

MEMORANDUM

To: Mayor and City Council Members
Board Members and Executive Director of Seguin PFC

From: Steve Parker, City Manager

Subject: Resolution of Seguin Public Facility Corporation RE Lily Springs

Date: June 17, 2025

Background:

The PFC Board of Directors is being asked to approve the development of a 282-unit Class A apartment complex to be constructed near the intersection of Cordova Road and State Highway 46, in Seguin, Texas. This structure aligns developer and PFC incentives, ensuring the community receives a high-quality, professionally managed Class A apartment complex that will fulfill community need for mixed-income housing while generating ongoing revenue for the PFC and school district.

Key Provisions Ensuring Quality and Long-Term Excellence:

- **Comprehensive Quality Control:** PFC retains approval rights over all plans and specifications during the design development stage, ensuring the project meets Class A standards from inception.
- **Mandatory Class A Maintenance Standard:** Tenant has a contractual obligation to maintain the Project as a Class A residential project, with project needs assessments performed at 7-year intervals.
- **Property Management Company Standard:** Property manager must have adequate experience and licensing.

Mixed Income Housing and Community Benefits:

- **Mixed-Income Housing Component:** 40% of units reserved for tenants earning less than 80% of Area Median Income (AMI), 10% of units for tenants earning less than 60% of AMI.

- **Long-term Affordability Protection:** Affordability requirements run for the term of the Lease.
- **Balanced Unit Mix:** Affordable units distributed proportionally across one, two, and three-bedroom configurations.
- **Compliance Monitoring/Audits:** Built-in compliance requirements with PFC statutes including tenant protections and regular audits by state agency; PFC and school district have ability to audit as well.

Financial Benefits and Protections:

- **Revenue Generation for City:** Multiple revenue streams are paid to the City over the term of the Lease, including 25% of property tax savings and revenue sharing on any capital event.
- **PFC Structuring Fee:** \$500,000 upfront structuring fee to PFC at closing.
- **Sales Tax Savings Participation:** PFC receives 25% of sales tax savings on construction materials.
- **Financial Guaranties:** Lightpath provides construction completion guaranties and other financial obligations while PFC has no guaranty obligations.
- **Early termination by PFC:** PFC has the ability to terminate the lease at year 50 without consent of any other party and the Project will pay property taxes after that date.
- **Insurance/Indemnification:** Tenant/Developer parties must procure insurance for and indemnify PFC.

Please note that Lightpath has also completed the design for the project and it is anticipated that building permits will be submitted within the next two weeks. The projected permit fees are estimated to be \$500,000. We also wanted to remind City Council that the financial projections relating to revenues are projected to be more for both the Navarro School District and the City. The lease payments and sale proceeds are projected to be more than if this were a fully taxable multifamily project. The school board has also approved the revenue sharing agreement that the City approved in January 2025.