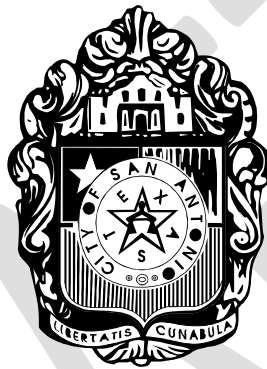


CITY OF SAN ANTONIO, TEXAS
Department of Planning & Community
Development



Northeast Corridor
Tax Increment Reinvestment Zone
Thirty-three

Preliminary Project Plan

December 4, 2014

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Executive Summary

The City of San Antonio's Northeast Corridor (NEC) Tax Increment Reinvestment Zone Thirty-three ("TIRZ" or "Zone") was designated by the City Council of San Antonio on December 4, 2014. The TIRZ consists of approximately 1,056 parcel acres in City Council Districts 2 and 10. The boundary is generally along both sides of Perrin Beitel road north of Loop 410 to Thousand Oaks road then continues to the northeast along both sides of Nacogdoches to O'Conner road. The western portion of the boundary extends southwest from the intersection of Perrin Beitel and Naco-Perrin Boulevard along both sides of Naco-Perrin to approximately Wurzbach Parkway then heads to the northwest along the northern edge of Wurzbach Parkway to Wetmore road. At the intersection of Wurzbach and Wetmore, the boundary heads northeast along the southern edge of Wetmore to Thousand Oaks then follows the southern edge of Thousand Oaks back to Nacogdoches road. (See Attachment I)

The creation of the Northeast Corridor TIRZ was proposed by former District 10 City Councilman Carlton Soules through a Council Consideration Request (CCR) on January 15, 2014 and subsequently supported by his successor Mike Gallagher, current District 10 City Councilman.

On June 26, 2014, City Council adopted the Northeast Corridor Revitalization Plan through Ordinance 2014-06-26-0516. The plan outlines revitalization goals and strategies for the NEC and recommends the creation of a TIRZ to provide a source of funding for catalytic projects and to spur development so that the neighborhood does not continue to deteriorate. The plan includes short-term, mid-term and long-term projects proposed within the zone.

On September 4, 2014, City Council passed a "Resolution of Intent" (2014-09-04-0029R) expressing its intent to create a new TIRZ "for the purpose of financing the cost of redevelopment and encouraging development in this area that would otherwise not attract sufficient market development in a timely manner". In addition, after passage of the Resolution of Intent, staff sent correspondence to Bexar County to inquire as to their interest in participating in the proposed TIRZ.

The life of the proposed Northeast Corridor TIRZ is to be 20 years with the TIRZ being in existence through September 30, 2034. At the time of the preliminary Project Plan, the City is the only participating taxing entity identified, with the City's tax rate per \$100.00 valuation at \$0.56569. The City of San Antonio will participate at 100% of its tax rate.

The proposed Northeast Corridor TIRZ is applicable for designation under the newly adopted 2014 TIF Program Policy because of the following:

- It is statutorily eligible in accordance with Chapter 311 of the Tax Code.

- There is a demonstrated need for development within the proposed boundary which includes a concentration of vacant, neglected and underutilized properties.
- The proposed TIRZ would implement goals and strategies in the City’s Master Plan, North Sector Plan, REnewSA, and the Northeast Corridor Revitalization Plan.
- Market conditions, as evidenced in the Northeast Corridor Market Study, are appropriate for the use of TIF.
- The proposed NEC TIRZ includes mostly mid-performing markets based on a city-wide analysis of recent development, current rents, current vacancy rates, and rent trajectories. Mid-performing markets are the most desirable market-types for pay-as-you-go TIF financing. Some lower performing markets were included to capture both sides of Perrin Beitel and Nacogdoches Roads and key gateways such as Loop 410 and Perrin Beitel.
- The NEC TIRZ will leverage incentives provided through the Inner City Reinvestment/Infill Policy (ICRIP) Program.

