

Staff Report: NP Homes Development Agreement

Date of Agreement: March 28, 2023

Parties Involved: City of Castroville, NP Homes LLC, and landowners Lynn & Beverly Tschirhart and Charles & Marilyn Haby

Size of Development: Approximately 35 acres (25 acres in the ETJ and 10 acres within city limits), 117 residential lots and 2 commercial lots.

Background and Origin

The development agreement was initiated in anticipation of the full-purpose annexation of the property into the City. The developer, NP Homes, proposed a mixed-use project with both residential and commercial components and requested the creation of a Public Improvement District (PID) to facilitate infrastructure financing. The City agreed to economic development incentives in the form of performance-based Chapter 380 grants to support construction of public infrastructure.

Benefits to the City

- **Annexation and Growth:** Annexes 25 acres into the corporate limits.
 - **Public Infrastructure:** Developer constructs and dedicates all infrastructure—water, sewer, drainage, streets, etc.—at no initial cost to the City.
 - **Tax Base Expansion:** Development contributes to both the ad valorem and sales tax base.
 - **Residential and Commercial Opportunity:** Project includes both housing and commercial space to support local needs and economic vitality.
 - **No Initial City Outlay:** Infrastructure is advanced by the developer with reimbursement from increased tax revenues.
 - **Drainage Improvements:** Developer to make improvements to the Country Village Drainage Channel.
 - **Walkability:** Developer provides connection between the existing Country Village subdivision, through their development, to adjacent business'
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Cost to the City

- **Grant Reimbursement Obligation:** City may reimburse the developer up to **\$1.4 million plus financing costs** over time from 60% of maintenance and operations ad valorem taxes collected from the property.
- **Source of Reimbursement:** Only City M&O taxes (not debt service taxes), and only to the extent collected from the development—no general fund obligation.

- **Administrative Obligations:** City is responsible for PID administration, tracking tax revenue, and reimbursing the developer from a designated account.
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Contributions Above and Beyond Current Ordinances

The developer agreed to the following enhanced elements not specifically required by current City ordinances:

- Fully buried utilities (electric, broadband, etc.)
 - LED dark-sky-compliant streetlights
 - Public trail access and greenspace with amenities
 - Stained cedar fencing and architectural design standards
 - Full compliance with an Owner Disclosure Program for PID transparency
 - Commercial architecture charrette with the City if developed within 2 years.
 - Country Village Channel Maintenance
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Obligations

Developer:

- Complete all infrastructure improvements at their cost.
- Dedicate all public improvements to the City.
- Maintain amenities for 3 years through a Mandatory Owners Association.
- Submit for building permits and plat approvals in accordance with adopted PUD and zoning.

City:

- Provide timely review and approval of plats, building permits, and infrastructure inspections.
 - Maintain infrastructure after acceptance.
 - Reimburse developer for eligible costs from restricted tax revenues.
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Current Status of Obligations

The agreement is active, and annexation is complete. Infrastructure construction and dedication are pending and subject to inspection and formal acceptance by the City. No reimbursements will occur until grant-funded infrastructure is completed and accepted. Ongoing compliance is monitored through required progress reporting and permit tracking.

