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CITY OF SAN ANTONIO AGENDA ITEM NO.
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 Palo Alto Trails Development Project

DATE: September 8, 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 (TIRZ) known as Palo Alto Trails located in City Council District 4. Approval of this resolution initiates the process for consideration of designation of a Tax Increment Reinvestment Zone designation. In accordance with the requirements of the Tax Increment Financing Act (Tax Code, Chapter 311, the "TIF Act"), this resolution authorizes staff to request an appointee from each taxing entity for the purpose of discussing each project and 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 project. This action does not, in any way, obligate the City to designate the proposed TIRZ, 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 TIRZ.

Staff recommends approval of this resolution.

BACKGROUND INFORMATION

On July 8, 2005, the City Clerk received a Tax Increment Financing (TIF) application from JAMRO Ltd. petitioning the creation of a TIRZ for the Palo Alto Trails development project. On July 22, 2005, the City notified the applicant of outstanding items in their application, to which the applicant responded on August 11, 2005. The application is substantially complete; however staff may request additional information as part of the full programmatic review. The proposed Zone is located in City Council District 4 outside Loop 410 just west of Palo Alto Road / State Highway 16 South. See attached map.

Some of the proposed public improvements for the Palo Alto Trails project include streets, alleys, drainage, water, sewer, gas, electric, street lights/signs, lift station and force main, and open space improvements. The proposed 58-acre project estimates the construction of 280 single-family homes over 2 phases through the year 2008.

POLICY ANALYSIS

Upon receipt of a complete application, the TIF Unit began a preliminary review. The findings of this review indicate whether the proposed TIRZ is eligible for TIF under the criteria of both the TIF Act (Texas Tax Code, Section 311.005, Criteria for Reinvestment Zone) and the 2004 *City of San Antonio, Texas Guidelines and Criteria for Tax Increment Financing and Reinvestment Zones* ("TIF Guidelines"). This review specifically examines the proposal in terms of the following categories:

- CONTENT OF APPLICATION
- ZONE LOCATION
- COMMUNITY REVITALIZATION IMPACT
- NEED FOR PUBLIC ASSISTANCE
- STATUTORY CRITERIA FOR DESIGNATION OF A REINVESTMENT ZONE
- URBAN DESIGN

In order to qualify for TIF, the proposal must satisfy the criteria of all these categories.

The preliminary application review of the Palo Alto Trails TIF Application finds that the proposal satisfies the criteria of all the review categories. As a result, staff concludes that the proposed TIRZ is eligible for TIF. The methodology and rationale supporting this recommendation are as follows:

CONTENT OF APPLICATION

Section VIII (B) of the TIF Guidelines requires a determination of 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, and cost benefit analysis.

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

ZONE LOCATION

Section VI (B) of the TIF Guidelines sets parameters for City participation and development types according to geographic location. The proposed TIRZ is located within the Primary Target Area as defined in the TIF Guidelines and is not located over the Edwards Aquifer Recharge Zone. In accordance with the TIF Guidelines, the City's participation level may be up to 100% for a term of up to 25 years.

DEMONSTRATION OF COMMUNITY REVITALIZATION IMPACT

Section I (J) of the TIF Guidelines requires a description of how the proposed investment will contribute to revitalization activities in the area, and a demonstration of how the project achieves the objectives of the City's Master Plan, Southside Initiative and/or the CRAG.

- The TIRZ will implement the recommendations of a concerted planning effort originally known as the Southside Initiative and now known as City South.

- The TIRZ will support the development of a residential neighborhood that will serve the demand that will be created by the development of the Texas A&M campus and the Toyota manufacturing site.
- Opportunities exist to use the TIRZ to contribute to improvements on regional infrastructure such as State Highway 16.
- According to the application, the projected development in the Zone proposes to increase the base value from \$481,540 to \$35,563,784 after the improvements in the TIRZ.

DEMONSTRATION OF NEED FOR PUBLIC ASSISTANCE

Section I (K) of the TIF Guidelines requires a demonstration that the proposed project would not occur without public assistance in the form of the creation of a TIRZ.

- A site visit was conducted and found no construction on site.
- The applicant has been requested to submit documentation of the need for TIF financing to make the proposed project possible. Staff will request further information demonstrating the need for public assistance as part of the full programmatic review.
- Project intends to accomplish one of the goals of the Southside initiative to create balanced growth in the City as a whole. Demographics in the area have made it difficult to encourage new housing development. For example, the population of this Census Tract only grew by 191 persons from 1990-2000 and the per capita income is only \$9,417 compared to \$20,458 for the City as a whole.

CRITERIA FOR DESIGNATION OF A REINVESTMENT ZONE

Section IV of the TIF Guidelines requires an analysis of how the area of the proposed Zone meets statutory criteria for designation as a Reinvestment Zone.

- The area of the proposed Palo Alto Trails TIRZ meets 311.005(a)(1) criteria by constituting an economic or social liability and being a menace to public health, safety, morals, or welfare in its present condition and use because of the presence of unsanitary or unsafe conditions.
- The proposed boundaries of the Palo Alto Trails TIRZ are completely within Census tract 161200 and within ¼-mile of two additional Census tracts: 161100 and 152000.
- Data from the 2000 Census indicates that these three Census tracts suffer from a higher level of poverty (28.5%) compared to the City's average of 17.3%. The percentage of people without a high school degree is also higher (44.2%) than the City average of 24.9%. **These Census figures indicate conditions that constitute an economic or social liability for the sake of 311.005(a)(1) criteria.**

URBAN DESIGN

Section VI (C) of the TIF Guidelines requires that the development comply with one of the nine non-conventional Use Patterns or Special Districts as defined in the City's Unified Development Code.

- The developer proposes to construct the project in accordance with the Urban Development District requirements.
- This TIRZ will implement any changes in development standards resulting from the recent City South Master Planning Process.

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 TIRZ must comply with the Unified Development Code, as set forth in the 2004 TIF Guidelines. Upon full review, staff will determine whether the project merits the assistance of TIF. At such time, preliminary Project and Finance Plans will accompany staff recommendation to City Council for consideration of designation of the TIRZ. 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 TIRZ. The process for designation takes an average of 4 – 6 months.

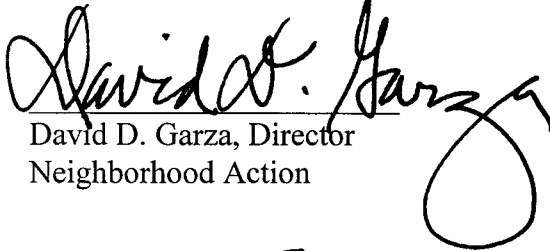
FISCAL IMPACT

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.

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 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 eligible taxing entities.

COORDINATION

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



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Palo Alto Trails

CITY COUNCIL DISTRICT 4

