

4(B)

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 Liberty Crossing 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 Liberty Crossing located in City Council District 3. 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 the 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 June 30, 2005, the City Clerk received a Tax Increment Finance (TIF) application from SA Republic Properties Ltd. petitioning the creation of a TIRZ for the Liberty Crossing development project. On July 15, 2005, the City notified the applicant of outstanding items in their application, to which the applicant responded on August 2, 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 3 inside Loop 410 at the intersection of W.W. White Road and S.E. Military Drive.

Some of the proposed public improvements for the Liberty Crossing project include site work, storm water participation plan, streets, drive-way approaches, alleys, drainage, water, sewer, gas, electrical and street lights/signs. The proposed 72.86-acre project estimates the construction of 262 single-family homes, 24 multi-family units, 67,200 s.f. commercial space and 4.21 acres of parks. The project is proposed to be completed over approximately 5 phases through the year 2009.

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 Liberty Crossing 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 TIRZ 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 Secondary Target Area as defined in the TIF Guidelines and is not located over the Edwards Aquifer Recharge Zone. Therefore, the City's participation level may be up to 90% for a term of up to 20 years. Projects will be required to provide a minimum of 30% market rate housing (except for senior housing).

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 demonstrate how the project achieves the objectives of the City's Master Plan, Southside Initiative and/or the CRAG.

- This TIRZ could help revitalization activities associated with the redevelopment of Brooks City-Base and provide housing and commercial options for employees of Toyota and its suppliers.
- Opportunities exist to improve regional infrastructure on W.W. White and SE Military.
- Developer proposes to construct project utilizing the requirements of the Urban Development District, which will include a variety of housing products, as well as develop a mixed-use community that will help ensure the long-term sustainability of the project.
- According to the application, the projected development in the Zone proposes to increase the base value from \$1,396,500 to \$53,823,375 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 found no construction on site and the site has remained vacant.
- The housing stock in this area is approximately 30 years old and valued at approximately \$62,297.
- The population has only increased slightly from 3,419 (1990) to 3,837 (2000).
- Only 39 home closings occurred from 2004 to 2005.
- The applicant has submitted a copy of a bank letter indicating that the bank would require that any TIF reimbursements be pledged as additional collateral to any financing that the bank may extend. Staff will request further information demonstrating the need for public assistance as part of the full programmatic review.

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 Liberty Crossing 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 Liberty Crossing TIRZ are within Census tracts 141402 and 141300 and within ¼-mile of two additional Census tracts: 141401 and 141700.
- Data from the 2000 Census indicates that Census tract 141300 suffers from a higher level of unemployment (8.2%) than the City's average of 6.2%. The percentage of people living below poverty is also higher (22.2%) than the City average of 17.3%. **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 projects in the TIRZ in accordance with the Urban Development District requirements.

Each Application for Redevelopment requesting the TIF tool will be evaluated by various City departments to assess the viability of the proposed TIRZ. 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 TIF Guidelines. Upon full review, staff will determine whether the project merits the assistance of TF. 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.

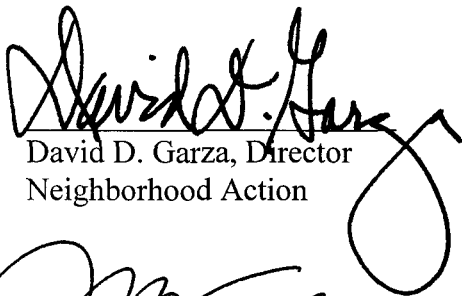
FISCAL IMPACT

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.

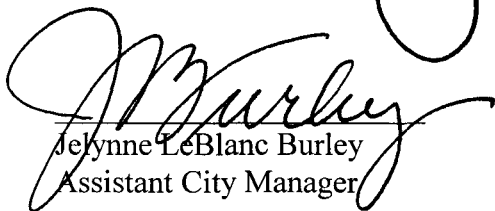
Approval of this resolution initiates the TIF process, and as such, this action will not have a direct financial impact. A full review and analysis is still required to confirm the viability of this financing approach and the revenues generated by the proposed tax increments. A preliminary reinvestment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

