



City of San Antonio

Agenda Memorandum

File Number:16-3297

Agenda Item Number: 34.

Agenda Date: 6/16/2016

In Control: City Council A Session

DEPARTMENT: Planning and Community Development

DEPARTMENT HEAD: Bridgett White

COUNCIL DISTRICTS IMPACTED: 4

SUBJECT:

Termination of Tax Increment Reinvestment Zone #22 - Ridgestone and approval of the Close-Out Finance Plan.

SUMMARY:

City Council is being asked to consider an Ordinance authorizing the termination of Tax Increment Reinvestment Zone #22 - Ridgestone and approval of the Close-Out Finance Plan due to Developer Default.

BACKGROUND INFORMATION:

On December 16, 2004, the Ridgestone Tax Increment Reinvestment Zone was created.

On March 1, 2007, the Final Project and Financing Plans for the Ridgestone Tax Increment Reinvestment Zone were approved.

On August 30, 2007, the Development Agreement and County Interlocal Agreement for the Ridgestone Tax Increment Reinvestment Zone were approved.

By December 31, 2009, the Developer, Big Fish on Five, had completed all infrastructure improvements to for 234 single family homes, of which 185 had been built by various home builders. The Developer fell upon difficult financial times soon after.

On July 14, 2011, a Notice of Default was sent to the Developer citing several breaches of the Development Agreement, including a Notice of Default and Failure on the part of the Developer to submit required progress

reports to the City. This created the grounds for the termination of the Development Agreement and the Tax Increment Reinvestment Zone.

On August 17, 2011, the City received a letter from the Developer stating that City Bank Texas was the owner of the Development Agreement and should be recognized by the City as the Developer. This began a legal determination as to whether City Bank Texas has the legal right to the assignment. It was determined in February, 2016 by the City Attorney's Office that City Bank Texas did not intend to pursue any assignment or other rights to the Development Agreement.

On March 1, 2016, a letter was sent by the City Attorney's Office to the Developer with a cc: to the Bank and Attorney regarding the pending Tax Increment Reinvestment Zone termination.

On March 2, 2016, a letter was sent to Bexar County (participating taxing entity) regarding the pending termination.

On March 8, 2016, a second letter was sent to the Developer, as the original letter was returned as address unknown.

On April 1, 2016, Bexar County notified the City Attorney's Office it had no further requirements or concerns. To date, the City Attorney's Office has not received any response from the Developer or Bank letters.

ISSUE:

Since the Zone's inception, a \$75,000 start up fee was paid to the City; Annual Administrative Fees have been paid to the City and Bexar County, \$13,000 and \$2,000 respectively, for the period of FY 2006 - 2016; and, Annual Debt Service for Medina Base Road improvements in the amount of \$44,147.94 were paid to the City of San Antonio for the period of FY 2008 - 2016. All payments were made from the Ridgestone Tax Increment Reinvestment Zone account, not the General Fund, in accordance with the approved Close-Out Finance Plan. Final reimbursements are subject to change per the actual fund balance upon closure.

The original Developer of the Ridgestone Tax Increment Reinvestment Zone was determined to be in default of the Development Agreement effective July 14, 2011. The TIF Governance Committee recommended termination of the Zone. All notification obligations required by the Development Agreement to terminate the agreement and the Zone have been met. Debt currently paid by the Tax Increment Reinvestment Zone No. 22 will ~~not~~ be paid from the City's Debt Service Fund (*corrected to be consistent with below Fiscal Impact statement*).

ALTERNATIVES:

City Council could decide not to terminate the Ridgestone Tax Increment Investment Zone, nor approve the Final Finance Plan.

FISCAL IMPACT:

This Ordinance authorizes the termination of the Ridgestone Tax Increment Investment Zone, closure of the accompanying fund, and approval of the Final Financing Plan. The original Medina Base Road Improvements capital and financial costs were \$750,514.98. After FY 2015 refinancing, the costs changed to \$745,119.38. The costs were paid from the TIRZ Fund in an annual amount of \$44,147.94 from FY 2008 to FY 2016, and an

additional transfer of \$22,507.03 in FY 2016. The balance of \$325,280.89 will be paid from the City's Debt Service after the TIRZ Termination in FY 2016. Additionally, surplus tax increment revenues currently collected and held in the TIRZ account will transfer to the City's General Fund, as there is no viable Developer to request the revenues to repay infrastructure improvement costs. Upon termination, \$230,678.81 will immediately transfer. Additionally, all future increment that would have been paid to the TIRZ fund through 2024 will flow directly to the City's General Fund account.

RECOMMENDATION:

Staff recommends approval of an Ordinance authorizing the termination of Tax Increment Reinvestment Zone #22 - Ridgestone and approval of the Close-Out Finance Plan.