

**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 creation of a Tax Increment Reinvestment Zone known as Rosillo Ranch

DATE: December 1, 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 Rosillo Ranch located in City Council District 2. Approval of this resolution initiates the statutory process for the consideration of a TIRZ 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 the 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 proposed 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 Rosillo Creek Development Ltd. proposing the creation of a TIRZ to be called Rosillo Ranch. The City subsequently notified the applicant of outstanding items in their application, to which the applicant responded on August 4, 2005. The proposed zone is located in City Council District 2 outside of Loop 410 south of Interstate 10 and west of Foster Road.

Some of the proposed public improvements for the Rosillo Ranch project include streets, site work, storm water pollution abatement, streets and alleys, drainage, sewer and water, sidewalks, stop signs, street lights, CPS electrical, street trees, park improvements and hike and bike trails. The proposed 599-acre project estimates the construction of 1,986 single-family homes, garden-homes, duplexes and town houses to be completed over approximately 13 phases through the year 2019.

POLICY ANALYSIS

Upon receipt of a complete application, the TIF Unit began a preliminary application review. The findings of this review indicate whether the proposed Zone is eligible for TIF under the criteria of the TIF Act (Texas Tax Code, Section 311.005, Criteria for Reinvestment Zone) and the current *2004 City of San Antonio, Texas Guidelines and Criteria for Tax Increment Financing and Reinvestment Zones* ("Guidelines"). In order to qualify for TIF, the proposal must satisfy the criteria of all of the following categories:

1. CONTENT OF APPLICATION
2. ZONE LOCATION
3. COMMUNITY REVITALIZATION IMPACT
4. STATUTORY DEMONSTRATION OF NEED FOR PUBLIC ASSISTANCE
5. STATUTORY CRITERIA FOR DESIGNATION OF A REINVESTMENT ZONE
6. STATUTORY RESTRICTIONS ON COMPOSITION OF REINVESTMENT ZONES
7. URBAN DESIGN

The preliminary application review of the Rosillo Ranch TIF application finds that the proposal satisfies the criteria of all the review categories. As a result, staff concludes that the proposed Zone is eligible for public assistance in the form of TIF. The methodology and rationale supporting this recommendation are detailed as follows.

CONTENT OF APPLICATION

Section VIII (B) of the 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. This information was provided.

ZONE LOCATION

Section VI (B) of the Guidelines sets parameters for City participation and development types according to geographic location. The proposed project is located within the Secondary Target Area as defined in the Guidelines and is not located over the Edwards Aquifer Recharge Zone. In accordance with the Guidelines, the City's participation level could be up to 90% for a term of up to 20 years. Projects must provide a minimum of 30% market rate housing (except for senior housing) in this target area. The proposed boundaries of the Rosillo Ranch TIRZ are completely within Census tract 131501 and within ¼-mile of Census tract 131400 within the city limits.

DEMONSTRATION OF COMMUNITY REVITALIZATION IMPACT

Section I (J) of the 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.

- Opportunities exist to use the proposed zone to contribute to improvements on regional infrastructure such as Foster Road and FM 1346.

- According to the application the projected development in the zone proposes to increase the base value from \$2,435,420 to \$226,682,545 through fiscal year 2029.

DEMONSTRATION OF NEED FOR PUBLIC ASSISTANCE

In accordance with the TIF Act, Section I (K) of the Guidelines requires the proposed project to demonstrate that it would not occur without public assistance in the form of the creation of a TIRZ. The need for public assistance has been demonstrated.

- The applicant has submitted a copy of a bank letter indicating that the bank would require that TIF proceeds be pledged as additional collateral to any financing that the bank may extend. The letter states "the proposed land plan is a significant deviation from the type of land plans that we typically finance", in addition to the fact that this "area of the City has, here-to-fore, not seen subdivision type construction."
- A site visit conducted by TIF Unit staff found no construction on site and no on-going construction within a quarter mile radius of the site. There is evidence of small-scale infill having occurred recently in a residential subdivision south of the site across FM 1346.
- The nearest large-scale construction is taking place nearly a mile north of the site across IH 10, where several builders are developing residential products near the site of a new high school (Wagner).

