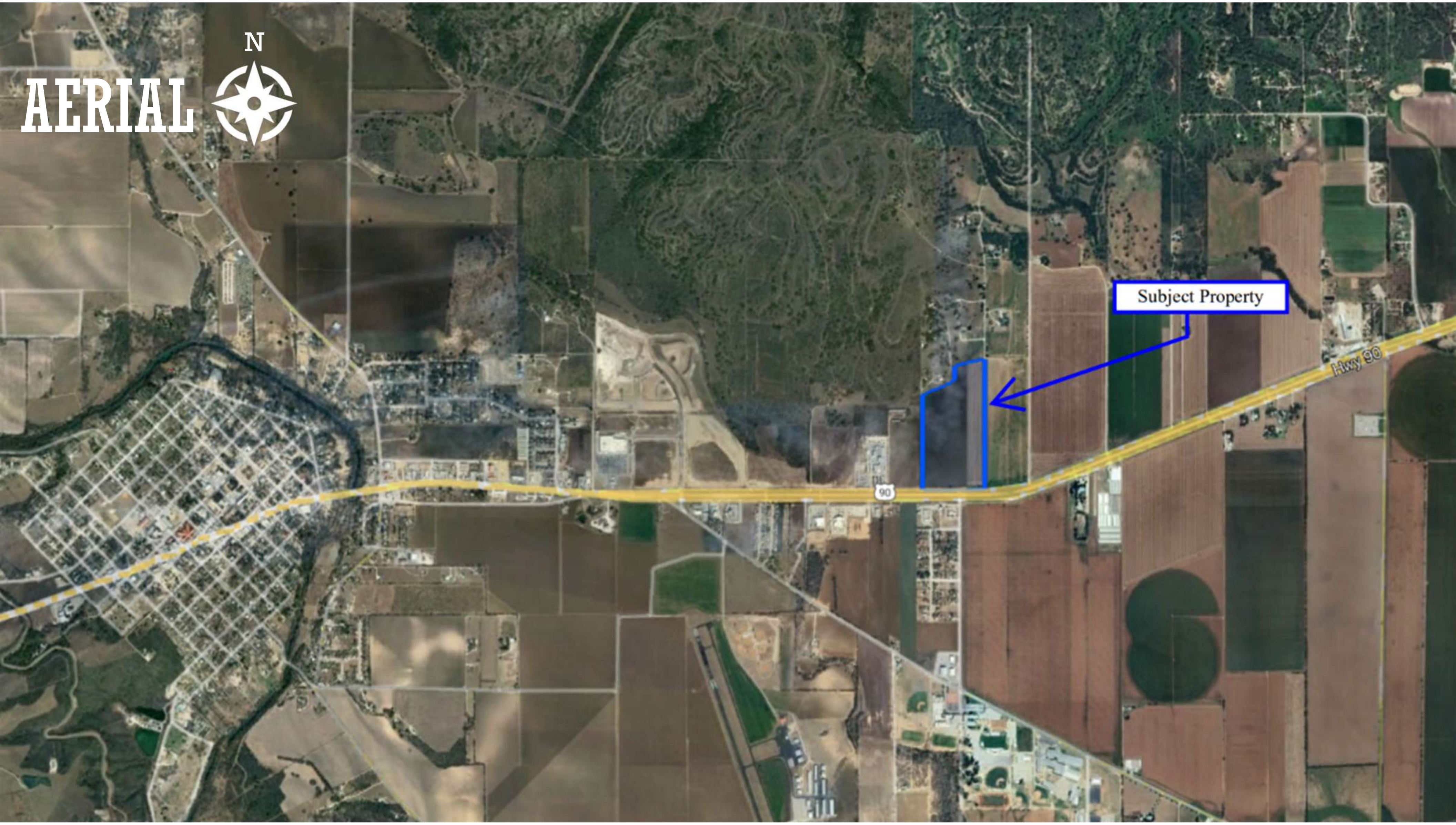
