

**CITY OF SAN ANTONIO
NEIGHBORHOOD ACTION DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

PUBLIC HEARING
TIME CONTAIN
ITEM NO 7A)
6:00PM

TO: Mayor and City Council

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

SUBJECT: Consideration for Designation of a Tax Increment Reinvestment Zone for Rainbow Hills located in City Council District 4

DATE: December 16, 2004

SUMMARY AND RECOMMENDATIONS

This item is a public hearing to consider the designation of property consisting of approximately 35 acres known as the Rainbow Hills development as a proposed Tax Increment Reinvestment Zone (TIRZ) #18 as provided through the TIF Act, Chapter 311 of the Texas Tax Code. This item will officially name the reinvestment zone, create a Board of Directors for the zone, establish effective start and termination dates for the zone, present the preliminary financing plan, and create a Tax Increment Reinvestment Zone (TIRZ) fund.

Staff recommends denial of this item.

BACKGROUND INFORMATION

On August 22, 2002, the City Clerk received a Tax Increment Financing (TIF) application from West Pond Apts. Ltd and West Pond Unit 2 Ltd. for consideration of a zone to be called Miller Pond, thereafter renamed Rainbow Hills. On November 14, 2002, the City Council approved a Resolution expressing the City of San Antonio's intent to consider the creation of a Tax Increment Reinvestment Zone to finance public infrastructure improvements for the purpose of supporting new housing development for this project. This resolution allowed staff to make statutory presentations to participating taxing entities and further evaluate the project for eligibility. In October 2004, the City was able to make its statutory presentation to Bexar County who was holding all presentations until after the County's review of their TIF Guidelines.

POLICY ANALYSIS

The Rainbow Hills Tax Increment Reinvestment project is located in City Council District 4 and borders Horal Street to the west, Marbach Rd. to the north, Loop 410 to the east and Lackland Hills Subdivision (Unit 6) to the south (See Attachment A). The public infrastructure improvements and related development include site work, storm water pollution prevention, streets and approaches, drainage, detention, water, sewer, utilities, street lights, street signage, landscaping, CPS service extension, zoning and permits, park fees, drainage fees, sewer impact fees, water impact fees, engineering/surveying fees, construction management, and formation expenses.

The preliminary finance plan anticipates the construction of 98 single-family homes with an average sales price of \$89,500 and 320 multi-family units. The life of the TIRZ is projected to be 19.56 years.

The application for the creation of the Rainbow Hills Tax Increment Reinvestment zone is to be considered under the 2002 Tax Increment Financing (TIF) Guidelines and Criteria as adopted on October 24, 2002. Because of its location in Target Area 2, this zone is conceived to meet affordable housing goals articulated in the 2002 Guidelines. Projects in this area must have at least fifty percent (50%) of units dedicated to affordable housing, which is defined as units with prices not exceeding \$89,000.

The developer's project representative reported November 29, 2004 that as of this year, all homes and multi-family units are complete. An earlier site visit by City staff in July 2004 revealed that the construction of this project was substantially complete. The current construction completed in this zone and reflected in the certified accounts provided by the Bexar Appraisal District does not meet the goals outlined in the 2002 TIF Guidelines. As of December 31, 2003, 46 of the 98 single-family homes had been constructed. These homes have an average value of \$96,387 – approximately \$7,000 above the City's affordability limit. Furthermore, a meeting with the developer's representatives indicates that homes built to date do not meet the City's Universal Design requirements as outlined in Section III of the 2002 TIF Guidelines. The Universal Design Policy amended by ordinance #96621 prohibits the use of TIRZ funds for projects that do not meet the City's Universal Design Ordinance's requirements. Those homes that do not meet the Universal Design requirements would have to be excluded from the list of accounts that generate revenue to pay for infrastructure costs.

The applicant has not demonstrated that this development would not have occurred but for the TIF tool. All of the single and multi-family units have been completed, and a substantial number have been sold, solely through market forces, before the designation of a zone and before the commitment of any TIRZ revenues. Furthermore, because the project is complete, and a substantial amount of it will be reflected in the base value, there is very little increment to be generated from the remaining development that will be reflected in the projected captured value. The potential increment could be reduced even further if final documentation of the project's housing units reveals that they do not meet the City Universal Design Ordinance requirements and their value is therefore ineligible to contribute increment to the TIRZ fund.

As required under the TIF Act, City staff has made presentations to the Northside Independent School District and Bexar County, notified each taxing entity of these presentations, and met with representatives of affected taxing entities about the proposed project and reinvestment zone.

