



It's real.

To: Mayor and City Councilmembers

From: Steve Parker, City Manager

Date: December 3, 2024

Re: Public Finance Corporation- Lily Springs

In September 2022, the City of Seguin Public Finance Corporation approved a term sheet with Vaquero Multifamily, LLC for an apartment complex at the northeast corner of Hwy 46 and Cordova Road. This development was to be financed as part of the City's Public Finance Corporation. A project that is financed as part of a Public Finance Corporation is tax exempt under the state statute, but the developer would be required to pay rental payments to the City in an amount equal to 25% of the combined city, county and school district taxes as if it were a taxable entity. In November of 2022, the City agreed with the Navarro School District to share 67% of that realized rent in an effort to offset the tax burden of the PFC. The city also agreed to give the School District the initial developer fee of \$500,000 that could be used towards improvement of Link Road. This would be the first revenue sharing proposal ever done in the State of Texas under the PFC structure. The Vaquero Developer decided to terminate the project after these approvals were made due to the rising cost of construction.

A new company called Lightpath Company, LLC is now proposing a 282-unit apartment project with an estimated cost of approximately \$57 million. This is also being proposed as a Public Finance Corporation Project which allows for the property to be tax exempt if 40% of the units leased to people are at or below 80% of median income and 10% of the units leased to people are at or below 60% of the median income with the remainder being rented at market value. These demographic standards above are geared towards providing affordable housing for essential workers like schoolteachers, public safety professionals, nurses and retail and manufacturing employees. This is an initiative many cities are striving to achieve. In fact, the City of New Braunfels recently approved as part of their city's new Strategic Plan, part of their economic focus was on encouraging the use of Public Facility Corporations and Tax Increment Financing and to establish programs and opportunities that leverage private and public sector dollars for use as gap financing in the production and preservation of affordable workforce housing units. Please see the attached link. [New Braunfels Strategic Plan 4.pdf](#)

One of the other reasons, the City is seeking approval currently, there are some concerns that another Housing Corporation could finance the project without the City's approval. This has happened in numerous communities across the State. If another housing corporation outside our jurisdiction were to finance this project, neither the City nor the School District would receive any public benefit. There are several lawsuits trying to stop

these types of outside entity transactions but nothing has been settled so this outcome still has legitimate potential. Please review the attached news story out of Dallas Texas. Eulless loses 2 percent of revenue to controversial tax break approved in faraway county - CBS Texas

Part of the approval for tonight's agenda will be to approve a term sheet with the Lightpath Developer for the 282 unit development. This item will also include an agreement to share the rental income with the Navarro School District as previously approved by the Seguin City Council. The School District's attorney is drafting the agreement, and it will be attached before the Council meeting on Tuesday. Please let me know if you have any questions.