

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

**TO:** Sheryl Sculley, City Manager

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

**SUBJECT:** Resolution terminating Review of Foster Meadows application for the use of Tax Increment Financing located in City Council District 2

**DATE:** April 6, 2006

**SUMMARY AND RECOMMENDATIONS**

This item is a resolution terminating the review process for the application for the use of Tax Increment Financing (TIF) for the Foster Meadows project located outside Loop 410 and south of U.S. Highway 87 East in City Council District 2.

Staff recommends approval of this item.

**BACKGROUND INFORMATION**

This TIF Application was submitted to the City on June 30, 2004. On September 23, 2004, staff presented the results of a preliminary review of the information provided in the TIF Application to the City Council at which time they approved a Resolution of Intent which directed staff to continue the application review process, conduct project reviews for the proposed Tax Increment Reinvestment Zone, and continue the statutory process for consideration of TIRZ designation. The Resolution also stated that staff would not recommend designating the area as a TIRZ if during the full programmatic review process information is revealed that renders the project ineligible for TIF.

Staff made the statutorily-required presentations of this TIF Application to the East Central ISD on October 19, 2004; to ACCD on December 14, 2004; and to Bexar County on October 5, 2004.

**POLICY ANALYSIS**

Since September 2004, after the Resolution of Intent, staff conducted a full programmatic review and analysis to determine the viability of the proposed TIRZ and the projected tax increment revenues. Staff also met with the applicant to gather information and review project dynamics. The full programmatic review of the Foster Meadows TIF Application has brought to light key factors in the proposed TIRZ, including evidence of significant development activity occurring without TIF assistance, higher appreciation in property values than the City-wide average, low levels of unemployment, low levels of poverty, and high levels of educational achievement in comparison with City-wide averages. As a result, staff concludes that the proposed TIRZ is not

eligible for designation of a Tax Increment Reinvestment Zone. The methodology and rationale supporting this recommendation are contained in the following report.

#### **ZONE LOCATION AND PROJECT PROPOSAL**

Foster Meadows is located in City Council District 2 outside Loop 410 and south of US Highway 87 East (See Attachment A). The boundaries of the proposed Foster Meadows TIRZ are completely within Census tract 131400, within the Secondary Target Area as defined in the 2004 TIF Guidelines, and are not located over the Edwards Aquifer Recharge Zone.

The City's participation level in the Secondary Target Area can be up to 90% for a term of up to 20 years. Projects in the Secondary Target Area must provide a minimum of 30% market rate housing (except for senior housing). The proposed project estimates the construction of 977 single-family units, 300 multifamily units, and 288,000 square feet of retail to be completed in 14 phases through the year 2015. The initial single-family home price range is \$85,000 - \$92,500.

The proposed public improvements for the Foster Meadow project include site work, streets and approaches, drainage, sewer, water, sidewalks, street lights/traffic signals, street signs, utilities, reconstruction of the existing Foster Meadow Road, open space improvements, and hike & bike trails.

#### **CRITERIA FOR DESIGNATION OF A REINVESTMENT ZONE**

Section IV of the TIF Guidelines requires an analysis of how the area of the proposed TIRZ 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 stating 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), or similar criteria adopted by the city."

#### **§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, or
3. Constitute an economic or social liability.

**The area of the proposed Foster Meadows Zone does not meet §311.005(a)(1) criteria.** Conditions in the area of the proposed Zone do not substantially impair or arrest the sound growth of the municipality, do not retard the provision of housing accommodations, and do not constitute an economic or social liability.

- **Conditions in the Foster Meadows area do not substantially arrest or impair the sound growth of the municipality.** The key statistic in this finding is the rate of property value appreciation in the area. While property values in the City of San Antonio have

appreciated 44% from 1999 to 2004, the area of the proposed Zone has appreciated at a higher rate of 48%. This indicates that the area of the proposed Zone is growing in value at a slightly higher rate than the City as a whole. Since the Tax Increment Financing tool is designed to accelerate property value appreciation, it is apparent that there is no need to use this tool to boost property values in this area. Market forces are already working in this area to create value, and at a faster rate than in most of the rest of the City.