FISCAL IMPACT

The Rainbow Hills TIF application included a base value of \$241,000 in 2002 when the project was submitted. Since nearly 50% of the housing was completed in 2003, the proposed Rainbow Hills project reflects a base value of \$13,363,500. Based on the Preliminary Finance Plan, the TIRZ fund is projected to generate approximately \$616,240 while the costs of the public infrastructure and associated cost for administration of the TIRZ is projected to be more than \$2.5 million. TIF is designed to support development that would not otherwise take place. TIF is intended to generate private investment to increase the value of the zone above the base value.

The increment in value is used to generate funds to reimburse the developer for infrastructure costs. Attached as Attachment B are the Sources and Uses and Projected Revenue Schedules developed to determine the financial feasibility of the TIRZ.

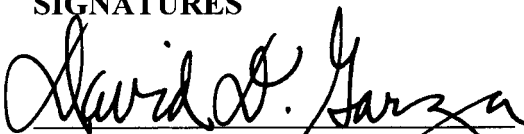
The Preliminary Finance Plan projects an additional \$6,759,150 of value coming online in Tax Year 2006. This projected captured value is not enough to cover the costs associated with creating the zone. The projected startup and annual administrative fees for the County and the City are \$285,000 over the life of the TIRZ. This would mean that the TIRZ Fund would only be able to reimburse the developer approximately \$331,000 of the \$2.2 million of infrastructure costs. This estimate assumes that the remaining houses are constructed according to Universal Design Guidelines and are in compliance with the 2002 TIF Guidelines.

Staff does not recommend the designation of this zone. If the zone is designated, however, the action does not, in any way, obligate the City to participate or contribute incremental ad valorem taxes from the proposed reinvestment zone; nor does it financially obligate the City or other taxing entities. Like other designated TIRZs, the City staff would coordinate with the appointed TIRZ Board to develop a Final Project and Finance Plan and draft legal documents that include interlocal and development agreements. Upon TIRZ Board approval of these documents, the City staff will present these documents to City Council for consideration. Upon approval of these documents, the City will be obligated to participate or contribute incremental ad valorem taxes in the amount detailed in the approved Final Project and Finance Plan and the legal documents. These approved documents will also be presented to the other Taxing Entities to legally secure their financial commitments.

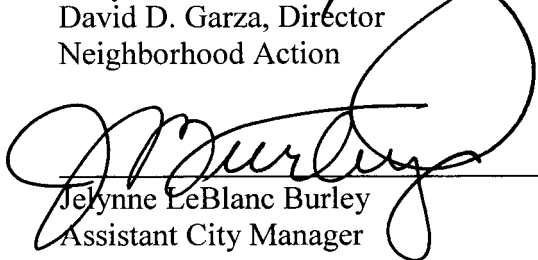
COORDINATION

This item has been coordinated with Office of Management and Budget, Finance, Development Services, Environmental Services, Fire, Parks, Planning, Public Works, and the City Attorney's Office.

SIGNATURES



David D. Garza, Director
Neighborhood Action



Jelynnne LeBlanc Burley
Assistant City Manager



J. Rolando Bono
Interim City Manager

Rainbow Hills

CITY COUNCIL DISTRICT 4

Attachment A

ANGEL VALLEY DR

BRAVO VALLEY

CAPE VALLEY DR

DALE VALLEY DR

SERENE VALLEY

EASY VALLEY DR

CONCIO DR

FLINT VALLEY

ADAMS HILL DR

STIMMEL DR

CONCIO DR

BARBUDA

WELCH DR

JAMAICA DR

HORAL DR

JAMAICA DR

BAHAMIA DR

BARBUDA

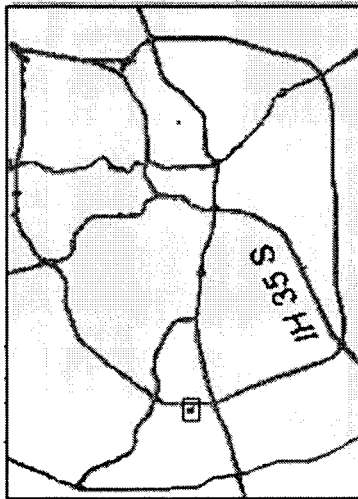
TARASCO

TOMAR D

STIMMEL DR

WESTPOND DR

COLUMBIA SQ



HARNESS LN

WESTSHIRE DR

CINCH

BRONCO LN

PISTOL LN

LTTITUDE DR

S-W-L-O-O-P-4-1-0

Rainbow Hills - Tax Increment Reinvestment Zone

Sources and Uses

Sources of Funds

TIF Revenues	\$ 616,240
Developer Contribution	\$ 1,106,478
Total Sources of Funds	\$ 1,722,718

