



City of San Antonio

Agenda Memorandum

File Number: 15-5134

Agenda Item Number: 19.

Agenda Date: 10/15/2015

In Control: City Council A Session

DEPARTMENT: Department of Planning and Community Development

DEPARTMENT HEAD: John Dugan

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

This item is a public hearing and consideration of an Ordinance approving amendments to the Houston Street Tax Increment Reinvestment Zone (TIRZ) #9 Project and Finance Plans and authorizing the execution of an Interlocal Agreement with Bexar County.

SUMMARY:

City Council is being asked to consider amendments to the Houston Street TIRZ Project and Finance Plans which will add several new projects and authorize increases to the total estimated project costs of the TIRZ. In addition City Council is being asked to consider an Interlocal Agreement between the City of San Antonio and Bexar County that will define the County's Participation in the recently extended Houston Street TIRZ.

BACKGROUND INFORMATION:

The Houston Street TIRZ was designated by City Council, through Ordinance 90969, on December 9, 1999. The initial TIRZ Project and Finance Plans were originally approved by City Council on August 23, 2000 through Ordinance 92409. Since then the Project and Finance Plans have been amended on numerous occasions to accommodate changes to the TIRZ project list and a amendment to the boundary.

On September 18, 2014, City Council, through Ordinance 2015-09-18-0713, approved amendments to the Houston Street TIRZ that extended the term of the TIRZ by 20 years until September 30, 2034. Through the same Ordinance City Council approved changes to the composition of the TIRZ board of directors. The changes to the board composition reduced the size of the board from eleven to seven members with three appointees awarded to Bexar County and four appointees awarded to the City. The change reflected the end of

participation in the TIRZ of both the University Health System and Alamo Community Colleges who had both reached their maximum contribution levels. On June 4, 2015, through Ordinance 2015-06-04-0489, City Council authorized amendments to the Houston Street TIRZ boundary adding 260 parcels or roughly 138 parcel acres. These changes which culminate in today’s action of amending the Project and Finance Plans and approving a new Interlocal Agreement with Bexar County stand as a clear demarcation point between the Houston Street TIRZ of the past and the Houston Street TIRZ of the future.

The Houston Street TIRZ of the past included four participating taxing entities and a private developer who was responsible for much of the TIRZ related activity. Street Retail San Antonio, L.P., in cooperation with the City, completed numerous projects within the TIRZ boundary including; improvements to both Houston and Crockett Streets, the Historic Civic Center Linkage, the Houston Street Bridge Linkage, improvements to the Majestic Courtyard and the renovation of the Walgreens/Stuart and Kress buildings. After completion of all obligations, the City and Street Retail executed a closeout agreement on May 21, 2015, through Ordinance 2015-05-21-0441, concluding Street Retail’s participation in the TIRZ.

The future of the Houston Street TIRZ will include renewed participation in the TIRZ by Bexar County and several new projects all intended to continue the revitalization efforts from the previous period of the TIRZ and to support the City’s economic development goals for downtown. More specifically, the boundary change enables the Houston Street TIRZ to support several key catalytic projects including; the San Pedro Creek redevelopment, the Alameda Theater Revitalization project and the development of the Frost Bank Tower which, though a public private partnership (P3), will help to facilitate the consolidation of city offices and the adaptive reuse of current offices into 265 units of housing in the central business district.

ISSUE:

In accordance with Chapter 311 of the Texas Tax Code (TIF Statute), the board of directors of a Tax Increment Reinvestment Zone may adopt amendments to the TIRZ project and finance plans at any time, however the amendments must be approved by the governing body that designated the TIRZ. Additionally, if the amendments increase the total estimated project costs of the TIRZ, the Ordinance must be adopted after a public hearing.

Proposed projects to be added to the Project and Finance Plan and supported by the Houston Street TIRZ include:

Project	Type	Estimated Cost
HVHC, Inc.	Economic Development Agreement	\$ 3,087,000.00
Argo	Economic Development Agreement	\$ 3,366,000.00
Maverick Building	Economic Development Agreement	\$ 415,753.05
Houston Street Lighting	Public Improvement Project	\$ 165,000.00
Frost Bank Tower	Public, Private, Partnership (P3)	\$ 3,000,000.00
Alameda Theater	Historic Revitalization Project	\$ 10,000,000.00
San Pedro Creek	Economic Development Projects	TBD*
Total Estimated Project Costs		\$ 20,033,753.05

*At the time of this action Bexar County has not yet determined costs for potential projects along San Pedro Creek.

HVHC Inc. - Economic Development Agreement

In September of 2011, the City of San Antonio executed a Chapter 380 Economic Development Agreement with HVHC Inc., a wholly owned subsidiary of Highmark Inc. a private, worldwide provider of healthcare and vision services, to support the relocation and expansion of its workforce into the central business district at 175 E. Houston Street. As part of the overall incentive, the City agreed to provide a parking subsidy and incentive of approximately \$3,087,000.00 over ten years which is to be reimbursed through the Houston Street TIRZ.

