



# **LGC/TIRZ Agenda Item Report**

## **APRIL 2, 2013**

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**SUBJECT: Discuss and consider direction to staff on amending the agreements associated with the Cabela's development in order to provide funding for the administration of the Corporation.**

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### **1. Background/History**

When the DuPre LGC and Reinvestment Zone No. 1 were established, neither the agreements governing the Cabela's development nor the instruments governing the bonds provided a sufficient revenue stream to support the operations of either entity. As originally contemplated, it appears that the City was expected to bear the costs associated with administering the LGC & the TIRZ until such time as the development had generated enough revenue to pay off the interest on the project's bonded indebtedness. After that time, the City was supposed to be eligible to receive up to \$10,000 per year to cover the costs associated with LGC/TIRZ administration.

However, in practice the City has not been able to receive any reimbursements to date because the project still carries a substantial interest balance (mainly due to revenue falling far short of initial projections). Given current trends and past performance, it appears unlikely that the City will be eligible to receive funds for administering the LGC/TIRZ for the foreseeable future, if ever. Additionally, even if the City could start receiving reimbursements immediately, staff has determined that the \$10,000 per year provided for in the agreements would defray only a small portion of the actual expenses related to administering the LGC/TIRZ. Given both entities need for formal audits, legal advice & representation, and staff support, we estimate that the City could be responsible for up to \$100,000 per year in administrative costs (payable from the General Fund) if new arrangements cannot be obtained.

**2. FINDINGS/CURRENT ACTIVITY**

In order to authorize funding for the LGC/TIRZ administrative services, several of the agreements associated with the development will have to be amended. Since this will result in a reduction in revenue for Cabela's, their approval will be required. Staff and Bond Counsel would like the Board to consider approaching Cabela's and seeking their consent to amend the agreements.

**3. FINANCIAL IMPACT**

N/A

**4. ACTION OPTIONS/RECOMMENDATION**

Consider direction to staff on the desirability of asking Cabela's, Inc. to amend the agreements associated with the Cabela's development to provide funding for administrative services for the LGC & TIRZ District.