Proposed public improvements within the Northeast Corridor TIRZ #33 are as follows: short term projects facade improvement and neighborhood signage. Mid-term projects include gateway enhancements for two high-impact areas (landscaping, lighting, public art), streetscape enhancements radiating from gateway enhancements (landscaping, lighting, sidewalks, signage). Long-term projects include public-private partnerships to acquire and redevelop four blighted properties and a new park on Perrin Beitel.

Future projects and public improvements will be identified and approved by the TIRZ Board of Directors and identified in the Final Project and Finance Plans.

Tax Increment Financing: Policy and Program

Policy

The Northeast Corridor TIRZ - was designated under the 2014 TIF Program Policy. This established the

Tax Increment Reinvestment Zones Highlights:

- TIF is an incentive tool that local governments can use to finance public improvements and enhance infrastructure within a defined area, called a Tax Increment Reinvestment Zone (TIRZ)
- TIF is governed by the TIF Act found in Chapter 311 of the Texas Tax Code
- The Texas Constitution and the TIF Act specify that areas to be designated as a TIRZ must be economically distressed, unproductive, underdeveloped, or blighted, and impair the City’s growth because of these factors
- Each taxing entity that collects taxes against the property within a TIRZ has an opportunity to contribute future tax revenues to a TIRZ fund to reimburse developers for the cost of public infrastructure improvements in the TIRZ

policy for the City of San Antonio to exercise the power granted by the Tax Increment Financing Act (TIF Act) found in Chapter 311 of the Texas Tax Code. The TIF Act authorizes the governing body of a municipality or a county to promote reinvestment in and redevelopment of a contiguous geographic area by designating it a Tax Increment Reinvestment Zone (TIRZ). The future value of private investment within a TIRZ is leveraged to finance public improvements, to enhance existing public infrastructure, and to maximize the benefits of other incentive tools. Public investment in TIRZ, using tax increment as a financing mechanism, stimulates private sector investment in areas of the City that would not otherwise attract market interest.

Program

Tax Increment Financing is utilized to implement policies of the 1997 Master Plan and REnewSA. The 1997 Master Plan is currently being updated through a new comprehensive planning process that was initiated in 2013 and is expected to be completed in 2016. REnewSA is an inter-agency collaborative that brings together major policy-making and regulatory bodies in San Antonio to coordinate community development resources. The purpose of REnewSA is to leverage public resources to incentivize private investment and create value in the community.

The City uses tax increment financing to accomplish major objectives that are consistent with the City's Master Plan and REnewSA. Objectives accomplished through this program include the following:

- Encourage a balance of new development and redevelopment throughout the city
- Encourage growth within identified growth centers and adjacent to future high capacity transit stations
- Prioritize areas that are within CDBG-eligible census tracts, areas with high poverty and unemployment levels, areas with low educational attainment levels, and areas with concentrations of vacant, neglected, and underutilized properties
- Invest resources in 'tipping point' areas that exhibit a balance of need and market potential. Utilize market data to identify areas with market potential
- Improve infrastructure to support private sector investment in areas targeted for redevelopment and infill
- Redevelop blighted areas or underutilized properties that impair or prevent investment
- Pursue a balanced housing approach that facilitates the provision of affordable housing
- Provide opportunities for employment within targeted industries

- Embrace Smart Growth, Low Impact Development and Green Building principles

2014 TIF Program Policy

The City of San Antonio (City) reviews and amends the Criteria for Tax Increment Financing. The designation date of a TIRZ determines the applicable Guidelines for that TIRZ. Because the Northeast Corridor TIRZ will be designated on December 4, 2014 it falls under the 2014 Guidelines of the TIF Program Policy adopted on December 4, 2014 through Ordinance **2014-xx-xxxx**. The Policy serves as direction to City staff and interested parties regarding the Application for Redevelopment specifically related to Tax Increment Financing, which supports certain types of development in targeted areas of the city. Reinvestment Zones may be designated either through (1) a City-initiated project or (2) by Petition. The Northeast Corridor TIRZ is a City-initiated project.

