

CONSENT AGENDA
ITEM NO. 19

**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: A resolution of intent to consider the establishment of Park North Tax Increment Reinvestment Zone ("TIRZ")

DATE: February 16, 2006

SUMMARY AND RECOMMENDATION

This item is a resolution expressing the City of San Antonio's intent to consider the designation of a Tax Increment Reinvestment Zone ("TIRZ") to finance public improvements in the Park North development (City Council District 1) and authorizing staff to proceed with the statutory process for the consideration of the creation of a TIRZ.

Staff recommends approval of this resolution.

BACKGROUND INFORMATION

On June 30, 2005, the City Clerk received a Tax Increment Financing (TIF) application from HGRP-Park North Plaza, L.P. proposing the creation of a reinvestment zone (Zone) to be called Park North. The City subsequently notified the applicant of outstanding items in their application, to which the applicant responded on August 2, 2005. The proposed project is located in City Council District 1 inside Loop 410 between Blanco and San Pedro and includes the redevelopment of the former Central Park Mall site.

The proposed 65-acre project estimates the construction of multiple retail and office units, a health club, theater and restaurants to be completed over approximately three phases through the year 2008. Some of the public improvements proposed in the Park North TIF application include drainage, water and sewer, underground electric expansion and conversion, landscaping, a public water feature, a pedestrian connection to the neighborhood across Rector Street, and canopies at exterior entrances of buildings. The project proposes redevelopment of Rector Street into a public street with improvements including drainage, sidewalks, street lights, a VIA bus stop, right turn lanes and traffic signals for Rector Street. The interdepartmental review authorized by this resolution will determine whether and to what extent these proposed improvements are eligible for TIF reimbursement.

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 both 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. NEED FOR PUBLIC ASSISTANCE
5. STATUTORY CRITERIA FOR DESIGNATION OF A REINVESTMENT ZONE
6. RESTRICTIONS ON COMPOSITION OF REINVESTMENT ZONES
7. URBAN DESIGN

The approval of this resolution initiates a full interdepartmental evaluation by various City departments to assess the viability of the proposed zone. This review will determine compliance with all relevant eligibility criteria and development standards. If new information is discovered during the process of full programmatic review that renders the project ineligible for TIF, then staff will not recommend designation of the area as a reinvestment zone.

The preliminary application review of the Park North TIF Application finds that the area of the proposed zone is eligible for TIF under section 311.005(a)(1) criteria because of conditions that substantially impair or arrest the sound growth of the municipality, and conditions that retard the provision of housing accommodations, and that the proposal does meet the other criteria. The methodology and rationale supporting this recommendation are detailed below.

CONTENT OF APPLICATION

Section VIII (B) of the Guidelines requires a determination of whether the application includes the application fee, general description of public and private improvements, a map, property description, field notes, financial pro-formas, a description of how the proposed zone will contribute to revitalization, a written demonstration of how TIF is needed, timelines for proposed improvements, a market feasibility study, and a cost benefit analysis. This information was provided by the applicant.

ZONE LOCATION

Section VI (B) of the Guidelines sets parameters for City participation and development types according to geographic location. The proposed zone is not located over the Edwards Aquifer Recharge Zone, and is located within the Secondary Target Area which allows the City to participate at a level up to 90% and for a term 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 proposed Park North TIRZ are completely within Census tract 190901 and within ¼-mile of four additional Census tracts: 191101, 191102, 191200, and 191302.

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 Community Revitalization Action Group (CRAG).

- The City of San Antonio's Master Plan promotes conversion or adaptive reuse of vacant or underutilized commercial buildings to provide affordable infill housing (Neighborhoods, Goal 1, Policy 1d). The Park North site, a vacant greyfield mall, is uniquely positioned to implement this Master Plan Policy.
- The City's Master plan promotes physical improvements in the inner city to encourage redevelopment and infill development by building or rebuilding adequate infrastructure before new development occurs. (Growth Management, Goal 1, Policy 1g). Properly designed infrastructure improvements on this site could encourage substantial private redevelopment.
- Rector Street, currently a private street, will be converted to a public street permanently connecting Blanco Road and San Pedro.
- Proposal includes the establishment of a grocery store and the creation of public open space for area residents.
- Stakeholders consulted to date by applicant include Northeast Independent School District, Shearer Hills Neighborhood Association, Ridgeview Neighborhood Association, and Kenwood Neighborhood Association.

DEMONSTRATION OF NEED FOR PUBLIC ASSISTANCE

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

- The applicant has submitted a copy of a bank letter indicating that redevelopment of the site is not feasible without public assistance. The letter states that physical challenges such as the condition of old pipelines and Rector Street render redevelopment economically infeasible solely through private investment in the foreseeable future.

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 one of the following: §311.005(a)(1), (a)(2), or (a)(3). The area of the proposed Park North 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 substantially impairs or arrests the sound growth of the municipality, and does retard the provision of housing accommodations.

- Conditions in the Park North area 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 lower rate of **17%**.
- Conditions in the Park North area retard the provision of housing accommodations

| | Percentage of owner-occupied housing built 1990-2000 | Percentage of renter-occupied housing built 1990-2000 |
|--------------------|---|--|
| San Antonio | 18.2 | 13.9 |
| 190901 | 2.0 | 1.7 |
| 191101 | 2.6 | 0.0 |
| 191102 | 0.9 | 1.5 |
| 191200 | 0.8 | 2.4 |
| 191302 | 13.7 | 7.5 |

- According to 2000 Census data above¹, the provision of housing accommodations from 1990 - 2000 is fairly consistent across the area's Census tracts where almost no recent construction activity in the area has taken place. The Census tract with the most activity, 191302, still demonstrates numbers smaller than the City averages.

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 TIF Guidelines provides a menu of nine non-conventional Use Patterns or Special Districts that must be utilized in order to receive the TIF incentives.

¹ QT-H7. Tenure by year structure built: Census 2000 Summary File 3 (SF3) Sample Data

- The developer proposes to construct according to plans that meet the requirements of the Commercial Retrofit Use Pattern in the TIF Guidelines.

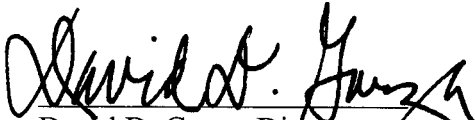
FISCAL IMPACT


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 a full programmatic review and analysis to determine the viability of the project and the revenues generated by the projected tax increment. As such, this action will not have a direct financial impact on the General Fund. This action does not, in any way, obligate the City to designate the proposed reinvestment zone; nor does it financially obligate the City or other taxing entities. A preliminary TIRZ finance plan and development agreement will be developed during the programmatic review in fulfillment of statutory requirements. The preliminary finance plan will address a number of scenarios, including TIF participation by eligible taxing entities.

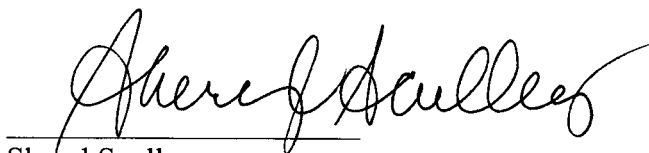
COORDINATION

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


David D. Garza, Director
Neighborhood Action


Jolynne LeBlanc Burley
Deputy City Manager

Approved for Council Consideration:


Sheryl Sculley
City Manager