Sapphire Bay

On March 8, the City of Rowlett reached an agreement with Bayside Land Partners to acquire the property south of IH-30, including the marina, to enable its development with a future partner. I am happy to say that after 144 days, we closed on the property and announced our new development partner, Sapphire Bay Land Development, LLC. Together, we will hold fast to our commitment to develop the unique destination that Rowlett citizens deserve!

Our goal, first and foremost, has been to facilitate development of this land in a manner that optimizes its value to the citizens of Rowlett. We have been steadfast in upholding our community’s vision, this is a one-of-a-kind property and we made a commitment to get it right. And we have – the newly named Sapphire Bay absolutely accomplishes this goal. With features such as a Crystal Lagoons amenity and an island entertainment component with an incredible synchronized water and video show; a resort and conference center; a world class marina; and the Surf and Beach Club, Sapphire Bay will become a national destination for conferences, vacationing families, residents looking for a unique place to call home, and businesses who want to locate where their employees can live, work, and play.

Sapphire Bay will help grow the City’s economy through diversification of jobs, housing, tourism and business opportunities. Sapphire Bay will optimize Rowlett’s location on Lake Ray Hubbard and create a distinctive identity while providing amenities long desired by our residents. We are thrilled to see our community’s vision coming to life!
Sapphire Bay is projected to add nearly $1 billion in new taxable value, resulting in nearly $165 million in revenue from property, sales and hotel occupancy taxes through 2036.

**What is Sapphire Bay?**

A unique 117-acre, $1 billion mixed use surf-and-beach-based waterfront development unlike any other in the country.

At a Town Hall Meeting held on Thursday, August 8 we introduced our new development partner, Sapphire Bay Land Development, LLC, who shared our joint vision for the one-of-a-kind 117-acre tract of land located south of IH-30 at Dalrock Road. This vision has the power to turn Rowlett into a resort destination, both for permanent residents as well as day and short-stay visitors.

In particular, the 6.5-acre Crystal Lagoons water feature and island entertainment component, with an incredible synchronized water and video show, would differentiate Rowlett from other high-end communities in the area. Add in the competition-quality Surf and Beach Club venue and Rowlett now becomes a national destination for both amateur and professional surfers alike. We’re creating a public immersive experience featuring not only surfing, but also kayaking, stand-up paddleboarding, waterpark features including a lazy river, and private dining cabanas, all anchored by the amazing Crystal Lagoons experience as well as the Surf and Beach Club.

And these amenities? They’re all part of Sapphire Bay’s Phase One, which will begin construction within the next month! Phase One is expected to be complete in late 2023, to coincide with the completion of TXDOT’s IH-30 improvements from Bass Pro to Dalrock Road.

The total build-out is envisioned to include 1.4 million square feet of commercial space and 1,600 residential units. Sapphire Bay is projected to add nearly $1 billion in new taxable value, resulting in nearly $165 million in revenue from property, sales and hotel occupancy taxes over the next 17 years.
Who is the City’s new development partner?
Sapphire Bay Land Development, LLC - comprised of President Marc S. English and local real estate developer Kent Donahue, who bring more than 40 years’ combined development experience to the project. Marc English will spearhead all contractual negotiations, manage the construction of all public improvement district (PID) amenities, including an approximately 6.5-acre Crystal Lagoons water feature and island entertainment fountain, and the eventual award of all construction contracts with the many contractors who will competitively bid on this project. Kent Donahue will design, oversee, and collaborate with the many experiential design consultants and architects to envision, facilitate and design the project, anchored by a 500-room resort hotel, spa, conference center, approximately 1.4 million square feet of commercial lease space, and a surf and beach club featuring not only the Crystal Lagoons amenity, but also a one-of-a-kind, competition-quality surfing venue.

Has the lawsuit against Bayside Land Partners been settled?
Yes, the lawsuit has been dismissed.

Will the City be reimbursed for legal fees?
Yes, as a condition to the Purchase and Sale agreement between the City and Sapphire Bay Land Development, LLC, the City has been reimbursed for the litigation expenses of Locke Lord, the City’s third-party legal firm.

What was the purchase price and who is funding it?
Funding for the $37,013,000 acquisition price, including the $150,000 in earnest money, was provided by Sapphire Bay Land Development, LLC.

What is included in the purchase?
The 117-acre tract of land south of IH-30; the Crystal Lagoon license previously purchased by Bayside; and the existing operating marina including rights to 1,005 boat slips.

Does this purchase affect leaseholders at the Marina?
This purchase will have limited impact on the leaseholders at the Marina. Essentially, it means changing one landlord for another. The shared vision between the City and Sapphire Bay Marina, LLC is to improve and renovate the existing marina, add restaurant, retail and hospitality facilities and expand marina services.

Will the tract of land on the north side of IH-30 be renamed Sapphire Bay as well?
No. The two tracts have been bifurcated and the north tract will retain the Bayside name.

