



City of San Antonio

Agenda Memorandum

File Number: 15-3225

Agenda Item Number: 19.

Agenda Date: 6/4/2015

In Control: City Council A Session

DEPARTMENT: Planning and Community Development

DEPARTMENT HEAD: John Dugan

COUNCIL DISTRICTS IMPACTED: 1 & 5

SUBJECT:

This item will authorize amending the boundaries of the Tax Increment Reinvestment Zone #30 (Westside TIRZ) and the Tax Increment Reinvestment Zone #9 (Houston Street TIRZ); authorize amendments to the Project and Finance Plans for each TIRZ; and fill three vacant seats on the Houston Street TIRZ Board of Directors.

SUMMARY:

City Council is being asked to consider amendments to the boundaries of the Westside and Houston Street TIRZ to include authorizing staff to amend each zone's respective Project and Finance plans. These amendments are necessary to facilitate several downtown development projects which include the Public Private Partnership (P3) proposal that will result in a consolidated administrative office tower for the City, 265 housing units in the central business district, and construction of the first class A office tower downtown since 1989. The amendments will also facilitate improvements to the Alameda Theater and future development along San Pedro Creek. In addition, City Council is being asked to consider the appointment of three City staff members to the Houston Street TIRZ Board of Directors.

BACKGROUND INFORMATION:

Chapter 311 of the Texas Tax Code (the TIF Act) authorizes the governing body of a municipality or county to

promote reinvestment and redevelopment in a defined geographic area by designating it as a Tax Increment Reinvestment Zone (TIRZ).

The Westside TIRZ was designated by City Council in December of 2008 and is located primarily on the western edge of the central business district between South Flores and Brazos Streets south of Martin Street. The Westside TIRZ is currently being used to support four residential development projects which include: the Steel House Lofts; the Peanut Factory Lofts; Southtown Villas; and Cevallos Urban Lofts. The City is the only participating taxing entity in the Westside TIRZ and contributes 90% of the City's ad valorem tax increment to the Westside TIRZ tax increment fund.

The Houston Street TIRZ was designated in December of 1999 and is located in the central business district. The Houston Street TIRZ has financed public improvements along the Houston Street Corridor including the Presa Street Bridge Linkage, the Houston Street Bridge Linkage, the Majestic Courtyard, façade improvements along the Houston Street Corridor, redevelopment of the Walgreens/Stuart Building and renovation of the Kress Building façade. In September of 2014 City Council by Ordinance extended the term of the Houston Street TIRZ for twenty years. The City and Bexar County both participate in the Houston Street TIRZ and contribute 100% of their respective tax increment to the Houston Street TIRZ tax increment fund.

The proposed boundary amendments will increase the size of the Houston Street TIRZ by adding parcels located primarily along North Main extending from Cesar Chavez to IH-35 and will encompass some of the San Pedro Creek project. The western edge of the proposed new Houston Street boundary runs adjacent to the Westside TIRZ east of South Flores Street and will include 10 acres that are currently within the boundary of the Westside TIRZ. The proposed boundary amendment will increase the Houston Street TIRZ by an additional 138.54 acres for a total of 179.74 acres.

The action to amend the boundaries of each TIRZ will facilitate the City's economic development goals for the downtown area. These include the development of San Pedro Creek, improvements to the Alameda Theater, and the undertaking of a public private partnership among the City, Weston Urban and Frost Bank that will result in a consolidated administrative office tower for the City, 265 housing units in the central business district, and the construction of the first class A office tower in downtown San Antonio since 1989.

In accordance with the negotiated terms of the public-private partnership, the City will sell three properties to Weston Urban to facilitate housing development: 114 West Commerce (Municipal Plaza Building), 319 W Travis (San Fernando Gym) and 403 N Flores (Surface Parking Lot). Frost will sell the Frost Bank Tower and Parking Garage to the City for the purpose of consolidating City departments into a City administrative office tower and creating additional public parking. Weston Urban will construct a new office tower to serve as Frost Bank Headquarters on the Frost Motor Bank and surface parking lot that is on the northwest corner of Flores and Houston Street.

