraised value. However, repayment on the notes or bonds is projected to take 20 years, or until 2018.

E. Impact of All Participating Jurisdictions

Upon completion of the new Shopping Center, after TIRZ reimbursement has been satisfied, the project will generate incremental revenue of approximately \$976,000 annually to HISD, based on 100% participation (\$1.459/\$100) starting in 1999, and approximately \$286,000 annually to Harris County, based on a \$0.42768/\$100 participation.