City-initiated TIRZ are designed to assist ongoing revitalization and reinvestment initiatives by implementing the goals of existing City programs and City adopted plans. City-initiated TIRZ maximize the benefits of public-private collaboration by focusing on targeted areas of the City. If a market or staff analysis of the TIRZ area determines that it is appropriate, the City may require that a percentage of up to 20% of the housing units receiving TIRZ funding be affordable as defined by the City. Any subsequent changes to the City's definition of affordable housing immediately apply to the requirements of the TIF Program Policy.

TIRZ Board

The TIF Act requires that the City Council establish a reinvestment zone Board of Directors when designating a TIRZ. The Northeast Corridor TIRZ Board is made up of seven members appointed by City Council and is established pursuant to Section 311.009 of the TIF Act. Additionally, since this TIRZ is City initiated, the statutory requirement for representation from the State Senator and State Representative would not apply. To be eligible for appointment to the TIRZ Board, an individual must either be a qualified voter of the City, or be at least 18 years old. Appointees will be required to comply with all policies related to City Boards and Commissions to the extent there is no conflict with the TIF Act.

TIF PROGRAM OBJECTIVES

In accordance with the 2014 TIF Program Policy, the City uses tax increment financing to accomplish major objectives that are consistent with the City's Master Plan, and REnewSA. In addition, preferences are provided to areas that include CDBG eligible census tracts with high poverty, low education and high unemployment. City-initiated TIRZ maximize the benefits of public-private collaboration by focusing on targeted areas of the City. The Northeast Corridor has been targeted for redevelopment through both the ICRIIP and the North Sector Plan. The Northeast Corridor TIRZ, a City-initiated TIRZ, will have a term of up to 20 years.

COMMUNITY DEVELOPMENT

The planned investment must contribute to revitalization activities in the community of which the TIRZ is a part. Input of nearby neighborhood residents, businesses, and schools have been considered in the project planning process as have the objectives of numerous plans that have been produced. Plans relevant to Northeast Corridor include; Northeast Corridor Revitalization Plan, the City's Master Plan, REnewSA, and both the North Sector Plan and ICRIIP. In addition, within the Northeast Corridor Revitalization Plan a market study was completed by Wendell Davis & Associates (WDA). This market study identifies future industry and business development opportunities in the NEC based on existing and expected market conditions. The market study also includes recommendations on steps that should be taken to improve the competitive position of the NEC and its marketability to selected retail and service businesses and industries.

DESIGN QUALITY

All projects supported by TIF should add long-term value to the public realm. Thus, projects must be built according to design principles that prioritize the safety and comfort of all public infrastructure users – whether they are walking, jogging, riding or driving. The City's Unified Development Code (UDC) sets out a menu of approaches to help designers and developers meet the program's urban design goals. Projects must abide by the City's Unified Development Code.

Projects should also consider the long-term value of the private improvements supported by TIF. Specifically, the City's Master Plan calls for efforts to facilitate the provisions of choice in housing for special needs populations (Neighborhoods: Policy 4d). Efforts to meet this policy may include ensuring homes are easily adaptable to disabled persons.

ENVIRONMENTAL PROTECTION

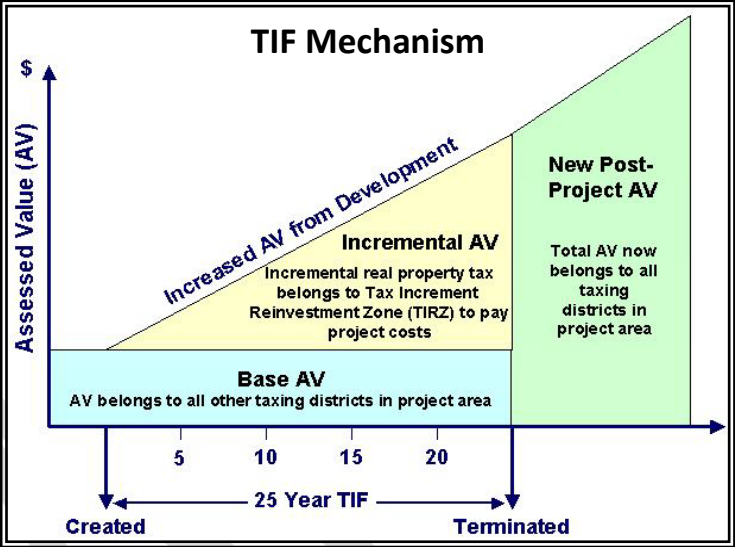
No applications will be accepted for a TIF where all or part of the proposed project falls over the Edwards Aquifer Recharge Zone. The Northeast Corridor TIRZ is not located over the Edwards Aquifer Recharge Zone. (See attachment II)

