



**City of Montgomery
City Council
Workshop Meeting Minutes
March 24, 2025**

OPENING AGENDA

1. Call Meeting to Order.

The City Council Workshop Meeting of the City of Montgomery was called to order by Mayor Countryman at 6:00 p.m. on March 24, 2025, at City Hall 101 Old Plantersville Rd., Montgomery, TX and live video streaming.

With Council Members present a full quorum was established.

Present:	Mayor	Sara Countryman
	Mayor Pro-Tem	Casey Olson
	Council Member Place 1	Carol Langley
	Council Member Place 4	Cheryl Fox
	Council Member Place 5	Stan Donaldson

2. Pledges of Allegiance.

Mayor Countryman led the Pledges of Allegiance.

PUBLIC FORUM

No comments were received.

WORKSHOP AGENDA

All Workshop items on the agenda are for discussion only, no action will be taken.

3. Presentation/Update by BCS Capital Group on the proposed new multi-family and mixed-use commercial development on 32 acres, southeast of the intersection at CB Stewart Drive and Buffalo Spring Drive, and north of Eva Street; and discussion of proposed MOU.

City Engineer Chris Roznovsky addressed the Council and started by saying, let me just point out what is handed out in front of you all, and then hand it over to the BCS guys who can walk you through the changes. There are a couple documents in front of you. The first one is the latest draft of the MOU, this red line, just so you have it for reference. The second item is this table. This is based on their projected numbers. What are the costs of the public improvements? What are the sales tax projected after the two-three-year mark, how that breaks down that two cents, how it breaks down what those dollars are, and then the bottom one is the reimbursement. This is not recommendation, it is more of a fact sheet to have in front of you. Zach Timms, WGA Assistant Project Manager, has pulled it up so as we go through scenarios, we can plug in and update

numbers. The last two are just two exhibits that show the roadway improvements that are being discussed, and the utility improvements being discussed for court records. But with that, I will kick it over to Jack and the BCS guys, and they will go over the updated plans.

Jack Burgher, BCS Capital Group, addressed the Council and started by saying we were here last week and what we presented last week is exactly what we are going to talk about tonight. We had our architects overlay and updated detention. It did not shrink too much. I know last week it looks massive. It still looks pretty big, but according to our engineers, I will let Jonathan speak to this more, but this is what we are expecting TxDOT to require from a detention capacity standpoint. So again, high-level multi-family on the northern plus or minus 13 to 15 acres. Academy and some retail next to it. On the middle reserve, pads out front focusing on restaurants. We get the sales tax. To that point, what we are asking for is some sort of 380 type agreement with the City, where we as a developer go and put in all the infrastructure, build buildings, etc. all on our dime. What we are asking for is a percentage of those dollars that we spend back only when earned. The way we earn those is through the ad valorem and sales tax that our development produces. We are thankful that you guys continue to meet with us. It feels like we have some tailwinds in terms of everybody wanting to see this project through. It is now just coming down to how we make the math work and how to figure it out. I can answer any questions for you or go into more detail if you like.

Mayor Countryman asked Mr. Burgher, where is the detention pond? Mr. Burgher pointed out the detention pond on the renderings. Mayor Countryman stated okay, I was not sure. I was like, is that the hotel property? Mr. Burgher replied, yes it was, and the hotel property now goes away. Mayor Countryman inquired, okay, and you revise this because TCEQ was mentioned and that would hold it up about three years. So, it is like, okay to go in a different direction to not have to go through that, then that means that there would have to be on-site detention, correct? Mr. Burgher replied, that is right. Mr. Burger stated and on top of that, we are closing now on the property, April 15th. The seller said it is going to take too long. Not only that, but it would also require an easement through the property which I do not think we are going to get. This is it, so here we are, but we have a project we can do today. It is what it looks like.

Mayor Countryman asked how many square feet is that Academy? Is that 65? Mr. Burger replied, it is 55,000 square feet. Their prototype is 55,000 and they do some larger 62,500 square feet. They considered that when they ran their cannibalization study for Willis. So, they are going south of HEB and Willis along IH 45. They are doing the triangle from Willis, Conroe, and Montgomery. It came back obviously cannibalizing a little bit, but they still project this to be. Council Member Fox asked, they are going to be south of HEB you said? Mr. Burgher replied, correct. They are doing the deal with that same developer with Fidelis. Council Member Fox stated, Moran Ranch. It would have been called Moran Ranch back in my day.

Council Member Donaldson inquired do you have an agreement with Academy to build on that? Mr. Burgher replied, we have a letter of intent. I have been in the retail business since college, so we' are talking about 16 years. The way these deals progress is you start talking verbally and then you start getting a letter of intent going. With some tenants, a letter of intent means nothing because they will throw out 15 of them and they will do two deals. With Academy it means a lot. Their broker has been in this business

for 30 years. We have done a lot together and he said this deal is as good as done, as it relates to their approvals because they got their sales projection back, they got the cannibalization back. So no, we do not have a signed lease. This would be a lease we are going to build for them. We would not even be in a position to sign it until we know that we have a deal that actually works. I can say with confidence that as soon as we get this done, we will have an Academy deal. We can make this deal contingent upon that. Council Member Donaldson stated okay that is great. I am kind of behind the eight ball because I had another proposal, but if you think Academy is going to be good going forward, I do not have a problem with them. Mr. Burgher stated they want to get this fully committed and approved in April. They are ready to go now. Council Member Donaldson said a couple of us here like Scheels and we would like to see one down here, but from what we understand, we do not have enough population density for Scheels. Mr. Burgher stated Scheels is an amazing product and I have been in their store a few times up in Frisco. It is actually the Colony up there in Dallas-Fort Worth and it is incredible. Mayor Countryman said but we do not have the density.

