

Legislation Text

File #: 24-798, **Version:** 1

PRESENTER:

Jeff Jewell, Director of Economic and Community Development

SUBJECT:

Presentation and discussion on a proposed Economic Development incentive for the Top Golf project.

DEPARTMENT: Economic and Community Development

COUNCIL DISTRICTS IMPACTED: All

BACKGROUND INFORMATION:

The City established Tax Increment Reinvestment Zone #1 (Creekside TIRZ) in 2007 to provide a source of dedicated funding for public improvements and other incentives to support the establishment and expansion of the Creekside center. The center currently generates approximately ten percent (10%) of total municipal sales tax and represents approximately \$750 million in total ad valorem commercial value. Twenty-five percent (25%) of sales tax and eighty-five percent (85%) of ad valorem taxes are held in the TIRZ#1 fund for existing debt service obligations, planning efforts, and future initiatives that the TIRZ Board and City Council both approve. The original developer and long-term owner is still engaged in the project and has been working with the city to identify a series of projects and proposed improvements to ensure Creekside's long-term viability and durability as a source of revenue generation for the City and County as the two participating parties.

The developer has been in discussions with Top Golf since at least 2019 regarding a possible location in Creekside. While Top Golf expressed some initial interest, there were questions around market and site viability that have since been resolved through negotiations on economic development incentives, as well as a plan to make a site ready for the proposed project. The proposed incentive of up to \$3 million will be delivered both as a cost offset for eligible public infrastructure to the developer, as well as a direct incentive to Top Golf that approximates its new revenue generation into the TIRZ#1 fund.

The scope of the project includes the relocation and/or construction of public infrastructure needed to accommodate the Top Golf development such as water, drainage, sewer and electrical work. The TIRZ board will enter a reimbursement agreement with the developer/owner of the project for the public improvement costs in an amount not to exceed \$1,500,000 and as further detailed in the attached agreement. All funding sources available to the TIRZ can be leveraged to support these costs. Additionally, the TIRZ board intends to enter an incentive agreement with Topgolf USA NBR, LLC, to provide a grant in an amount not to exceed \$1,500,000 from funds held in the Tax Increment Fund, consistent with the terms set forth in the incentive agreement. The incentive payments will be supported entirely by the City of New Braunfels property tax contributions to the TIRZ, given that the sales taxes and county contributions are limited to public improvements. The TIRZ project plan amendment and incentive agreements are attached as Exhibit A.

ISSUE:

Background information on a proposed incentive for the Top Golf project.

STRATEGIC PLAN REFERENCE:

Economic Mobility Enhanced Connectivity Community Identity
 Organizational Excellence Community Well-Being N/A

FISCAL IMPACT:

The TIRZ has adequate funding to provide the incentive. The project provides better than a 10% annual rate of return (10-year payback) after including costs and without including indirect, induced, or other benefits the projects is anticipated to generate. Top Golf significantly expands Creekside's trade area and market share and is anticipated to bring additional annual visitors to the center. Assuming a small capture of these visitors and the additional sales and property tax generated from those visits, the incentive has less than a six-year payback and a 17% annual rate of return. Additional fiscal impacts are attached as Exhibit B.

RECOMMENDATION:

Staff recommends placement of the TIRZ project plan amendment and agreements on a future city council agenda.