



# **CORPORATIONS TO PROMOTE ECONOMIC DEVELOPMENT**

**RECONSTITUTING AND PREPARING FOR THE FUTURE**

Mike Etienne, Assistant City Manager

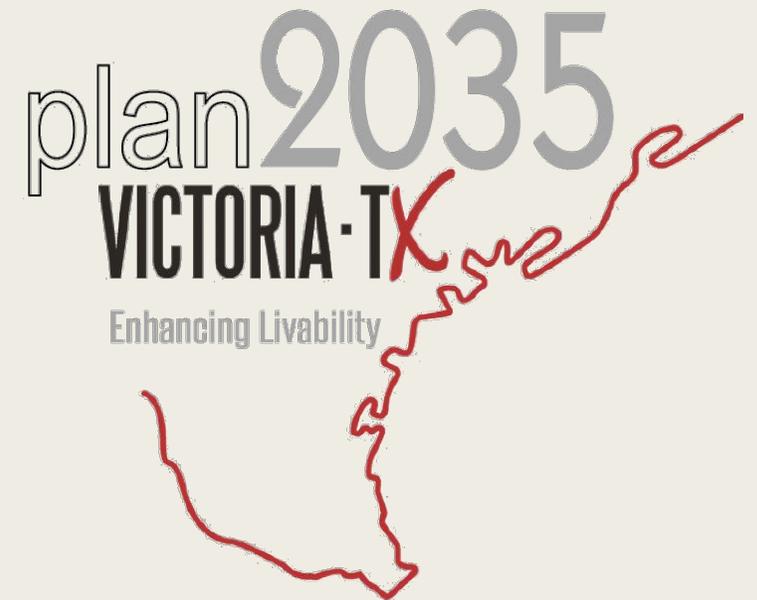
April Hilbrich, City Secretary

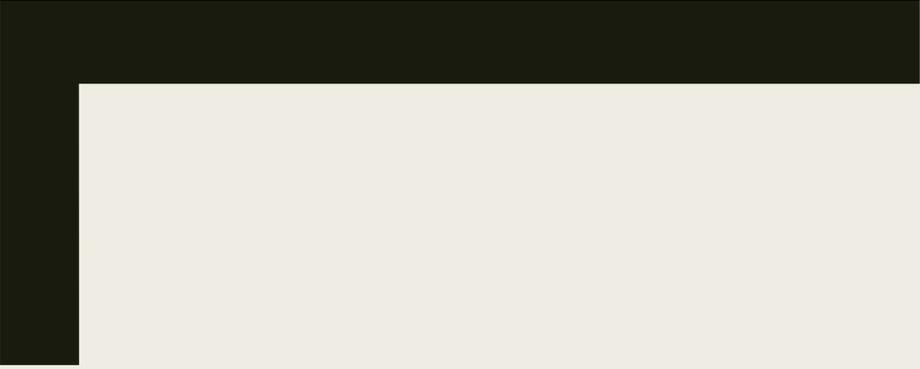
July 7, 2020



# Plan 2035

- 2035 Comprehensive Plan calls for the City of Victoria to promote more economic development to improve overall quality of life and make Victoria a destination city
- Victoria has several tools or corporations that could be reconstituted to help us be more intentional about economic development. They are:
  1. Victoria Development Commission/Corporation (VDC)
  2. Victoria Health Facilities Development Corporation (VHFDC)
  3. Victoria Housing Finance Corporation (VFHC)





# **VICTORIA DEVELOPMENT COMMISSION**



# Introduction and Background

- The Victoria Development Commission (VDC) was created in 1982 as a public nonprofit to promote commercial, industrial and manufacturing enterprises by issuing bonds on behalf of developers/private entities
- The Commission/City does not lend its credit. Rather, it simply acts as a “conduit” allowing borrowers/private entities to finance projects on a tax-exempt basis
- The bonds are sold strictly on the credit of the borrower (private entity) and the borrower is responsible for repaying the debt
- There are only 3 types of projects private entities can be financed on a tax-exempt basis:
  - *Small issue manufacturing or industrial projects (maximum bond amount \$10M)*
  - *Solid waste disposal, water and sewer, waste water treatment projects*
  - *Special exemptions for promoting transportation projects (i.e. airports, ports, docks)*

