

RECOMMENDATION FOR COUNCIL ACTION

Subject: Authorize negotiation and execution of a 20- year Economic Development and Grant Agreement with the City of Austin to enable the Corporation to timely pay annual debt service and on-going Administrative Corporation to timely pay annual debt service and on-going Administrative expenses on bonds proposed to be issued by the Corporation to finance certain Public Finance Reimbursable Project Costs in an amount not to exceed \$1,200,000 per year for a total grant amount not to exceed \$23,100,000 with respect to the redevelopment of the former Robert Mueller Municipal Airport as provided in the Master Development Agreement between the City of Austin and Catellus Austin, LLC, and authorize acceptance of grants issued to the Corporation by the City of Austin under the Grant Agreement.

Attachment (the Agreement and the Resolution)

The requested action will formally establish an economic program for the former Robert Mueller Municipal Airport (MUELLER), and authorize the City to enter in a grant agreement with Mueller Local Government Corporation, a corporation created by the City to promote MUELLER redevelopment.

Section 52-a of Article III of the Texas Constitution authorizes the Texas Legislature to provide for the creation of programs and the making of loans and grants of public money for the public purposes of development and diversification of the economy of the state, the elimination of unemployment and underemployment in the state, the stimulation of agricultural innovation, the fostering of the growth of enterprises based on agriculture, or the development or expansion of transportation or commerce in the state. Chapter 380, Texas Local Government Code provides that the governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality.

The City has determined the redevelopment of MUELLER is in the best interests of the City, and will promote economic development and stimulate business and commercial activity within the City.

In connection with the redevelopment of MUELLER, the City entered into a Master Development Agreement with Catellus Austin, LLC. effective as of December 2, 2004 (the Development Agreement). Under the Development Agreement, the City agreed to issue debt to finance certain MUELLER redevelopment costs described in the Development Agreement and defined as the Public Finance Reimbursable Project Costs either directly or through the auspices of a local government corporation to be created by

the City. These costs primarily relate to the construction and installation of infrastructure for MUELLER.

The Corporation is proposing to issue bonds in one or more series for the purpose of financing Public Finance Reimbursable Project Costs with respect to the redevelopment of MUELLER and the Corporation in accordance with the Development Agreement, and is seeking from the City financial assistance, in the form of a grant, to provide additional funding to enable the timely payment of debt service and on-going administrative expenses on such Bonds issued for the benefit of the City.

The Grant Funds shall first come from sales taxes generated within Reinvestment Zone Number 16, which encompasses MUELLER and to the extent that such sales tax revenue is insufficient, from the City's general revenues. However, none of the Grant funds will come from City ad valorem taxes except as expressly authorized by the City in accordance with applicable law.

The principal amount of the bonds that are proposed to be issued is \$12,000,000. The term of the proposed bond issue is twenty years. Separate action items will be brought before Council to authorize the issuance of the bonds at a later date.