COORDINATION

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



David D. Garza, Director
Neighborhood Action

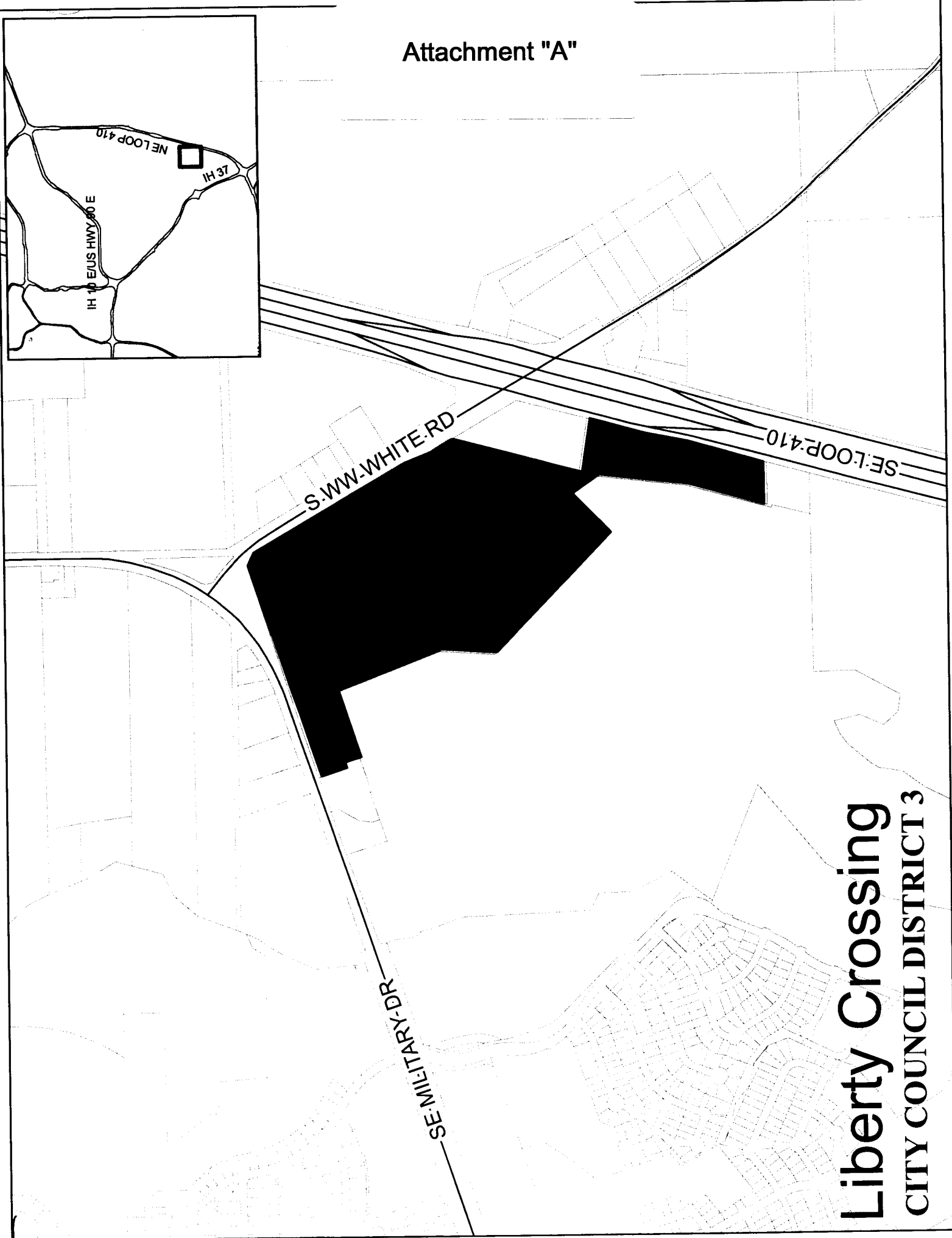
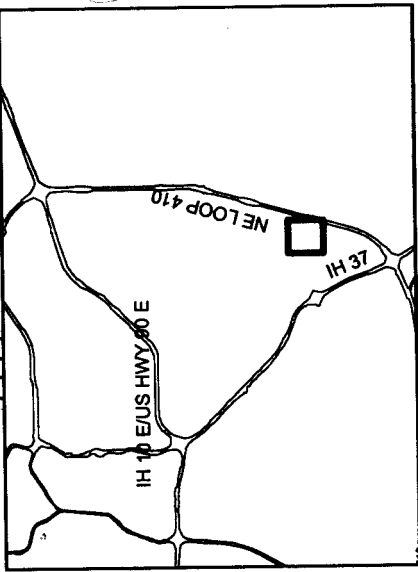


Jelynn LeBlanc Burley
Assistant City Manager



J. Rolando Bono
City Manager

Attachment "A"



Liberty Crossing
CITY COUNCIL DISTRICT 3