

TO: Mayor via City Secretary

REQUEST FOR COUNCIL ACTION

SUBJECT: An ordinance amending ordinance 2014-1139 approving an economic development agreement between the City of Houston and Harris County Improvement District No. 12 pursuant to Chapter 380 of the Texas Local Government Code for the construction of sanitary sewer line within the Holmes Road Right of Way	Category #	Page 1 of 1	Agenda Item #
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FROM (Department or other point of origin): Andrew F. Icken, Chief Development Officer	Origination Date	Agenda Date
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DIRECTOR'S SIGNATURE 	Council District affected: K
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For additional information contact: Gwendolyn F. Tillotson Phone: 832-393-0937	Date and identification of prior authorizing Council action: Ord. No. 2014-621; 06-18-14; Ord. No. 2014-1139; 12-10-14
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RECOMMENDATION: (Summary)
That the City Council approve an ordinance amending ordinance 2014-1139 approving an economic development agreement between the City of Houston and Harris County Improvement District No. 12 pursuant to Chapter 380 of the Texas Local Government Code for the construction of sanitary sewer line within the Holmes Road Right of Way

Amount of Funding:

SOURCE OF FUNDING General Fund Grant Fund Enterprise Fund N/A

SPECIFIC EXPLANATION:

On December 10, 2014, City Council approved Ordinance No. 2014-1139, allowing the City's portion of its property tax revenues in a defined economic impact area to be used as the source of the annual debt service payment on a bond issuance for the construction of a sanitary sewer line in the right of way of Holmes Road from Buffalo Speedway to Knight Road. The construction of the line will provide much needed waste water capacity to more than 1,700 acres within the sewer line's service area.

The estimated cost of the project is \$14.6M including construction, design, easement and right of way acquisitions. The "upfront" construction costs will derive from two sources. PWE will provide approximately \$6.8M from the Enterprise Fund as described in a separate agreement (the "Cooperative Development Agreement") and Harris County Improvement District No. 12 ("HCID No. 12") will provide approximately \$7.8M from financing obtained by the district or revenue bond proceeds issued by the district. The estimated annual debt service payments is \$625,000.

The City's Public Works and Engineering Department ("PWE") will be responsible for the design and the construction of the Project. On June 18, 2014, City Council approved Ordinance No. 2014-621 for the planning and design of the Project. At the completion of the design phase, the construction phase will proceed.

As noted above, the Agreement approved in Ordinance No. 2014-1139 allowed bond financing, using a defined increment of property tax revenue as collateral. The amended agreement allows HCID No. 12 to obtain non-bond third party financing for its portion of the project costs. This amendment is necessary to address a change in policy of the Texas Attorney General in approving bonds secured by property tax revenue. The Economic Development Office is analyzing the impact of this policy for future projects, but this project can move forward with this amended agreement.

The proposed amendment is to allow for the District to secure third party financing as an alternate financing option to the bond debt issuance. Interest on third party financing will be limited to the lesser of the actual borrowing rate on the debt and not to exceed the maximum allowable interest rate on District bonds.

cc: City Secretary
Mayor's Office
Legal Department
Finance Department
Marta Crinejo

REQUIRED AUTHORIZATION

Other Authorization:	Other Authorization:	Other Authorization:
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