# How Does it Work?

1. Borrower or private entity submits an application requesting the Commission to issue obligations or bonds on its behalf
2. The application is then reviewed by Bond Counsel & Financial Advisor for eligibility
3. If recommended for approval by City Manager's Office and Finance Director, application is presented to the Commission for approval and then to City Council for consideration
4. After Council approval through Inducement Resolution, the Commission conducts a public hearing to give public notice and receive public comments
5. Commission requests bond allocation from the State in order to issue the bonds
6. Upon approval from the State, the bonds are sold

# VDC Projects

- Since its creation in 1982, the VDC has issued several industrial revenue bonds (IRBs) on behalf of private entities

**HEB Project** – in 1983, VDC issued \$3.795 million bond on behalf of H-E-B to construct a store at 1301 Houston Hwy (current location of Little Caesars Pizza)



**Gulf Coast Paper Project** – in 1983, issued \$1.2 million bond on behalf of Gulf Coast Paper to construct a small manufacturing facility at 3705 Houston Highway



# VDC Projects

**Totah's Motel Project** – in 1984, issued \$2.65M bond on behalf of Totah's Motel Inc to construct a Ramada Inn hotel at 3901 Houston Highway. The hotel is now Americas Best Value Inn & Suites



Americas Best Value Inn & Suites

**M & D Enterprises** – in 1983, issued \$1.9M bond on behalf of M & D to construct a Holiday in Motel at 2705 Houston Highway. The hotel is UHV's Jaguar Village

# VDC Board Composition

- Three Directors
- Must be members of the City Council
- Serve two year terms
- May be reappointed
- Term shall not exceed the period for which such Director shall be a public official of the City

# VDC Board Members and Terms

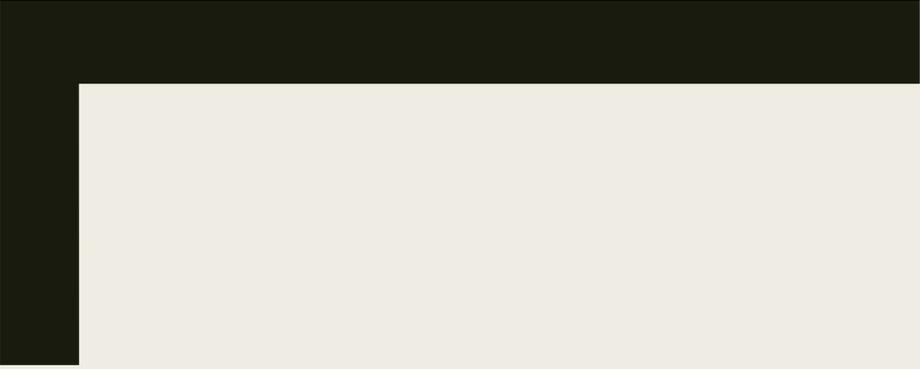
- Cm. Jeff Bauknight June 2021
- Mayor Pro-Tem Josephine E. Soliz June 2021
- Cm. Andrew Young June 2021

# Recommendation & Next Steps

- Staff recommends that the City reactivate/reconstitute the VDC and receive applications from private entities because:
  - The Commission is active and in good standing with the Secretary of State but has not met for years
  - Commission will help implement the 2035 Comprehensive Plan
  - It will enable the City to attract suppliers for Caterpillar and other manufacturers to locate in the City

## Next Steps

- Hold a Commission meeting to elect officers
- Update records with the Secretary of State
- Develop and approve certain policies, and receive applications
- Begin using the VDC to promote economic development



