

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

**TO:** Mayor and City Council

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

**SUBJECT:** Resolution of Intent to Consider the use of Tax Increment Financing for the Espada Development Project

**DATE:** May 19, 2005

**SUMMARY AND RECOMMENDATIONS**

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 Espada development project, currently located in the limited purpose annexation area 4 in City Council District 3. 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 zone 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 reinvestment zone. Before the area can be designated as a reinvestment zone by the City of San Antonio, the City must annex the area for full purposes.

Staff recommends approval of this resolution.

**BACKGROUND INFORMATION**

The City has been working with the developer on the proposed Espada Master Planned Community since the Fall of 2004. On April 25, 2005, the City Clerk received a Tax Increment Finance (TIF) application from Terramark Communities Ltd. for the proposed tax increment reinvestment zone. On May 3, 2005, the City notified the applicant of outstanding items in their application, to which the applicant sufficiently responded on May 6, 2005 with the exception of

letters required by the surrounding neighborhood associations. Terramark has indicated that these letters are forthcoming.

The proposed zone is located south of Loop 410 with approximately 107 acres on the west side of Highway 281 and 740 acres on the east side of Highway 281. This area is currently located in the limited purpose annexation area 4, in City Council District 3. Some of the proposed public improvements for the Espada project include streets, sidewalks, lighting, drainage, water, sewer, gas, electric, parks and recreational centers, and landscaping. The proposed project estimates the construction of more than 3,000 homes, schools, parks, places of worship, shopping centers, professional service buildings, restaurants and other mixed uses to be completed over approximately 19 phases through the year 2044. The ultimate size of the tax increment reinvestment zone will be based on the amount of property the developer has acquired at the time the City considers designation of the zone.

### **POLICY ANALYSIS**

Staff has conducted a preliminary review of the application for the creation of the proposed tax increment reinvestment zone in order to determine whether the proposed zone 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 zone will facilitate the implementation of a concerted planning effort originally known as the Southside Initiative and now branded as City South.
- The zone will support the development of a series of residential neighborhoods that will serve the demand that will be created by the development of the Texas A&M campus and the Toyota manufacturing site.
- The zone will support major economic development into City South as a result of private investment in homes, apartments, retail, and commercial property. The developer proposes that this new private investment will result in new employment opportunities.
- The investment will act as a catalyst to increase population in this area, resulting in increased employment, residential and commercial opportunities. The projected development in the zone proposes to increase the base value from \$1,843,606 to \$885,374,483.

□ 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 being requested to finance infrastructure needed to support this master planned community that the market alone would not provide in the foreseeable future. Existing development in the area is limited to some single-family homes, large undeveloped tracts of land and large auto salvage yards. The proposed project would

provide area residents with residential, recreational, employment, transportation 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 largely undeveloped land.
  - Data from the 2000 Census indicates census tracts within a quarter-mile of the proposed zone exhibit high poverty (27.2%) and low education (41.8% without high school degree) in comparison with City averages (17.3% poverty and 24.9% without high school degree).
  - The two census tracts within the proposed zone boundaries show more extreme variation from City averages: 33.8% and 42.4% poverty; and 55.9% and 47.3% without high school degree.
- ❑ Section V: Restrictions on Composition of Reinvestment Zones (This section requires that the proposed zone 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 zone does not equal or exceed the total appraised value of taxable real property in proposed and existing reinvestment zones over the 15% statutory limits.
- ❑ Section VI (B): Zone Location
  - The proposed zone is located within the Primary Target Area as defined in the 2004 TIF Guidelines and is not located over the Edwards Aquifer Recharge Zone. In accordance with the 2004 TIF Guidelines, the City's participation level could be up to 100% for a term of up to 25 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 zone.)
  - The developer proposes to construct the project in accordance with the Urban Development District requirements.
  - Any changes in development standards resulting from the recent City South Master Planning Process will be implemented by this zone.
- ❑ 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 zone 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 zone. In addition to meeting the criteria set forth in Section I Subsection M, Criteria for Applicant/Developer, all development within the zone 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 consideration of 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.

Since the project is located in the limited purpose annexation area, the Espada project must be annexed for full purposes prior to designation of the Tax Increment Reinvestment Zone. Following the submission of a petition for annexation by Terramark the Neighborhood Action Department will be working with the Planning Department in the voluntary annexation process for the proposed Espada TIRZ.

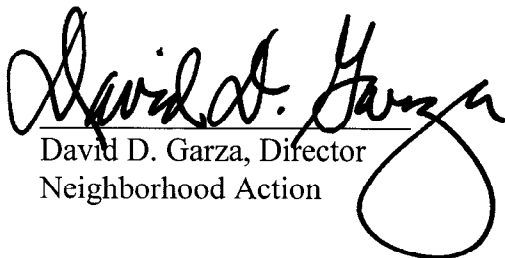
### **FISCAL IMPACT**

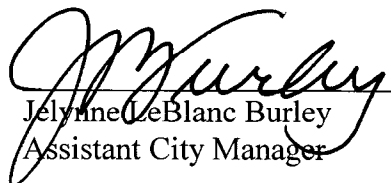
Approval of this resolution initiates the TIF process, and as such, this action will not have a direct financial impact. A full review and analysis is still required to confirm the viability of this financing approach and the revenues generated by the proposed tax increments. A preliminary reinvestment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

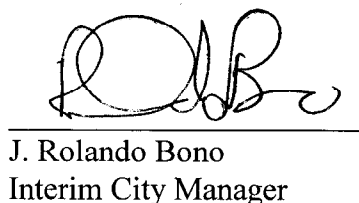
With the approval of the proposed resolution, the applicant is required to submit a \$31,000 processing fee. The fee is to be paid within 10 days of approval of the resolution of intent. This fee supports the costs associated with full programmatic review provided by the City staff funded through the TIF Special Revenue Fund.

### **COORDINATION**

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

  
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Neighborhood Action

  
Jelynn LeBlanc Burley  
Assistant City Manager

  
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