Uses of Funds

	Phase I 2003	Phase II 2004	Phase III Multi-Family	Total Infrastructure Improvements
Begin Construction	46	52	320	418
Single/Multi Family Homes				
Storm Water Pollution Prevention	\$ 16,665		\$ -	\$ 16,665
Streets and Approaches	\$ 241,276		\$ -	\$ 241,276
Drainage	\$ 98,931		\$ -	\$ 98,931
Detention	\$ 35,195		\$ -	\$ 35,195
Water	\$ 160,008		\$ -	\$ 160,008
Sewer	\$ 129,024		\$ -	\$ 129,024
Electric/Telephone	\$ 36,148		\$ -	\$ 36,148
Sidewalks	\$ 37,476		\$ 27,000	\$ 64,476
Street Lights/Signs	\$ 3,508		\$ -	\$ 3,508
Street Trees/Landscaping	\$ -		\$ 18,000	\$ 18,000
CPS Service Extension	\$ 38,323		\$ -	\$ 38,323
Zoning and Permits	\$ -		\$ 24,891	\$ 24,891
Park Fee	\$ 5,400		\$ -	\$ 5,400
Drainage Fees	\$ -		\$ 85,000	\$ 85,000
Sewer Impact Fees	\$ 109,368		\$ 180,792	\$ 290,160
Water Impact Fees	\$ 89,768		\$ 158,239	\$ 248,007
Hard Cost Total	\$ 1,001,090		\$ 493,923	\$ 1,495,013
Engineering/Surveying Fees	\$ 150,164		\$ -	\$ 150,164
Contingency	\$ 71,690		\$ 44,453	\$ 116,143
Construction Management	\$ 39,828		\$ 24,696	\$ 64,524
Formation Expense	\$ 56,000		\$ -	\$ 56,000
Soft Cost Total	\$ 317,681		\$ 69,149	\$ 386,830
Total Public Improvements	\$ 1,318,771		\$ 563,072	\$ 1,881,843
Grand Total	\$ 1,318,771		\$ 563,072	\$ 1,881,843
Total Infrastructure	\$ 1,881,843			
Financing Cost @ 4.54%	\$ 391,787			
Total Payments to Rainbow Hills	\$ 2,273,630			
Total Admin. Expenses	\$ 285,000			
Grand Total	\$ 2,558,630			
Project Financing Surplus (Shortage)	\$ (835,912)			

Rainbow Hills - TIF Reinvestment Zone

Projected Tax Increment Revenue

Tax Year	Tax Increment Zone				City of San Antonio			Bexar County			Combined TIF Collections	Fiscal Year Ending
	Beginning Assessed Value	Annual Value of New Development	Projected Year-End Assessed Value	Projected Captured Value	Captured Taxable Value	Tax Rate Contribution	Tax Increments	Captured Taxable Value	Tax Rate Contribution *	Tax Increments		
2004	13,363,500		13,363,500	-	-	0.5785400	-	-	0.1407595	-	-	2005
2005	13,363,500	6,759,150	13,363,500	-	-	0.5785400	-	-	0.1407595	-	-	2006
2006	13,363,500		20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2007
2007	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2008
2008	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2009
2009	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2010
2010	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2011
2011	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2012
2012	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2013
2013	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2014
2014	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2015
2015	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2016
2016	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2017
2017	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2018
2018	20,122,650	-	20,122,650	6,759,150	6,759,150	0.5785400	38,127	6,759,150	0.1407595	9,276	47,403	2019
\$ 6,759,150					\$ 495,648			\$ 120,592			\$ 616,240	
Existing Annual Value Growth Factors					Participation Level			Participation Level *				
Years					0.00%			50%				
Thereafter					0.00%			0.00%				
Combined Compound Growth Rate					Tax Rate Growth Factor			Tax Rate Growth Factor				
					Tax Rate Collection Factor			Tax Rate Collection Factor				
					97.50%			97.50%				

Notes:

*Bexar County is participating at 50% of their Operation and Maintenance tax rate not the total tax rate

\$ 13,363,500 Base Value
 \$ 8,243,100 Large Multi-Family Parcel
 \$ 473,000 Small Multi-Family Parcel
 \$ 4,647,400

New Value Coming On-line

52 house @ \$99,500 \$ 5,174,000
 49 Multi-Family Units @ \$32, 350 \$ 1,585,150
 \$ 6,759,150