Mayor Countryman asked just so I am understanding this, you note the linear utilities, the roadway, the impact fees, their totals, the potential reimbursement, and you are stating that for the utilities and roadway, utilities being reimbursed to 50 percent and the roadway being 100 percent that the total development cost that you would want the City to reimburse you is \$1,995,100. Johnathan White, L-Squared Engineer, responded I think this is the scenario that WGA has in your packet. City Engineer Roznovsky, addressed the Council stating, the sheet in front of you was based on the first column, the total cost. Your linear utilities and roadway total \$3.083. Based on the previous Council conversations that we have had, we plugged in this potential reimbursement percentage, so that was 50 percent on the linear, 100 percent on the roadway, and nothing on the impact. Both Mayor Countryman and Mayor Pro-Tem Olson agreed with this. Mr. Burgher stated, this is where it gets tricky because of what we are asking for. Mayor Pro-Tem Olson stated that is a good fair deal. Mayor Countryman replied, exactly. Mayor Pro-Tem Olson stated that it is a good deal, yes, but that is not what they are asking for. Mr. Burgher stated, at the end of the day when it comes down to it, I was saying this last week to Mayor Pro-Tem Olson, how do we get a net 20 IRR (internal rate of return) to our investors? We are just shy of that with the current numbers, and I am more than happy to get an Excel model. We are not making that up. That is the tricky part. We are asking for more money than the quote-unquote public infrastructure in order to get the Academy deal done. We are closing on the land, so we are making that bet, and we are going to own the land in three weeks or two and a half weeks. In order for us to move forward with the Academy deal, we are getting \$4 million one way or the other. I do not know how we skin the cat, but that is where we are at. Mayor Countryman asked, so then where would the other \$2 million go if you need \$4 million? Mr. Burgher stated we have a breakdown here of total cost infrastructure if you look at the top right of page two on the BCS handout. Mayor Countryman stated, so total cost to the infrastructure on-site detention is \$6.6 million. Is that what you are talking about? Mr. Burgher stated, yes, it is a give and take, right? We got Phillip to reduce his purchase price because of the onsite detention, but it is not a total net win. We lose seven acres, right, 6.38 acres. Mayor Pro-Tem Olson stated, we talked about that the other night. I am not the engineer that Ryan is, but that is an enormous amount. Mr. Burgher said he agrees. Mr. White responded, we did not have a lot of time, but we sat down on Friday and took a look at everything. TxDot got passed. They basically have us design to those maps that were done when the last SH-105 frontage was done. One thing that we want

to do is coordinate with the potential project they are going to be coming in next, potentially Montgomery. I do not know if it covers that corridor, if it is just something further west, but to see if they have a better, assumptions to flow they can take on. We cannot exceed any flow that they designed to take on from like 2008. Fortunately, we have had changes in the criteria that we have got to decide, so we did not have to detain down to the rate that they assumed they were taking on in 2008, even though they have had new criteria that has come out that is increased flow. It is almost like we are double dipping and over detaining a little bit. Ryan's background is he is an AH consultant. I did call him just to see what his thoughts or opinions are. But when you are dealing with large subject tracts, hundreds of acres, thousands of acres, you can do master plan drainage and look at it in a different perspective. Then when we go to the cement this to TxDot, it is commercial with a driveway. They look at it very differently, not regionally. They can only take on the flow that their infrastructure takes on. For our subject, we are showing that we are going to be at a 0.8-acre foot per acre detention rate for 32 acres, six acres of the topography. I think we did it like eight or nine feet deep, giving room to follow the topography as it goes down for grading transitions. We are showing that we are going to need about six to six and a half, but that is based on a handful of hours being put into it. Council Member Fox inquired, how much is the retention pond again? Mr. White stated, six to six and a half we think that we are going to end up being now. There is a lot of value, engineering, and potential changes that we can try to tweak models, but TxDot criteria is very cut and dry. There is not a lot of room for tweaking. Mr. Burgher stated we will decrease our ask by the percentage that we are able to, for the detention cost, loss of land, and cost to do it Mayor Pro-Tem Olson. If it shrinks, which we want, we will decrease the City portion of the ask by that because that is a win for us as well. Mayor Countryman stated, I do not know that we can sit up here, and honestly, I would never say go decrease that to four acres, but of course if it is going to be smaller. Mr. Burgher stated we are doing estimates right now. We have brought in Jonathan and his team to try to shrink it. Mr. White stated, again, if it did not go to TxDot, it would be substantially smaller. TxDot is just a very hard criteria. Mr. Burgher added, then, the retaining walls as well. We are putting in about six feet of retaining wall height along SH-105. Mr. White stated the intersection is the lowest point. For us to be able to force water backwards, we want to be able to elevate slightly up across here, so it will allow some of the water to bypass the detention, but we have to elevate a large portion of this to get the drainage back. We can try to send what we can to TxDot. When you are talking about sending any commercial flow, you have to over restrict on the upstream side. In commercial development, that gets real quick on getting a high amount flow, of a very small amount of area, so we are very limited on what we can actually bypass. I am thinking a portion of this can bypass through to TxDot, let all this portion of water back. Then, this detention will actually serve the multi-family tract by itself and that will drain directly to Buffalo Springs. It still ultimately gets to TxDot, but it still has to be in our numbers. Mayor Countryman asked will it go down Buffalo Springs or across Buffalo Springs and then go down? Mr. White confirmed down to Buffalo Springs. Mayor Countryman stated because at first, we were talking about crossing over to go back to Rumpy Pond, but now that will be engineered to go straight to SH-105. Mr. White stated because TxDot has a crossover here, so we are subject to a certain amount of flow to this crossover and a certain amount of flow goes to this crossover here which ultimately goes to Stewart. This goes across SH-105 and then back. Mayor Pro-Tem Olson asked is the culvert we just put in big enough? City Engineer Roznovsky said it was the same size TxDot had, so it was not about size. It was size of what TxDot needed for the roadside. Mr. White said we are subject to