DESIGNATION AND PARTICIPATION

The term of the Zone is 20 years with the TIRZ being in existence through September 30, 2034. At this time, the City is the only participating taxing entity identified. The City’s participation level is 100%.

TIF Mechanism

Once a Reinvestment Zone has been established, an increase in incremental real property taxes resulting from new construction, public improvements, and redevelopment efforts may be collected and deposited into the TIRZ Fund. The City of San Antonio enters into a written agreement with all participating taxing entities to specify the: (1) conditions for payment of the tax increment into a TIRZ Fund, (2) portion of tax increment to be paid by each entity into the TIRZ Fund, and (3) term of the agreement. Participating taxing entities continue to collect taxes on the base value and taxing entities that do not participate, such as local school districts, collect taxes on both the base and all increased value.



City of San Antonio

The City of San Antonio’s Department of Planning and Community Development (DPCD) is responsible for the administration of the TIF Program. Its roles and responsibilities include, but are not limited to:

- Review, analysis, and plan preparation
- TIRZ Board administration
- TIRZ Fund administration
- Coordination and preparation of legal documents including:
 - ❑ Development Agreements
 - ❑ Interlocal Agreements
 - ❑ Memoranda of Understanding
- Processing of reimbursement requests for eligible public improvements
- Ongoing monitoring of construction
- Submitting required reports to the State

- Providing information to City Council, TIRZ Board, and other interested parties

The Northeast Corridor TIRZ, a City-initiated TIRZ, has a term of 20 years. The City's participation level is 100%.

Developer

City-Initiated TIRZs like, Northeast Corridor, are unique in that there is typically not a single developer to manage the project. It is likely that Northeast Corridor will have numerous private developers working on different projects throughout the zone which could be reimbursed for the public improvements related to those projects. In such cases, TIF staff would evaluate the projects to identify eligible expenses, coordinate the preparation and negotiation of legal documents, monitor construction, process reimbursement requests from the developer and monitor statutory compliance.

Emergency Services

The Northeast Corridor TIRZ is currently adequately covered by Emergency Services. There are two Fire Stations covering the Northeast Corridor Area, Fire Station #39, at 10750 Nacogdoches Rd, and Fire Station #40 at 14331 O'Connor Rd which are just outside the Boundary of the TIRZ.

Northeast Corridor is covered under the San Antonio Police Department substation located at 13030 Jones Maltsberger Rd.

Relocation Of Displaced Person

It is not anticipated that implementation of the Northeast Corridor Project Plan will cause any current residents to be displaced. However, no Agency, Participating Taxing Entity nor Developer will be required to relocate or find housing for any current residents due to their displacement under the plan.

PROJECT INFORMATION

Public Improvements

Proposed public improvements within the Northeast Corridor TIRZ #33 may include the following: 1) short term projects including facade improvement and neighborhood signage, 2) Mid-term projects including gateway enhancements for two high-impact areas (landscaping, lighting, public art), streetscape enhancements radiating from gateway enhancements (landscaping, lighting, sidewalks, signage), 3) Long-term projects including public-private partnerships to acquire and redevelop four blighted properties and a new park on Perrin Beitel.

