

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

SUBJECT: Resolution of Intent to Consider the use of Tax Increment Financing (TIF) for the Rosillo Creek Project

DATE: September 23, 2004

SUMMARY AND RECOMMENDATION

This item is a resolution expressing the City of San Antonio's intent to consider creating a tax increment reinvestment zone to finance public improvements in support of the Rosillo Creek commercial development project located in Council District 2. Approval of this resolution would authorize the initiation of the process for consideration of designation of the tax increment reinvestment zone (TIRZ) by providing written notices of the City's intent to all affected taxing entities.

It is important to note that approval of this resolution only initiates the process for the creation of the proposed reinvestment zone. Upon passage of this resolution of intent, staff is authorized to request an appointee from each taxing entity for the purpose of discussing each project. Staff is also authorized to call and hold meetings with representatives of each taxing entity. Staff will conduct a full programmatic review and analysis to determine the viability of the project and the projected revenues generated by the tax increments. This action does not, in any way, obligate the City to designate the proposed reinvestment zone; nor does it financially obligate the City or other taxing entities. This resolution allows staff to continue the process to structure financing and conduct project reviews for the proposed TIF commercial project.

Staff recommends approval of this resolution.

BACKGROUND INFORMATION

On January 8, 2004, the City Council amended the TIF *Guidelines and Criteria for the use of TIF* as an incentive tool. On June 30, 2004, the City Clerk received a TIF application from Zachry Realty, Inc. for the Rosillo Creek commercial development project. On July 15, 2004 the City notified the applicant of outstanding items in their application, to which the applicant responded by August 4, 2004.

The proposed project site is located outside Loop 410 at the intersection of Eisenhower and Walzem Roads in City Council District 2. Some of the proposed public improvements for the Rosillo Creek project include: road construction on Eisenhower and Walzem, sidewalks, utilities, drainage work, drainage detention work, gas easement, and landscaping. The proposed project estimates the

construction of office, retail, distribution and warehouse space to be completed over 5 phases through the year 2009.

POLICY ANALYSIS

Staff has conducted a preliminary review of the application for the creation of the proposed tax increment reinvestment zone based on whether the proposed project meets the criteria for a Reinvestment Zone as outlined in the TIF Act (Texas Tax Code, Section 311.005, Criteria for Reinvestment Zone) and the eligibility requirements in the current TIF Guidelines.

The applicant has substantially complied with the eligibility criteria as summarized below:

- Section I (J): Demonstration of Community Revitalization Impact (This section asks the applicant to describe how the planned investment will contribute to revitalization activities in the parcels and the surrounding area.)
 - The project proposes to address flooding conditions along Rosillo Creek through the construction of stormwater detention facilities.
 - The project proposes to bring major economic development into an undeveloped infill site adjacent to the Northeast Crossing residential Tax Increment Reinvestment Zone.
 - The investment in this area may act as a catalyst to encourage an increase in the population. The project proposes to add \$49,977,217 in development value to the proposed site and create an estimated 200 jobs.
- Section I (K): Demonstration of Need for Public Assistance (This section asks the applicant to demonstrate that the proposed project would not occur without public assistance.)
 - TIF is required to finance the planning and construction of development that the market alone will not provide in the foreseeable future. Existing development in the area is limited to multifamily apartments, single-family subdivisions, and strip commercial development. The proposed project will provide area residents with employment and shopping options currently unavailable in the area.
- Section IV: Criteria for Designation of a Reinvestment Zone (This section asks the applicant how the project meets the statutory criteria for designation of a reinvestment zone.)
 - The site is predominantly open, consisting of partially developed and undeveloped land.
 - In the period from 1999 – 2004, the project area's property values have increased only 19% -- much lower than the City average of 44%.
- Section V: Restrictions on Composition of Reinvestment Zones (This section requires that the proposed project not exceed 15% of the total appraised value of taxable real property in the City, County, or the school district that levies taxes in the proposed reinvestment zone.)
 - The proposed project does not increase the total appraised value of taxable real property in proposed and existing reinvestment zones over the 15% statutory limits.
- Section VI (B): Project Location
 - The proposed project is located within Non-Target Area as defined in the TIF Guidelines and is not located over the Edwards Aquifer Recharge Zone. The City's participation level is limited to 65% for up to a term of 20 years.
- Section VI (C): Urban Design (This section specifies which of the nine non-conventional Use Patterns or Special Districts will be implemented in this proposed project.)
 - The proposed project currently has identified the Commercial Center and/or Office and Industrial Campus Use Patterns.
- Section VIII (B): Content of Application (This section asks whether the application includes: application fee, general description of public and private improvements, a map, property description, field notes, financial pro-formas, description of how the proposed project will

contribute to revitalization, a written demonstration of how TIF is needed, timelines for proposed improvements, market feasibility study, & cost benefit analysis).

- Staff has determined that the applicant has submitted a substantially complete application. Further information may be required for full programmatic review.

Each Application for Redevelopment requesting the TIF tool will be evaluated by various City departments to assess the viability of the proposed project. In addition to meeting the criteria set forth in Section I Subsection M, Criteria for Applicant/Developer, the project must comply with the Unified Development Code, as set forth in the 2004 TIF Guidelines and Criteria. Upon full review, a determination will be made regarding compliance with all relevant eligibility criteria and development standards. A preliminary Project and Finance Plan will accompany staff recommendation to City Council for designation of the reinvestment zone. If new information is discovered during the full programmatic review process that renders the project ineligible for TIF, staff will not recommend proceeding with the project and designating the area as a reinvestment zone. The process for designation takes an average of 4 – 6 months.

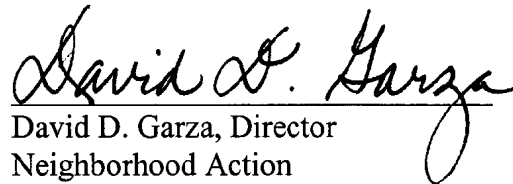
FISCAL IMPACT

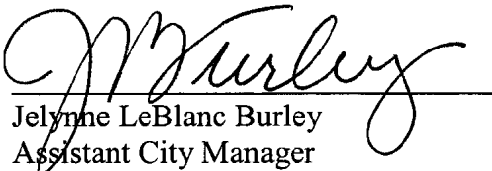
Approval of this resolution initiates the TIF process, and as such, this action will not have a direct financial impact. A full review and analysis is still required to confirm the viability of this financing approach and the revenues generated by the proposed tax increments. A preliminary reinvestment zone finance plan will be developed from the application in fulfillment of statutory requirements. The preliminary finance plan will address a number of scenarios, including TIF participation by other taxing entities.

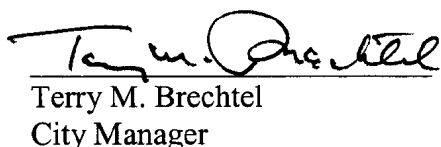
Approved in October 2002, the TIF guidelines require a \$31,000 processing fee upon passage of a Resolution of Intent for a proposed TIF project application. The fee is to be paid within 10 days of approval of the resolution of intent. This fee supports the costs associated with full programmatic review provided by the City staff funded through the TIF Special Revenue Fund. This fee will be applied to the TIF Special Revenue Fund for fiscal year 2003-2004.

COORDINATION

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


David D. Garza, Director
Neighborhood Action


Jelynn LeBlanc Burley
Assistant City Manager


Terry M. Brechtel
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