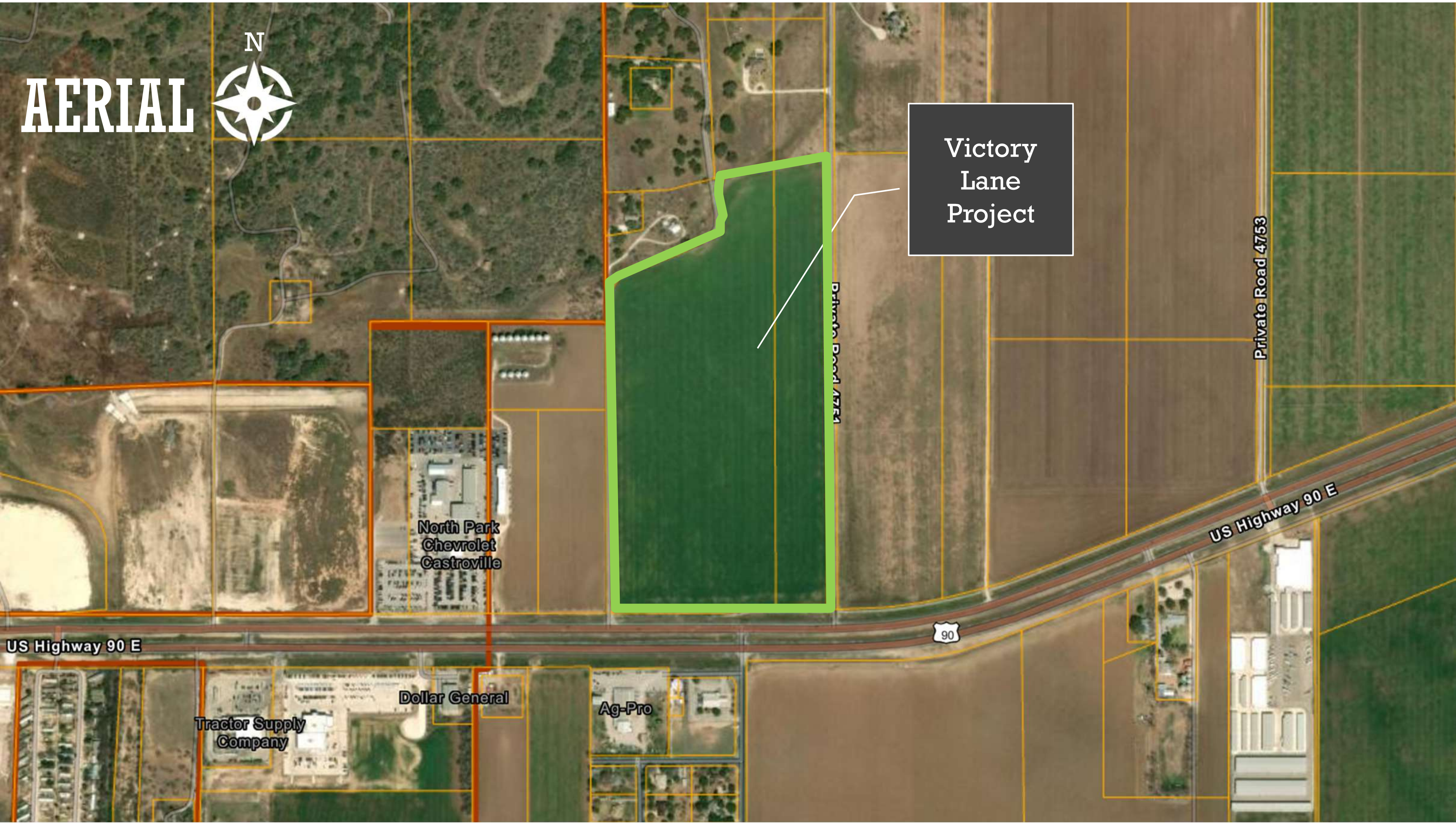
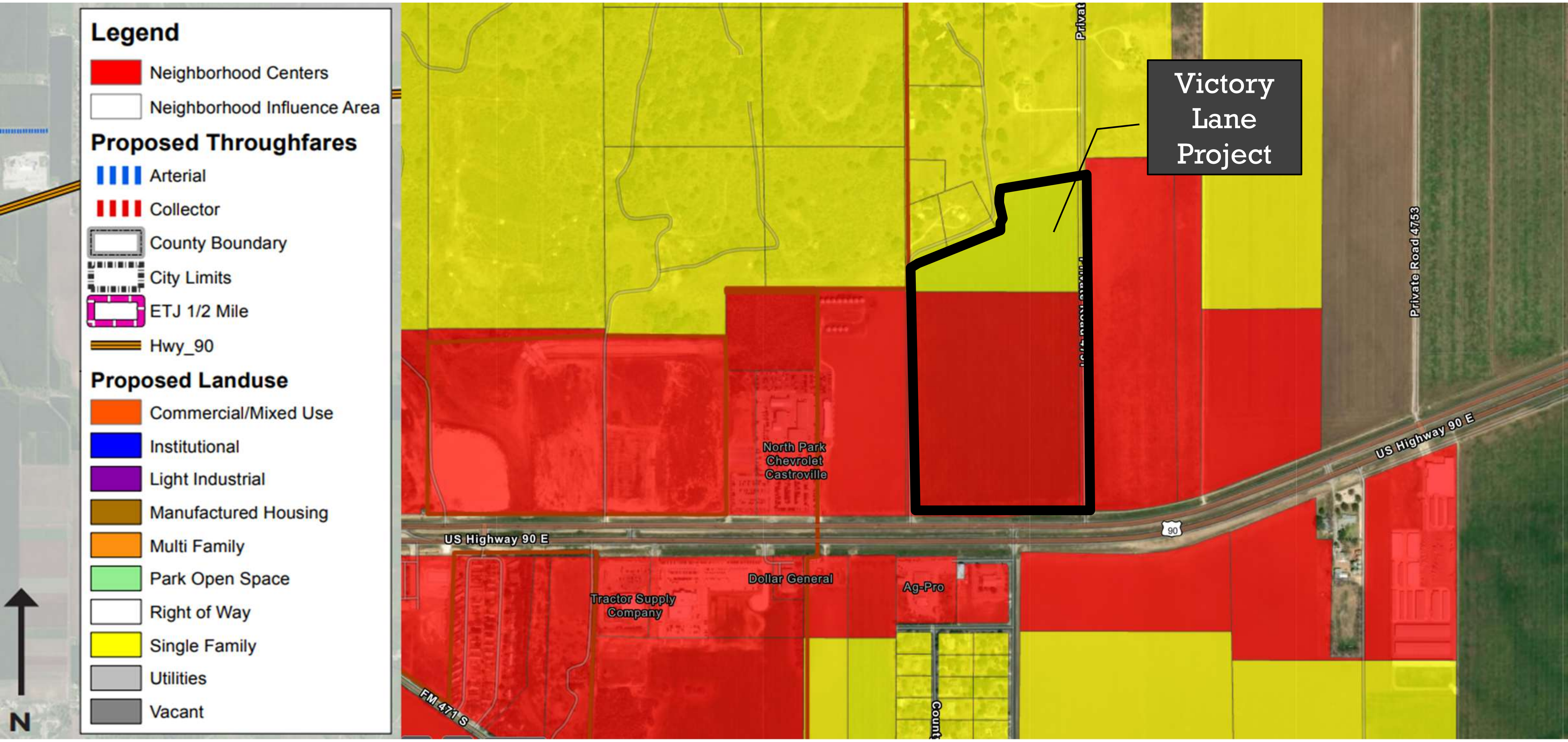
VICTORY LANE PARTNERS DEVELOPMENT AGREEMENT