whatever they can take on it. Now if there are tricks up your sleeves to say, well, Kroger ultimately was designed to flow in the TxDot right-of-way and it does not, those are things that you would love to look into, but that is a lot harder than the equation to solve with TxDot. All their stuff is captured on site and goes straight to Stewart. Mr. Burgher said Mayor Pro-Tem Olson, you can come alongside us and help us work with TxDot. I would like to also add we are in talks with the adjacent tract. I do not want to say that it is going to happen, but we are going to try to go acquire the western six and a half acres and square off our frontage. I think it makes sense to incorporate it in our master plan. We will see, but I just wanted to mention that. Our goal is to acquire that. We are already in talks with Phillip about the remaining 112 acres. Again, that is too early to get excited about, but if we had it our way, we would be developing this entire reserve from the Lone Star Parkway all the way to CB Stewart.

Council Member Donaldson said I asked this question a couple of weeks ago. I still do not understand why the Rampy Lake parcel is defined in the Memorandum of Understanding. What do we need that in there for? It is a 115 acre tract and it is supposed to be on the other side of the street. I do not understand why it is in the Memorandum of Understanding, on the very first page. City Engineer Roznovsky said I think at one point, and I would have to go back and look, but the Rampy Lake parcel was being referred to regarding drainage. In terms of the use of the pond, it could have gotten red lined out, but that definition is no longer needed, especially now they are not going that direction. This was written at the time where the first thought was going to Rampy Lake. Council Member Fox asked so this right now is off? City Engineer Roznovsky said yes, there is definitely change. The point of tonight is to get through this, to modify this document to bring it back to you. City Engineer Vu said Rampy Lake is currently mentioned on page three of the draft. City Engineer Roznovsky said yes, page three in section five. City understands the subject tract for Rampy Lake parcel or plane to drain to Rampy Lake with the drainage study. Based on the information right now, likely that whole section can go away and therefore the reference Rampy Lake can go away, but that is why. Mayor Countryman said if you just go by the 112, then you just put it all together. Mr. Burgher said I know we have three weeks. Mayor Countryman said just write a check and then you will not have to worry about the two. Mr. Burgher said that is another piece is the timing, right? We are taking on a big risk for our company to come buy this tract in three weeks and we are doing that because of the relationship we have built thus far with you guys and know that we will figure out a solution. Our hope is that we can get that done tonight so we can get the Academy in for approval in April. As quickly as we can get TxDot to give us permits, we will see that happen a little quicker. It was a nine month lead time. Now we are seeing it happen in like four or five months. Mr. White said yes, there has been a lot of pressure on them. Drainage is always the hardest area to get approval, but they are speeding up their review timeline and the new portal they have gotten used to has been a bit more efficient. Maybe look at some traffic studies and things, but we have got to move fast. Mayor Countryman said I think that with the percentage presented it is hard to swallow and I do not think the taxpayers should pay more money, the \$4 million, and we do not know where that is going to go to. It is hard to look at your neighbor in the face and say, well, we gave them this money, but we know where half of it went. We do not know where the other half went. Mr. Burgher said well, we are showing you where it went. It is going to detention retaining walls and we are showing a three year payback and so the alternative is we buy this land, we hold it, and nothing happens. Mayor Pro-Tem Olson said when you go out to your paybacks and stuff, you really need to use WGA's numbers, or at least the way that

