


# Memorandum

**To:** Allen Bogard, City Manager

**Via:** Jennifer Brown, Director of Finance 

**From:** Justyn Mejorado, Sr. Budget Analyst

**Date:** January 25, 2019

**Subject:** Imperial Redevelopment District  
\$5,645,000 Unlimited Tax Bonds, Series 2019

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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 \$5,645,000 of Unlimited Tax Bonds, Series 2019.

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.

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 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 151 developed acres of single-family residential development (573 lots). As of December 1, 2018, the district contained 295 single-family homes completed and occupied, 19 single-family homes completed and not occupied, and 67 single-family homes in various stages of construction and 192 vacant developed lots. Homes within the district range in price from \$420,000 to \$1,500,000+.</p> <p>In addition to the single-family development, the district contains approximately 27 acres of baseball stadium facilities, 14 acres of multi-family development, 2 acres of commercial development, an 11 acre tract served with utilities, upon which no taxable improvements have been constructed, 18 acres of corporate office and parking, 46 acres of trails, parks and open spaces, 148 developable acres that have not been provided with underground water, sanitary sewer, and drainage facilities. Approximately 328 acres which are undevelopable (drainage easements, right-of-way, plant sites, detention areas and drill sites).</p>		
Outstanding Unlimited Tax Bonds (as of 1/1/19)	<b>Series</b>	<b>Outstanding Bonds</b>	
	<b>2016</b>	\$11,845,000	
	<b>2017</b>	2,500,000	
	<b>2018</b>	6,055,000	
	<b>2018 Park</b>	4,000,000	
	<b>Total</b>	<b>\$24,400,000</b>	
	Plus, an additional \$4,845,000 in contract revenue bonds, payable solely from amounts received from the City's Tax Increment fund.		

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 fourth series of unlimited tax bonds issued by the District.</p>																														
Municipal Bond Rating and Insurance	Application has been made to Moody's Investor Service for an underlying rating on the Bonds. Application has also been made to various municipal bond insurance companies for qualification.																														
2018 Tax Rate (Per \$100 Valuation)	<p>\$0.83 – Debt Service</p> <p><u>0.27</u> – Maintenance &amp; Operations</p> <p>\$1.10/\$100 A.V.- Total</p>																														
Maximum Annual P & I (2032)	The projected maximum annual debt service requirement will be \$1,908,597 in 2032.																														
Average Annual P & I (2019 – 2044)	The projected average annual debt service requirement will be \$1,771,224.																														
Future Debt	The District reserves the right to issue the remaining \$171,400,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding of such bonds.																														
Use of Proceeds from Bonds	<p><b>CONSTRUCTION COSTS</b></p> <table> <tr> <td>Clearing &amp; Grubbing of the South Bend Area</td><td>\$86,850</td></tr> <tr> <td>Phase 1 Detention Ponds and Drainage Facilities</td><td>775,811</td></tr> <tr> <td>Collector Roads 1A and 1B (Contract No.1)</td><td>108,496</td></tr> <tr> <td>Collector Roads 1A and 1B (Contract No.2)</td><td>285,340</td></tr> <tr> <td>Collector Roads 2 and 3 (Contract No.1)</td><td>58,071</td></tr> <tr> <td>Collector Roads 2 and 3 (Contract No.2)</td><td>252,621</td></tr> <tr> <td>Imperial Bridge No.1 Utilities</td><td>49,362</td></tr> <tr> <td>Imperial Bridge No.2 Utilities</td><td>73,555</td></tr> <tr> <td>State HW 6 Clearing &amp; Grubbing and Drainage Improvements</td><td>489,965</td></tr> <tr> <td>Imperial Life Station No.3 w/ Centerpoint Fees</td><td>9,789</td></tr> <tr> <td>Tract 2 Imperial Sugar Drainage &amp; Mitigation Report</td><td>212,159</td></tr> <tr> <td>Land Costs</td><td>651,648</td></tr> <tr> <td>Engineering, Testing and Geotechnical Survey</td><td>695,186</td></tr> <tr> <td>Storm Water Pollution Prevention</td><td>135,773</td></tr> <tr> <td><b>Total Construction Costs</b></td><td><b>\$3,884,626</b></td></tr> </table>	Clearing & Grubbing of the South Bend Area	\$86,850	Phase 1 Detention Ponds and Drainage Facilities	775,811	Collector Roads 1A and 1B (Contract No.1)	108,496	Collector Roads 1A and 1B (Contract No.2)	285,340	Collector Roads 2 and 3 (Contract No.1)	58,071	Collector Roads 2 and 3 (Contract No.2)	252,621	Imperial Bridge No.1 Utilities	49,362	Imperial Bridge No.2 Utilities	73,555	State HW 6 Clearing & Grubbing and Drainage Improvements	489,965	Imperial Life Station No.3 w/ Centerpoint Fees	9,789	Tract 2 Imperial Sugar Drainage & Mitigation Report	212,159	Land Costs	651,648	Engineering, Testing and Geotechnical Survey	695,186	Storm Water Pollution Prevention	135,773	<b>Total Construction Costs</b>	<b>\$3,884,626</b>
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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 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 District to be developed as 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 issued its first series of Contract Revenue Bonds in the amount of \$4,980,000 on October 27, 2016, of which \$4,845,000 principal amount remains outstanding. Holders of contract revenue bonds have no right or claim on the district's tax levy, as they are payable solely from amounts received from the City's tax increment fund.</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, 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.</p> <p>In order to effectuate such redevelopment the parties agreed to the following:</p> <ul style="list-style-type: none"> <li>• The City consented to the creation of the District and approved the general land use plan.</li> <li>• 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.</li> <li>• 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</li> </ul>

