

Memorandum

To: Allen Bogard, City Manager

Via: Jennifer Brown, Director of Finance

From: Razeeda Boochoon, Sr. Financial Analyst

Date: March 15, 2018

Subject: Imperial Redevelopment District
\$6,055,000 Unlimited Tax Bonds, Series 2018

IMPERIAL REDEVELOPMENT DISTRICT, a conservation and reclamation district created and organized under Chapter 8150, Texas Special District Local Laws Code (the "Special District") is presenting to the Mayor and City Council for consideration and approval, the proposed sale of \$6,055,000 of Unlimited Tax Bonds, Series 2018.

The District was created, among other things, for the purposes of purchase, construction, operation and maintenance of public improvements authorized for a tax increment reinvestment zone and a municipal management district. The District is authorized to enter into a contract with a tax reinvestment zone and a city that provides for the District to manage or assist in managing the reinvestment zone or to implement or assist in implementing the reinvestment zone's project plan and reinvestment zone financing plan. The contract may require that the District issue bonds or other obligations and pledge the contract revenues to the payment of the bonds or other obligations.

Presented below is the information regarding the District and the proposed bonds, as provided in the Preliminary Official Statement:

District Creation	The District was created under Article XVI, Section 59 of the Texas Constitution by House Bill 3554, as passed by the 79th Texas Legislature on June 18, 2005, and operates in accordance with the Chapter 8150 of the Special District Local Laws Code, and Chapters 49 and 54 of the Texas Water Code, as amended. The District also has the purposes of Article III, Sections 52 and 52-a, and Article VIII, Sections 1-g of the Texas Constitution.
Location	The District is located in eastern Fort Bend County approximately 30 miles southwest of downtown Houston, Texas. Access to the District is provided via the State Highway 6 and US Highway 90A. Generally, the District is bordered on the south by US Highway

	90A, on the west by State Highway 6 and on the north by Voss Road. The District lies within the corporate boundaries of the City of Sugar Land.														
Acreage	The District presently contains approximately 746 acres of land.														
Status of District Development	<p>The District is being developed as Imperial, a mixed use community which includes single-family and multi-family residential, retail, office and commercial development, the Imperial Market which is a mixed use lifestyle center being redeveloped upon the former, historic Imperial Sugar Company refinery site, and the Atlantic League baseball stadium known as Constellation Field which is the home of the Sugar Land Skeeters. Development of Imperial began in 2010.</p> <p>The District currently includes approximately 129 developed acres of single-family residential development (464 lots). As of January 1, 2018, the district contained 212 single-family homes completed and occupied, 6 single-family homes completed and not occupied, and 60 single-family homes in various stages of construction and 186 vacant developed lots. An additional 109 lots are under construction on approximately 24 acres of land in the District and are expected to be available for home construction in spring 2018. In addition to the single-family development, the district contains approximately 27 acres of baseball stadium facilities, approximately 14 acres of multi-family development, approximately 2 acre of commercial development, approximately 18 acres of corporate office and parking, approximately 45 acres of trails, parks and open spaces, approximately 148 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities, and approximately 339 acres which are undevelopable (ponds, drainage easements, right-of-ways, plant sites, detention areas and drill sites).</p>														
Outstanding Bonds	<p>CONSTRUCTION COSTS</p> <table> <tr> <td>Imperial Lift Station No. 2</td><td>\$ 490,840</td></tr> <tr> <td>Imperial Lift Station No. 3</td><td>663,826</td></tr> <tr> <td>Center Point Energy Fees</td><td>4,340</td></tr> <tr> <td>Geotechnical, Engineering & SWPPP Fees</td><td>234,894</td></tr> <tr> <td>Land Costs</td><td><u>3,460,374</u></td></tr> <tr> <td>Total Construction Costs</td><td><u>4,854,274</u></td></tr> </table> <p>NON-CONSTRUCTION COSTS</p> <table> <tr> <td>Legal Fees</td><td>161,100</td></tr> </table>	Imperial Lift Station No. 2	\$ 490,840	Imperial Lift Station No. 3	663,826	Center Point Energy Fees	4,340	Geotechnical, Engineering & SWPPP Fees	234,894	Land Costs	<u>3,460,374</u>	Total Construction Costs	<u>4,854,274</u>	Legal Fees	161,100
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	Financial Advisory Fees 118,463 Capitalized Interest (six months) 151,375 Developer Interest (estimated) 228,885 Land Appraisal Cost 15,729 Bond Issuance Expenses 39,906 Underwriter's Discount (3%) 181,650 TCEQ Bond Issuance Fee (0.25%) 15,138 Developer Advances 234,925 Bond Application Report 47,500 Attorney General Fee 6,055 Total Non-Construction Costs <u>1,200,726</u> TOTAL BOND ISSUE REQUIREMENT <u>\$6,055,000</u>
Source of Payment	<p>The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County (the "County"), the City of Sugar Land, Texas (the "City") or any other political subdivision or agency other than the District.</p> <p>The Bonds represent the second series of unlimited tax bonds issued by the District. Six months of interest will be capitalized from Bond proceeds and set aside for the payment of debt service on the Bonds.</p>
Municipal Bond Rating and Insurance	The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.
2017 Tax Rate (Per \$100 Valuation)	\$0.55 – Debt Service <u>0.55</u> – Maintenance & Operations \$1.10/\$100 A.V.- Total
Maximum Annual P & I (2022)	The maximum annual debt service requirement will be \$1,300,350.
Average Annual P & I (2018 – 2042)	The average annual debt service requirement will be \$1,201,971.
Use of Proceeds from Bonds	Proceeds from the bonds will be used for the construction of Imperial Lift Station 2 & 3, geotechnical, survey, SWPPP fees, energy fees, and land costs. Additionally, a portion of the proceeds will be used to pay certain non-construction costs associated with the sale of the bonds.