# **VICTORIA HEALTH FACILITIES DEVELOPMENT CORPORATION**



# Introduction and Background

- The Victoria Health Facilities Development Corporation (VHFDC) was founded in April 1983 as a public nonprofit to promote and develop health care facilities by issuing bonds on behalf of hospitals/private entities
- The Corporation/City does not lend its credit. Rather, it simply acts as a “conduit” allowing borrowers/private entities to finance projects on a tax-exempt basis
- The bonds are sold strictly on the credit of the borrower (private entity) and the borrower is responsible for repaying the debt.



# How Does it Work?

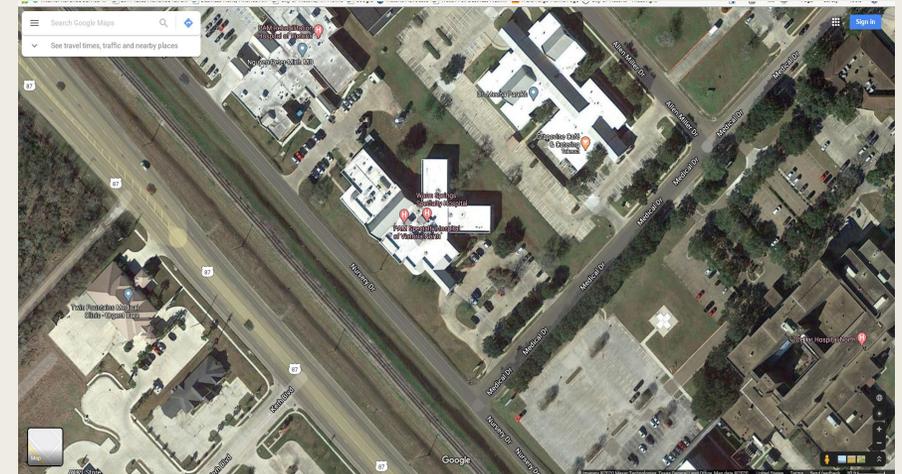
1. Borrower or private entity submits an application requesting the HFDC to issue obligations or bonds on its behalf
2. The application is then reviewed by Bond Counsel & Financial Advisor for eligibility
3. If recommended for approval by City Manager's Office and Finance Director, application is presented to the HFDC for approval and then to City Council for consideration
4. After Council approval through Inducement Resolution, the HFDC conducts a public hearing to give public notice and receive public comments
5. HFDC requests bond allocation from the State in order to issue the bonds
6. Upon approval from the State, the bonds are sold

# VHFDC Projects

- Since its creation in 1983, the VHFDC has issued 2 revenue bonds:



**Victoria Nursing Center Project** - in 1984, HFDC issued \$2.5M bond on behalf of Victoria Nursing Center to construct a nursing home facility at 501 E. Larkspur Street



**Warm Springs Rehabilitation Foundation Project** – in 1997, issued \$4 million bond to construct the Warm Springs Rehab Center at 102 Medical Drive

# VHFDC Board Composition

- Three directors
- All must be a City Council member
- Serve two year terms
- May be reappointed
- The term of any director shall not exceed the period for which such director shall be a public official of the City



