

AGENDA ITEM NO. **43**

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
NEIGHBORHOOD ACTION DEPARTMENT**

TO: Mayor and City Council

FROM: David D. Garza, Director; Neighborhood Action Department

THROUGH: Terry M. Brechtel; City Manager

COPIES: J. Rolando Bono; Jelynn LeBlanc Burley; Milo Nitschke; Andrew Martin; file

SUBJECT: Tax Increment Financing Guideline revisions

DATE: May 29, 2003

SUMMARY AND RECOMMENDATION

A Resolution directing staff to utilize the attached six-signature memo dated May 14, 2003 from Mayor Edward D. Garza, setting out Tax Increment Financing (TIF) guideline goals as a framework for development of revisions to the *Guidelines and Criteria for the use of TIF* as approved on October 24, 2002 to be considered by City Council no later than June 26, 2003.

Staff recommends approval of this resolution.

BACKGROUND INFORMATION

On October 24, 2002, by Ordinance No. 96621, the City Council amended the Tax Increment Financing (TIF) Program and updated *Guidelines and Criteria for the use of TIF* as an incentive tool. The TIF Guidelines are expressly intended to encourage inner-city revitalization and development.

On May 14, 2003 staff received the attached six-signature memo from Mayor Edward D. Garza directing staff to place an item on the agenda to revise the guidelines for the creation of Tax Increment Reinvestment Zones (TIRZ) using the specified goals.

On May 22, 2003 the City Council considered the Mayor's request during "A" session and directed staff to use the goals outlined in his memo to develop an implementation assessment of each of the proposed changes by June 26, 2003. Staff will develop a menu of criteria to achieve the goals of Traditional Neighborhood Development (TND's) components that will apply to each eligible area(s). Applicants with pending TIF applications will be informed that the proposed projects will be subject to the new guidelines and the applicants will be given the option to amend their application to achieve the goals of the revised guidelines with no additional application fees. The TIF program will continue to be managed through the Neighborhood Action Department with frequent updates to the Council to ensure accountability. Additionally, staff was directed to conduct a separate review process of the Edwards Recharge Zone development policy and bring options for consideration that are consistent with other City policies and initiatives.

POLICY ANALYSIS

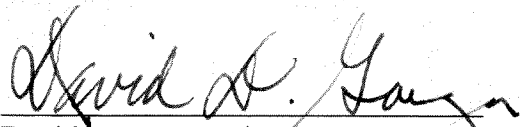
City Council desires to impose higher development standards for projects utilizing public tax dollars such as TIFs, in order to ensure sustainable, mixed-income, and mixed-use development. The staff has conducted a preliminary analysis of the proposed revisions and is prepared to implement a 30-day schedule to conduct stakeholder meetings, interdepartmental staff reviews and education forums on the proposed revisions to the guidelines.

FISCAL IMPACT

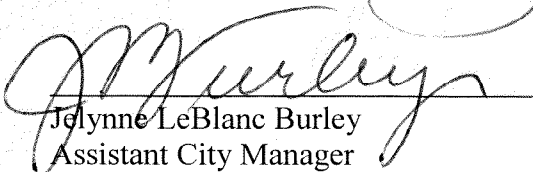
There is no fiscal impact with this action.

COORDINATION

This item has been coordinated with the City Attorney's Office.



David D. Garza, Director
Neighborhood Action



Jolynne LeBlanc Burley
Assistant City Manager



Terry M. Brechtel
City Manager

CITY OF SAN ANTONIO
OFFICE OF THE MAYOR
MEMORANDUM

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2003 MAY 19 10:31 AM

TO: City Council

FROM: Edward D. Garza, Mayor

COPIES TO: Terry Brechtel, City Manager; Jelynn Burley, Assistant City Manager

SUBJECT: Tax Increment Reinvestment Zone Guidelines and Criteria

DATE: May 14, 2003

Through this memo I ask for your assistance in revising the guidelines for the creation of Tax Increment Reinvestment Zones (TIRZ). Currently the guidelines focus on the role that TIRZs can play in promoting inner-city revitalization within Loop 410 and south of Highway 90. However, TIRZs are successfully and appropriately used in other cities, such as Houston, to promote higher-quality, sustainable development that would not otherwise be feasible. The Texas Constitution allows TIRZs to be created over areas that are **unproductive, underdeveloped or blighted**. Section 311.005 outlines certain criteria that may be used by the City in designating a TIRZ, including sites that substantially arrest or impair the sound growth of the municipality; constitute an economic or social liability because of the presence of unsanitary or unsafe conditions, the deterioration of the site or improvements; or that are predominantly open and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality.