	<p>Constellation Field to be reimbursed from District bond proceeds.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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 development thresholds are met by the developer of the Imperial Market.</li> <li>• 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.</li> <li>• 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).</li> <li>• 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.</li> <li>• 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.</li> </ul> <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>
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Taxable Assessed Valuation	2018 Taxable Assessed Valuation is \$222,286,764 Estimated Value at December 1, 2018 is \$269,291,386
Tax Rate Requirement for Maximum and Average Debt Service (95% collection)	Assuming no increase or decrease from the 2018 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 \$0.82/\$100 and the required tax rate for the Average Annual Debt Service Requirement payment on the bonds is \$0.76/\$100 assuming a 95% collection rate.

### DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the Outstanding Unlimited Tax Bonds and the estimated debt service requirements for the Bonds at an assumed interest rate of 4.50% per annum.

	O/S Bonds Debt Service	2019 Principal	2019 Interest	2019 Total	Total Debt Service
2019	\$ 1,441,570		\$ 70,563	\$ 70,563	\$ 1,512,133
2020	1,550,275	\$ 120,000	282,250	402,250	1,952,525
2021	1,541,106	130,000	276,250	406,250	1,947,356
2022	1,541,100	140,000	269,750	409,750	1,950,850
2023	1,518,488	160,000	262,750	422,750	1,941,238
2024	1,515,263	170,000	254,750	424,750	1,940,013
2025	1,514,113	180,000	246,250	426,250	1,940,363
2026	1,517,988	180,000	237,250	417,250	1,935,238
2027	1,520,813	180,000	228,250	408,250	1,929,063
2028	1,517,713	190,000	219,250	409,250	1,926,963
2029	1,518,369	200,000	209,750	409,750	1,928,119
2030	1,522,306	200,000	199,750	399,750	1,922,056
2031	1,518,984	210,000	189,750	399,750	1,918,734
2032	1,523,222	220,000	179,250	399,250	1,922,472
2033	1,520,731	230,000	168,250	398,250	1,918,981
2034	1,516,775	240,000	156,750	396,750	1,913,525
2035	1,515,866	250,000	144,750	394,750	1,910,616
2036	1,513,053	260,000	132,250	392,250	1,905,303
2037	1,508,706	275,000	119,250	394,250	1,902,956
2038	1,502,763	275,000	105,500	380,500	1,883,263
2039	1,505,041	285,000	91,750	376,750	1,881,791
2040	1,500,388	300,000	77,500	377,500	1,877,888
2041	1,498,659	300,000	62,500	362,500	1,861,159
2042	699,628	300,000	47,500	347,500	1,047,128
2043	586,153	300,000	32,500	332,500	918,653
2044	255,156	350,000	17,500	367,500	622,656
Total	\$ 36,384,229	\$ 5,645,000	\$ 4,281,813	\$ 9,926,813	\$ 46,311,042

Average Annual Debt Service Requirements (2019-2044) .....	\$ 1,781,194
Maximum Annual Debt Service Requirements (2020) .....	\$ 1,952,525