

**CITY OF EDCOUCH
ECONOMIC DEVELOPMENT
CORPORATION**

**AGENDA
BOARD OF DIRECTORS MEETING**

**Thursday, May 20, 2020
Commencing at 6:00 p.m.**

**Edcouch City Hall
211 W. Southern Ave., Edcouch, Texas 78538**

If during the course of the meeting, the Board of Directors should determine that a closed or executive session or meeting is authorized by Sections 551.071 to 551.084 of the Government Code, Vernon's Texas Codes, Annotated, Notice of Closed or Executive Session will be given after the commencement of the meeting covered by this notice pursuant to Section 551.101 of the Local Government Code.

Should any final action, decision, or final vote be required in the opinion of the Board with regard to any item during the meeting, then such final action, decision, or final vote shall be made during the open meeting covered by this notice upon the reconvening of this public meeting.

- 1. Call Meeting To Order**
- 2. Roll Call/Establishment Quorum**
- 3. Discussion and possible action on approval of Articles of Incorporation for the Edcouch Economic Development Corporation.**
- 4. Discussion and possible action on approval of the By-Law for the Edcouch Economic Development Corporation.**
- 5. Discussion and possible action on accepting the following properties from the City of Edcouch.**
 - 1. St. Mary's Property described as the West Tract S402.9'-N721.9'-E692.2' - FT 562 6.0 AC Property I.D. 326174 - GEO I.D. W3800-00-562-0000-05**
 - 2. Property on North side of St. Mary's Property described as the West Tract N317.95'-E692.20' EXC AN IRR TR N187'-E247-70' - FT 562 4.28 AC GR 4.16 AC NET Property I.D. 326171 - GEO I.D. W3800-00-562-000-02**
- 6. Discussion and possible action on transferring the following properties to Kasal Construction LLC with certain conditions.**
 - 1. St. Mary's Property described as the West Tract S402.9'-N721.9'-E692.2' - FT 562 6.0 AC Property I.D. 326174 - GEO I.D. W3800-00-562-0000-05**
 - 2. Property on North side of St. Mary's Property described as the West Tract N317.95'-E692.20' EXC AN IRR TR N187'-E247-70' - FT 562 4.28 AC GR 4.16 AC NET Property I.D. 326171 - GEO I.D. W3800-00-562-000-02**

- 7. Call to Adjourn.**

I, the undersigned authority, do hereby certify that the above Notice of Said Meeting was posted on the main entrance of the Edcouch City Hall, a place convenient and readily accessible to the general public at all times; that said Notice was posted at 5:00 pm on the 18th day of November 2019; and that said Notice will remain posted continuously for at least 72 hours preceding the scheduled time of said Meeting, in compliance with Chapter 551 of the Government Code, Vernon's Texas Codes, Annotated_ (Open Meetings Act).

WITNESS MY HAND, THIS THE 4th DAY OF NOVEMBER 2019.

Victor H. De La Cruz
Edcouch City Manager

MINUTES
**EDCOUCH ECONOMIC
DEVELOPMENT CORPORATION**

AGENDA

BOARD OF DIRECTORS MEETING

Thursday, November 07, 2019

Commencing at 6:30 p.m.

Edcouch City Hall

211 W. Southern Ave., Edcouch, Texas 78538

8. **Call Meeting To Order** Meeting was called to Order by Chairman: Gonzalez at 6:50 pm.

9. **Roll Call** Roll call was called by Mr. Pete De la Cruz as follows:

EDC Members

Board Chairman: V. Gonzalez X

Board Member: Rene Flores X

Board Member: Joel Segura X

Board Member: Lorenzo Cabrera X

Board Member: John Chapa X

Attorney: Orlando Jimenez

Staff

Victor H. De La Cruz, City Manager

Manuel Hernandez, Deputy City Mgr.

Pete De La Cruz, Fin./Grants

Guest: David Gonzalez - PFM

Frank Trevino

Pete De La Cruz - Mayor, we have a quorum

10. **Discussion and possible action on approval of Minutes**

a. **Regular Minutes of October 28, 2019**

A motion to approve the minutes of Oct. 9, 2019 was made by Board Member: Flores, 2nd by Board Member: Segura. All Voted Aye. Motion Carried.

11. **Discussion and possible action on approval of Articles of Incorporation for the Edcouch Economic Development Corporation.** (1:00)

Mr. Victor H. De La Cruz - Mr. Jimenez will go over this item. Counsel has been working on and created the Articles of Incorporation for the Edcouch Economic Development Corporation.

Mr. Jimenez - Good evening Board of Directors. We went ahead and submitted Articles of Incorporation/Certificate of Formation of the Edcouch Economic Development Corporation. It was my understanding that they were already provided or produced at one point but never filed. So, we are going to make sure they do get filed. So, we prepared that, and we are going to hopefully execute them either tonight or tomorrow. It's my recommendation for the EEDC, to go ahead and accept, sign, and execute the Articles of Incorporation. Chairman: Gonzalez - Was there anything different as compared to the previous one? Mr. Victor H. De La Cruz - We didn't see any. Mr. Jimenez - We didn't see any Articles of Incorporation from before. Chairman: Gonzalez - Ok. Mr. Victor H. De La Cruz - Just for the record, I would like to say that some of the data that we do have that we did go through, there were no articles but there were different projects that were done through the EDC, but I never saw any articles, any Bylaws, or anything. Chairman: Gonzalez - Ok, so we have articles that need to be approved.

A motion to approve the Articles of Incorporation for the Edcouch Economic Development Corporation was made by Board Member: Flores, 2nd by Board Member: Chapa. All Voted Aye. Motion Carried. (2:42)

12. Discussion and possible action on approval of the By-Law for the Edcouch Economic Development Corporation. (2:43)

Mr. Jimenez - Mr. Chairman, same as in No. 4, we went ahead and did the actual Bylaws for the Edcouch Economic Development Corporation. The Bylaws are the actual brainwork from which the corporation is going to operate, so we went ahead and did those as well. It is my recommendation to approve that.

A motion to **approve** the By-Laws for the Edcouch Economic Development Corporation was made by **Board Member: Flores**, 2nd by **Board Member: Segura**. All Voted Aye. Motion Carried. (3:13)

13. Discussion and possible action on accepting the following properties from the City of Edcouch.

1. St. Mary's Property described as the West Tract S402.9'-N721.9'-E692.2' - FT 562 6.0 AC Property I.D. 326174 - GEO I.D. W3800-00-562-0000-05

2. Property on North side of St. Mary's Property described as the West Tract N317.95'-E692.20' EXC AN IRR TR N187'-E247-70' - FT 562 4.28 AC GR 4.16 AC NET Property I.D. 326171 - GEO I.D. W3800-00-562-000-02 (3:25)

Mr. Victor H. De La Cruz - Mr. Chairman, earlier this evening the city approved to go ahead and transfer these two properties and at this time we are recommending that the EEDC Board accept these properties. **Chairman: Gonzalez** - For the record, they were bought by EDC funds. **Mr. Victor H. De La Cruz** - They were bought with EDC funds in past years.

A motion to **accept** the property of St. Mary's and the property on the Northside of St. Mary's was made by **Board Member: Segura**, 2nd by **Board Member: Flores**. All Voted Aye. Motion Carried. (4:15)

14. Discussion and possible action on transferring the following properties to Kasal Construction LLC with certain conditions. (4:18)

1. St. Mary's Property described as the West Tract S402.9'-N721.9'-E692.2' - FT 562 6.0 AC Property I.D. 326174 - GEO I.D. W3800-00-562-0000-05

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Mr. Victor H. De La Cruz - Mr. Chairman, these properties, as you notice, it does say with certain conditions. I would like to stress that there are certain conditions and if you all would give us the opportunity to kind of go through and establish those conditions before we actually transfer those properties over to Kasal. In the interest of time some of the things we actually talk about, is time, time for actual breaking ground. I believe there's been different times, so we need direction at that point from you all right now. Basically, how much time would you give somebody that actually starts breaking ground, that way we can have those things ready for you all? So, question number one for you all is give us a time frame so we can have that. **Board Member: Flores** - How about three months? **Chairman: Gonzalez** - And what is breaking ground for you? **Board Member: Flores** - It means starting on the infrastructure like roads and so forth. **Chairman: Gonzalez** - Not just the sign? **Board Member: Flores** - No, they are going there to start construction, start the drainage, do the curve, make sure they get everything with the county,

registering all the lots, getting all the surveys, and getting everything else. **Mr. Victor H. De La Cruz** - Since you mentioned surveys, the city did use the city engineer to do a lot of these platting's and surveys. So, those were the things that were mentioned that we could add those cost to whoever is interested in doing something with those properties. **Chairman: Gonzalez** /**Board Member: Flores** (at the same time) - We don't want the city to spend any money at all on those projects. **Board Member: Flores** - So, we did all the preliminary work and they will take that cost of the engineer because we were going to do it. Remember Hugo? **Mr. V. De La Cruz** - Yes. **Mr. Jimenez** - I guess the question without fee or without having been provided the copy of those engineers schematics and to what extent those schematics were done. And another thing that Mr. De La Cruz and I were speaking of earlier is that when an engineer comes in to develop property, they have to take into consideration the usage. So, that way they can do the proper drainage and the proper sewer. The water doesn't matter, it's done with force. The sewage, for instance, they have to have a slope or a lift station, so if our engineer used the uses of commercial, that's very different from residential. There is a lot more sludge that comes from residential, so the schematics don't take that for consideration, then they are going to have to redo it all over again and that's fine. Like Mr. De La Cruz said we need some direction so that way when we talk to Kasal, we can say, yes, we are going to transfer the properties, here are the conditions. Are you willing to meet these conditions being presented by the EEDC? I don't know how much of the engineers schematics have been done and I don't know whether or not they need to be modified. And if so, do they go back to that engineer and say, hey we need tweak and or to amend it, and they'll do it at their cost. **Chairman: Gonzalez** - This is just residential? **Mr. Victor H. De La Cruz** - Residential and commercial. **Mr. Jimenez** - Right now Mayor, that is a good question, property 1, is a residential. And property 2 is a commercial, or is it just an independent lot? **Mr. Victor H. De La Cruz** - No, they are independent lots and in total they come out to equal to - - run in --not audio able - - whenever this project was designed by the engineer, that's why the schematics has already been made. It was always looked at as a living area, we never discussed commercial. They all have to have some tweaking. Now, on the frontage of FM 1015, they want to put some commercial lots. **Chairman: Gonzalez** - And both of them are in the same general area, right? **Mr. Victor H. De La Cruz** - Yes, they are back to back. If you were to combine them, they would be 10 acres all together. **Chairman: Gonzalez** - And there's nothing that drives in the middle or that it's from another entity? **Mr. Victor H. De La Cruz** - No. **Chairman: Gonzalez** - Alright. **Mr. Jimenez** - If the city engineer already provided the plans, do they pay for those plans? **Board Member: Flores** - Yes. **Mr. Jimenez** - So, the city hasn't paid for that? **Mr. Victor H. De La Cruz** - We haven't. **Chairman: Gonzalez** - Alright, so the condition is the time frame and from three to six months so they can start breaking ground. They are going to pay some of the work that has already been completed or started by the city. What is the other criteria? **Mr. Victor H. De La Cruz** - One of the areas that we talked about was what is the city going to get? The corporation itself is a non-profit corporation. But we do want to have some monies in there so we can use and market the city and all that. So, it's important for us to kind of see that we are not just giving something away to somebody that is just going to go and make some money out of it. So, there are some conditions there. The Council did talk about having a 25% of the area to actually work, like a job site. One of the most important one was do we get a 1% and this is if we get a little more technical, 1% per lot, 1% per total, what is it that we are looking for. **Mr. Jimenez** - The local government code under preparation for EDC, the whole purpose is so that way you can stimulate growth and also to be able to use the current and available work force. So those are the two main purposes of the EDC. They are to stimulate growth for economical residential and also to have a workforce from the area. So, the first one regarding growth, the EDC cannot just give the land away, we can transfer it. The way the EDC works, either they postpone the payment, kind of like what they do with the tax abatement or it can be a purchase abatement. They are going to say, we are going to sell you the property at fair market value and the fair market value is an x amount, but you can pay us in four years. Or, the

EDC can get a percentage of every sell. So, what I've seen when I looked around with other people, especially on property of this magnitude, 1 to 1.5 % of the cost of the property is not uncommon. So, a suggestion would be to 1%. The City can either sell out right and wait for the payment for three or four years, whatever, or the third one, get a percentage. The last one, you can actually have sub proofs because you have 1% of the lot sale, 1% of commercial sale, 1 % of the total project, and again all of this has to be reasonably related to the fair market value. So, the fair market value, if it's 100 thousand, it's 1% of just the land alone. The sale of the land might be \$30,000, so that's not reasonably related. That's what we are definitely trying to avoid. So, these are the conditions that the Board is pursuing to the local government code. The 1 % is recommended, but 1% of what? The 1% of the land, period, because we are going to build 28 houses and those houses are going to be valued from \$140,000 to \$170,000, medium is \$150,000 so 1% of that is \$1,500 which is great, but at 28, that's even better. So, that's the house, the land, and the commercial development. So, we would want some guidance. That way when we talk to them, we can say this is a transfer and what Mr. De La Cruz is talking about is, we have a piggy bank, which is the EDC. That way these monies we can start using for other projects and that's the way we can get the ball rolling and start other project. **Board Member: Flores** - And then of course we still have taxes at the end of the year and then on commercial the sale taxes, then we have water accounts, sewer accounts, and trash. So, I think all around it's good. We don't want to scare these people up either, help them, and yes, we want to something in return. But in the long run, I think we are going to get a lot of return. **Mr. Victor H. De La Cruz** - What I don't understand Mr. Jimenez is that we are looking at the lots, is that a 1% of the lots and homes or is it just the lot, when they sale the lot? **Board Member: Flores** - On the lot alone, it's \$35,000 to \$40,000.00 and the house itself, it's going to be from \$150,000 to \$175,000, I would go with everything included. **Chairman: Gonzalez** - Everything that is build there including the land. . **Mr. Jimenez** - The good thing there like Mr. De La Cruz said the last time, is that beginning in January, first time homebuyers are going to get a \$10,000 exempted. So, those \$10,000 are not coming from Kasal Construction, they are not even coming from the homeowner, so why can't we do this. At \$30,000 for the lot, it's \$300 bucks. So again, it's not to scare them away, but every little thing helps. **Mr. Victor H. De La Cruz** - So, when they sell the lot, then we get 1% of that, then they finish the house, we get 1% of that, and we can set it up like that. **Board Member: Flores** - And it's not going to hit their pocket, because it's a good incentive, so from those \$10,000 we are going to get like \$3,500 bucks. **Mr. Jimenez** - And it's not from Kasal Constructions pocket or the homeowners pocket. **Board Member: Flores** - It's from the Federal Government. **Mr. Jimenez** - And it gives them the incentive. **Mr. Victor H. De La Cruz** - So, we can use that as our own because it's a property that the EDC has actually started that project and we can say, hey there is a \$10,000 incentive, so you all can come in and have the finance set up for it. **Mr. Jimenez** - That would be our negotiating tool. **Board Member: Flores** - What other incentive can we give them on taxes and on permits? **Mr. Victor H. De La Cruz** - What I would recommend, on permits we have that leverage, but as far as the taxes, what we can do is just hold off until they can sale the lots. Once they sale the lots then the taxes kick in. I wouldn't want to give them anything more than that. You get the place and you are not going to get taxed, but you develop it and once you sale then you get taxed. **Board Member: Segura** - One thing I want to know, are they going to be the only ones building there or are they going to open it up? **Mr. Jimenez** - The way it works, once we give them the land and the conditions are there and they accept those conditions, then they follow those conditions. That's a good point that you brought up, and you say, you know I want a free market, you know that is capitalism. So, I want to open it up to other people, so we're going to go back and say this is what they want to do. **Board Member: Segura** - I want to know what they are going to do. **Mr. Victor H. De La Cruz** - I would think if they are developing and there are in the construction business, I'd think that they would like to build all the homes, but in reality, that's a big chunk and a lot of

work. So, I don't know if that is something that can be negotiable with them. If you all want open market; we need to know that. **Board Member: Flores** - Because I know of a lot of contractors that they have five clients and they are interested; they are going to go and buy five lots and start building. **Mr. Jimenez** - The reason that is very important is because that 1% is not going to come from the builders. So, the EDC might get shortchanged, because if they find a loophole, they might want to get their compadre or someone else. They are going to come in and we're not going to collect our 1% on the house. We collected the \$30,000 on the lot but not on the houses. So, that's a very good point that we need to be aware of. **Mr. Victor H. De La Cruz** - So, then it would be safe to say that the 1% would come from the actual house? That the sale of the house and the 1% for sure and then when the John Doe Construction comes in, they got to know that they are going to be paying 1%. **Mr. Jimenez** - That's where that wouldn't be legal, because John Doe Construction has no contract with the City and Kasal Construction, which is legal, so they are free. **Board Member: Flores** - That's what we are trying to prevent. **Mr. Jimenez** - Or, the other thing is you what? Are we are going to charge 2½ % of the land because we are thinking ahead? So, the best thing to do is to look at the market fair value and we don't want to take advantage of anybody. **Mr. Victor H. De La Cruz** - The fair market value is at 154 for both properties. **Mr. Jimenez** - 154 dollars. **Mr. Victor H. De La Cruz** - Yes. **Mr. Jimenez** - And how many lots did you say? **Mr. Victor H. De La Cruz** - 28 lots, that's not including the commercial lots. **Mr. Jimenez** - And that's about 4 lots, because you are looking at about \$5,000 a lot. So, 158,000 divided by 28 gives us about \$5,000. They're selling them at \$35,000 divided by \$5,000, that's comes out at 14%, if we are gong to do it that way it comes out to 14%. So, we can get \$5,000 back per lot. Then again, the \$5,000 can be half of the \$10,000 they were going to get. **Chairman: Gonzalez** - How much do we want out of this project for the City? **Board Member: Flores** - Me personally, my opinion, I am happy with the City getting taxes, water, sewer, and trash. That's a big push for 28 homes. **Board Chairman: Gonzalez** - That's for the City, for the EDC, in order for us to survive... **Board Member: Flores** - Well, on the commercial lots, we'll be getting sales tax. **Board Chairman: Gonzalez** - Well, yes, but we still need something to kick start the EDC, that could be the first project. **Board Member: Flores** - That's what I mean, we could get at least 1 or 3% from each lot that they sell or \$5,000, that's a big amount. Let's say we make \$50,000 grands on this; it will be a win/win situation. **Mr. Victor H. De La Cruz** - I could recommend that we negotiate, and we could start with five and for them to give us a low-end number. **Mr. Jimenez** - I'll think of a way on how to do this, because 1% is very attractive, 1% is \$300 bucks. **Board Member: Flores** - We want at least \$1,500 or \$2,500. **Mr. Jimenez** - If you do decide to open up the market and get other developers in there, I'll think of a way to somehow meet that. **Board Chairman: Gonzalez** - I feel more comfortable with allowing it because, like, if I want to move here but I don't like the way that builder houses, I would rather this guy build my house, I don't want to be stuck with them. **Board Member: Flores** - I get you all's point, but I think that at the end, if they are the ones doing all the work and they are investing all the money, at the end it will be their say so. **Board Chairman: Gonzalez** - Yes, but they are going to sell them, they fix them and sell them, it's like a car. They bought a broken car now and they are going to rebuilt it and then sell it to you at a profit. **Mr. Victor H. De La Cruz** - Once they get the property and they start looking at everything, they'll have to see what's better for them. You know they are going to spent \$7,000 to create the infrastructure for the lots, you are looking at about 1.1 or 1.2 million. So, for them it's really not enticing enough. But once you start thinking maybe I can do half of the houses out of 28 and you get 10. **Board Chairman: Gonzalez** - Yes, you set up your model house and you start advertising and get started. But my other question is, do you let them, because I'll buy it and then I am going to sell it to John Doe Construction, the whole thing, are we going to allow them to do that if they want to? **Mr. Victor H. De La Cruz** - It's not ours anymore it's theirs. **Mr. Jimenez** - That's why the conditions are so important, and I am glad that we are thinking outside the box, because what happens in that situation? **Chairman: Gonzalez** - Would you let them sell the whole package to

somebody else, untouched? **Board Member: Flores** - Untouched without doing roads and anything? **Chairman: Gonzalez** - As part of the criteria, like you bought it. **Board Member: Flores** - Yes, but once you get going you have to stop and break ground. **Chairman: Gonzalez** - See that's all set up. **Board Member: Flores** - We are not going to give that option because they have to break ground in three months and there is no flexibility because we already sold it. **Mr. Victor H. De La Cruz** - If they're going to be building a house every two months or whatever, maybe they want all the lots and maybe we can put a time limit and if you don't sell all of the lots after a couple of years, then we can do something else. **Board Member: Flores** - A company like that, I think they know more or less what they are getting themselves into. **Chairman: Gonzalez** - The other thing I don't want is like the subdivision on 1015, the one that floods all the time. So, what they need to do to the land is add some criteria concerning flooding, drainage, etc. **Mr. Victor H. De La Cruz** - On that I think we are ok, Mr. Saenz explained it and said there was a natural gravity that goes to one of the drainage lines that we have on FM1015 and then he did mention some other things that he noticed that need to be done. **Chairman: Gonzalez** - Ok, so we got the criteria time frame, on the ... **Mr. Victor H. De La Cruz** - I am missing one Mr. Jimenez that you had mentioned. **Mr. Jimenez** - Ah yes, using local workforce. Typically, what I have seen, and I've talked to other people is that 20 or 25% of the people that are working for Kasal Construction has to be from the area. **Chairman: Gonzalez** - Including the sub-contractor? **Mr. Jimenez** - Including everybody. **Chairman: Gonzalez** - What about for the commercial fee? Who are we going after? Does it matter? **Mr. Victor H. De La Cruz** - On the commercial it changes a little bit because if they are going to have the option to sell or to rent. So, how do you get the 1% from there? **Board Member: Flores** - Well, I know commercial is depending on the building and stuff. You are making a lot of more money, so the 1% or whatever %, I think we are going to make more with the sell. And let's just say they bring in a business, we are going to get sales tax from it, either or. **Chairman: Gonzalez** - What if it's a service? **Board Member: Flores** - What do you mean a service? **Chairman: Gonzalez** - Something that they don't charge taxes for. **Board Member: Flores** - The thing is we're getting taxes from the year and the commercial building; you are looking from \$8,000 and up on a new building, depending on the square feet. **Mr. Victor H. De La Cruz** - Also, what I would like for you to consider is that we do have some other properties that are going to end up commercial. So, I would like to start standardizing what is it that we are going to be doing. So, if we are not going to offer or do anything there, then wherever else we do something, we're not going to be able to do that. **Chairman: Gonzalez** - It will get complicated if we charge per building, the only way we can do it is with the land itself. **Mr. Victor H. De La Cruz** - So, on the business, leave it alone? **Chairman: Gonzalez** - On the construction part, I think we rather just stick to the land. **Mr. Jimenez** - On the development of these commercial lots being sold for \$80,000, is that the 1% or whatever % just on the land. **Chairman: Gonzalez** - Yes, because the businesses are not going to want to do that. **Mr. Victor H. De La Cruz** - They are not going to want that, I wouldn't. I wouldn't go in and open up a Cricket and then having to be paying 1%. **Chairman: Gonzalez** - So, then the motion would include that we are going to negotiate the criteria. **Mr. Jimenez** - Yes. Upon possible transfer, contingent on the conditions. **Chairman: Gonzalez** - Ok. **Board Member: Flores** - I motion to approve contingent on the conditions that we discussed

A motion to **approve** the transferring of the property of St. Mary's and the property on the Northside of St. Mary's from the City of Edcouch to the Edcouch Economic Development Corporation contingent to the negotiation of criteria and conditions as discussed to Kasal Construction LLC was made by **Board Member: Flores**, 2nd by **Board Member: Segura**.
All Voted Aye. Motion Carried. (30:21)

15. Call to Adjourn. (30:22)

At **7:20 pm** a motion to **adjourn** was made by **Board Member: Flores**, 2nd by **Board Member: Cabrera**. All Voted Aye. Motion Carried. (30:35)

Take Notice that this are the true and correct minutes taken of the Edcouch Economic Development Corporation Meeting held on Thursday, November 7, 2019.

Passed and Approved by the EEDC Board of Directors on this ____st. day of _____ **2019**.

ATTEST

Victor H. De La Cruz
Edcouch City Manager