PROJECT OVERVIEW

- Location: ~50.4 acres along U.S. Highway 90 (currently ETJ)
- Developer: Victory Lane Partners, Ltd.
- Type: Chapter 380 Economic Development Agreement
- Purpose: Annexation, commercial development, and public infrastructure delivery

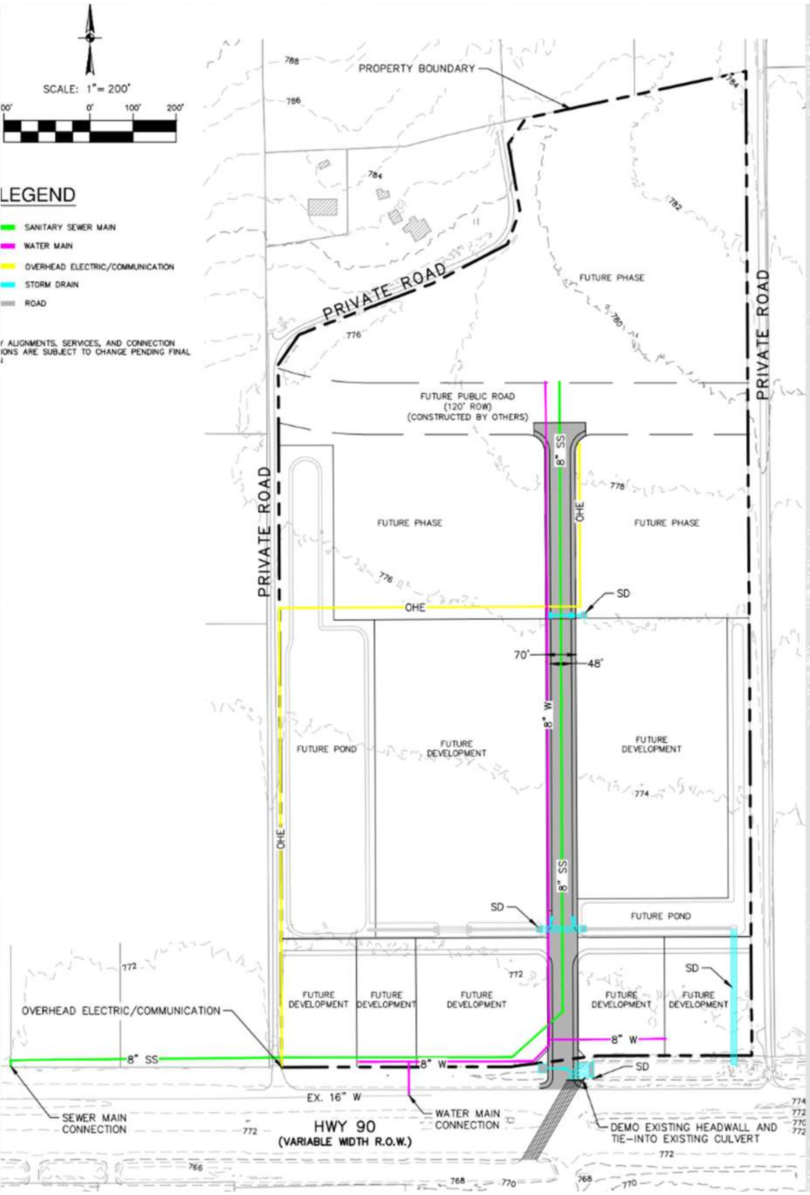

AERIAL
N
Subject Property
Hwy 90
90


AERIAL
N
Victory Lane Project
Private Road 4751
Private Road 4753
US Highway 90 E
US Highway 90 E
90
North Park Chevrolet Castroville
Dollar General
Ag-Pro
Tractor Supply Company



