

**Cameron County Commissioners' Court
Agenda Request Form**

2016CD3068

No. 3-K

Date: MARCH 15, 2016 Meeting Date Request: MARCH 22, 2016
Deadline for Action: MARCH 22, 2016 Contact Person: DARLA JONES/FRANK BEJARANO
Department: AFFAIRS Phone: 956-544-0828 Fax: 956-544-0891
Department Head Name: MARK YATES Signature: *Mark Yates*

Caption: ACTION

CONSIDERATION AND APPROVAL FOR AMENDING THE INTERLOCAL AGREEMENT BETWEEN SOUTH PADRE ISLAND AND CAMERON COUNTY BY INCREASING THE PARCELS INCLUDED IN THE SOUTH PADRE ISLAND TAX REINVESTMENT ZONE No. 1.

Background: (Briefly summarize your request, if needed use separate sheet(s) or attach supporting documentation).

CAMERON COUNTY APPROVED PARTICIPATION IN THE SOUTH PADRE ISLAND TAX REINVESTMENT ZONE No. 1 ON JANUARY 12, 2015. THE BUDGET OF THE ZONE HAS BEEN AMENDED TO PROVIDE \$12,500,000 IN IMPROVEMENTS TO PADRE BOULEVARD, SIDEWALKS, DRAINAGE, LANDSCAPING, MEDIANS AND UTILITIES. THE DESCRIBED IMPROVEMENTS ARE INTENDED TO SPUR ECONOMIC DEVELOPMENT BY IMPROVING TRANSPORTATION ACCESS AND PEDESTRIAN SAFETY AS WELL AS AN OVERAL COMPONENT IMPROVING THE CITY'S CAPITAL INFRASTRUCTURE.

PLEASE FILL IN ALL BLANKS WITH REQUIRED INITIALS AND FISCAL DATA INFORMATION OR PLACE N/A IF IS NOT APPLICABLE:

County Judge N/A Auditor *AS* Budget N/A Legal *DDY* Human Resources N/A Purchasing N/A
1295 Form n/a

Fiscal Data:

Dept. Name: Economic Development & Community Affairs Fund No. 100-418
Funds Available: Yes No

Funds From:

Department: Yes No
General: Yes No Amt. Expended : \$ n/a
Grant: Yes No Impact on future budget: Yes No

Comments:

Action taken by Commissioners' Court

Approved Tabled Denied Motion made by Seconded Vote

THE STATE OF TEXAS
COUNTY OF CAMERON

§
§ **CITY OF SOUTH PADRE ISLAND**
§

INTERLOCAL AGREEMENT

I. PARTIES

A. Address

1. THIS INTERLOCAL AGREEMENT (the "Agreement") is made by and between the **CITY OF SOUTH PADRE ISLAND, TEXAS** (hereafter referred to as "CITY"), a Texas Home Rule City, acting through its City Manager pursuant Ordinance # 10-34, passed and approved on December 15, 2010 (First Reading) and December 16, 2010 (Second Reading), by the City Council of CITY which initially created the ZONE, and pursuant to Ordinance 11-19, passed and approved on November 16, 2011 (First Reading) and December 7, 2011 (Second Reading), which amended Ordinance # 10-34, and pursuant to Ordinance 15-1 passed and approved on January 12, 2015 (first reading) and January 13, 2015 (second reading), Ordinance 16-06, passed on first reading on March 2, 2016 and second reading on March 14, 2016, on behalf of **REINVESTMENT ZONE NUMBER ONE, CITY OF SOUTH PADRE ISLAND, TEXAS**, a reinvestment zone created by the CITY pursuant to Chapter 311 of the Texas Tax Code, (hereafter referred to as the "ZONE", as hereafter defined) , and Cameron County, a political subdivision of the State of Texas, and Collectively, the CITY, Cameron County, and ZONE may be referred to as the "Parties". This Agreement is made pursuant to Chapter 791, Texas Government Code and Chapter 311 of the Texas Tax Code for the participation of CITY and CAMERON COUNTY in the Project (the "Project").

