

**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 Heathers Cove 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 Heathers Cove development project located in City Council District 4. Approval of this resolution would initiate 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 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 the staff to continue the process to structure financing and conduct project reviews for the proposed tax increment financing 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 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 Heathers Cove project. On October 24, 2002, the City Council amended the *TIF Program Guidelines and Criteria*. Staff was reviewing the Heathers Cove 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. Heathers Cover 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 inside Loop 410 near Medina Base Road in City Council District 4. This project is partially within the Westside Enterprise Zone. Some of the proposed public improvements for the Heathers Cove project include site work, streets and approaches, drainage, sewer, water, sidewalks, street lights/traffic signals, street signs, and utilities. The application proposes the construction of 174 single-family units with an average initial home price of \$102,000. The application also proposes 255,219 square feet of commercial space to be completed over 3 phases through the year 2005.

POLICY ANALYSIS

Staff has conducted a preliminary review of the application for the creation of the proposed tax increment reinvestment zone to determine whether the proposed project satisfies the criteria for a Reinvestment Zone as outlined in the TIF Act (Texas Tax Code, Section 311.005, Criteria for Reinvestment Zone). Staff has also evaluated the project to ensure that it meets the eligibility requirements in the current TIF Guidelines.

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

- Demonstration of Community Revitalization Impact - Section I (J): (This section asks the applicant to describe how the planned investment will contribute to revitalization activities in the parcels and the surrounding area.)
 - Heathers Cove TIF is proposed to finance the extension of Springvale Drive into Indian Creek Park as well as a series of park improvements including trails.
 - The project may include using a portion of the TIF revenues for the reconstruction of Medina Base Road in anticipation of increased traffic resulting from the TIF developments. The area neighborhood associations (PACE and Springvale) requested that this proposed project address this issue.
 - The investment in this area may act as a catalyst to encourage an increase in the population. The proposed project proposes to add \$19,087,100 in development value to the proposed site and could produce opportunities for commercial and retail businesses.

- Demonstration of Need for Public Assistance - Section I (K): (This section asks the applicant to demonstrate that proposed project would not occur without public assistance.)
 - Anticipated TIRZ revenues were utilized as an additional level of security to secure financing and related loans for this project.
 - Criteria for Designation of a Reinvestment Zone - Section IV: (This section asks the applicant how the project meets the statutory criteria for designation of a reinvestment zone.)
 - The site is partially within the boundaries of the Westside Enterprise Zone.
 - The site is predominantly open, consisting of partially developed land.
 - In the period from 1999 – 2004, the project area's property values have increased only 28% -- much lower than the City average of 44%.
 - The percentage of area residents living below the poverty level is high in relation to the rest of the City: 19.1% compared to 17.3%.
- Project Location - Section VI (B):
 - 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 a term up to 20 years.
 - The proposed project is not located over the Edwards Aquifer Recharge Zone.
- Urban Design - Section VI (C): (This section specifies which of the nine non-conventional Use Patterns or Special Districts will be implemented for this project.)
 - The proposed project currently does not meet any of the specified Use Patterns or Special Districts.
 - *Applicant is requesting a waiver. This application was originally submitted in September 2002. The approved Master Development Plan for the project incorporates some of the principles of Use Patterns: mixed- use, small block lengths, and street connectivity.*
- Limitations of TIF Program - Section VI (E): (This section limits the number of applications, lobbyist activities, and contract types.) The guidelines limit the applicant to one TIRZ application per year.
 - Applicant currently has two pending TIF projects.
 - *Applicant is requesting a waiver of this requirement.*
- Content of Application - Section VIII (B): (This section asks whether the application includes: application fee, general description of public and private improvements, 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

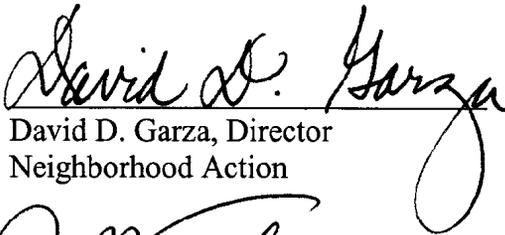
Approval of this resolution initiates the TIF process and does not have a direct financial impact to the General Fund. A full review and analysis is still required to confirm the viability of this financing approach and the revenues generated by the proposed tax increments. A preliminary reinvestment 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 required within 10 days of approval of the resolution of intent. This fee is 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.

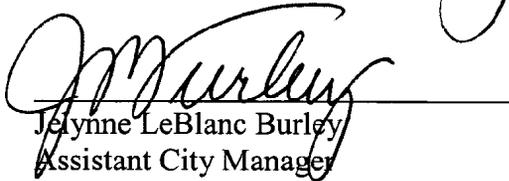
COORDINATION

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

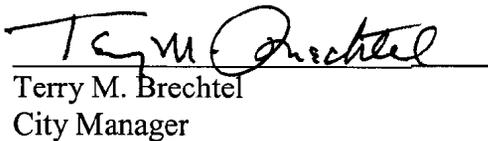
SIGNATURES



David D. Garza, Director
Neighborhood Action



Jelynn LeBlanc Burley
Assistant City Manager



Terry M. Brechtel
City Manager