FUTURE LAND USE MAP

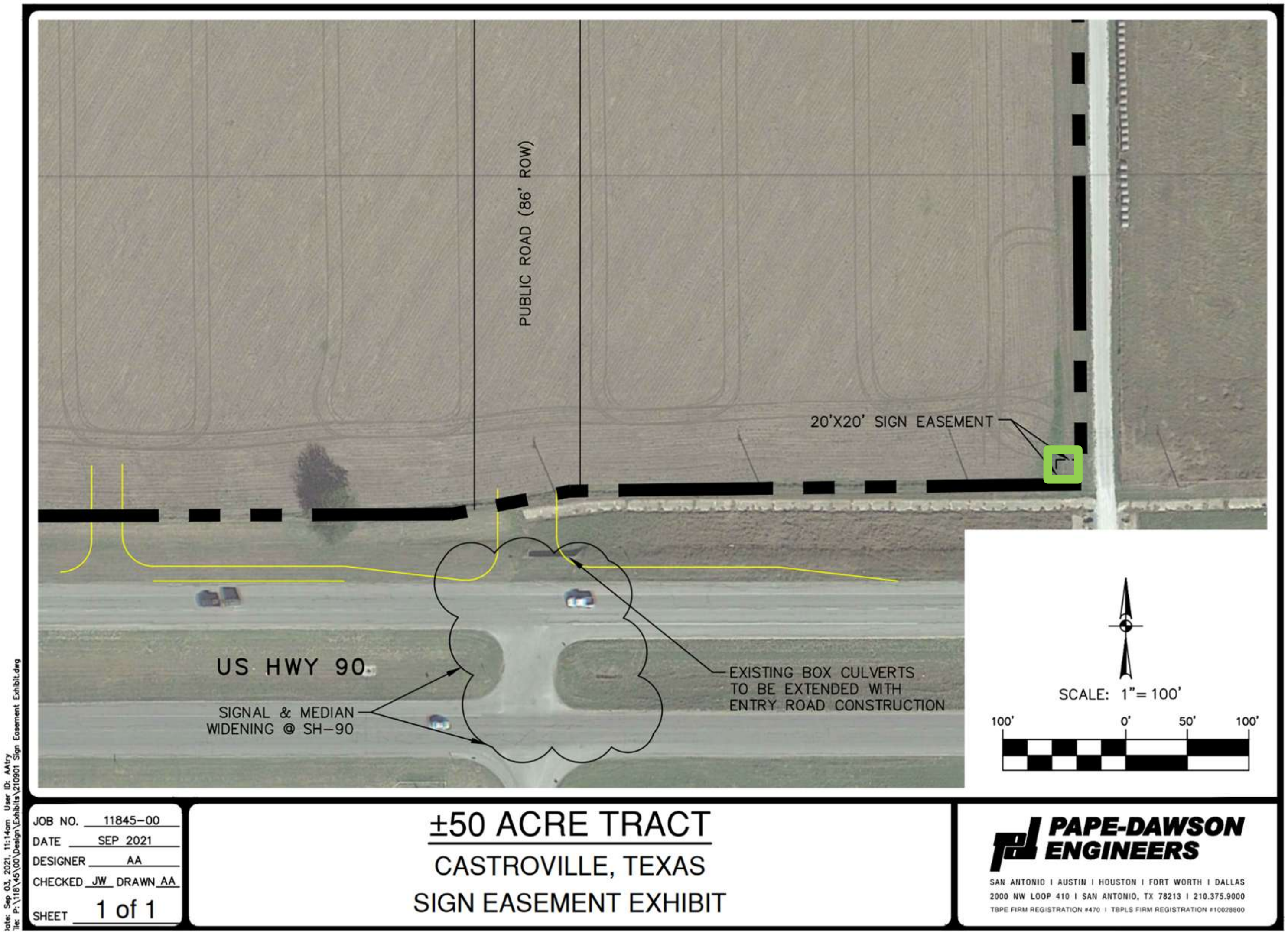
IMPROVEMENTS

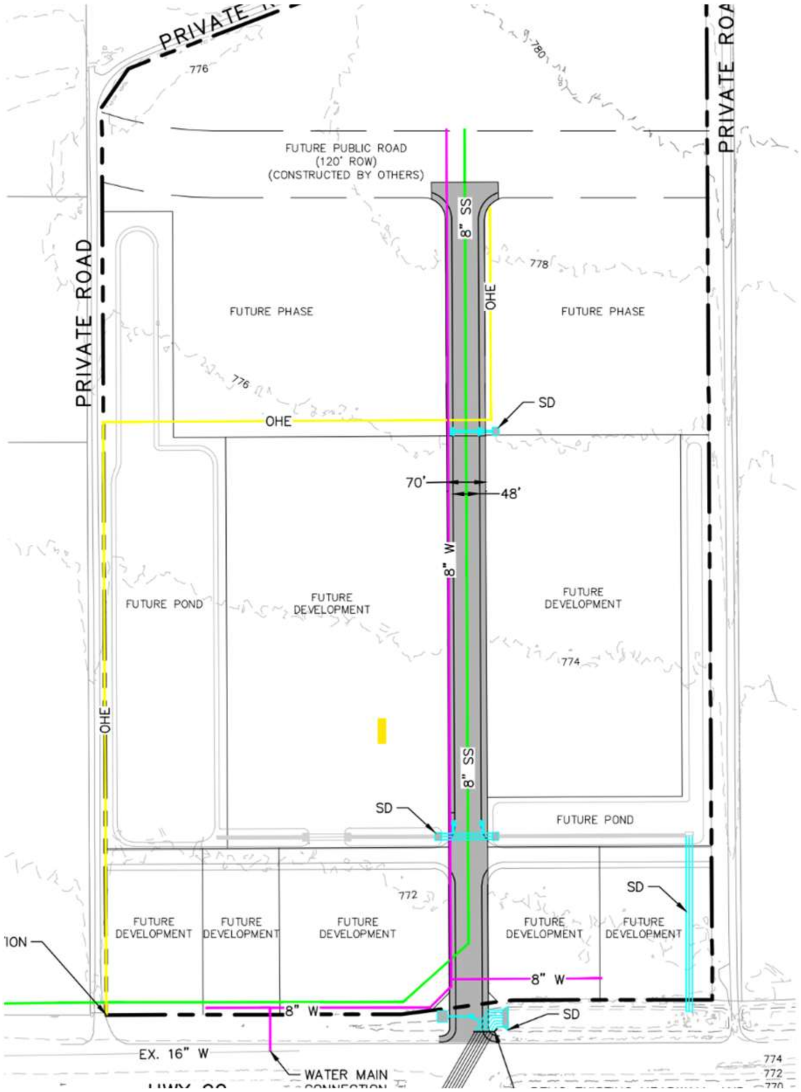


BENEFITS TO THE CITY

- Construction & dedication of:
  - Major Thoroughfare Plan (MTP) roadway segment
  - On- and off-site water, wastewater, gas, and electric utilities
  - Drainage and roadway improvements
  - Sidewalks, open space, and other public amenities
- City-branded gateway monument sign (up to $25,000)
- Petition for voluntary annexation into city limits
- Participation in Phase II water/wastewater improvements
- Maintenance bonds, easements, as-builts, and warranties
- Increased property & sales tax revenues, 25% of new property & sales tax retained by City immediately
- Economic growth and job creation

SIGN EASEMENT





DEDICATION OF LAND FOR THE NORTHERN ROUTE

FULL 120' ROW

BENEFITS TO THE DEVELOPER

- Reimbursement for eligible Capital Costs up to $6,000,000 (plus financing at 8.5%). The 8.5% financing cost goes into effect the moment the Developer pays for eligible public infrastructure (not at annexation, not at build-out, not at Council approval). It accrues until the City reimburses that specific expense.
- Source of repayment:
  - 75% of new property tax generated by project
  - 75% of new sales tax generated by project
- 20-year agreement term (or until reimbursement cap is reached)
- Provision of municipal services (police, water/sewer, fire/EMS via ESD #1, electric via CPS Energy)