ZONING

Over the years, land in the NEC has been developed almost exclusively for commercial use. Over 93% of the developed acreage is utilized for commercial uses. Less than 6% of the

developed acreage is utilized for multi-family housing. Commercial uses are situated in hundreds of small strip centers spread over miles (i.e. the classic strip commercial corridor). This type of development pattern that was constructed across the country in the 1970s and 1980s has fared poorly as retailers and customers have increasingly shown a preference for large power centers and denser mixed-use developments that are located in nodes at major intersections.

Zoning in the Northeast Corridor is mostly consistent with the existing land use. Over 70% of the land area is zoned for commercial uses. Industrial and Light Industrial zoning covers 25% of land, and multi-family residential zoning is 3.1% of the land. Based on the comparison of zoning and land use within the Corridor, it appears to include too much Industrial zoning and not enough multi-family zoning. Additionally, the amount of heavy commercial zoning should be decreased and concentrated at the major nodes. Mixed-use and multi-family zoning should be added to portions of the corridor that are not at major nodes.

Financial information

The tax year 2014 base taxable value is \$227,972,561. The projected captured value for tax year 2033 is \$83,332,878 net of exemptions. The project anticipates the construction of the SkyMine project that will add value to the TIRZ; however, this property may be eligible for partial or total exemption from ad valorem taxation due to use.

At the time of the development of the preliminary Finance Plan, the City was the only participating taxing entity identified, with the City's tax rate per \$100 valuation at \$0.56569. This produces annual revenues of \$84,527 in fiscal year 2015 to \$461,978 in fiscal year 2034. A 1.05% growth in values is assumed based on analysis of historic and projected valuation growth.

Based upon the Preliminary Finance Plan, the City's maximum dollar contribution used to support eligible approved projects within the TIRZ boundary would be \$5,968,904. This amount includes \$1,226,875 to be used for TIF startup and administration over the proposed 20 year life of the TIRZ.

ORDER OR PRIORITY OF PAYMENT

The City and the TIRZ Board may use TIF funds to pay eligible expenditures in the following order of priority of payment:

- A. To pay interest and principal should the City issue any debt instrument such a bonds, notes, certificates of obligation or other public debt to cover Project Costs directly or indirectly related to any non-City Public Infrastructure improvements within the Zone;
- B. To fully reimburse eligible startup Administrative Costs incurred by each Participating Taxing Entity;

- C. To pay all ongoing Administrative Costs to the City for administering the TIF Fund and/or the Zone, except that if there are insufficient funds for the full reimbursement of ongoing Administrative Costs to the City, then the ongoing Administrative Costs to the City shall be reimbursed on a pro rata basis based on the level of participation in the Zone;
- D. To reimburse the City for costs of the repair, replacement, or re-construction of Public Infrastructure and associated costs;
- E. To reimburse the City under any reclaim of funds pursuant to the applicable development agreement; and
- F. To reimburse Developers for Public Improvements, as provided in the applicable Development Agreements and in the Project Plan to the extent that funds in the TIF Fund are available for this purpose.

The above listed priority of payments is for illustrative purposes only. For specific requirements for any project within the TIRZ refer to the legal documents applicable to the project in question. No funds will be paid from the TIF Fund to any party of a Development Agreement for its financial or legal services in any dispute arising under that Development Agreement.

DEPARTMENTAL COORDINATION

To ensure the criteria set forth in the City's Tax Increment Financing and Reinvestment Zone 2014 TIF Program Policy are met along with other City policies, the respective departments will review and coordinate with the Developer and the TIF Unit.

The City departments that comprise the team for analysis of the Northeast Corridor projects are: the Planning and Community Development Department, Transportation and Capital Improvements, Center City Development and Operations, City Attorney's Office, City Manager's Office, Economic Development, Finance, and Office of Management & Budget.

Attachment I - Boundary

DRAFT



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Attachment II - Water Features

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0 0.125 0.25 0.5 Miles

Scale: 1 inch = 0.125 miles. This scale is for reference only and does not constitute a warranty of accuracy. The user should verify the accuracy of the information shown on this map. The user should also consult the project website for more information.

NORTHEAST CORRIDOR

Water Features