Cm. Ricky De La Garza

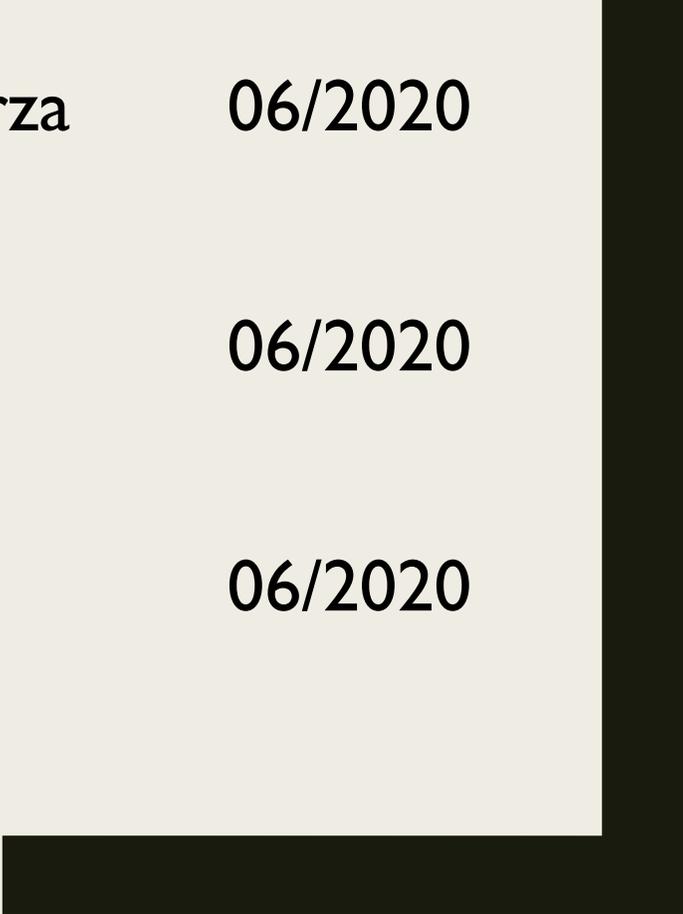
06/2020

Cm. Jan Scott

06/2020

Cm. Andrew Young

06/2020



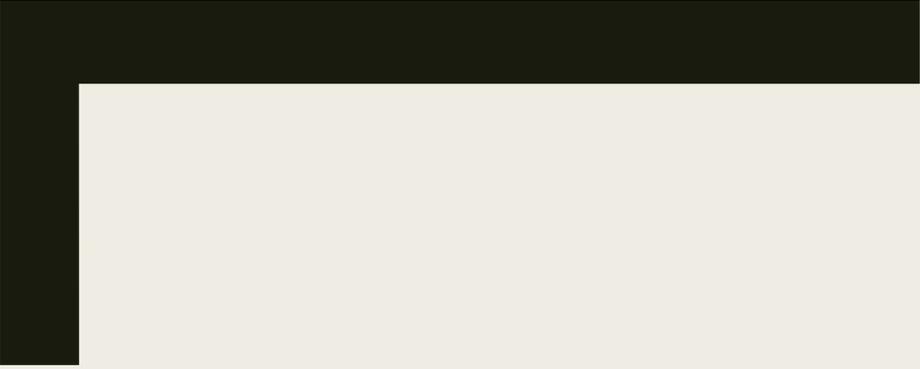
# **BOARD MEMBERS AND TERMS**

# Recommendation & Next Steps

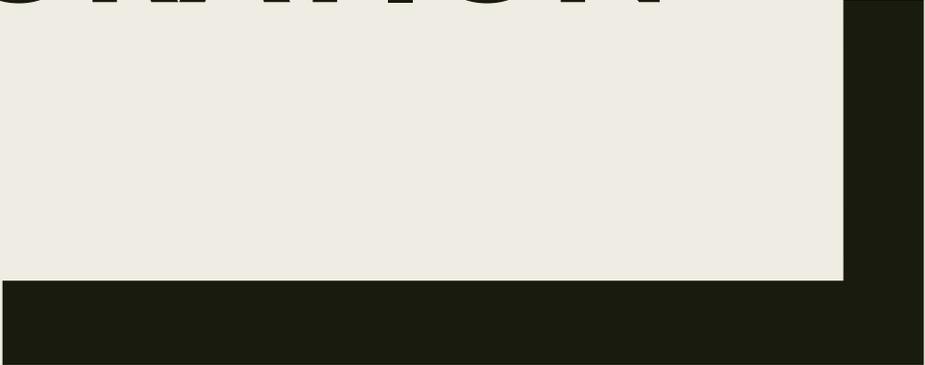
- Staff recommends that the City reactivate/reconstitute the HFDC and receive applications because:
  - The Corporation is active and in good standing with the Secretary of State but has not met for years
  - It helps implement the 2035 Comprehensive Plan which calls for the City to be the medical hub for the region.
  - It would enable us to attract hospitals & medical facilities to locate in the City

