CAUSE NO. 2025DCV-4399-D

NUECES COUNTY, TEXAS,	§	**IN THE DISTRICT COURT**
	§	
Plaintiff,	§	
	§	
V.	§	
	§	**OF NUECES COUNTY, TEXAS**
CORPUS CHRISTI HOUSING AUTHORITY	§	
	§	
	§	
	§	
Defendant.	§	**_____ JUDICIAL DISTRICT**

NUECES COUNTY, TEXAS' ORIGINAL PETITION FOR RELIEF UNDER THE TEXAS OPEN MEETINGS ACT

TO THE HONORABLE COURT:

COMES NOW Nueces County, Texas (hereafter "Nueces County" or "Plaintiff"), and files this its Original Petition for Relief Under the Texas Open Meetings Act against the Corpus Christi Housing Authority (hereafter "CCHA" or "Defendant"). In support, Plaintiff would respectfully show the Court as follows:

I. Introduction and Summary

1. The Texas Legislature passed the Texas Housing Authorities Law Act ("Act") to facilitate the provision of affordable housing at the local level. The Act creates a housing authority in each municipality in the State, which is activated by municipal resolution declaring the need for the housing authority within the municipality. To facilitate the local government's development of affordable housing, the Act provides that the housing authority and the authority's property are exempt from all taxes and special assessments of a municipality, a county, another political subdivision, or the state. Applied as intended, the underlying policy and effect of the Act is a sound

one—acting as an arm of government, the local housing authority can own and operate affordable housing for the public good.

2. But for every statute that creates a tax benefit to further the public good, there are invariably bad actors waiting to exploit these well-intentioned benefits for improper private gain. That is the case with the Act, where private investors purport to convey apartment complexes and other multifamily housing developments to the housing authority and then have the authority lease them back to the private developer to operate. Upon information and belief, these private interests continue to lease these properties not as affordable housing, but at or above market rates with some operating as luxury apartments. These private operators then apply to remove the property from the tax appraisal rolls of the local *in situ* jurisdiction in exchange for payment of a portion the exempted property taxes that were properly due to the local taxing entities. In this manner, private investors are able to realize the economic benefits of tax-free operation at the expense of local jurisdictions that rely on that tax revenue to fund essential public services for their residents.

3. Sadly, under a former board of directors and chief executive officer, the CCHA entered into a series of Memoranda of Understanding effecting just this type of tax exemption scheme—benefitting private investment interests at the expense of the local tax base. Adding insult to injury, the former board approved a compensation package for its former director—a public service position—that would be the envy of any corporate CEO. Under Texas law, each of these transactions should have been subject to public scrutiny and input. After all, the CCHA is a public entity subject to the Texas Open Meetings Act ("TOMA"), which explicitly requires such actions to be taken at a public meeting, with advanced notice to the public in sufficient detail to apprise members of the public of the specific actions to be considered and ultimately taken. But despite the fact that the CCHA's actions involved areas of heightened public interest—tax free treatment

for private interests and lavish compensation packages for a public employee—the CCHA took each of these actions based on generic notices and meeting agenda items that would in no way inform the public of the actions being considered, much less the significant financial implications of its actions.

4. While this approach appears to have achieved its intended effect of avoiding public scrutiny into the discriminatory tax treatment provided to private developers relative to other property owners, it was also a clear violation of TOMA. As a result, each of the actions taken without proper notice are voidable as a matter of law. And while the newly comprised board of directors of CCHA has taken laudable and meaningful strides by changing course and not entering into any additional MOUs creating tax-exemptions for private developers, the previously-adopted agreements remain in effect. Accordingly, the County now brings this action to void and reverse those prior actions, including the compensation agreement for CCHA's former chief executive officer, which were invalidly adopted in violation of state law.

1. Discovery Control Plan

5. Pursuant to Rule 190.4 of the Texas Rules of Civil Procedure, Nueces County intends that discovery be conducted under Level 3.

2. Jurisdiction and Parties

6. This Court has jurisdiction over this matter pursuant to Texas Government Code Chapter 551, also known as the Texas Open Meetings Act (or the "Act" or "TOMA"). TOMA provides a waiver of sovereign immunity, allowing a public entity, such as Nueces County, to seek judicial relief invalidating any action of TOMA that was taken by CCHA in violation of the Act. TEX. GOV'T CODE § 551.141.