What happens if the new developer defaults? Does the City get the land back?
No, lender requirements for financing the real estate and vertical development components do not allow for the City to have a “recapture or reverter” provision in which the land would be owned by the City should Sapphire Bay default. The Development Agreements do contain specific performance requirements that legally and contractually obligate the developer to perform. As mentioned earlier, the City’s intention has never been to own or develop this property. Our focus has been on creating a public-private partnership with a developer that shares the community’s vision for this unique property.
**What is the project timeline for Sapphire Bay?**

The first phase of Sapphire Bay is anticipated to be completed by December 31, 2023. That phase includes mass grading of the site to elevate out of the flood restriction easement, the Crystal Lagoon and island entertainment feature, all the on-site and off-site public infrastructure (streets, water, wastewater, storm sewer, etc.) a portion of the extensive hike and bike trail, community parks and the entertainment and dining promenade surrounding a significant portion of the Crystal Lagoon.

In addition, the City and our new development partner are working to determine a funding plan for a Hotel Resort and Convention Center by December 31, 2019. Once that funding plan is agreed to by both parties, the Hotel Resort and Convention Center along with the Surf and Beach Club components will be included in the first phase with an anticipated completion by December 31, 2023.

The timing of the first phase opening for Sapphire Bay was in large part determined by the public infrastructure, including the TXDOT IH-30 improvements between Bass Pro and Dalrock Road, to be constructed between now and December 2023.

The City and Sapphire Bay Land Development, LLC will be working on future phases and look forward to announcing a significant number of projects in the future. At full build out, which is anticipated over a 10-year period, Sapphire Bay will have nearly 1.4 million square feet of combined commercial facilities including retail, office, hospitality, entertainment and restaurants and an estimated 1600 residential units consisting of condominiums, townhomes and apartments.

**What will be built first?**

The City and Sapphire Bay Land Development, LLC will be determining an overall Development Schedule no later than December 31, 2019. Currently, the first phase is focused on the public infrastructure and public amenities such as the Crystal Lagoons and island entertainment features along with entertainment and dining promenade, portions of the extensive hike and bike trail system, and community parks. Once the funding plan is finalized, the Hotel Resort and Convention Center along with the Surf and Beach Club will also be included in the first phase.

Additional phases or announcements about additional projects, which may include residential units, will occur in the future.

**What is included in the Surf and Beach Club and the Crystal Lagoons amenity?**

This one-of-a-kind out-of-ocean surf venue will deliver a world-class, competitive-quality surfing experience to be enjoyed by all ages and skill levels. In tandem with the Crystal Lagoons amenity, the exciting Sapphire Bay water activities will include not only surfing, but kayaking, stand-up paddle boarding, waterpark features with a lazy river, and private dining cabanas. With its entertainment island featuring synchronized water and video displays, the Crystal Lagoons amenity is envisioned to be one of the key attractions and differentiators to establish Sapphire Bay as a world class destination. Operated by consulting and management firm VenuBlue, who specialize in innovative beach lifestyle destination attractions, the Surf and Beach Club will serve as the anchor for the overall public immersive experience.
How does the funding for the Hotel Resort and Convention Center work?

Incentives include the creation of Tax-increment Reinvestment Zone Number Two (TIRZ#2) to help mitigate extraordinary development challenges and remove barriers to development. These include the costs associated with improvements to the future Dalrock Road overpass at IH-30, earthwork to elevate the site out of the flood restriction easement and construction of sea walls on the south side, offsite utility improvements, and parks, trails, public art and monuments. TIRZ#2 provides a contribution rate of 50 percent of all property taxes collected for a period of twenty years (through 2036) with the amount capped at $40.7 million plus interest. During this same twenty-year time period, the City of Rowlett expects to generate nearly $165 million in property taxes, sales taxes and hotel occupancy taxes. Upon full build-out (about 10 years), City taxes are expected to be approximately $6.4 million annually, net of the TIRZ#2 contribution, or equivalent to 12 cents on the tax rate.

The Hotel Resort and Convention Center is an integral part of Sapphire Bay. Planned is a minimum 450-room full-service destination hotel resort and a minimum 70,000 square foot convention center containing conference, meeting and event space that is of the same resort quality as the planned hotel.

The City and Sapphire Bay Land Development, LLC are working to determine the funding plan for the Hotel Resort and Convention Center by December 31, 2019. Once that funding plan is agreed to by both parties, the Hotel Resort and Convention Center, along with the Surf and Beach Club components, will be included in the first phase with an anticipated completion by December 31, 2023.

The funding plan as outlined in the Development Agreement between the parties indicates that the City will issue special revenue bonds for the cost of construction of the Convention Center facility and Sapphire Bay Land Development, LLC will make the private investment to fund the Hotel Resort and the Surf and Beach Club. It is anticipated that the Convention Center cost of construction would not exceed $50 million and the Hotel Resort and Surf and Beach Club private investment would be approximately $215 million.