they did it with the formulas, because the way that it is split up, you cannot just say, oh, we get two percent and it is going to be paid back. That is not how it works, right? So when I tell you that we are close to 12 years based off of the City's half paying that back, we are like real close, right, because we do not get all those other percentages. Mr. Burgher said yes, I guess I did not know we did not have all the breakdown. Mayor Pro-Tem Olson said that is when I look at it and say, MEDC says no, they do not want kick in, right? So that is out. Another half percent is already out by ordinance to buy down taxes, and then the other quarter percent for the CCPD is out. So, we have one percent gone and we have one percent left. Mr. Burgher asked EDC is out? Mayor Pro-Tem Olson said if they choose. We cannot make that decision for them here. We have one percent that we can play with. Mayor Countryman asked and are you saying that one percent would be the 8,666 number? City Engineer Vu said that is correct. Mayor Pro-Tem Olson said when you start looking at payback of four and some odd million or more than that because I am still confused here. City Engineer Roznovsky said on this sheet this is based on a potential payback of the \$1.995 million and at that bottom table you will see the column one is if it is 50 percent of the City's one cent, that would be six years. If it is 100 percent of the City share, that is three years 50/50, 4.7, 100/100, 2.3. Mayor Pro-Tem Olson said so this is the City's proposal and this is their proposal, right? They are very, very far apart. That is where we have to come to somewhere in the middle because I am telling you right now, I will not vote for \$4 million. I will not do it. That is a 100 percent repayment of impact fees and that is 100 percent repayment of all infrastructure. I mean at some point, we should just develop it. If we are paying you back almost 100 percent, then why not develop it? Mr. Burgher asked what would be the payback? At the \$4 million at 100 percent, then the payback would be double that for six years? City Engineer Vu said at 50 percent reimbursement it would be 12 years. City Engineer Roznovsky said this is just sales tax. The feedback that we have gotten from you previously is this is only sales tax on this sheet. Mayor Countryman said so it is self-sustaining correct. Mr. James Todd said this is all open for discussion. We are not asking for just sales tax, this can be a portion of ad valorem tax as well. We are also open to the duration if it is better for the City to be longer or if it is better for the City to be shorter, that is fine. It is just coming to an agreement on this whole reimbursement that we get over that duration. Mr. Burgher said we can backload it like I was saying last week. If the City is like we want dollars today, let us figure out how to backload it where you get more of it up front and we get paid back later. Mr. Todd said for us, obviously with the investors, how we make money is getting them their money back as fast as possible. The longer you stretch that out, the less that \$4 million is worth to us, which is harder for us to make money on the deal. If it takes a little bit longer, if that is better for the City, we are willing to do that, because what we have done today is based on a 10 year period. At least in my models, but it is so preliminary up in the air discussing with you all, it is just a flat fee over that time so the percentages have not changed over that duration. I am just waiting on this discussion right now. I would also like to say I have been wanting this breakdown of the two percent. At no point did we ever think that it would be two percent to BCS over a duration of time. I know you all would have some portion of that to play with, but I did not know how much it would be until right now. This is us seeing the WGA projection for the first time. Mayor Countryman said please come to the podium Finance Director Carl. Finance Director Carl asked before you move on to item number two? Mayor Countryman asked does this cross over? Finance Director Carl said it absolutely does. Mayor Countryman said let us go ahead. I think we can talk about both of them because they are both going to talk about the same thing.

4. Presentation/Update by Finance Director Maryann Carl on Chapter 380 Agreements.

Finance Director Carl said you all have a copy of this slide deck in front of you. Basically, what I am going to go over with you tonight is the basics of Chapter 380s as it pertains to the City here, the funding sources, our current agreements, sales tax breakdown, and considerations.

For the basics, a Chapter 380, which most of you know, incentives designed to promote economic development such as commercial and retail projects by way of loans and grants for city funds or services at little or no cost. That comes straight from the comptroller's office. That is outlining what a 380 is. When you look at the project and need specific, they have to be project and need specific with a common shared element. Those common shared elements include a public purpose, quantifiable goals including jobs created, increased sales tax, and/or property tax value, and then a defined grant rebate for reimbursement amount and schedule. These are just things to keep in the back of your mind as you look forward as to what you need to do. The other thing we have to think about is the city ordinance that pertains to Chapter 380s, and that is Ordinance 2007-13. Underneath that ordinance it outlines qualifications. The first qualification is its retail and commercial development, office space and professional buildings, and residential development projects. The next slide it talks about part two. Funds may only be used to provide assistance for construction, maintenance, and/or development of city infrastructure. Including, but not limited to, construction of water and sewer line extensions and extensions of other utilities and related costs such as engineering and legal expenses. The third point underneath there is that the projects will generate sufficient sales tax revenue or ad valorem value tax base to offset any grant, loan, or reimbursement awarded by the City. I do not think we have any problem with part three. Under our ordinance, eligible applicants would be the property owners or the tenants to work with there. And then the selection criteria includes one or more of the following: job creation, financial viability, provisions of public visitor parking, public or visitor parking, sales per square foot ratio, ability to attract other retailers to the city, and uniqueness of the project to the city. So I think we fit all those parameters. Mayor Countryman said everything you have said I think we have checked the box. Finance Director Carl said I think what I would only refer back to is the idea of on slide seven under number two. The funds may only be used to provide assistance for construction, maintenance, and for development of city infrastructure. City Secretary Beaven asked what would that be in regards to their on-site detention? Finance Director Carl said that would be a question. City Engineer Roznovsky said the City has not been accepting onsite detention ponds. Mayor Countryman said we have not accepted it because I do not remember any of them being presented. City Engineer Roznovsky said when I say accepted, it is accept into your responsibility. Those detention ponds are maintained by the MUD. The City does not maintain any public detention ponds. Mayor Pro-Tem Olson said that is his whole hang up on this deal.