The TIRZ	<p>The City created the reinvestment Zone Number Three, City of Sugar Land (the "TIRZ") and adopted the Final Project Plan and Reinvestment Zone Financing Plan for a term of thirty years. By Ordinances No. 1888, dated February 5, 2013, and No. 2064 dated August 16, 2016 (all ordinances collectively referred to as the "TIRZ Ordinances"), the City extended the term of the TIRZ for five years to 2042 and amended the TIRZ Plan. The TIRZ covers approximately 839.4 acres and the boundaries of the TIRZ are almost contiguous with the land within the District. The TIRZ is intended to facilitate a program of public improvements to allow the development within the District: a planned mixed use community with single family residential, a hotel/conference center, recreational facilities, a sports stadium, museums and other arts and entertainment venues, land, associated parking, related water, sewer, drainage and road infrastructure, and the preservation and/or reuse of certain historic structures at the Imperial Sugar site.</p> <p>The City and the County have agreed to deposit to a special tax increment fund established by the City (the "Tax Increment Fund") a portion of their tax collections arising from the TIRZ. The District has entered into a contract with the board of directors of the TIRZ and the governing body of the City that provides for the District to assist in implementing the TIRZ Plan. Under the contract, the District issues bonds payable from amounts it receives from the City from the Tax Increment Fund and uses proceeds of the Contract Revenue Bonds to finance certain components of the TIRZ Plan, with the remaining components of the Plan being financed through proceeds of the District's unlimited tax bonds.</p> <p>The District has previously issued one series of unlimited tax bonds in the principal amount of \$2,500,000, all of which is outstanding as of March 15, 2018 and one series of unlimited tax road bonds in the principal amount of \$12,135,000, all of which is outstanding as of March 15, 2018. The District also has previously issued one series of contract revenue bonds in the principal amount of \$4,980,000, all of which is outstanding as of March 15, 2018.</p>
Redevelopment Agreement	<p>The City and Cherokee Sugar Land, L.P. ("Cherokee") entered into a Redevelopment Agreement on June 26, 2007; the Development Manager (as development manager for Cherokee and the GLO, hereinafter defined), the City and the District entered into a First Amendment to the Redevelopment Agreement dated October 5,</p>

