

**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: Tax Increment Reinvestment Zone Number Fourteen, City of San Antonio, known as the Sky Harbor TIRZ

DATE: January 5, 2006

SUMMARY AND RECOMMENDATIONS

This ordinance approves the Final Project and Finance Plans for Tax Increment Reinvestment Zone ("Zone") Number Fourteen, City of San Antonio, Texas ("Sky Harbor TIRZ"); authorizing the payment of all incremental ad valorem taxes generated from the new improvements occurring in the Zone into the Zone's tax increment fund as provided for in the Final Finance Plan; authorizing the City Manager to negotiate and execute Interlocal Agreements with Bexar County and the Alamo Community College District and a Development Agreement between the City of San Antonio, HLH Development L.P., and the Board of Directors for the Zone ("Board").

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

The Sky Harbor TIRZ was created on June 13, 2002 through Ordinance Number 95929, which designated the boundaries of the Zone, created its Board of Directors, officially named the Zone, established a Tax Increment Financing (TIF) fund and established effective start and termination dates for the Zone, which is projected to be 15.31 years expiring on September 30, 2017.

Because the Zone was designated in June 2002, this project complies with the 2000 *City of San Antonio, Texas Guidelines and Criteria for Tax Increment Financing (TIF) and Reinvestment Zones* (hereinafter "Guidelines").

This project consists of 151 single-family homes, on approximately 48.8-acres of land in City Council District 4, inside Loop 410 near Bowsprit Road to the north, Boston Harbor to the east, Echo Port to the south and Port Shire to the west. HLH Development LP is undertaking this project, which supports new residential and infill development within an existing neighborhood.

The public infrastructure improvements for this project include: site work, streets and approaches, sidewalks, streetlights, and ROW landscaping. The estimated cost for these public improvements and related TIRZ expenses is \$489,750.

After adoption of the Final Project Plan (Exhibit A) and Final Finance Plan (Exhibit B) by the Zone Board, the governing body of the municipality must through ordinance approve the Final Project and Finance Plans if it finds that the plan is feasible and conforms to the Master Plan of the City. The Zone Board met on November 9, 2005 and approved the Final Project Plan, Final Finance Plan, Development Agreement and the Bexar County and Alamo Community College District Interlocal Agreements.

POLICY ANALYSIS

This ordinance approves the Final Project and Finance Plans for the Zone and approves the payment of all incremental ad valorem taxes generated from the new improvements occurring in the Zone into the Zone's TIF fund as provided for in the Finance Plan. The projected revenues over the term of the Sky Harbor TIRZ will support the reimbursement for costs associated with the proposed public improvements.

This ordinance also authorizes the City Manager to negotiate and execute Interlocal Agreements with the other participating taxing entities (Bexar County and the Alamo Community College District) and the Zone Board. These Agreements delineate the rights and obligations of each entity and provide for payment of each participating taxing entity's tax increments into the TIF fund through the term of participation for each taxing entity.

Finally, this ordinance authorizes the execution of the proposed Development Agreement, which ensures the successful completion of the project as described in the Final Project Plan and Final Finance Plan previously approved by the Zone Board on November 9, 2005. The Development Agreement is an exhibit to each Interlocal Agreement entered into by the participating taxing entities, and states the obligations of the Developer that include, but are not limited to:

1. The completion of the improvements described in the Final Project Plan and the Final Finance Plan;
2. The design, construction, assembly, installation and implementation of 151 single family homes in an area that has not experienced new housing development in recent years;
3. Construction of public infrastructure improvements including: site work, streets and approaches, sidewalks, streetlights, and ROW landscaping;
4. Public bidding in compliance with Chapter 252 of the Local Government Code, payment of prevailing wages for the construction of the public improvements or eligible project costs financed through TIF proceeds;
5. Use of Developer's own capital or commercial construction loans/lines of credit secured solely by Developer for the finance of the costs of the public infrastructure improvements and all the other improvement expenses associated with the project; and
6. Compliance with the Unified Development Code.

The Development Agreement further contains the limitations that the public improvement infrastructure costs incurred by the Developer shall be reimbursed solely from the TIRZ revenues and shall never constitute debt, indebtedness or a pledge of the faith and credit or

taxing power of the State, the City or participating governmental entities, any political corporation, subdivision or agency of the State.

FISCAL IMPACT

The base value at designation of the Sky Harbor TIRZ in 2002 was \$341,000. The new value to be added is estimated at \$9,810,700.

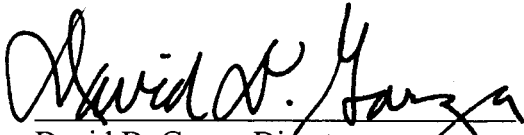
The cost of the public infrastructure improvements is incurred by the Developer and reimbursed over time from revenues produced by the Sky Harbor TIRZ. In addition to the capital costs, other costs to be paid from Sky Harbor TIRZ revenues include the City of San Antonio and other participating taxing entities start-up costs and annual administration fees. Revenues derived from the Sky Harbor TIRZ will be used to pay costs in the following order of priority of payment: first, to the payment of eligible costs incurred by the Participating Governmental Entities in the TIRZ; second, all other ongoing administrative fees pertaining to the City; and third as reimbursements to the Developer, on an annual basis, as Sky Harbor TIRZ revenues are available for such payments.

The Developer's capital cost incurred for public infrastructure improvements is \$489,750. Revenues from the TIRZ are used to pay this amount plus financing costs if any on the unpaid balance at a rate of 5.48%. It is projected that the Developer would not receive any payments until fiscal year 2005. Any negative carry by the Developer would add additional interest to be paid to the Developer at an interest rate of 5.48%. The earliest projected payoff of the capital cost would occur in fiscal year 2015. The TIRZ collections for this project shall not extend beyond September 30, 2017, and may be terminated earlier once each taxing entity has deposited its respective amount described in the table below.

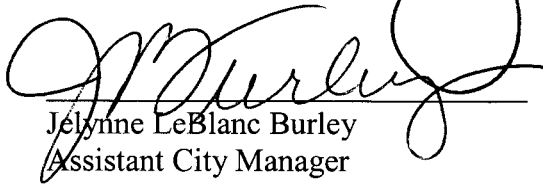
| TABLE –TIRZ Assumed Contributions | | |
|--|--|--|
| Taxing Entities | Maximum Dollar Contribution | Max. Length of Contribution |
| City of San Antonio | \$718,684.79 | Sept. 30, 2017 |
| Bexar County | \$349,608.40 | Sept. 30, 2017 |
| Alamo Comm. College District | \$34,027.36 | Sept. 30, 2017 |
| TOTAL PROJECT COST | \$1,102,320.55 | |

COORDINATION

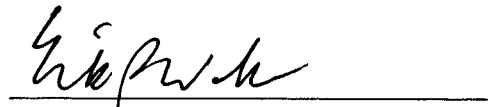
This item has been coordinated with the Board, the City Attorney's Office, Budget and Management, Finance, Development Services, Environmental Services, Fire, Parks, Planning and Public Works Departments.



David D. Garza, Director
Neighborhood Action



Jelynn LeBlanc Burley
Assistant City Manager


+ Sheryl Sculley
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