## Next Steps

- Appoint/Reappoint board members
- Hold a meeting to elect officers
- Update records with the Secretary of State
- Begin using the VHFDC to promote economic development



# **VICTORIA HOUSING FINANCE CORPORATION**



# Corporation History

- The Victoria Housing Development Corporation (VHFC) was created in 1979 as a public nonprofit to facilitate the development of residential housing that will provide decent, safe and sanitary housing to low and moderate income persons by issuing mortgage bonds on behalf of developers, lending institutions, and private entities
- Under Article IV of the original articles of incorporation, the Corporations also has the powers to make or acquire “home mortgages” and to “make loans to lending institutions”
- The Corporation/City does not lend its credit. Rather, it simply acts as a “conduit” allowing banks/private entities to finance projects on a tax-exempt basis
- The bonds are sold strictly on the credit of the borrower (private entity) and the borrower is responsible for repaying the debt

# How Does it Work?

1. Borrower or private entity submits an application requesting the VHFC to issue obligations or bonds on its behalf
2. The application is then reviewed by Bond Counsel & Financial Advisor for eligibility
3. If recommended for approval by City Manager's Office and Finance Director, application is presented to the VHFC for approval and then to City Council for consideration
4. After Council approval through Inducement Resolution, the VHFC conducts a public hearing to give public notice and receive public comments
5. VHFC requests bond allocation from the State in order to issue the bonds
6. Upon approval from the State, the bonds are sold

# VHFC Projects

- Since its creation, the VHFC has issued one Mortgage Revenue Bond in 1980 for \$23.8M
- The bond provided funding to 6 local banks to provide low interest mortgage loans to low to moderate income persons. The local banks were:
  1. Victoria Federal Savings and Loan
  2. American Bank of Commerce
  3. South Texas Savings Association
  4. Victoria Bank and Trust
  5. First Victoria National
  6. Cuero Federal Savings and Loan Association
  - **Nearly 400 individuals received low interest mortgage loans**
- 1992, the HFC took advantage of low interest rates and refinanced the original issuance, which resulted in a \$2.5 million windfall for the Corporation

# Change in Purpose

- To spend the \$2.5M windfall, in 1994 the HFC changed its purpose from providing residential housing opportunities to a more of charitable and education entity
- The new Article IV of the Articles of Incorporation (as amended in 1994) states *“This organization is organized exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code.”*

# VHFC Projects Since 1994

- Under the new purpose, the HFC funded several parks and beautification projects to include:
  - Will Rogers Terrace/Queen City Affordable Housing and Parks Projects
  - Various Park Projects
  - Community Center Roads and Parking Lot
  - Fire/Public Safety Projects
  - Library Projects

# Board Composition & Term

## Board Composition

- Three members
- Must be Council members
- Appointed for six year term
- May be reappointed