CRITERIA FOR DESIGNATION OF A REINVESTMENT ZONE

Section IV of the Guidelines requires an analysis of how the area of the proposed zone meets statutory criteria for designation as a Reinvestment Zone. The parameters created by the State Legislature that empower municipalities to use TIF also limit its use to areas that substantially arrest or impair the sound growth of the municipality. The Attorney General has emphasized this limit by issuing an opinion (JC-0152) that municipalities may not Designate an area as a Tax Increment Reinvestment Zone unless the area is "unproductive, underdeveloped, or blighted" as measured by the criteria in §311.005(a)(1), (a)(2), or (a)(3). The area of the proposed Rosillo Ranch TIRZ satisfies the criteria of §311.005(a)(1).

§311.005(a)(1) Analysis

§311.005(a)(1) requires that the area meet **one of the three** following conditions:

1. substantially arrest or impair the sound growth of the municipality creating the zone
2. retard the provision of housing accommodations
3. constitute an economic or social liability

The area does constitute an economic or social liability.

- Conditions in the Rosillo Ranch area constitute an economic or social liability
 - This finding is based on selected census tract characteristics, Metropolitan Health District studies, and State or Federal designations as indicators of economic or social liability. A comparison of Census tract characteristics is outlined below:

	Percentage of civilians unemployed ¹	Percentage of population living below poverty level ²	Percentage of population without high school degree ³
San Antonio	6.2%	17.3%	24.9%
131400	5.8%	14.0%	17.4%
131501	7.3%	17.4%	20.7%

- This comparison indicates some variation among the Rosillo Ranch census tracts. The indicators of tract 131400 are uniformly better than the City average. The primary Census tract 131501, shows a slightly higher level of unemployment and a marginally higher level of poverty.
- Since this tract is the primary focus of the proposed redevelopment activity, the area of the proposed zone can be characterized as a social or economic liability by virtue of those key Census tract indicators.

RESTRICTIONS ON COMPOSITION OF REINVESTMENT ZONES

Section V of the Guidelines 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 bring the total appraised value of taxable real property in proposed and existing reinvestment zones over the 15% statutory limits.

URBAN DESIGN

Section VI (C) of the Guidelines provides a menu of nine non-conventional Use Patterns or Special Districts that can be financed with TIF.

- The developer proposes to construct projects in the proposed zone in accordance with the Urban Development District requirements.

FISCAL IMPACT

With the approval of the proposed resolution, the applicant is required to submit a \$31,000 processing fee as required by the TIF Guidelines. 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 to the General Fund. A full review and analysis is still required to confirm the viability of this financing approach as well as the projected revenues generated by the proposed tax increments. A preliminary TIRZ 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.

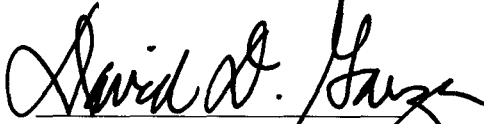
¹ QT-P24. Employment Status by Sex: Census 2000 Summary File 3 (SF3) Sample Data

² QT-P34. Poverty Status in 1999 of Individuals: Census 2000 Summary File 3 (SF 3) - Sample Data

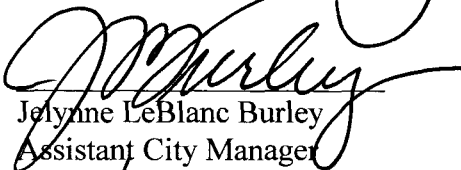
³ DP-2. Profile of Selected Social Characteristics: Census 2000 Summary File 3 (SF 3) - Sample Data

COORDINATION

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



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