



City of San Antonio

Agenda Memorandum

File Number:20-6096

Agenda Item Number: 5.

Agenda Date: 10/20/2020

In Control: Audit and Accountability Committee

AUDIT COMMITTEE SUMMARY

October 20, 2020

Audit of Neighborhood & Housing Services Department

Mid-Town TIRZ

Report Issued September 28, 2020

Audit Objective

Determine if the Mid-Town TIRZ is operating in compliance with established guidelines.

Background

The Tax Increment Financing (TIF) program was established in 1998 and helps support development projects intended to promote economic stimulus to surrounding areas of a Tax Increment Reinvestment Zone (TIRZ). TIF can be used to assist in financing needed public improvements and enhancing infrastructure. Taxing entities that collect taxes against property within a TIRZ have an opportunity to contribute these future tax revenues to a TIRZ fund to reimburse the costs of public improvements as outlined in Texas Tax Code Chapter 311.

The City of San Antonio established the Mid-Town TIRZ in December 2008 which falls under the TIF guidelines of that same year. Subsequently, City Council extended the term until September 2031.

The TIF Program is managed by the Neighborhood and Housing Services Department (NHSD), specifically the TIF Division. The TIF Division works closely with the Financial Management Division, which develops financial plans, monitors TIRZ balances, and aids in reviewing reimbursement requests. Additionally, the Mid-Town TIRZ helps fund other economic development incentives under the Center City Housing Incentive Policy (CCHIP), which is managed by Center City Development & Operations (CCDO) and economic development incentives under Chapter 380, managed by the Economic Development Department (EDD).

As of January 2020, The Mid-Town TIRZ portfolio included 37 projects. These projects include housing development, office and commercial space, parks, and public improvements/infrastructure. Total funding from the TIRZ is \$117.4 million.

Scope and Methodology

The audit scope included all projects within the Mid-Town TIRZ since inception. We verified projects were appropriately approved including receipt of support documents. We reviewed Contract Progress Payment Requests (CPPR's) for both TIF Division projects and CCHIP tax reimbursements for proper approval and documentation support. Further, we reviewed documentation to confirm an appropriate compliance program

had been established. We reviewed the finance plan to verify it was accurate and supported. We verified reporting to the State Comptroller was accurate and timely. Finally, we verified communication was adequate and fee collection was accurate.

Conclusions

The Mid-Town TIRZ is operating in compliance with established guidelines. NHSD has adequate administrative processes in place. Controls over fee collection are adequate. In addition, reporting of Mid-Town TIRZ status to the State of Texas is accurate and timely. Further, controls over approvals, tax reimbursements, and compliance for CCHIP projects are adequate. Finally, the Finance Plan is up to date and accurately reported.

However, we noted improvements that could be made to Mid-Town TIRZ administration. NHSD did not obtain all required support documents for projects. In addition, the CPPR approval process is inefficient. Also, agreements lacked a clear effective date. Finally, compliance monitoring was not adequate for Mid-Town TIRZ projects.

We made recommendations to address the opportunities. Management agreed with the recommendations and developed a positive corrective action plans.