Finance Director Carl said onto slide 11 on funding sources. We are in agreement here that sales tax collection in a defined project area. Increased ad valorem taxes in a defined project area. I will point out that it is your M&O (maintenance and operations) portion only. You cannot give away your debt service portion. And then, impact fees assessed in a defined project area. Those would all be eligible funding sources. What you asked

for is a recap of what our current agreements are. The next section is going to go over those current agreements. Hills of Town Creek was established back in 2012. It has a \$400,000 maximum reimbursement. It has a 15-year term that expires in 2027. Underneath this, we pay ad valorem tax revenue for the increase over the pre-development tax revenue. Impact fees were eligible here as well. We anticipate to pay this one off in this fiscal year. Estates of Mia Lago was established in 2017. This was a \$100,000 maximum reimbursement. It is a 12-year term that expires in 2029. It is made up of ad valorem tax revenue increased over the pre-development tax revenue, and impact fees. It is M&O only. There has not been a payout on that. I am not 100 percent sure on that. I can tell you from reading the agreement, the reimbursement comes from the developer, and there are a series of requirements that need to be met before that reimbursement request can be presented. I imagine we are sitting in that 12 year period waiting to see if all of those boxes get to be checked off. Mayor Countryman said they had not even done anything. I think they just built a house and finished it recently, but it is stagnant. Finance Director Carl said that was for the Lone Star Bend extension which did happen. The infrastructure that was a part of that agreement happened. It is just all of those other pieces that make it eligible for the reimbursement. The Milestone or Kroger project was established in 2017. It is a maximum reimbursement amount of \$5,636,398. It is a 15-year term that expires in 2032. This is made up of sales tax and ad valorem. We pay 100 percent of the ad valorem tax for that parcel which is very large you may recall. 55 percent of the City's one cent and 100 percent of the MEDC sales tax. There is \$3.44 million remaining as of January 1, 2025. Mayor Countryman asked do you know what we give on an annual basis to them? Finance Director Carl said it has increased because if you recall in the beginning there was like two parcels and then we added this last year, it was a little bit bigger jump, so it totally depends on sales tax. If you recall this last year, one of the things that we looked at was the actual ad valorem tax collected by the City. This agreement, the way that it had been being paid out, was based on a calculation on the appraised value, and what that calculated tax levy would be, regardless of whether or not the City collected that. We pulled the data from the tax office to be able to get a correct number and in doing so, one of the pieces that was discovered is that of course, when you just take that appraised value, it does not take into account the personal property in these businesses. The outline of this agreement specifically says all property tax, which would include that. So we made a true up payment this year and we are on track to be able to have that solid data moving forward. I anticipate, based on the current projections of what is happening, that we will probably get to the 15 years on this agreement. The Shops at Montgomery was established in 2019. Maximum reimbursement is \$1,125,000. It is a 10-year term that expires in 2029. It is made up of 25 percent of total sales tax collected, which is broken down as a quarter cent from the City and a quarter cent from MEDC. We have \$881,798 remaining under this agreement. We have had some businesses added this last year that are inside that footprint, but we expect that this agreement will go the full 10 years. The newest agreement on here is the Home Depot which was established in 2024. The maximum reimbursement, you may recall this was figured in the project that exceeded the \$750,000, so Home Depot said the first \$750,000 they are covering, whatever exceeded that up to the cap of \$2 million for those two projects. The totals have come back and the maximum reimbursement would be \$512,278.92. This is an open-ended term. It will go until it is paid. This agreement is 50 percent of total sales tax collected. What that means is that the City is giving back the full penny that we have until this agreement is met. I am looking at the totals and the number of agreements we have right now is five. The reimbursement cap is \$7,773,676.92. The money is coming from ad valorem on