2. The initial addresses of the Parties are listed below. Each party may designate a different address by giving the CITY at least ten (10) days prior written notice.

CITY

William A. DiLibero
City Manager
City of South Padre Island
4601 Padre Blvd.
South Padre Island, Texas 78597

CAMERON COUNTY

Pete Sepulveda, Jr.
County Judge
Cameron County
1100 E. Monroe
Brownsville, Texas 78520

With Copy to: ZONE BOARD

Chairman
Reinvestment Zone Number One,
City of South Padre Island, Texas
4601 Padre Blvd.
South Padre Island, Texas 78597

B. Index

In consideration of the covenants set forth herein, and subject to the terms and conditions herein, the CITY, CAMERON COUNTY, and ZONE BOARD hereby agree to the terms and conditions of this Agreement. This Agreement consists of the following sections:

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Exhibit "B"	City of South Padre Island Ordinance	
Exhibit "C"	Map of Zone	

C. Parts Incorporated

All of the above described exhibits are hereby incorporated into this Agreement by this reference for all purposes.

II. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set out below:

I. "Administrative Costs" means Cameron County's reasonable costs directly incurred as a Participating Taxing Entity (as hereinafter defined) related to its agreement to participate in the development of the ZONE, as described in this Agreement. These costs include, but are not limited to, costs and expenses for legal review and financial analysis related to the ZONE incurred prior to entering into this Agreement, as well as any such costs and expenses incurred after this Agreement becomes effective. The Administrative Costs for Cameron County are

estimated to be Fifteen Thousand (\$15,000) over the life of the zone. The parties agree that administrative costs shall be deducted by Cameron County from collected tax increment money payable to the Zone by Cameron County as follows: 2016 -\$7,500 and each year thereafter 2017-2026, \$681.82/year, which the Parties agreed are reasonable administrative costs.

2. "Agreement" means this Interlocal Agreement.

3. "Captured Appraised Value" means the captured appraised value of the ZONE, as defined by Section 311.012(b), Texas Tax Code (and as said Code may be amended from time to time).

4. "CITY" is defined in Article I of this Agreement and includes its successors and assigns.

5. "Participating Taxing Entity" or "Participating Taxing Entities" means, singularly, a taxing unit participating in the ZONE, and collectively, all taxing units participating in the ZONE.

6. "Project Costs" means the items set forth and described in Section 311.002(1), Texas Tax Code (as said Code may be amended from time to time), which are included in the Project Plan for the Project. The Project Costs include public infrastructure improvements and related capital costs including Padre Boulevard improvements including drainage, sidewalks, landscaping, medians and utilities.

7. "Project Plan" means the Preliminary Project Reinvestment Zone and Financing Plan for the ZONE to be adopted by the Board of Directors of the Zone and approved by the City Council of the CITY attached hereto as Exhibit "A".

8. "Tax Increment" means the total amount of ad valorem taxes levied and collected each year by a Participating Taxing Entity each year on the Captured Appraised Value of taxable real property in the ZONE. Further, with respect to the CAMERON COUNTY, this term means the total amount of ad valorem taxes levied and collected only on behalf of the CAMERON COUNTY each year.

9. "Tax Increment Base" means the total appraised value of all real property taxable by a Participating Taxing Entity and located in the ZONE as of January 1, 2011, the year in which the ZONE was designated. The CAMERON COUNTY increment payment shall start for the tax year 2015.

10. "Tax Increment Fund" means the tax increment fund created by the CITY for the deposit of Tax Increments for the ZONE, entitled "Reinvestment Zone Number One, City of South Padre Island, Texas Tax Increment Fund".

11. "Tax Increment Payment" means the amount of the Tax Increment that a Participating Taxing Entity agrees to deposit annually into the Tax Increment Fund in accordance with this Agreement and the Project Plan.

