



**It's real.**

To: Mayor and City Councilmembers

From: Steve Parker, City Manager

Date: January 7, 2024

Re: Public Finance Corporation- Lily Springs

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In November, the City had an agenda item regarding our Public Finance Corporation helping to incentivize a workforce housing development here in Seguin. This item failed with a vote of 4-3. Understandably, most of the concern was related to the length of the abatement being 75 years. After that meeting, the PFC attorney approached Mr. Kirk (the developer) about the possibility of reducing the years of abatement to 50 years. Mr. Kirk has talked to his team and they are willing to offer an opt out clause for the City at the 50 year mark.

At the same time that was occurring, Councilmember Biesenbach approached me and expressed his concerns with the number of years and stated that he wished there was a way to make the Navarro School District closer to whole.

As we have stated, just because this was originally a 75 year abatement for the city, this was not a negative loss for the City and that by sharing 2/3rds of the rental payments with the School District that they would be very close to whole. If you recall the City and School District agreed to share the rental payments (2/3 vs 1/3) for the development which equates to 25% of the stacked taxes that would have been paid had the apartment complex been developed on the tax rolls. The City would receive 15% of the net profits from the first sale and 2% of the Gross Sales Price of all future sales. The first sale typically happens around year 5 and the others happen around the 10 year mark after that. We put together a model that shows that this is not a losing proposition for the City. In fact after 40 years, the City should be almost \$5,952,105 to the good with sales anticipated in year 12, 22 and 40 for illustration purposes. It could be more than that. Councilmember Biesenbach asked what it would take to put the school district in the black. By moving the first sale which is 15% of the net profits, it is anticipated that the school district will be \$11,617 to the good based on the attached proforma.

Councilmember Biesenbach has requested that the following scenario be brought back for the Council to consider so we will do that at the January 7<sup>th</sup> council meeting. Please let me know if you have any questions.