	<p>2010; a Second Amendment to the Redevelopment Agreement dated January 28, 2014, and a Third Amendment to the Redevelopment Agreement dated May 3, 2016 (the Redevelopment Agreement and all amendments collectively referred to as the "Redevelopment Agreement").</p> <p>Certain provisions of the Redevelopment Agreement have been assigned to Imperial Market Development, LLC, a Texas limited liability company, the developer of the Imperial Market, as defined in the Redevelopment Agreement. The Redevelopment Agreement was entered into to facilitate redevelopment of the property within the boundaries of the District, particularly the area described as the Imperial Market. The Imperial Market consists of a 26.7 acre tract which includes the Imperial Market, a mixed use development that incorporates the historic structures of the former Imperial Sugar refinery. The Redevelopment Agreement is effective until the expiration of the term of the TIRZ (defined below), which is 2042. In order to effectuate such redevelopment the parties agreed to the following:</p> <ul style="list-style-type: none"> • The City consented to the creation of the District and approved the general land use plan. • The City designated the Tax Increment Reinvestment Zone No. 3 (the "TIRZ") overlaying the District and agreed to participate in the TIRZ in an amount equal to fifty percent (50%) of ad valorem taxes and ½ of its two cents of sales and use taxes collected within the TIRZ. • The Developer conveyed property to the City for construction of Constellation Field, an Atlantic League ball field within the District; City contributed \$10,000,000 for public infrastructure and parking facilities to serve Constellation Field to be reimbursed from District bond proceeds. • The District will pay and/or reimburse the City for the District's share of an extension of University Boulevard, a thoroughfare in the District, which share is estimated to be \$14.9 million. • The District must use the value generated in the Imperial Market to determine the feasibility of reimbursement to the developer of the Imperial Market only until such developer is fully reimbursed. • The District may not issue bonds payable from TIRZ Revenues or ad valorem tax road bonds (with certain exceptions including payments to the City for University Boulevard and Constellation Field) until certain
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	<p>development thresholds are met by the developer of the Imperial Market.</p> <ul style="list-style-type: none"> • All proceeds of the District's bond issues (and other revenues that are available for reimbursement and not necessary for operation and maintenance of the District or debt service on District bonds) must be applied per the priorities described in the Redevelopment Agreement. • The District may not use the value in the Imperial Market to determine the feasibility of reimbursement to any other developer in the District, except for the developer of the Imperial Market. The District must make a good faith effort to maximize TIRZ revenues to reimburse those projects that can only be reimbursed with TIRZ revenues (as opposed to ad valorem taxes). • The District must use bond proceeds to make payments to the City by certain dates, assuming values exist in the District to feasibly issue such bonds. • No residential development (including multi-family) may be built in the Imperial Market until the developer of the Imperial Market provides funding to construct certain public and private infrastructure. <p>Any major deviation from the terms of the Redevelopment Agreement by the Development Manager or the District may be considered a material breach of the Redevelopment Agreement and may adversely affect development in the District. Additionally, the failure of the developer of the Imperial Market to meet its obligations in the Redevelopment Agreement may adversely affect development in the District and the ability of the District to sell bonds.</p>
Taxable Assessed Valuation	<p>2017 Certified Assessed Valuation is \$185,063,516. Estimated Value at January 1, 2018 is \$221,013,676.</p>
Tax Rate Requirement for Maximum and Average Debt Service (95% collection)	<p>Assuming no increase or decrease from the 2017 Certified Assessed Valuation and no use of funds other than tax collections, the required tax rate for the Maximum Annual Debt Service Requirement on the bonds is \$0.74/\$100 and the required tax rate for the Average Annual Debt Service Requirement payment on the bonds is \$0.69/\$100 assuming a 95% collection rate.</p>

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements on the Outstanding Unlimited Tax Bonds and the estimated debt service requirements for the Bonds at an estimated interest rate of 3.75% per annum.

	Outstanding				
	Bonds				Debt
	Debt Service	Debt Service on the Bonds			Service
Year	Requirements	Principal	Interest	Total	Requirements
2018	\$ 757,019	\$ -	\$ 113,531	\$ 113,531	\$ 870,550
2019	889,975	180,000	223,688	403,688	1,293,663
2020	896,381	185,000	216,844	401,844	1,298,225
2021	897,288	190,000	209,813	399,813	1,297,101
2022	902,756	195,000	202,594	397,594	1,300,350
2023	886,169	200,000	195,188	395,188	1,281,357
2024	887,469	205,000	187,594	392,594	1,280,063
2025	888,144	210,000	179,813	389,813	1,277,957
2026	893,094	215,000	171,844	386,844	1,279,938
2027	897,344	220,000	163,688	383,688	1,281,032
2028	896,019	225,000	155,344	380,344	1,276,363
2029	898,800	230,000	146,813	376,813	1,275,613
2030	905,213	235,000	138,094	373,094	1,278,307
2031	905,166	240,000	129,188	369,188	1,274,354
2032	908,588	245,000	120,094	365,094	1,273,682
2033	910,750	250,000	110,813	360,813	1,271,563
2034	911,975	255,000	101,344	356,344	1,268,319
2035	911,878	260,000	91,688	351,688	1,263,566
2036	915,353	265,000	81,844	346,844	1,262,197
2037	912,769	270,000	71,813	341,813	1,254,582
2038	914,063	275,000	61,594	336,594	1,250,657
2039	919,053	280,000	51,188	331,188	1,250,241
2040	917,866	285,000	40,594	325,594	1,243,460
2041	920,500	290,000	29,813	319,813	1,240,313
2042	102,000	325,000	18,281	343,281	445,281
2043		325,000	6,094	331,094	331,094
Total	\$ 21,645,632	\$ 6,055,000	\$ 3,219,196	\$ 9,274,196	\$ 30,919,828
Average Annual Debt Service Requirement (2019 - 2043)					\$ 1,201,971
Maximum Annual Debt Service Requirement (2019 - 2043)					\$ 1,300,350