



# City of San Antonio

## Agenda Memorandum

**File Number:** 14-2900

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**Agenda Item Number:** 32.

**Agenda Date:** 12/4/2014

**In Control:** City Council A Session

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**DEPARTMENT:** Department of Planning and Community Development

**DEPARTMENT HEAD:** John Dugan

**COUNCIL DISTRICTS IMPACTED:** Districts 2 and 10

### **SUBJECT:**

Creation of a new City-initiated Tax Increment Reinvestment Zone, to be named reinvestment zone number thirty-three, City of San Antonio, Texas, also known as "Northeast Corridor TIRZ"

### **SUMMARY:**

City Council is being asked to consider an ordinance creating a new City-initiated Tax Increment Reinvestment Zone (TIRZ), to be known as TIRZ #33 "Northeast Corridor". The proposed TIRZ consists of approximately 1,056 acres located in City Council Districts 10 and 2. 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.

This Ordinance will designate and name the TIRZ, create a Board of Directors and specify the number of directors on the board, establish effective start and termination dates, approve Preliminary Project and Finance Plans and create a Tax Increment Fund.

### **BACKGROUND INFORMATION:**

The creation of the Northeast Corridor (NEC) 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. The plan includes short-term, mid-term and long-term projects proposed within the zone.

On August 20, 2014 a briefing regarding the proposed TIRZ was presented to the City Council Governance Committee.

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”. The resolution authorized staff to schedule a public hearing on the creation of the zone in accordance with the TIF Act, analyze the feasibility of the proposed TIRZ and to develop TIRZ documents including but not limited to preliminary Project and Finance Plans.

After passage of the Resolution of Intent staff sent correspondence to other entities that levy taxes within the proposed boundaries to inquire as to their interest in participating in the proposed TIRZ. Under the law other taxing entities can participate in this TIRZ. Specifically Bexar County, University Health Systems, San Antonio River Authority, Alamo Colleges and North East Independent School District can participate. Staff currently is meeting with each of these entities to determine their participation levels.

## **ISSUE:**

Chapter 311 of the Texas Tax Code (the “TIF Act”) allows a municipality to designate a geographic area as a TIRZ to promote development or redevelopment of the area if the governing body determines that development or redevelopment would not occur solely through private investment in the reasonably foreseeable future. As indicated in the Northeast Corridor Market Study, public sector involvement in the area is needed to spur private investment. The proposed creation of the Northeast Corridor TIRZ was a recommendation of the Northeast Corridor Market Study.

The proposed Northeast Corridor TIRZ is suitable for designation because of the following:

- The TIRZ statutorily eligible in accordance with Chapter 311 of the Texas 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 Master Plan Policies, North Sector Plan, REnewSA, and the Northeast Corridor Revitalization Plan.
- The Northeast Corridor Market Study recommends the use of TIF to offset the increased costs of redevelopment.
- 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 proposed TIRZ would leverage incentives provided through the Inner City Reinvestment/Infill Policy (ICRIP) Program.

Projects proposed to be funded within the Northeast Corridor TIRZ #33 include: gateway and streetscape enhancements; facade improvements; and the acquisition and redevelopment of blighted properties.

The action being requested of City Council is consideration of the creation of a 1,056 parcel acre City-initiated TIRZ # 33, "Northeast Corridor". This item will officially name the zone, create a seven member Board of Directors for the zone to be appointed at a later date, establish effective start of December 4, 2014 and termination date of September 30, 2034 for the zone, approve preliminary Project and Finance Plans, and create a tax increment fund.

After designation, the City-initiated process includes the subsequent adoption of Final Project and Finance Plans which will include TIRZ projects and public improvements made in the zone.

The proposed TIRZ is projected to produce annual tax increment revenues of \$84,527 in fiscal year 2015 increasing to \$461,978 in fiscal year 2034. The City's total TIF Revenue or maximum dollar contribution is estimated to 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. After startup and administrative costs, \$4,742,028.15 would be available to support eligible approved projects within the TIRZ boundary.

#### **ALTERNATIVES:**

If the City does not create the Northeast Corridor TIRZ to spur private development, it is likely that the neighborhood would continue to deteriorate. If a TIRZ is implemented, the City will benefit through growth in sales and property taxes. Further, the creation of the TIRZ provides the opportunity to achieve the goals outlined in the North Sector Plan, City's Master Plan, REnewSA, and the Northeast Corridor Revitalization Plan.

#### **FISCAL IMPACT:**

The tax year 2014 base taxable value is approximately \$228 million. The projected base taxable value for tax year 2033 is \$311 million, an increase of approximately \$83 million. 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 this preliminary Finance Plan, the City is the only participating taxing entity identified, with the City's tax rate per \$100 valuation at \$0.56569. This produces annual tax increment revenues of \$84,527 in fiscal year 2015 increasing 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 attached 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.

**RECOMMENDATION:**

Staff recommends that the City Council officially designate Tax Increment Reinvestment Zone Number 33, City of San Antonio, Texas “Northeast Corridor,” create a seven (7) member Board of Directors for the zone to be appointed by City Council at a later date, establish effective start date of December 4, 2014 and termination date of September 30, 2034 for the zone, approve preliminary Project and Finance Plans including the establishment of a tax increment fund.