The City’s issuance of special revenue bonds would be supported by the project tax revenues including State Hotel Occupancy Tax, State Sales Tax, State mixed beverage tax, Tax increment Reinvestment Zone (TIRZ) funds, and City Hotel Occupancy Tax. Additional details will be provided once the City and Sapphire Bay Land Development, LLC determine a funding plan by December 31, 2019.

What are the incentives provided by the City?

Incentives include the creation of Tax-increment Reinvestment Zone Number Two (TIRZ#2) to help mitigate extraordinary development challenges and remove barriers to development. These include the costs associated with improvements to the future Dalrock Road overpass at IH-30, earthwork to elevate the site out of the flood restriction easement and construction of sea walls on the south side, offsite utility improvements, and parks, trails, public art and monuments. TIRZ#2 provides a contribution rate of 50 percent of all property taxes collected for a period of twenty years (through 2036) with the amount capped at $40.7 million plus interest. During this same twenty-year time period, the City of Rowlett expects to generate nearly $165 million in property taxes, sales taxes and hotel occupancy taxes. Upon full build-out (about 10 years), City taxes are expected to be approximately $6.4 million annually, net of the TIRZ#2 contribution, or equivalent to 12 cents on the tax rate.

How was Tax Increment Reinvestment Zone Number Two bifurcated?

TIRZ#2 was bifurcated-or split-between the north and the south parcels as part of the settlement agreement with Bayside Land Partners. As a result, 50 percent of all property taxes collected from the north parcel will be used to reimburse projects attributable to the north parcel and 50 percent of all property taxes collected from the south parcel will be used to reimburse projects attributable to the south parcel. The reimbursements are capped for each parcel.

How will the City be reimbursed for offsite utility costs?

The City, as outlined in the Development Agreement between the parties, will contribute an amount not to exceed $13.4 million for off-site public infrastructure improvements for five sanitary sewer projects and one water project. The City is utilizing several sources to fund these projects, including water and sewer impact fee funds and water and sewer revenue bonds. The City will be fully reimbursed for these costs from several sources including 1) state taxes [i.e. hotel occupancy tax, sales tax and mixed beverage tax] from the ten-year grant, 2) the Tax Increment Reinvestment Number Two [TIRZ#2] - South subaccount over the remaining life of TIRZ#2 [through 2036] and, 3) City’s hotel occupancy taxes collected from the project.

Who did the City use to help evaluate the engineering, legal, economics and financial sustainability of this project?

Rowlett assembled a great team to help evaluate a myriad of issues including the legal documents and negotiations of the land transaction; the underlying market research and economic assumptions utilized by the new developer for the proposed land uses; and financial considerations of any potential financing for a new convention center.

Our team included the following:

- Hilltop Securities, Inc., municipal financial advisors
- Stifel, investment banking company
- MuniCap, Inc., public finance consulting
- McCall, Parkhurst & Horton LLP, bond counsel
- Catalyst Commercial, market research and analysis
- Freese and Nichols, Inc., civil engineering firm
- Grantham & Associates, Inc., civil engineering firm
- Nichols, Jackson, Dillard, Hager and Smith, LLP, law firm
- Locke Lord, LLP, law firm

Will the Crystal Lagoons amenity be open to the public?

Yes, the general public will have access to the 6.5-acre Crystal Lagoons water feature.
How does Sapphire Bay benefit Rowlett citizens?

Sapphire Bay is projected to add nearly $1 billion in new taxable value, resulting in nearly $165 million in revenue from property, sales and hotel occupancy taxes through 2036.

Sapphire Bay will also offer residents an entertainment mecca without ever leaving our hometown! With amenities such as a Crystal Lagoons feature housing an entertainment island and incredible synchronized water and video show; a hotel resort and convention center; a world class marina; and the Surf and Beach Club, Sapphire Bay will become a national destination for conferences, vacationing families, residents looking for a unique place to call home, and businesses who want to locate where their employees can live, work, and play.

Sapphire Bay will help grow the City’s economy through diversification of jobs, housing, tourism and business opportunities, making Rowlett a community attractive to people in all stages of their life. Sapphire Bay will optimize Lake Ray Hubbard and Rowlett’s natural assets to create a distinctive identity and offer the quality of life long-desired by Rowlett residents.

In closing, I want to thank so many people for their hard work on this project.

First, I want to thank our new development partners, Sapphire Bay Land Development, LLC, specifically principals Marc English and Kent Donahue.

Second, I want to thank our Economic Development Director, Jim Grabenhorst, City Manager, Brian Funderburk, our legal team, City Attorney David Berman, and the law firm of Locke Lorde. It was a herculean task and we are so appreciative of the enormous amount of work and thought that you have put into this project.

Third, I want to thank my fellow councilmembers for the extraordinary amount of time spent in meetings discussing every aspect of this project. The complexity of this project demanded an astounding level of attention to detail and research, and all of you sacrificed time with your families and jobs without complaint. You truly have put the interests of our community ahead of everything else and I cannot thank you enough.

Finally, I want to also thank our citizens. YOU have had to exercise extreme patience over the past six months to get to this day!