



# City of San Antonio

## Agenda Memorandum

**File Number:**21-4232

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**Agenda Item Number:** 37.

**Agenda Date:** 6/17/2021

**In Control:** City Council A Session

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**DEPARTMENT:** Neighborhood and Housing Services Department

**DEPARTMENT HEAD:** Verónica R. Soto, FAICP, Director

**COUNCIL DISTRICTS IMPACTED:** 4

### **SUBJECT:**

Designation of petition-initiated Somerset Grove Tax Increment Reinvestment Zone (TIRZ) Number Thirty-Eight (Somerset Grove #38), located at 9300 IH-35 South and 9400 Somerset Road in southwest San Antonio in Council District 4.

### **SUMMARY:**

This ordinance approves designation of petition-initiated Somerset Grove Tax Increment Reinvestment Zone (TIRZ) Number Thirty-Eight (Somerset Grove #38), located at 9300 IH-35 South and 9400 Somerset Road in southwest San Antonio in Council District 4, for a term of 25 years with City's participation level at 85% in accordance with the provisions of the Tax Increment Finance (TIF) Act, Chapter 311 of the Texas Tax Code.

### **BACKGROUND INFORMATION:**

In April 2021, Lennar Homes of Texas Land and Construction, Ltd. petitioned the City pursuant to the provisions of Chapter 311 of the Texas Tax Code. Lennar Homes of Texas Land and Construction, Ltd. requested City Council establish within the City a reinvestment zone, located at 9300 IH-35 South and 9400 Somerset Road in southwest San Antonio in Council District 4.

The owner and developer of the property to be included in the petition initiated TIRZ is Lennar Homes of Texas Land and Construction, Ltd. The owner and developer of the property constitutes at least fifty percent (50%) of the appraised value of the property in the area according to the most recent certified appraisal roll for Bexar County. The area proposed to be included in the Zone lies entirely within the corporate limits of the City of San Antonio in Council District 4.

Pursuant to Section 311.005(a)(4) of the Tax Increment Finance (TIF) Act, Chapter 311 of the Texas Tax Code,

the City has the authority to create a petition-initiated Tax Increment Reinvestment Zone (TIRZ) in order to promote the development or redevelopment of an area if the City determines that development or redevelopment would not occur solely through private investment in the reasonably foreseeable future.

After a public hearing, City Council is asked to approve an Ordinance designating approximately 129 acres of property to be known as Somerset Grove Tax Increment Reinvestment Zone (TIRZ) Number 38 (Somerset Grove TIRZ #38), in accordance with the provisions of the TIF Act, Chapter 311 of the Texas Tax Code.

This item will officially designate and name the reinvestment zone, describe the boundaries of the zone, create a Board of Directors for the zone, establish effective start and termination dates for the zone, present the preliminary Finance Plan, and create a Tax Increment Finance fund for the zone.

The Development will consist of up to 603 single-family homes on 129 acres, of these 301 (50%) of the single-family homes will be affordable to families earning 100% to 120% of Area Median Income (AMI) though the developer has committed to try and price 452 (75%) of the homes at or below \$240,000, if feasible. At present, approximately 59 proposed lots are located in a floodplain. The developer will attempt to reclaim the area in the floodplain to make the land suitable for home construction. If unsuccessful, the maximum number of lots developed will be 544. If only 544 homes are built, the same percentages will be affordable to families between 100% to 120% AMI.

Of the 603 houses proposed, approximately 483 will be single-story and 120 will be two-story units. Each home will have at least two off street parking spaces, with at least 301 homes (50%) containing a two-car garage. The Development will also include a park and open space area for community residents.

#### **ISSUE:**

The Somerset Grove TIRZ application is in compliance with the TIF Program policy and meets the requirements outlined in the TIF Act. In accordance with City Code, Chapter 6, Article XII, the project must comply with the Universal Design Policy.

On June 17, 2021, the City Council, at a meeting open to the public, will consider the creation of the reinvestment zone and its benefits to the City and to the property in the proposed zone. At this meeting, the public will be afforded the opportunity to speak for or against the creation of the zone, its boundaries, or the concept of tax increment financing.

The petition initiated TIRZ will exist for approximately 25 years with the term beginning June 17, 2021 and shall terminate no later than September 30, 2046 with the City's participation level of 85%.

The TIF Act requires that the City Council establish a reinvestment zone Board of Directors when designating a TIRZ. The Somerset Grove Board shall consist of seven (7) members. Appointees will be required to comply with all policies related to City Boards and Commissions to the extent there is no conflict with the TIF Act.

After designation, City staff will work with participating taxing entities and the TIRZ Board to finalize the Development Agreement, Finance Plan and create the Project Plan for City Council consideration.

City Council consideration is requested for the approval of the designation of TIRZ Number 38 for a term of approximately 25 years with the City's participation level of 85% and a preliminary Finance Plan.

#### **ALTERNATIVES:**

City Council could decide not to designate petition-initiated Somerset Grove TIRZ Number 38 which would negatively affect the ability of Lennar Homes of Texas Land and Construction to develop the property for construction of single-family homes.

### **FISCAL IMPACT:**

This ordinance approves the designation of petition-initiated Somerset Grove Tax Increment Reinvestment Zone (TIRZ) Number 38 for a term of approximately 25 years with City's participation level of 85% in accordance with the provisions of the Tax Increment Finance (TIF) Act, Chapter 311 of the Texas Tax Code to be located in City Council District 4.

The tax year 2021 base taxable agricultural value is approximately \$517,480. The tax year 2021 base market value is approximately \$3,047,050. The projected year-end Assessed Value for tax year 2045 is \$123,647,050, which creates a Captured Taxable Value of approximately \$120,600,000. The development anticipates the construction of 603 detached single-family homes that will add value to the TIRZ.

The developer shall receive up to a maximum reimbursement of \$21,701,910 for Public Improvements. However, tax increment projected over the life of the TIRZ is \$11,007,471 and projected reimbursement to developer of \$9,943,273.

The only participating taxing entity in the TIRZ is the City. The participation level for the City is \$0.558270 per \$100 valuation at 85% participation level. The forecasted tax increment revenues are listed in TABLE A. The term of the zone expires on September 30, 2046 and may be terminated earlier once the City has deposited its respective maximum dollar amount or reached its maximum length of contribution as described in Table A.

Table A - TIRZ Contributions

Participating Taxing Entity	Projected Tax Increment	Projected Reimbursement to Developer	Maximum Dollar Contribution
City of San Antonio	\$11,007,471	\$9,943,273	\$22,831,910

\* The preliminary Finance Plan is based on the City's participation. The City will not be financially obligated until execution of the legal documents.

There is no immediate fiscal impact to the City's General Fund. The future taxes collected on the captured taxable value of parcels within the newly designated Somerset Grove TIRZ will be deposited in the Somerset Grove TIRZ fund to be used for eligible expenses within the TIRZ boundary.

### **RECOMMENDATION:**

Staff recommends that the City Council officially designate petition-initiated Somerset Grove Tax Increment Reinvestment Zone Number 38, City of San Antonio, Texas, describe the boundaries of the zone, create a seven (7) member Board of Directors for the zone to be appointed by Participating Taxing Entities at a later date, establish the term of approximately 25 years with an effective start date of June 17, 2021 and termination date no later than September 30, 2046, approve the preliminary Finance Plan and establish a Tax Increment Fund.