three of these agreements. City sales tax affects three of these agreements and MEDC sales tax affects two of them. Mayor Pro-Tem Olson asked so we have sales tax data from Home Depot for six months, right? Finance Director Carl said not yet. They opened in October. In that particular agreement, and again, most of these are this way. This is typically on the developer to be able to provide you the data that is required in order to be able to get money back on these three 380's. It gets a little bit tricky when you are talking about ad valorem because the developers do not necessarily have access to that data the way that we would have access to that data. Also, compounded a little bit more by the two agreements like The Shops and the Kroger agreement, that impact sales tax from businesses that are not their business, and again, they do not have access to those numbers the way that we would have access to those numbers. In the case of Home Depot, the reimbursement, this one is 100 percent on Home Depot to submit their sales tax reports to us and request that back. That in turn takes into consideration the fact that it is your local Home Depot, not any outside orders or anything else that may be impacting that, so it is actual receipts at the store. The data that we get does not get that granular. So while we can see and you can see in your monthly reports that Home Depot is up in your top contributors to sales tax, we do not see that granular detail based on what they are submitting at the store level and what is being submitted as a whole. Mayor Pro-Tem Olson said like the online stuff that we used to get before the stores here. Finance Director Carl said correct. We will not know where we sit on that until we get that first report from Home Depot. In looking at that, I would have to go back and look. The trigger date was the certificate of occupancy, which was issued October 21st of 2024. I think we are talking about one year from that date, and then I believe they have 60 days to submit that request to us from that one year, so this December 25th. Mayor Pro-Tem Olson said we use their projections based off of what their normal stores will do, so we come back 16 months, 18 months, or something like that? Finance Director Carl said that is what we were looking at based on going on our projections. Because I am not able to see the granular data of what is specifically local and what has outside influences, we will not know until we get that actual sales tax report. Council Member Donaldson asked once we get that initial sales tax report, you are saying in December? Finance Director Carl said I expect it will be by December. Council Member Donaldson said is there any way after that where we do not get hit with one big bill at a time instead because it sounds to me like when they submit in December we are going to have a big payment to make. Finance Director Carl said we will. There is not a way for us to do that any differently. The way that the agreement is structured it is an annual payment. Council Member Fox asked what is the advantage or disadvantage? I do not understand the open-ended term. I always thought we had terms on those. Mayor Pro-Tem Olson said we did open ended on that one because that is all they would agree to. They wanted a full five, whatever we borrowed from them back. Finance Director Carl said I am hoping to get them the entire amount, however long that might take that sort to do. But based on their projections, it looked like it would be 16 to 18 months. Council Member Fox said but that was a Home Depot demand. Mayor Pro-Tem Olson said yes, they wanted 100 percent of whatever they borrowed us to do to finish the road. Finance Director Carl said and it was above and beyond. I am sure you all recall, it has to do with the roadway improvements of Buffalo Springs and the traffic signal at Buffalo Springs on SH-105. It was anything above the \$750,000, so they agreed they would pay \$750,000 towards that project and then the cap was \$2 million and the project came in way less than that. Finance Director Carl said we are not paying for even 50 percent of what that infrastructure looks like. Mayor Pro-Tem Olson said they did not ask for

impact fees or anything like that. They just wanted the money back that we borrowed to finish building.

Finance Director Carl said slide 19 is your sales tax breakdown. This is part of what all of you were referring to. We have two cents. The City keeps one cent that goes into our general fund. It is used for general city operations. A half a cent goes to property tax reduction and we cannot touch that. That was put into place by the voters years ago. The other half a cent is as of January 1st this year is divided between the two component units of the City, one being the MEDC and the other one being the Crime Control Prevention District. Of that, the only portion that could potentially be used in these agreements would be what the MEDC has. CCPD does not have the ability to participate in 380s, and so the most that would be available from the City's portion and including the MEDC would be 1.25 percent of the two cents. Council Member Donaldson asked if a portion of MED's money that they receive is going to pay off the milestone project. Finance Director Carl said right. The way that agreement is written is that they currently get a quarter of a cent and so we will continue to give a quarter of a cent. It is outlined in the agreement as to specifically how much that was. It was not just defined as half of the MEDC's portion, it was defined as the quarter cent. I had conversations with legal about that and that is where we are. Mayor Pro-Tem Olson said The Shops get a quarter cent, but the MEDC is giving up 100 percent at the Kroger? That is what it says. So 100 percent of MEDC sales tax at Kroger. Even though we cut it in half, does that make a difference? Finance Director Carl said on the Kroger one, they are going to continue to get 100 percent of what is on the original agreement. They only get a quarter because MEDC only gets a quarter of a cent now. It is 100 percent of the MEDC sales tax. So at this point, the MEDC sales tax has been reduced, but they will still get 100 percent of that. On The Shops, it specifically outlines it as one quarter percent, which now becomes 100 percent sales tax in that area. Council Member Fox said this is very good. Thank you. Finance Director Carl said I hope it helps.

Finance Director Carl said considerations obviously would be types of projects. we talked about that and that is outlined by our ordinance. Of course, as you all know, new businesses create new dollars, right? It creates new dollars for sales tax, create new property tax dollars, but there are some things to think about when you are thinking about these new businesses coming and when you enter into these 380 agreements and giving it back. Clearly, if they do not develop, you do not have the expense which Mayor Pro-Tem Olson has pointed out. There are several things to think about. One of them is the sales tax tipping point. I have talked with some of you about this and the fact that your community has a finite number of sales tax dollars. Now, of course, you are going to draw from other resources and you are bringing more people and that is going to grow as time goes on. But, we have been so lucky to watch our sales tax dollars keep going up and up and up. I challenge you to think about it this way. As a family, if an individual who lives here in Montgomery, if that individual budgets to go out for dinner two nights a week, it does not matter how many restaurants you give them, they are still going out two nights a week. It just means they are spreading their dollars amongst different restaurants. I want you just to think about that as you move forward because we have been so lucky in watching these sales tax numbers just grow and grow. As you grow, we are going to have a period of that, but we have got to be aware that at some point that backs off some. Mayor Countryman said I know you do not have a crystal ball, but what percentage of our City is developed or not developed, I guess is the bigger question to say, okay, there is a 60-40 percent, so 40 percent is developed and there is 60 percent