WHAT THE $6 MILLION COVERS

- Public Infrastructure (roads, utilities, drainage)
- Public Improvements (sidewalks, open space, monument sign)
- Oversizing of lines if required by the City
- TxDOT-mandated improvements

**Does not include: private building costs, land costs.

FINANCIAL IMPACT: SAMPLE PROJECTION

- Property Value (example): \$50M → \$200k/year City property tax
- Sales Volume (example): \$100M/year → \$1.5M/year City sales tax
- Total City Revenues: ~\$1.7M annually
- 75% to reimbursement: ~\$1.275M/year (until cap reached)
- 25% to City retained: ~\$425k/year
- Reimbursement Period: ~5–7 years (depending on sales & buildout)

WHY IT'S A GOOD DEAL FOR THE CITY

- No Upfront Risk – The City doesn't issue bonds or advance money. The developer builds all public infrastructure first, and reimbursement is limited to project-generated revenues.
- Revenue Growth – Even while reimbursements are ongoing, the City retains 25% of all new sales & property tax immediately. At build-out, that could be several hundred thousand dollars annually.
- Infrastructure Expansion Without Debt – The City secures a segment of the Major Thoroughfare Plan, new utilities, drainage, and sidewalks without dipping into its general fund.
- Annexation Benefits – Brings 50 acres into city limits, expanding the tax base and City service reach.
- Gateway Identity – City receives a branded monument sign and enhanced community visibility on Hwy 90.
- Capped Liability – Reimbursements are capped at $6M + interest. Once reached, 100% of revenues stay with the City.

RISKS/CONSIDERATIONS

- 8.5% Financing Rate – That's generous to the developer compared to current municipal borrowing costs (cities often borrow closer to 4–5%). This could push total reimbursements well beyond $6M. None of the current development agreements have a financing rate.
- TxDOT Improvements – If not clarified, developer may argue later that certain required highway improvements should be reimbursable. Agreement needs Exhibit E locked down.
- Opportunity Cost – While reimbursements are happening, the City only nets 25% of new revenues. This delays the "full benefit" until after reimbursement is complete.
- Oversizing Utilities – The City is responsible for reimbursing incremental costs of oversizing, which could add to the tab.
- Monitoring/Admin – City staff will need to carefully verify reimbursement requests and keep track of revenues quarterly.

HOW IT COULD BE BETTER FOR THE CITY

- Lower or Variable Interest Rate, or Remove Entirely
  - Tie financing reimbursement to a benchmark (e.g., prime + 1%) instead of a flat 8.5%.
  - Cap financing reimbursements at a percentage of capital costs.
- Revenue Sharing Adjustment
  - City could retain 50% of property tax during reimbursement (since sales tax is the real driver).
  - Or, a "step-up" structure: developer gets 75% for first 5 years, then 50% afterward.
- Performance Benchmarks
  - Condition reimbursements on achieving certain occupancy levels or sales volumes.
  - Require completion milestones (e.g., roadway dedication before first reimbursement).

HOW IT COULD BE BETTER FOR THE CITY

- Design/Quality Standards
  - Tie reimbursements to compliance with higher-end building materials, landscaping, and signage to ensure the project aligns with community character.
- TxDOT Carve-Out
  - Explicitly exclude TxDOT-mandated improvements from reimbursement unless City Council authorizes otherwise.
- Transparency/Reporting
  - Require annual reporting to Council on revenues generated vs. reimbursements paid.

KEY QUESTIONS

1. Does proposed land use align with City's Future Land Use Plan?
2. Are roadway & utility expansions adequately sized for future growth?
3. Are fiscal protections (cap, revenue-only reimbursements) sufficient?
4. Should design standards (materials, landscaping, signage) be elevated?
5. Are public spaces and pedestrian connectivity adequate?
6. How will reimbursement requests be verified & audited?
7. What are the open spaces going to be if being provided?