



TITLE: Consider/Discuss/Act on a Resolution Approving a Chapter 380 Economic Development and Project Plan Implementation and Loan Agreement with Casey Advisory Group, Inc. (and The Cotton Mill Partners, Ltd., as Intervener and Owner) for the Historic Cotton Mill Redevelopment Project and a Budget Amendment to the TIRZ No. 1 Fiscal Year 2013-2014 Annual Budget

MEETING DATE: March 17, 2014

DEPARTMENT: Development Services-Planning
City Manager's Office

CONTACT: Michael Quint, Director of Planning
Barry Shelton, AICP, Executive Director of Development Services
Mark Houser, City Attorney
Rob Daake, P.E., Deputy City Manager

RECOMMENDED ACTION:

- Staff recommends approval of the proposed resolution and approval of a budget amendment authorizing the \$500,000 expenditure outlined in the proposed agreement.

ITEM SUMMARY:

- The proposed economic development partnership (i.e. agreement) between Casey Advisory Group, Inc. ("CASEY"), The Cotton Mill Partners, Ltd. ("COTTON MILL") as intervenor and owner of the Project, and Tax Increment Reinvestment Zone Number One ("TIRZ") is intended to incentivize a substantial phase of private site and building (shell) improvements required to make the eastern portion of the main building complex ready for tenant finish-out by the growing demand for office space in the unique setting of the Historic Cotton Mill Redevelopment Project ("Historic Cotton Mill").
- The proposed agreement is intended to:
 1. facilitate the incubation, acceleration, retention, and expansion of existing businesses in the Historic Cotton Mill;

2. attract new businesses to the Historic Cotton Mill; and
 3. further enhance and leverage the MEDC's business relationship with the Historic Cotton Mill via the Emerging Technology Program and the Collide Center.
- Under the proposed agreement, the specific obligations of TIRZ are:
 1. Fund a one-time, up front grant not to exceed \$500,000, which shall be disbursed on a reimbursement basis to CASEY and contributed to COTTON MILL upon the satisfaction of the conditions described below.
 2. Provide CASEY and COTTON MILL with the partially complete draft construction documents for the western parking lot (minimum 150 parking spaces) that was prepared by City of McKinney Staff.
 - Under the proposed agreement, the specific obligations of CASEY and COTTON MILL are:
 1. CASEY shall accept the loan payment from TIRZ and contribute said funds to COTTON MILL to complete construction on a 150 space (minimum) parking lot.
 2. CASEY and COTTON MILL are required to (1) complete the partially complete draft construction documents for the western parking lot that was prepared by City Staff; (2) construct the concrete private parking lot to include a minimum of 150 new or refurbished parking lot spaces together with lighting, landscaping and irrigation features; and (3) receive a "green tag" inspection of the parking lot by January 1, 2015.
 3. COTTON MILL is required to complete 27,000 square feet of shell building improvements for future office space (the "27,000 Square Feet") and receive the appropriate certificates of occupancy therefor by January 1, 2017. The 27,000 Square Feet could be located anywhere indicated on Exhibit A (specifically excluding suite numbers 100, 200, 400, 700, 710, 800, 930, 1000, and Outbuilding D which are already improved and have certificates of occupancy).
 4. COTTON MILL is required to have at least 30 new jobs occupying some portion of the 27,000 Square Feet by January 1, 2017.
 5. Upon the satisfaction of the obligations listed above, the \$500,000 loan shall be forgiven and allocated over three tax years.

6. If CASEY and COTTON MILL do not fully satisfy the aforementioned obligations by January 1, 2017, CASEY and COTTON MILL shall be required to pay back the prorated portion of the \$500,000 grant loan plus interest.

BACKGROUND:

- This project was discussed by the Board of Directors for TIRZ (“Board”) on August 19, 2013. At that meeting, the Board directed Staff to proceed with preparing the details of a partnership and drafting an associated agreement.
- TIRZ has the authority under Section 311 and Chapter 380 of the Texas Local Government Code to make loans or grants of TIRZ funds for the purposes of promoting local economic development and stimulating businesses and commercial activity within the TIRZ.
- This project would be an eligible project in the TIRZ Project Plan under the category of Vacant/Underutilized Sites/Buildings, which is defined as “Relatively smaller projects (under \$5.0 million) for the incremental redevelopment of vacant/underutilized Town Center sites or buildings.” Such sites are limited to the area shown as Vacant/Underutilized Building Improvement Area shown on Figure 3 of the TIRZ Project Plan.
- As shared by the City (Town Center Study), the MEDC (McKinney Economic Development Alliance Study), and the private owner, the vision/plan is to preserve, rehabilitate, and adaptively reuse the Historic Cotton Mill as the anchor of an “entrepreneurial village”--serving as a business development center that fosters a unique, inspiring, and collaborative environment for emerging entrepreneurs, technologists, and other types of creative professionals.
- COTTON MILL has owned the Historic Cotton Mill since 1997 and has made significant improvements over the years to save the existing main building complex from further deterioration. The main building complex contains an approximate total area of 149,000 square feet (and the four outbuildings contain an additional 40,000 square feet).
- Currently, approximately 23% (34,000 square feet) of the main building complex has been rehabilitated for occupancy (office space, studio space, and an event hall). One hundred percent of the 34,000 square feet of rehabilitated space is occupied. Approximately 77% (115,000 square feet) of the main building complex remains functionally obsolete in an unrehabilitated condition and is not suitable for occupation.
- For a more detailed background summary about the Historic Cotton Mill, please see the attached document entitled “The Historic Cotton Mill - A Vision for the Future.”

FINANCIAL IMPACT:

- The Fiscal Year (FY) 2013-2014 annual budget for TIRZ no. 1. does not currently reflect the proposed \$500,000 grant expenditure as outlined in the proposed agreement. As such, the TIRZ Board and City Council must authorize a budget amendment reflecting this new expenditure before the grant may be awarded.
- Staff recommends the TIRZ Board approve a budget amendment authorizing the expenditure of \$500,000 from current TIRZ funds in accordance with the terms outlined in the proposed agreement. Subsequent to the TIRZ Board's approval of a budget amendment, Staff will seek the City Council's approval of an ordinance amending the FY2013-2014 annual budget for TIRZ no. 1 on April 1, 2014.

SUPPORTING MATERIALS:

[Proposed Resolution](#)

[Cotton Mill - A Vision for the Future](#)

[TIRZ No. 1 Project Plan](#)

[Cotton Mill Improvement Appraised Value](#)

[Cotton Mill Parking Lot Draft Plans](#)

[Proposed Cotton Mill Agreement](#)

[Proposed Cotton Mill TIRZ Note](#)