Argo - Economic Development Agreement

In September of 2011, the City of San Antonio executed a Chapter 380 Economic Development Agreement with Argo Group Inc, an international underwriter of specialty insurance and reinsurance products in the property and casualty market, to support the relocation of 200 corporate jobs into the central business district at 175 E. Houston Street. As an incentive, the City of San Antonio has agreed to provide a parking subsidy and incentive to Argo of approximately \$3,366,000.00 over ten years which is to be reimbursed through the Houston Street TIRZ.

Maverick Building - Economic Development Agreement

400 East Houston Street, LP is proposing to invest approximately \$5,000,000.00 to renovate the historic Maverick Building. The renovations will include 85 multifamily units and the reactivation of approximately 6,000 square feet of street-level retail space. The rehabilitation of this property will provide local workforce housing, create new retail value along an important section of Houston Street, and reenergize a historic and iconic building. As part of a larger economic development incentive package, the Houston Street TIRZ will provide a 15-year tax reimbursement grant valued at approximately \$415,753.05.

Houston Street Lighting Project - Public Improvement Project

In an effort to improve lighting conditions along Houston Street, the TIRZ Board has authorized up to \$165,000.00 for lighting upgrades. The project will include upgrades to the existing Houston St. Pedestrian Pole Top Fixtures located between Santa Rosa St. and Alamo Street and the replacement of 75 existing fixtures.

Frost Bank Tower - Public, Private, Partnership

Bexar County has agreed to enter into an Economic Development Agreement with Weston Urban, a San Antonio based real estate development firm, which will help fund public infrastructure improvements associated with the new Frost Bank Tower, the first class "A" office tower downtown since 1989. The Houston Street TIRZ will reimburse Weston Urban for these costs from tax increment collected from Bexar County in an amount up to \$3,000,000.00.

Alameda Theater - Historic Revitalization Project

The Houston Street TIRZ will support the renovation of the historic Alameda Theater with up to \$10,000,000.00 of TIRZ funding generated from Bexar County tax increment. Once the largest theater in the nation dedicated to Spanish-language entertainment, The Alameda Theater opened in 1949 and showed films of the golden age of Mexican cinema. Once restored, the Alameda Theater will be returned to its vintage condition and will be able to seat 2,400 patrons.

San Pedro Creek - Economic Development Projects

On February 18, 2014, the Bexar County Commissioners Court, under the leadership of Commissioner Paul Elizondo, entered into an agreement with the San Antonio River Authority (SARA) to begin the design phase of

an ambitious \$175 million revitalization of a two-mile segment of San Pedro Creek through downtown.

With the understanding that economic development projects associated with the San Pedro Creek redevelopment will provide significant benefit to the Houston Street TIRZ, the TIRZ may provide tax increment generated from Bexar County taxes to support these projects. At the time of the drafting of the Project Plan, individual projects and specific costs related to the San Pedro Creek Redevelopment have not been identified. All payment schedules of project costs will require approval by the Houston Street TIRZ Board and any amendments to the Project and Finance Plan will require City Council approval.

Both the TIRZ Project and Plan and Finance Plan are attached for consideration.

Each of these projects is intended to continue the revitalization success of the previous period of the Houston Street TIRZ, support the City's economic development goals for downtown and support program objectives of the Tax Increment Finance Program Policy.

- Increase the diversity of property uses through support of mixed use development
- Encourage a balance of new development and redevelopment throughout the city
- Encourage growth within identified growth centers
- Provide opportunities for employment within targeted industries

An integral part of the Houston Street TIRZ moving into the future is the continued participation of Bexar County. The Interlocal Agreement, between Bexar County, the City and the Houston Street TIRZ Board, defines the parameters of Bexar County's participation and the obligations of all parties. Key terms of the Interlocal Agreement are as follows:

Participation Rate - Bexar County has agreed to participate in the Houston Street TIRZ at a rate of 100% of the County's maintenance and operation portion of its general fund tax collections.

Administrative Fees - Bexar County will be paid an annual administrative fee of \$6,000 throughout the life of the TIRZ. Bexar County's administrative fees will be paid from Bexar County tax increment collections. In addition, Bexar County has agreed to pay \$15,000 annually towards the City's annual administrative fee of \$120,000.

Board Representation - The Houston Street TIRZ Board of Directors will be composed of seven members and Bexar County will have the right to appoint three individuals to serve of the board.

Projects - With the exception of administrative fees, Bexar County tax increment will only be used to fund the following projects and costs listed in the TIRZ Project Plan; The Alameda Theater Renovation - \$10,000,000.00; The San Pedro Creek Redevelopment Project; Frost Bank Tower Public Infrastructure Improvements - \$3,000,000.00.

ALTERNATIVES:

Approval of this item will enable the support of several key downtown development projects utilizing both City of San Antonio and Bexar County tax increment generated through the Houston Street TIRZ. This increment is not part of the City's General Fund and is set aside for the specific purpose of funding projects within the TIRZ boundary which is located in the City's central business district. Should Council reject this item, the projects listed in the plans would likely not occur or funding for these projects would have to come from other sources

including the City's General Fund.

FISCAL IMPACT:

Projects funded through the Houston Street TIRZ will be paid solely from tax increment generated through the TIRZ, so long as funds are available. There will not be any impact to the City's General fund from this item's action.

RECOMMENDATION:

Staff recommends approval of this item.