7. Pursuant to Texas Rule of Civil Procedure 47, Plaintiff pleads that it seeks only non-monetary relief.

8. Plaintiff in this action is Nueces County, a political subdivision of the State of Texas.

9. Defendant in this action is Corpus Christi Housing Authority. Defendant may be served with process by delivering citation and petition to Chairperson of its Board of Commissioners, Cathy Mehne, 3701 Ayers St., Corpus Christi, TX 78415, or wherever she may be found.

II. Factual and Procedural Background

10. Over the course of a year or more, the former board of the CCHA was drawn into a scheme to convey tax-exempt status on private investors through an elaborate set of transactions and agreements with the private entities wherein CCHA would nominally acquire ownership of the complexes in order to obtain a tax exemption from the property taxes that would otherwise be owed to local taxing entities such as Nueces County. The structure of these transactions was ostensibly a public/private partnership in which a private developer acquired land for development or an existing multifamily project, and conveyed it to CCHA, which then leased it back to the private entity or its subsidiary. The CCHA would then receive fees paid by the developer or project owner and a portion of cash flow generated by the project. The common feature of this structure is the ability for the private entity to operate and receive the revenues from the development with a 100% exemption from local and state taxation.

11. The apartment complexes that were part of this scheme are located within the City of Corpus Christi and within Nueces County. The names of these complexes are: Armon Bay, Azure, Churchill Square, Ocean Palms Apartments, Sandcastle, Sawgrass, South Lake Ranch,

Stoneleigh Apartment, The Icon, The Summit, The Veranda, Tuscany Bay South, Villas of Ocean Drive, Arts at Ocean Drive, Caspian Apartments, Gulf Breeze, Shadow Bend, Bay Vista, Bay Vista Pointe, Baypoint, and Solana Vista (Herein after referred to as "Apartment Complexes"). Together, these complexes total approximately $350 million in taxable value that, pursuant to the scheme, would be removed from the property tax rolls of Nueces County and the other political subdivisions within Nueces County.

12. Upon information and belief, the properties made the subject of this scheme were previously constructed and occupied by tenants long before they were conveyed to the CCHA. In this way, the CCHA and its private interest partners line their pockets at the expense of the local taxing authorities, without adding a single new unit of affordable housing to benefit the local community.

13. Despite CCHA's status as public entity subject to TOMA, the transactions regarding the Apartment Complexes were shrouded in secrecy. The extent, and financial impact to local taxing jurisdictions, of this scheme was not revealed to the public, including local elected officials, until well after the fact. The agenda notices for these transactions failed to adequately inform the public that some action would be considered regarding the purchase of real estate related to the Apartment Complexes, let alone that these were contemplated as tax-free transactions that would harm the local tax base. Consequently, the CCHA approvals of the purchases of real estate for the housing projects related to the Apartment Complexes are voidable under the Texas Open Meetings Act.

14. After, or as part of, entering into a memorandum of understanding with the owners of the Apartment Complexes, CCHA would then enter into a ground lease, regulatory agreement, and an operating agreement. The ground leases guarantee the private company the exclusive right

to purchase the land for the Apartment Complexes, therefore, granting "equitable title" to the private owner. As a result, the Apartment Complexes claimed a tax exemption under Texas Local Government Code § 392.005.

15. The agenda items for these transactions were vague and failed to give notice to the public that CCHA, for each Apartment Complex, was entering into a transaction to nominally acquire the Apartment Complexes for the purposes of obtaining a property tax exemption. *See* Exhibit A. For most if not all of these agenda items, the agenda merely contained a vague, uninformative, and cryptic description such as "Action Item No. 24-EO-20 Consider Memorandum of Understanding" or "Consider Action Item No. 24-EO-28 Consider Approval of Memorandum of Understanding Brixton Sawgrass, LLC et Al." These agenda postings gave no notice that CCHA would consider and possibly approve the acquisition of an existing apartment complex for the purpose of granting private entities a tax exemption and removing the properties from the tax rolls of Nueces County and other local taxing authorities.

16. Further, on April 4, 2024, CCHA entered into an employment agreement with its now-former CEO, Gary Allsup. This Agreement paid Allsup a base salary of Four Hundred Thousand One Hundred Seventeen Dollars ($459,117) effective April 1, 2024, as well an "Incentive Bonus" of another One Hundred Eighty-One Thousand Five Hundred Sixty-Eight dollars ($181,568), and other benefits, including a car allowance, health and dental insurance, and additional paid vacation time not provided to other CCHA employees. Incredibly, although Allsup's employment agreement provided for annual evaluations of Allsup's performance and compensation, it provided that *Allsup* would develop the tool used in evaluating his own performance. Further, in the event of Allsup's termination for cause, the Agreement purports to guarantee him a golden parachute of six months' (i.e., over $300,000) salary and benefits, and in

the event he was terminated for grounds not characterized as "for cause," the agreement purports to guarantee Allsup full payment of salary and benefit *for five years*.