wide open canvas, so the tipping point we are out for a little bit. Mayor Pro-Tem Olson said I ran some numbers just based off of the view, the acreage, and the way we use it. Montgomery tops out at about 9,000 to 10,000 population. We are burst at the seams, so that is what you can look at, about 10,000 people. Council Member Donaldson said we are a long way from that. Mayor Countryman said but I am also looking at the canvas too. As a city, how much are we developed versus not? That is the bigger question. The 9000 people are not the only people going to support these businesses. I just wanted to know have we developed 70 percent of the city because that means we are getting closer to that tipping point. Have we developed 25 percent? That is the question. Do you know City Engineer Roznovsky? City Engineer Roznovsky said we have it broken down by zoning district of what is developing. Mayor Countryman said if we are like at 70 percent, then we definitely need to talk about this. I do not know where that breaking point is. Finance Director Carl said it is not necessarily something that you need to be thinking in relationship to this. I am just providing the overall picture of 380s and moving forward. The other thing that I want to point out is the fact that when you bring in these businesses and homes, and those revenues that you are getting, whether it be from ad valorem or sales tax dollars, that money as you see with how we split up the sales tax and our ad valorem and our debt service, you have increased city resources. If you are relying on your businesses that are bringing in sales tax and you have more people, you were talking about more people in your city, potentially more need for police resources, more infrastructure, not just in that area, but all the way around and so there are other things to consider. When you give that all away, you are then putting that someplace else within the City's budget to take care of those increased needs. Between staff and the city engineers, we are all in favor of providing developers with incentives to bring these things here because it would be a great thing for us, but that is not it at all. We just want to be really aware of how much we are doing and also looking at those terms like as you saw tonight some of these 15 year agreements. We are going to be in them for 15 years. Those are just the kind of things to think about. I try to give you a big picture of all of them.

Mr. Burgher said I was going to ask a question about Home Depot. Was that a public infrastructure reimbursement zone, the \$5.6 million? Mayor Countryman said yes, it was the road. Mr. Burgher said he meant Kroger. City Engineer Roznovsky said Kroger put in Gardner Drive utilities on Gardner Drive and then the water and sewer wrapping around Lone Star Parkway and over to Buffalo Springs. Mr. Burgher asked was all that \$5.6 million? City Engineer Roznovsky said I do not have an exact number. We would have to pull that up. Mr. Burgher said for us what we can offer is that project is going to generate significantly higher sales tax than what we have seen based on the reimbursement breakdown I saw. We are willing to agree on shorter timelines, 10-year deal. You look at that Kroger deal, and I think they have been reimbursed roughly \$2 million dollars based on those numbers and I do not know how long they have been open, but I think it is plus or minus eight years so they just are not generating that much sales tax. We are going to generate significant amount of sales tax and if we do not, we are not going to get reimbursed. We are asking you to reimburse quickly and then look at what that is going to do once we get paid back for the City long term. Yes, you only get 1 percent, but 25 basis points goes to the people who do sales and reduce taxes. Another 25 basis points goes to the police department and the fire department. These are amenities for your constituents. We are purely asking for what we need to make the numbers work today. We have a development ready to go today. We get it. This is a huge ask. We are asking you to give up a lot. I think everything that you all are saying

is fair. Mayor Countryman said I just looked at the timeline and we have two that expire in 2029 and one that expires in 2032. The rest of Home Depot is 515, there is no end, and then we have Hills falling off this year. You are saying 16 years? Mr. Burgher said a 10 year deal. If we do not perform, we are not getting paid back. Council Member Fox said I think the fact of having an Academy here, I really believe that specifically like Home Depot, I go by there and see that there are always full parking lots and I know that it is not always the residents in there so I see the advantage of having those Academy, Home Depots because it is going to draw people. Instead of turning left as they go out of Walden Road they are going to turn right. Mayor Countryman said and then not only by there, but they buy their lunch or dinner and then their gas here too so they are dropping those dollars. We have not factored in the HEB effect and that is coming in late 2026. Council Member Fox said I realize that it causes a lot of issues for us financially about infrastructure, but I definitely believe that this is a project that will be a 20 year good thing for us. I guarantee you from Navasota coming back east too if there is an Academy here very much like there is a Home Depot, there is a bunch of people that I know that they are so excited they can come here. Mayor Countryman said FM 1774 is building out and there are thousands of homes and for them to have to go through Magnolia to go down FM 1488 to go to the HEB to go to the Academy coming this way, I foresee us grabbing a lot of that traffic and tax dollars. Council Member Fox said she does too because a lot of the employees for Johnson that are working on that project, they come back through Montgomery because they do not want to go the other way. I see what you all are bringing and I like it very much. I just want it to work for us. Mayor Countryman said I agree. I just want to make sure it is financially feasible. City Engineer Roznovsky said back in September, you have roughly 43 percent based on your zoning districts, 43 percent undeveloped in your commercial zone. That does not include any of these properties or anything that has happened since September. For your PD zone you have about 48 percent undeveloped. On PD, a lot of that is going to be used for single family, so that is not all commercial, but where you could have commercial developments, let us call it 50 percent. It is 48 percent in the PD and back in September was undeveloped and 43 percent back in September under commercial zone. Mr. White said I was trying to just come up with how many homes that we are personally working on in the area, inside the City is quite a bit. We have three or four subdivisions with you, but we also have one just across Montgomery Bend. It is just outside your city limits that will be another 1,000 homes. As you bring commercial in, you need those rooftops to be able to generate more and more sales tax. So if Kroger or Home Depot or Academy is not performing initially, as those homes come in it will help increase. Mayor Countryman said what I think is fascinating too is the majority of the phone pings at this Walmart, not in our city limits, comes from east of I-45 in Conroe. If they are coming this way, you give them an opportunity to come this way to do your Academy and your grocery shopping because it is close to one another and then they can head home. Kroger did a study and it had 85,000 unique pings over a month time period, and most of them were out toward Richard's in that area too. So again, to the point of, it is people that are around here that will be coming here and with that head count increasing with the amount of neighborhoods coming. Then the other potential commercial coming, I think we are sitting on a gold mine. Mr. Burgher said you are sitting on a gold mine. I do not want to undermine the land you guys have. You all are well positioned. This commercial reserve is the best undeveloped commercial reserve in our opinion in the City based on where it is situated in proximity to what we are talking about. We are just trying to present what we can do today. I do not want to undermine the land and the reality is, the way that these retailers look at facing,

