

Victory Lane Development Agreement – Summary of the Key Points

1. What the Developer Changed (Good for the City)

These items were added or improved in the new version of the agreement:

Lower Interest Rate

- I misspoke in the first summary sent out for the October meeting, that said the other DA's did not have a financing rate.
 - Alsatian Oaks - 6% rate
 - Flat Creek – up to 10%
 - This means:
 - If their real cost of capital is 6%, they can only claim 6%.
 - If their real cost of capital is 12%, they can only claim 10% because of the cap.
 - The City never pays more than the 10% cap regardless of what interest rates do in the real world.
 - Heights of Castroville – 8.5%
- Originally: 8.5% interest, which was very high.
- New version: Prime Rate + 1%, which is usually lower.
- This saves the City money.

Date (effective)	Prime Rate	Date (effective)	Prime Rate
Dec 17, 2015	3.50 % (Wikipedia)	Dec 20, 2018	5.50 % (Wikipedia)
Dec 15, 2016	3.75 % (Wikipedia)	Aug 01, 2019	5.25 % (Wikipedia)
Mar 16, 2017	4.00 % (Wikipedia)	Sep 19, 2019	5.00 % (Wikipedia)
Jun 15, 2017	4.25 % (Wikipedia)	Oct 31, 2019	4.75 % (Wikipedia)
Dec 14, 2017	4.50 % (Wikipedia)	Mar 04, 2020	4.25 % (Wikipedia)
Mar 22, 2018	4.75 % (Wikipedia)	Mar 16, 2020	3.25 % (Wikipedia)
Jun 14, 2018	5.00 % (Wikipedia)	2021 (unchanged)	3.25 % (Wikipedia)
Sep 27, 2018	5.25 % (Wikipedia)	Mar 17, 2022	3.50 % (Wikipedia)

Date (effective)	Prime Rate
May 05, 2022	4.00 % (Wikipedia)
Jun 16, 2022	4.75 % (Wikipedia)
Jul 28, 2022	5.50 % (Wikipedia)
Sep 22, 2022	6.25 % (Wikipedia)
Nov 03, 2022	7.00 % (Wikipedia)
Dec 15, 2022	7.50 % (Wikipedia)
Feb 02, 2023	7.75 % (JPMorgan Chase)
Mar 23, 2023	8.00 % (JPMorgan Chase)

Date (effective)	Prime Rate
May 04, 2023	8.25 % (JPMorgan Chase)
Jul 27, 2023	8.50 % — peak recently (Bank of America)
Sep 19, 2024	8.00 % (JPMorgan Chase)
Nov 08, 2024	7.75 % (Bank of America)
Dec 19, 2024	7.50 % (Bank of America)
Sep 18, 2025	7.25 % (FRED)
Oct 30, 2025	7.00 % (current as of latest update) (FRED)

Better Inspection Rules

- The City now has more power to approve or remove construction inspectors.
- This helps ensure the work is done correctly.

A Real Project Schedule

- A full construction timeline (Exhibit G) was added.
- This creates accountability for the developer.

Stronger Maintenance Bond Protection

- Bonds are now clearly assignable to the City.
- Ensures the developer fixes issues after construction.

Clearer Utility Responsibilities

- The agreement now spells out the developer's responsibilities for Phase II water/wastewater improvements.
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2. What Did NOT Change (Still Concerns for the City)

These were staff recommendations, but the developer did not include them:

No Cap on Total Interest

- Interest can still add up without a maximum limit.
- The \$6M cap applies only to construction cost, not the interest on top of it.

City Still Only Keeps 25% of New Taxes

- The developer gets 75% of the new taxes until reimbursed.
- Staff asked for a better split, but this was not changed.

No Performance Requirements

- Developer reimbursement is not tied to milestones, such as:
 - Completing the MTP road
 - Creating a certain amount of taxable value
 - Achieving certain occupancy or sales levels

TxDOT Improvements Not Excluded

- The agreement does not clearly state that TxDOT-required improvements are *not reimbursable*.
- Some TxDOT items even appear in Exhibit E, which increases financial risk.

No Annual Reporting Requirement

- Staff asked for yearly updates to track tax revenue and reimbursement.
- This was not added.

No Upgraded Design Requirements

- Staff asked for better building materials, landscaping, or appearance if the City is helping fund infrastructure.
- Developer did not agree to any new design standards.

Developer Vested Rights Increased

- The new agreement gives the developer even stronger protections, making it harder for the City to apply future regulations.
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3. Major Differences Between the Old and New Versions

Here are the big changes in simple terms:

Interest Rate Changed

- From 8.5% → Prime +1%
- Better for the City, but still no limit on how high total interest can go.

Financing Costs Are Now Separated

- The \$6M limit is only for construction.
- Interest is added on top, increasing total cost.

More Detailed Public Infrastructure List

- Exhibit E now lists water, sewer, drainage, roadways, sidewalks, plus some TxDOT improvements.

New Project Schedule

- Exhibit G shows expected construction timelines into 2028.

Developer Protections Expanded

- New language makes it harder for the City to change regulations later.

4. Why the Deal Is Still Good for the City

In simple terms:

- The developer builds everything upfront.
- The City doesn't borrow money or take on any debt.
- If the project underperforms, the City is not financially exposed.
- The City keeps 25% of new tax revenue immediately.
- The project brings annexation, utilities, a new commercial tax base, and a Highway 90 gateway sign.

5. How the Deal Could Be Even Better

Here are the key improvements the City could still consider pushing for:

- Cap the total interest or lower it further, like the Flat Creek Development Agreement.
 - Let the City keep more than 25% of taxes.
 - Exclude TxDOT-related costs from reimbursement.
 - Tie reimbursements to performance milestones.
 - Add better building design requirements.
 - Require annual reporting.
 - Scale back the very strong vested rights language.
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6. Bottom Line

Improvements That Help the City

- Lower interest
- Better inspection control
- Defined project schedule
- Clear utility responsibilities
- Stronger maintenance protections

Major Issues Still Unresolved

- No limit on interest
- City still only keeps 25% of revenue
- No performance requirements
- TxDOT improvements not excluded
- No yearly reporting
- Developer gained stronger legal protections
- No better design standards