

REQUEST FOR COUNCIL ACTION

TO: Mayor via City Secretary

RCA #

SUBJECT: Ordinance approving a tax abatement agreement between the City of Houston and Cullen SH Apartments LP, Houston, Texas for The Gateway at Cullen Houston.

Category #

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Agenda Item#

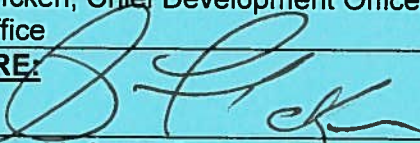
FROM: (Department or other point of origin):

Andrew F. Icken, Chief Development Officer
Mayor's Office

Origination Date

Agenda Date

SIGNATURE:



Council Districts affected:

1

For additional information contact:

Gwendolyn Tillotson

Phone: 832-393-0937

Date and identification of prior authorizing Council Action:

Ord. No. 2009-858 9/16/09; Ord. No. 2011-1167 12/14/11; Ord. No. 2014-0245 date 3/26/14

RECOMMENDATION: (Summary) City Council adopt an Ordinance approving a tax abatement agreement "Agreement" between the City of Houston "City" and Cullen SH Apartments LP, Houston Texas "Developer" for The Gateway at Cullen Houston.

Amount of Funding: Not Applicable

F&A Budget:

SOURCE OF FUNDING: General Fund Grant Fund Enterprise Fund
 Other (Specify)

SPECIFIC EXPLANATION:

The Developer is a national student housing developer and property manager with headquarters in Dallas, Texas. The Developer has completed more than \$1 billion in new student housing construction since 2000 throughout the country. The proposed building will be constructed on a 7.7 acre site in the vicinity of Interstate 45 and Cullen Blvd. within a high poverty census block group and will comprise 190 one to four bedroom units consisting of 531 beds. The Developer submitted an application for tax abatement on November 17, 2014. The proposed abatement will apply to the capital investment in real property. The Developer will also invest in personal property for furniture, fixtures, and other equipment.

This project involves the construction of a multi-story student housing facility with surface parking area located at 1901 and 1905 Cullen Blvd. near downtown Houston and within ¼ mile of University of Houston. The Developer plans to invest more than \$40 million in real and personal property, with most of the investment (\$22M) in the building and related structures. The Developer estimates spending approximately \$475,000 in project costs towards the improvement of the Cullen public right-of-way related to both infrastructure and aesthetics, and approximately \$150,000 to construct improvements in and around the underpass at Interstate 45 to enhance pedestrian safety and mobility. The proposed start date for the construction phase is January 2016, with completion targeted for August 2017, consistent with the Fall 2017 school year.

The real property improvements subject to tax abatement are approximately \$22M and represent the incremental value above the property base value. The appraised value is estimated at 80% of the investment amount, excluding the land. Because the site is located within a high poverty census block group, it is designated as an Enterprise Zone and Reinvestment Zone by Texas State statutes and, as such, is eligible to receive a tax abatement up to 90%. Based upon a 90% abatement rate, the City tax to be abated is estimated at \$95,000 - \$125,000 annually for a term of 10 years. The abatement agreement includes a recapture provision that will allow the City to recapture taxes abated to Cullen SH Apartments LP. if the project exceeds its performance yield rate target.

cc: Marta Crinejo, Agenda Director
Anna Russell, City Secretary
Donna Edmundson, City Attorney
Gary Dzierlenga, Senior Assistant City Attorney

REQUIRED AUTHORIZATION

Other Authorization:

Other Authorization:

Other Authorization: