

MEMORANDUM

DATE: November 6, 2020

TO: Dr. Mark Browne, City Manager,
City of Schertz

FROM: Adrian G. Perez, Director, Schertz
Economic Development Corporation
(SEDC)

SUBJECT: SEDC Payment to Cinestarz, LLC of
\$215,661.69 in accordance with
adopted Performance Agreement

BACKGROUND

On May 1, 2018, the City Council approved an Infrastructure Reimbursement Agreement (the "Agreement") among the City of Schertz, Texas, the City of Schertz Economic Development Corporation (SEDC), and WR1, LLC. ("WR1"). The owners of WR1 and Cinestarz Entertainment, LLC ("Cinestarz") fell into litigation regarding completion of the project originally contemplated by the WR1, LLC agreement. The SEDC Board and City Council were advised by SEDC legal counsel of such action as well as the SEDC's intent to enforce the terms of the agreement upon settlement of this action. The action was settled in 2020 with WR1, LLC assigning the Agreement with all rights and requirements to Cinestarz, as authorized and provided for in the Agreement per Article 9, Section 4.

On May 28, 2020, at the request of both WR1 and Cinestarz, the SEDC Board of Directors approved the assignment of the agreement from WR1, LLC to Cinestarz Entertainment LLC.

The Agreement established an Infrastructure Reimbursement to Cinestarz' for investment of up to \$834,487.50 in infrastructure improvements. In consideration, Cinestarz would be eligible to receive an annual reimbursement of all property and sales taxes collected by the City of Schertz for a period of two years ending in January 2022.

On September 25, 2020 Cinestarz reported their compliance to the Agreement for the 2019 tax year. The following details their requirements performance:

- Construct water and wastewater improvements and demonstrate actual costs of up to \$834,487.50
 - Attached are costs certifying \$699,829. These costs have been validated as commensurate with the improvements to the site and in accordance with the requirements set forth in Exhibit A in the agreement under Article V, Section 1.
- Create and retain a minimum of 184 jobs throughout the Term of the Agreement

- Attached is the Annual Certification certifying at least 184 jobs and a payroll listing of employees indicated to work from the Schertz EVO location controlled by Cinestarz indicating the company created 263 jobs as of December 2019.
- Capital Investment of \$23,000,000 to include cost of underlying real property.
 - Attached is the land title documentation outlining the purchase price of the land of over \$4,000,000 as well as a construction payment certification totaling \$20,216,585 in facility construction costs.

Cinestarz has paid all real and personal property taxes for the 2019 tax year and has made all sales tax payments to the City of Schertz.

FISCAL IMPACT

Cinestarz 2019 calendar year total real and personal property tax revenue collected by the City of Schertz was \$94,986.90 excluding any interest and penalties. Total sales tax collected by the City of Schertz is \$120,674.79. According to the Agreement, Cinestarz will receive \$215,661.69 which is an infrastructure reimbursement up to the verified infrastructure expenses. The methodology for the reimbursement is noted below:

- (100% of 2019 real and personal taxes paid to the City of Schertz + 100% of 2019 Sales Tax paid to the City of Schertz) up to \$699,829 of validated infrastructure costs= Cinestarz 2019 Infrastructure reimbursement
- $(\$94,986.90 + \$120,674.79) = \$215,661.69$

In summary, Cinestarz received the 2019 reimbursement of \$215,661.69 which was budgeted in the SEDC FY 2020 Budget.

STAFF RECOMMENDATION

This is an informational item regarding payment issued associated with an approved performance agreement, staff has evaluated the Agreement and found that Cinestarz is compliant for the 2019 calendar year. All supporting documentation and payment request are on file with the SEDC and Finance Department.

ATTACHMENT(S)