## Board Members & Term

Jeff Bauknight

Dec. 1, 2022

Rafael De La Garza, III

Dec. 1, 2022

Paul Polasek

Dec. 1, 2022

# Recommendation & Next Steps

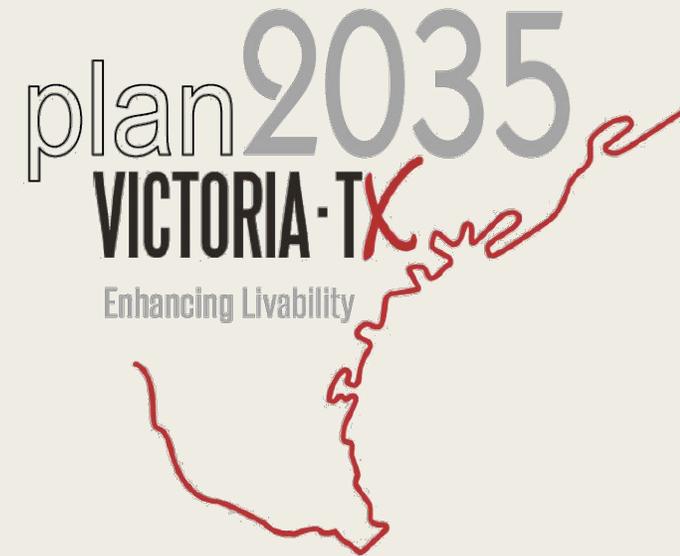
- To facilitate the development of workforce housing and increase homeownership opportunities, **staff is recommending** the following:
  - Dissolve the current Victoria Housing Finance Corporation
  - Create a new Housing Finance Corporation that is organized to carry out the original purposes of the Corporation

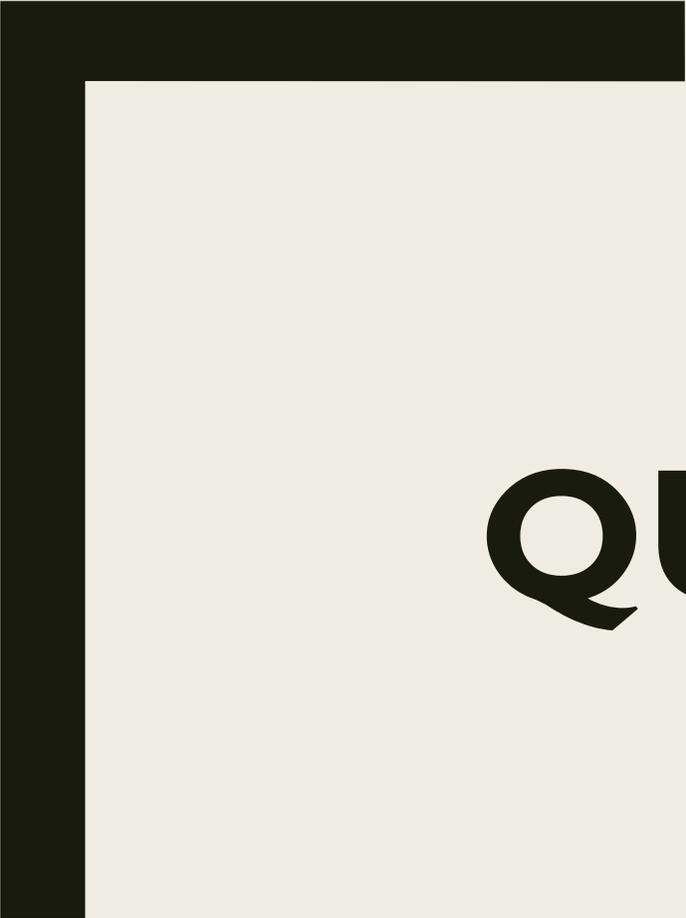
## **Next Steps:**

- Convene a meeting of the VHFC and vote to dissolve it
- City Council creates a new VHFC and return to the original mission and functions
- Appoint/Reappoint members
- Hold a meeting to elect officers
- Update records with the Secretary of State
- Begin using the VHFC to promote housing and economic development

# Summary

- These three Corporations are common economic development tools used throughout the United States
- Unlike other tools, they do not cost the City any revenues nor do they create any liabilities. In fact, they actually generate revenues through application fees
- They enable the City to be more intentional about economic development
- They help us implement the goals and objectives of the 2035 Comprehensive Plan
- Finally, staff recommends that the City reconstitute these Corporations and receive applications from private entities to promote greater economic development in the City





**QUESTIONS?**