- **Conditions in the area of the proposed Zone do not retard the provision of housing accommodations.** Planning, permitting, and construction of housing are currently taking place in the area of the proposed Zone. According to information obtained from the Development Services Department, the area of the proposed Zone is already developing under at least two existing MDP/PUDs. One of those PUDs, Southern Hills, contains 186 houses and was removed from the TIRZ boundaries at the applicant's request. At least two plats have been secured for the area, and at least 40 building permits have been issued. Based on the most recent site visit in December 2005, at least 64 new houses are under construction, for sale, and already sold on Lakefront, Cloudy Meadow, Mountain Meadow, and Still Meadow streets – all within the proposed Zone boundaries. Of the 977 single-family houses originally proposed in the Zone application, at least 250 (64 in the Zone plus 186 just outside the Zone) or nearly 26% are constructed or under construction.
- **Conditions in the area of the proposed Zone do not constitute an economic or social liability.** Data from the 2000 Census indicates that Census tract 131400 enjoys a lower level of unemployment (3.9%) than the City's average of 6.2%. The percentage of people living below poverty is also lower (14.0%) than the City average of 17.3%. Finally, the general level of education attainment is higher than the City average (the percentage of population without a high school degree is only 17.4%, versus 24.9% for San Antonio). Furthermore, the proposed Foster Meadows Zone is in zip code 78222, which is not one of the targeted Metropolitan Health District areas, indicating that the area is **not** a social or economic liability as measured by public health issues. Finally, the proposed Zone is **not** in an Enterprise Zone or Empowerment Zone (Enterprise Zone or Empowerment Zone status would indicate that the area merits reinvestment by virtue of the analysis done for each of those designations.) These Census figures, Metropolitan Health District data, and other designations indicate conditions that compare favorably with most of the City.

#### **§311.005(a)(2) Analysis**

§311.005(a)(2) states that the area must "be predominantly open and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality."

**The area of the proposed Foster Meadows Zone does not meet §311.005(a)(2) criteria.** The area does not substantially impair or arrest the sound growth of the municipality.

- **Conditions in the Foster Meadows area do not substantially arrest or impair the sound growth of the municipality.** The key statistic in this finding is the rate of property value appreciation in the area. While property values in the City of San Antonio have appreciated 44% from 1999 to 2004, the area of the proposed Zone has appreciated at a

higher rate of 48%. This indicates that the area of the proposed Zone is growing in value at a slightly higher rate than the City as a whole. Since the Tax Increment Financing tool is designed to accelerate property value appreciation, it is apparent that there is no need to use this tool to boost property values in this area. Market forces are already working in this area to create value, and at a faster rate than in most of the rest of the City.

**§311.005(a)(3) Analysis**

§311.005(a)(3) states that the area of the proposed zone must be in a federally assisted new community located in the municipality or in an area immediately adjacent to a federally assisted new community. The proposed Foster Meadows TIRZ is **not** in a federally assisted new community nor immediately adjacent to one.

**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.

- As mentioned above, planning, permitting, and construction of housing is currently taking place in the area of the proposed Zone. The area of the proposed Zone is already developing under at least two existing MDP/PUDs, where nearly 26% of the proposed units are constructed or under construction.

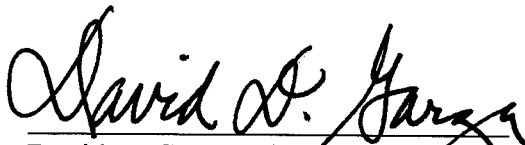
**FISCAL IMPACT**

The Foster Meadows TIF application assumes a base value of \$3,775,973, and a total TIF fund of approximately \$17,400,000.

Approval of this Resolution will terminate the TIF process, and as such, this action will contribute the projected \$17,400,000 of tax increment over the next 25 years to the City of San Antonio that would otherwise be captured by a TIF Fund to be used for reimbursement to the applicant.

**COORDINATION**

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

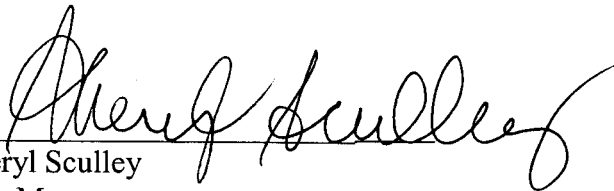


David D. Garza, Director  
Neighborhood Action



Jelynn LeBlanc Burley  
Deputy City Manager

Approved for Council Consideration:



Sheryl Sculley  
City Manager