In order to facilitate the transaction and further redevelop the area, several parcels will be removed from the Westside TIRZ to include the Alameda Theater and the Frost Motor Bank site. The proposed boundary amendment will reduce the size of the Westside TIRZ by removing 28 parcels located in the central business district. By moving these parcels from the Westside TIRZ and including them in the Houston Street TIRZ, the City can utilize 100% of the tax increment resulting from the construction of the new office tower on the Frost

Motor Bank site to service the debt associated with the acquisition and renovation of the current Frost Bank Tower which will serve as the City administrative office tower. Importantly, Bexar County's tax increment resulting from the construction of the new office tower may be used to fund the public improvements associated with the Tower's construction. In addition, in order to enable Bexar County to utilize some of its increment to fund improvements to the Alameda Theater, the Theater will be removed from the Westside TIRZ and included in the Houston Street TIRZ. The boundary amendment will reduce the size of the Westside TIRZ by 10 acres to 1043.79 acres.

The Westside TIRZ boundary amendment will reduce the current captured taxable value by approximately \$4,174,060. However, the boundary amendment will facilitate the addition of at least 2 housing projects within the Westside TIRZ at 319 W Travis and 403 N Flores which will result in an additional \$25,000,000 of captured taxable value. Additionally, 322 West Commerce (Continental Hotel occupied by Metro Health) and 506 Dolorosa (the parking lot next to City Hall) are both located within the Westside TIRZ. The City intends to sell 322 West Commerce Street and 506 Dolorosa within the next 36 months. 506 Dolorosa had been considered as the site for a future City administrative tower. With the acquisition of the Frost Tower, however, the site is no longer necessary for expansion by the City and can therefore be marketed for future development. The redevelopment of these City owned properties, as well as the planned San Pedro Creek project, will increase future captured taxable value and future ad valorem tax increment to the Westside TIRZ.

Board Membership

In September of 2014, City Council extended the term of the Houston Street TIRZ until September of 2034 and reduced the size of the Board of Directors from eleven to seven members. These board members include: 1) City Council District One Councilperson as an ex-officio member; 2) three representatives appointed by the City Council; and 3) three representatives appointed by Bexar County. The County will participate in the Houston Street TIRZ at 100%. The County Commissioners Court appointed Commissioner Paul Elizondo, Commissioner Tommy Calvert and Manuel Leal to the board.

In addition to amending the TIRZ boundaries, the City is requesting Council to appoint three City of San Antonio staff members to the Houston Street Board of Directors to include the Assistant City Manager over the Center City Development and Operations Department, the Director of the Finance Department and the Director of the Center City Development and Operations Department.

ISSUE:

In accordance with Chapter 311 of the Texas Tax Code (the TIF Act), the boundaries of an existing reinvestment zone may be reduced or enlarged by ordinance or resolution of the governing body of the municipality that created the zone. The statute also requires a public hearing if proposed amendments to the Project and Finance plans increase or reduce the geographic area of the zone. The proposed amendments will support several projects that serve to advance the City's economic development goals for the downtown area.

ALTERNATIVES:

City Council could decide not to amend the boundaries of the Westside or Houston Street TIRZ. This could

negatively impact several redevelopment projects that are planned for downtown.

FISCAL IMPACT:

There is no direct fiscal impact to this proposed action. Projects supported by the Westside and Houston Street TIRZ will be funded with future and available tax increment generated within the appropriate TIRZ boundary.

RECOMMENDATION:

Staff recommends approval of the proposed boundary amendments to the Tax Increment Reinvestment Zone #30 (Westside TIRZ) and Tax Increment Reinvestment Zone #09 (Houston Street TIRZ), authorizing any necessary amendments to the project and finance plans and filling of three vacant seats on the Houston Street TIRZ Board of Directors.