



City of San Antonio

Agenda Memorandum

File Number: 14-1871

Agenda Item Number: 24.

Agenda Date: 9/18/2014

In Control: City Council A Session

DEPARTMENT: Planning and Community Development

DEPARTMENT HEAD: John Dugan

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

A Public Hearing and consideration of an Ordinance authorizing a 20-year term extension for the Houston Street Tax Increment Reinvestment Zone (TIRZ) modifying to the composition of the TIRZ Board of Directors; and participating tax entities; and amending the TIRZ project and finance plans.

SUMMARY:

City Council is being asked to consider extending the term of the Houston Street Tax Increment Reinvestment Zone an additional 20 years to September 30, 2034. In addition, City Council is being asked to consider changes to the composition of the Houston Street TIRZ Board of Directors to reflect changes to the taxing entities participating in the zone.

BACKGROUND INFORMATION:

Chapter 311 of the Property Tax Code (the TIF Act) authorizes the governing body of a municipality or a county to promote reinvestment and redevelopment in a defined geographic area by designating it a (TIRZ). The Houston Street TIRZ was designated by City Council in December 1999 to support redevelopment and public infrastructure improvements within the TIRZ boundary which is primarily located in the City's central business district (see attached map).

Over the last fifteen years, the Houston Street TIRZ has supported numerous public improvements within the zone including the Houston and Presa Street bridge linkages, the Majestic Courtyard improvements, redevelopment of the Stewart and Kress buildings and numerous façade improvements along Houston Street.

On September 30, 2014, the current term of the Houston Street TIRZ is scheduled to expire. In addition, the related Development Agreement with Federal Realty Investment Trust (FRIT) and the Interlocal Agreements

with Bexar County, the University Health System and Alamo Colleges will also expire.

In order to continue revitalization efforts of this valued reinvestment zone and to capitalize on potential future opportunities, City Council is being asked to consider extending the term an additional 20 years until September 30, 2034. By extending the term, City Council will enable the TIRZ to continue to collect taxes on increases in property values which have occurred since designation in 1999. These funds will be used to support future and previously approved public improvement projects within the zone. Currently, the Houston Street TIRZ, throughout its life, has generated over \$19 million and, if extended, will continue to generate approximately \$1.5 million annually.

In addition, City Council is being asked to consider changes to the composition of the Houston Street TIRZ Board of Directors. If the term extension is approved, after September 30, 2014, participation in the TIRZ will be limited to the City of San Antonio and Bexar County. This will necessitate modifications to the structure of the TIRZ Board of Directors. The changes will be brought about through an amendment to the TIRZ designating ordinance. The changes will reduce the size of the TIRZ Board from 11 to seven members. The board members will include the District One City Councilperson as an ex-officio member, three representatives appointed by City Council and the remaining three representatives appointed by Bexar County.

Furthermore, on September 1, 2011 and September 15, 2011, City Council approved two separate parking incentive agreements. These agreements were part of larger economic development incentive packages to be funded through the Houston Street TIRZ in the event the term is extended. The City executed two separate Chapter 380 Economic Development Program Grants to HVHC, Inc. and Argo Group US, Inc. HVHC is a locally based not-for-profit health insurer. The grant enabled HVHC to expand their corporate headquarters into the IBC Center on Houston Street bringing a total of 350 corporate jobs to the central business district. Argo Group US, Inc. is an international underwriter of specialty insurance and reinsurance products. Argo relocated into the IBC center bringing an additional 200 jobs to downtown. Both incentive packages include parking at the St. Mary's Garage which will be subsidized through revenue from the Houston Street TIRZ, approximately \$577,332.00 annually, over the next ten years. If City Council approves the extension of the Houston Street TIRZ, then the parking incentives will be included as approved in the TIRZ Project and Finance plans.

This item will satisfy the statutory requirements of a Public Hearing.

ISSUE:

Section 311.007 of the Texas Property Tax Code establishes the requirements changing the term of an existing zone. The statute establishes that the term may be extended by ordinance of the governing body of the municipality following a public hearing. This item is a request to City Council for consideration of an ordinance extending the term of the Houston Street TIRZ by 20 years to September 30, 2034.

In addition, City Council is being asked to modify the composition of the TIRZ Board of Directors through an amendment to the TIRZ designating ordinance. After approval, TIF staff, working with the District One City Council Office, will identify three candidates for appointment by City Council. The District One Councilperson will also serve on the board as an ex-officio member. Bexar County will be responsible for appointing its three members. All appointees must meet the eligibility criteria established in the TIF statute.

These changes to the Houston Street TIRZ will require amendments to the TIRZ Project and Finance plans which will be brought back to City Council at a later date. As required by previous Council action, the amended Project and Finance plans will include the two parking incentive agreements with HVHC and Argo Group USA.

ALTERNATIVES:

If the term were not extended, the Houston Street TIRZ would dissolve on September 30, 2014. The tax increment currently being collected by the TIRZ would no longer be dedicated to improvements within the Houston Street boundary but would be deposited into the City's General Fund and Debt Service Fund.

If the Houston Street TIRZ were to expire then the commitments related to the HVHC and Argo Group USA parking incentive agreements would become obligations of the General Fund.

FISCAL IMPACT:

If the proposed term extension is approved, the Houston Street TIRZ fund will continue to capture property tax value on improvements within the TIRZ at the current participation rate of 100% for an additional 20 years until September 30, 2034.

Property tax increment generated from any captured value will be used to fund public improvements within the zone as described in the Project and Finance Plans. At the expiration of the TIRZ, any additional property tax values realized through the life of the TIRZ will be added to the tax rolls and deposited into the General Fund and Debt Service Fund.

RECOMMENDATION:

Staff recommends approval of the proposed Houston Street term extension, modifications to the composition of the TIRZ Board of Directors and the inclusion of the parking incentive agreements in the Houston Street TIRZ Project and Finance plans, adjustments to tax entities participating and adjustments to TIRZ Project and Finance plans.