Academy will not do another deal for another. Look at what they are already doing with Willis and Conroe. You are going to get people trading from all other sorts of other cities and they will never get what you guys have just because of the way the spacing goes. You are going to have to go about 10 to 15 miles. City Council Member Fox said the other thing is too on FM 1097 coming west, there are a lot of people that refuse because of construction to go back east. They come back this way. Mr. Burgher said that has happened in Magnolia too. People that live on FM 2978, and FM 1488, they are going all the way down to FM 249. Mayor Countryman said I am in favor of what you all are doing. I just want to make sure financially we are fiscally responsible and do right by that and appreciate all of your effort. Mr. Burgher said I think what I would focus on, and I know I am bias and obviously I am pushing to get this done so we can move forward, is the quick timeline is a 10 year view, and look at the amount of sales tax it is going to create. Look at it from a 20 year deal. If these guys do not do what they say they will do, they are not going to get reimbursed, but it still gives us this. Best case these guys get paid back in six years and we are clipping \$1.5 million. No other is doing that. We are taking all the risks. We are not asking you guys to give us a loan. We are asking for a percentage of that back. That is what we need today to get it done. We are going to close this land and we are going to work this deal with you guys. We are going to figure it out. We are not going to go do something else, but there is, over time we cannot figure something out, we are going to have to do something and there is other uses you can do that are going to generate, but I do not know. We are not going to play that game. We are going to close this thing in three weeks and will hit this out with you guys. Council Member Donaldson said that is the best news I have heard. I am glad that regardless of what the scenario says right here, I am glad that you are going to buy the land. Mayor Pro-Tem Olson said I agree. Back to the 380 agreements, and what City Engineer Roznovsky has told us about retention ponds, that is not considered city infrastructure. So our 380 agreement cannot cover a city pond. Mr. Burgher said I think we could work. Could we not do a deal where we donate a pond to the city and it is a city pond? Mayor Pro-Tem Olson said but we do not want it. Mr. White said I was just wondering if there is a development agreement that could be entered into that is tied to the 380 that allows the buckets of money to be spread outside against the public infrastructure, that is just a cap of money that is a max reimbursement regardless of what it goes towards. Mayor Countryman said that would be a question for City Attorney Petrov. Mayor Pro-Tem Olson said I think it has to be fairly specific. Mr. White said I do not know about the details, but just like any other variants, if there is something we are going against, something specific in your ordinance, the development agreement can potentially work it out. City Attorney Petrov said it will have to be used for public purposes though. Mr. Todd said that could be job creation, correct? City Attorney Petrov said that would be job creation. Council Member Fox said it takes somebody to dig the pond, so that is job creation. Mr. Todd said when you create the job there would not be an Academy without the pond. Council Member Fox said that is true. City Attorney Petrov said you could build into the agreement that certain businesses would have to employ certain numbers of people to create. That is the way your tax payments typically work. The developer has to guarantee there will be a certain number of jobs created. If there is not, they lose the ability to get reimbursed. If the Academy is not built it is somewhat of the same thing. You do not get the sales tax. Mr. Burgher said I think there are ways to create a development agreement that works.

COUNCIL INQUIRY

No Council Inquiry received.

CLOSING AGENDA

5. Adjourn.

Motion: Council Member Fox made a motion to adjourn the Workshop Meeting of the City of Montgomery at 7:04 p.m. Mayor Pro-Tem Olson seconded the motion. Motion carried with all present voting in favor.

APPROVED:

Sara Countryman, Mayor

ATTEST:

Ruby Beaven, City Secretary