17. The following year, on March 28, 2025, Allsup's compensation was increased to a base salary of Five Hundred and Twenty-Eight Thousand and seventy-four dollars ($528,074) and an annual incentive bonus of an additional Two Hundred and Fifty-Seven Thousand Seven Hundred and Forty-Two dollars ($257,742), for total annual compensation of almost $800,000, exclusive of other benefits. News sources reported that, under this arrangement, Allsup was paid more than double the compensation of the housing authority CEO for the City of Houston, despite Corpus Christi ranking 63rd nationally in population compared to Houston's 4th place ranking.

18. Given the rich compensation package and financial incentives to engage in further structuring of tax-exempt transactions for the benefit of private entities, Allsup's agreement was a matter of special interest to members of the public—particularly taxpayers within the CCHA's jurisdiction. Yet, the agenda language for both the March 20, 2024 and March 25, 2025 meetings at which the CCHA approved the adoption and/or renewals of Allsup's employment contract contained only the broad, vague description of "Consider Renewal of President and Chief Executive Officer Contract." These descriptions did not give the public adequate notice of the substance of the agenda item or the action that would occur during that meeting, specifically that the CCHA might take action to approve the contract at the meeting.

19. Indeed, although other items on these agendas specifically state that the Board would "consider approval" of the item, the agenda language for Allsup's employment contract conspicuously lacked that language and did not provide notice that the Board would take action to approve Allsup's employment contract at the times it did so. Consequently, the actions of the prior Board in voting to approve the negotiation and execution of Allsup's employment agreement, or

the amendments thereof, were taken in violation of TOMA and amount to a void and/or voidable action.

III. Count 1 – Texas Open Meetings Act Suit for Mandamus/Injunctive Relief

20. The allegations in paragraphs 1 through 19 are incorporated herein by reference.

21. Pursuant to Section 551.002 of the Texas Government Code, every regular, special, or called meeting of CCHA must be open to the public, and CCHA must provide the required notice so that the public may attend and participate.

22. Further, Section 551.041 of the Act requires CCHA to give written notice of the date, hour, place, and subject of each meeting held by CCHA's Board of Commissioners.

23. The notice must be sufficient to apprise the general public of the subjects to be considered during the meeting. Agenda items with a heightened public interest require additional notice detail. Although the Act contains certain exemptions, none apply in this case.

24. The Defendant's attempted removal of $350 million in taxable value from the Nueces County tax rolls is an item of heightened public interest requiring additional notice detail. As are the Defendant's actions at the March 20, 2024 and March 25, 2025 meetings during which the CCHA approved the adoption and/or renewals of former CEO Allsup's employment contract. The transactions entered into by CCHA, when brought to light after they had been consummated, drew extensive media attention, and resulted in the City of Corpus Christi replacing the majority of CCHA's Board of Commissioners, and the reconstituted board terminating the employment of its former CEO who oversaw these transactions.

25. Tex, Gov. Code § 551.141 provides that an "action taken by a governmental body in violation of this chapter is voidable." Further, section 551.142 provides that an "interested

person" may "bring an action by mandamus or injunction to stop, prevent, or reverse a violation or threatened violation of this chapter by members of a governmental body.

26. Plaintiff asserts that CCHA violated TOMA by authorizing the memoranda of understanding and other transactions related to its purported acquisition of the Apartment Complexes pursuant to agenda listings that were intentionally vague and denied Plaintiff of notice of the actual subject matter of those agenda items.

27. Plaintiff further asserts that, CCHA violated TOMA by entering into the 2024 contract and the 2025 renewal agreement with its former CEO Allsup pursuant to agenda listings that were intentionally vague and denied Plaintiff of notice of the actual subject matter of those agenda items.

28. Nueces County is entitled to the recovery of its attorneys' fees pursuant to Section 551.142 of the Act and Texas Rule of Civil Procedure 131.

PRAYER

WHEREFORE, PREMISES CONSIDERED, Nueces County respectfully prays that Defendant the Corpus Christi Housing Authority be cited to answer and appear herein, upon trial of the same, issue an injunction voiding and reversing the unlawful actions complained of herein and compelling compliance with Texas Open Meetings Act 551.041, award Plaintiff its attorney's fees and recoverable court costs, and award Plaintiff all such other and further relief, both general and special, at law and in equity, to which it may show itself justly entitled.

Dated: October 20, 2025.

Respectfully submitted,

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