

**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 Hallie Heights 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 Hallie Heights development project located in City Council District 4. Approval of this resolution would authorize the initiation of the process for consideration of designation of the tax increment reinvestment zone by providing written notices of the City's intent to all affected taxing entities.

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 from 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 the staff to continue the process to structure financing and conduct project reviews for the proposed tax increment finance project.

Staff recommends approval of this resolution, with the following waivers of the 2004 TIF Guidelines:

- Section VI (C), Use Patterns and Special Districts and
- Section VI (E), Limitations of the TIF Program.

This project was one of the projects submitted prior to the revisions to the Guidelines and is a project that meets the preliminary review.

## **BACKGROUND INFORMATION**

In September of 2002, the City Clerk first received a TIF application from HLH Development, LP for the Hallie Heights project. On October 24, 2002, the City Council amended the *TIF Program Guidelines and Criteria*. Staff was reviewing the Hallie Heights project application when staff received direction to amend the 2002 TIF Guidelines and suspend work on the pending applications.

On January 8, 2004, the City Council amended the *Guidelines and Criteria for the use of TIF* as an incentive tool. Applicants with pending applications were invited to re-apply for TIF. Hallie Heights was required to re-apply and did so on June 30, 2004. On July 15, 2004, the City notified the applicant of outstanding items in their application, to which the applicant responded by August 4, 2004. Staff has been working with the developer to submit all the necessary information to proceed with the process.

The project site is located outside Loop 410 near Medina Base Road in City Council District 4. Some of the proposed public improvements for the Hallie Heights project include: site work, streets and approaches, drainage, sewer, water, sidewalks, street lights/traffic signal, and street signs. The proposed project estimates the construction of 184 single-family units, with an average price of \$102,000 to be completed over 3 phases through the year 2006.

## **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 applicant states that the population growth between 1990 and 2000 in the 1.5-mile radius of the property was 152 people, a growth rate of 0.76%. This 0.76% growth rate was one of the smallest in San Antonio. The number of households within the market area actually declined from 4778 in 1990 to 4776 in 2000, a growth rate of -0.25%. Project proposes 184 single-family homes to enhance the overall value of the existing neighborhood and to help increase the area's growth rate.
  - The project proposes to add \$13,305,094 in development value over a 6-year period.
- ❑ Section I (K): Demonstration of Need for Public Assistance (This section asks the applicant to demonstrate that proposed project would not occur without public assistance.)

- Anticipated TIRZ revenues were utilized as additional collateral to secure financing and related loans for this project.
- Section IV: Criteria for Designation of a Reinvestment Zone (This section asks the applicant how the proposed project meets the statutory criteria for designation of a reinvestment zone.)
  - The site is predominantly open, consisting of partially developed land.
  - The application identifies general factors that substantially impair or arrest the sound growth of the municipality, including a very low rate of population growth, a negative growth rate for households, and a decline in average housing sales prices and resale value of existing homes.
  - In the period from 1999 – 2004, the property values of the project's census tract(s) have increased only 32% -- much lower than the City average of 44%.
- Section VI (B): Project Location
  - The proposed project is located within the Secondary Target Area (defined as inside Loop 410 and outside Loop 410 but south of Highway 90), which allows the City to participate up to 90% and for a term of up to 20 years.
  - The proposed project is not located over the Edwards Aquifer Recharge Zone.
- Section VI (C): Urban Design (This section specifies which of the nine non-conventional Use Patterns or Special Districts will be implemented in this project.)
  - The proposed project currently does not meet any of the specified Use Patterns or Special Districts.
  - *Applicant has requested a waiver. This application was originally submitted in September 2002. Staff worked with the developer to have the Master Development Plan approved under the 2002 TIF Guidelines. This plan was approved in June 2003. This development incorporates acreage for commercial developments and is adjacent to an elementary school.*
- Section VI (E): Limitations of TIF Program (This section specifies limits on numbers of applications, lobbyist activities, and contract types.)
  - Applicant is submitting applications for two TIF projects.
    - *Applicant has requested a waiver of this requirement.*
- Section VIII (B): Content of Application (This section asks whether the application includes: application fee, general description of public & private improvements, a map, property description, field notes, financial pro-formas, description of how the 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 use of TIF will be evaluated by various City departments to assess the viability of the proposed project. The proposed project must comply with the Unified Development Code, the requirements set forth in the 2004 TIF Guidelines and Criteria, and any other applicable rules and regulations. Upon full review, staff will determine 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**

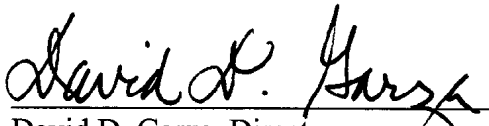
Approval of this resolution initiates the TIF process, and as such, this action will not have a direct financial impact to the General Fund. A full review and analysis is still required to confirm the viability of this financing approach and the revenues generated by the proposed tax increments. A preliminary 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 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.

### **SIGNATURES**

  
David D. Garza, Director  
Neighborhood Action

  
Jelynn LeBlanc Burley  
Assistant City Manager

  
Terry M. Brechtel  
City Manager