Current guidelines do state that TIRZS are "a tool used to assist in financing needed public improvements and enhancing infrastructure," but they do not make clear that these improvements and enhancements may not always occur in blighted areas. It is important that well-designed, mixed-use traditional neighborhoods (TNDs) be built throughout San Antonio. Among other reasons, these neighborhoods encourage density, help preserve open space, conserve energy, allow the use of mass transit, support mixed-income housing, and result in added value to the city over time.

These goals are established in the City of San Antonio's Master Plan, adopted in 1997. The Master Plan's Vision Statement is that San Antonio will provide "safe, dynamic and sustainable neighborhoods" featuring "balanced and responsible urban design, planning and development." Urban Design Goal 1, Policy 1a, for example, calls for the promotion of "neighborhood centers which (sic) include schools, libraries, stores, transit centers and community service facilities in accessible, pedestrian friendly environments." Policy 1c calls for the creation of alternative development standards, such as a TND ordinance, enabling "the design and construction of neighborhoods and districts that fulfill the objectives for urban vitality, sense of community and the efficient provision of infrastructure." Additional Goals and Policies within the Urban Design section call for coordination of public infrastructure, facilities and transportation planning in order to improve access to these resources, and emphasize the importance of providing integrated parkland and recreational facilities.

The Master Plan is implemented by the Unified Development Code (UDC), adopted in 2001. The UDC defines TNDs as neighborhoods that combine "a variety of housing types with commercial and civic uses in a compact, walkable neighborhood setting. The TNDs feature a highly interconnected street network and setbacks appropriate to create a public realm built on a human scale." Projects that meet the UDC definition or the new urbanist SmartCode (www.municode.com) description shall be eligible for TIRZ.

In order to support development that meets the City's Master Plan, I ask that the TIRZ guidelines be revised to include the following goals:

- Within the CRAG Area: ^{TND's} Traditional neighborhood design and at least 50% market rate housing are required (market rate single-family units are defined by the Department of Housing and Community Development as costing more than \$89,000); terms of up to 25 years.
 - South of Highway 90 (with the exception of the South Side Initiative): Traditional neighborhood design and at least 50% market rate housing are required; terms of up to 15 years.
 - Southside Initiative Limited Purpose Annexation Area: Traditional neighborhood design; provision for police, fire, library, parks and school facilities; at least 75% market housing; terms of up to 25 years. These projects shall be reviewed by the applicable Defense Adjustment Management Authority and subsequently submitted to City Council.
 - All other areas, including voluntary annexations: Traditional neighborhood design; provision for police, fire, library, parks and school facilities; City services plan; at least 15-25% affordable housing; terms of up to 15 or 25 years, depending on percentage of affordable housing.
- All projects inside Loop 410 shall be considered "infill projects," with no minimum project size; all projects located outside Loop 410 and north of Highway 90 shall be at least 100 acres, with a TND master plan, a minimum private sector investment of \$50 million.
- The school district(s) in which the project is located must approve the plan. Project plans shall be subject to a TND review from outside planners, paid by project developers and selected from a mutually-agreed list; the results of the review shall be made available to City Council for consideration.
- No TIRZ shall be created over the Edwards Aquifer recharge zone unless the developer agrees to an Environmental Protection Agreement approved by the City with the consultation of the San Antonio Water System and the Edwards Aquifer Authority.
 - For economic development projects that do not have a residential component, factors such as economic impact, private sector investment, payment of a living wage, financial feasibility and ability to generate other revenues for the City shall be considered.
 - References to 50% pre-lease requirements shall be removed.

In addition, I request the following changes to improve administration of the TIRZ program:

- Lobbyists are prohibited from receiving compensation from TIRZ revenues, and no attorney hired for the TIRZ shall receive a contingent fee based on the tax increment generated.

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May 12, 2003

- With the exception of projects within the Southside Initiative, there shall be a 30-day review by City staff after a complete application is submitted; if the review is not completed within 30 days, an update on the project will be placed on the next City Council "A" session agenda during the City Manager's Report.
- If more than three projects are presented to City Council within a 12-month timeframe due to staff's inability to meet the 30-day review schedule, an item will be placed on City Council agenda to consider moving management of TIRZ to another entity.

Through this memo I direct staff to bring forward a revised copy of the guidelines for consideration at the next Urban Affairs Committee meeting, scheduled for May 20, 2003, and to bring the item forward to the City Council meeting on May 22, 2003. **to**


EDWARD D. GARZA
Mayor


Bobby Pérez
Council Member, District 1


John Sanders
Council Member, District 2


Antoniette "Toni" Moorhouse
Council Member, District 3


Enrique "Kike" Martin
Council Member, District 4

Nora X. Herrera
Council Member, District 5

Enrique M. Barrera
Council Member, District 6


Julian Castro
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