12. "Term" shall mean a period of eleven (11) years for the Agreement, beginning tax year 2015 and ending in year 2026.

13. "ZONE" means Reinvestment Zone Number One, City of South Padre Island, Texas, created by the CITY over the Zone Area a description of which is contained in Exhibit "C", attached hereto.

14. "ZONE BOARD" means the Board of Directors of the ZONE.

III. BACKGROUND

A. On October 6, 2010 the City Council of the City of South Padre Island held a workshop for the public for a discussion of Tax Increment Reinvestment Zones and other public financing mechanisms. On October 20, 2010 the Council indicated its intent to create a Tax Increment Reinvestment Zone by approving a contract with TIF Services of South Texas for its services to create a Zone, commonly known as the South Padre Island Redevelopment Project, pursuant to Chapter 311, Texas Tax Code. On December 15, 2010 (First Reading) and December 16, 2010 (Second Reading), the City Council of CITY passed and approved Ordinance # 10-34 which initially created the ZONE. On November 16, 2011 (First Reading) and December 7, 2011 (Second Reading), the City Council of CITY passed and approved Ordinance 11-19 which amended Ordinance # 10-34. On January 13, 2015, the City Council of CITY passed and approved Ordinance 15-1, which amended Ordinance 11-19. On March 2, 2016, the City Council passed Ordinance 16-06 on first reading and approved the ordinance on second reading on March 14, 2016. The ZONE is projected to terminate on December 31, 2026 unless earlier termination occurs under this Agreement (the "term of the ZONE").

IV. RIGHTS AND OBLIGATIONS OF CAMERON COUNTY

A. Tax Increment Participation by the CAMERON COUNTY

1. Subject to the limitations set out in this Agreement, CAMERON COUNTY agrees to participate in the ZONE by contributing to the Tax Increment Fund seventy-five percent (75%) of its respective Tax Increments each year during the term of this Agreement, beginning with the 2015 tax year.

2. The Parties hereto agree that CAMERON COUNTY'S contribution to the Tax Increment Fund shall be used to fund public infrastructure improvements to support the development and revitalization efforts in the ZONE, including related Project Costs. CAMERON COUNTY'S contributions to the Tax Increment Fund shall end when it has contributed the maximum total contribution provided for herein, or when it has made contributions specified in the Project Plan, or when the term has ended, whichever event occurs first.

B. Tax Increment Payment

1. CAMERON COUNTY'S obligation to contribute its Tax Increment Payment to the Tax Increment Fund, as provided in paragraph IV (A) (1) of this Agreement, shall accrue as CAMERON COUNTY collects its Tax Increment. The Parties hereto agree that all real property taxes collected each year by CAMERON COUNTY that are attributable to real property in the ZONE, shall first constitute taxes on the Tax Increment Base and after the total amount of taxes on the Tax Increment Base have been collected, shall then constitute the Tax Increment. CAMERON COUNTY agrees to contribute its Tax Increment Payments to the Tax Increment Fund annually on or before September 1 of the year following the tax year, on condition that the reporting and audit requirements of VI. K below have been met. The amount of each Tax Increment Payment shall be based on the Tax Increments that are received, but which have not been previously deposited, during the annual period preceding each deposit date. The Parties agree that CAMERON COUNTY'S obligation to deposit Tax Increment Payments after September 1, 2026 shall only be for taxes collected and received after such date that are attributable to the time period during which CAMERON COUNTY agreed to participate.

2. Any delinquent deposit of a Tax Increment Payment under this Agreement by CAMERON COUNTY shall be administered as provided in Section 311.013(c) of the Texas Tax Code (or its successor provision). The Parties expressly agree that CAMERON COUNTY shall not owe any penalty or interest on Tax Increments that have been levied, but not received by CAMERON COUNTY. In addition, CAMERON COUNTY shall not be obligated to contribute

its Tax Increment Payment from any tax accounts that are classified as exempt or from any non-Tax Increment revenue sources.

3. The CITY and ZONE BOARD agree to comply with the Project Plan. The CITY agrees to provide prior written notice to CAMERON COUNTY of a proposed material change (by which is meant any change that would constitute a substantial change to the scope of the work or substantial increase in the costs incurred) to the Project Plan. CITY shall have the right to amend and modify the Project Plan and without providing prior written notice to CAMERON COUNTY so long as such amendment or modification does not constitute a material change. CAMERON COUNTY shall have a period of 30 business days from the date of receipt of such notice of a material change to provide comment(s) and objection(s) to the proposed change. The absence of written objections or comments by CAMERON COUNTY to the CITY will constitute approval of the proposed material change by CAMERON COUNTY. If CAMERON COUNTY provides written notice to the CITY that it objects to the proposed material change, and the objection, as set out in the notice, is not resolved within 45 business days from the date of such notice and the CITY approves such material change, then CAMERON COUNTY may thereafter discontinue its Tax Increment Payments and terminate its participation in the ZONE.

4. If the CITY materially breaches this Agreement, then CAMERON COUNTY may provide written notice to the CITY and ZONE Board stating its intent to terminate its participation in the ZONE and detailing its objection(s) or concern(s). If the objection(s) and/or concern(s) as set out in the notice is not resolved within 30 business days from the date of such notice, then CAMERON COUNTY may discontinue its Tax Increment Payments and terminate its participation in the ZONE. The City's failure to submit an annual report to the Cameron County Commissioners Court or conduct the audit as required by Section VI. K., will be considered a material breach of the Agreement.

5. Except for contributing its respective Tax Increment Payments to the Tax Increment Fund as set out in this Agreement, CAMERON COUNTY shall not have any obligation or responsibility for any costs or expenses associated with the development of the ZONE or the implementation of the Project Plan, including, without limitation, any obligation to pay or repay any debt.

6. Notwithstanding anything herein to the contrary, the CITY'S total Tax Increment Payment to the Tax Increment Fund over the term of the ZONE shall not exceed three million nine hundred eight thousand two hundred seventy-one dollars and no cents (\$3,908,271) in the aggregate.

Notwithstanding anything herein to the contrary, CAMERON COUNTY'S total Tax Increment Payment to the Tax Increment Fund over the term of the ZONE shall not exceed three million nine hundred eight thousand two hundred seventy-one dollars and no cents (\$3,908,271) in the aggregate.

C. Management of the ZONE

1. The CITY is the only Participating Taxing Entity with any responsibility for managing or administering the Project. CAMERON COUNTY may inspect the Project site and review Project plans and drawings at times and intervals, which will not interfere with ongoing operations.

2. The ZONE BOARD shall be composed of seven (7) members, as provided under Section 311.009(a) of the Texas Tax Code. CITY may appoint the remaining ZONE BOARD members; however, CAMERON COUNTY shall have the right to have one individual appointed to the ZONE BOARD as provided by statute.

D. Expansion of the ZONE

The obligation of CAMERON COUNTY to participate in the ZONE is limited to the description of the ZONE in Exhibit "C" attached hereto. CAMERON COUNTY'S participation shall not extend to the Tax Increment on any additional property added to the ZONE by the CITY unless CAMERON COUNTY approves in writing such participation.

V. TERM AND TERMINATION

A. Agreement Term and Termination

This Agreement shall become effective as of the last date of execution by the Parties hereto, and shall remain in effect until December 31, 2026 unless earlier terminated as provided herein (the "Agreement Term"). Subject to the terms of this Agreement, CAMERON COUNTY agrees to participate under this Agreement, beginning with the 2015 tax year and ending in accordance with the terms provided herein. The Parties agree and understand that CAMERON COUNTY'S Tax Increment Payments will not be made after December 31, 2026 except for Tax Increment payments generated during the life of the Zone but collected after December 31, 2026 as set out in paragraph IV. A. 2, of this Agreement.