



City of San Antonio

Agenda Memorandum

File Number:15-2755

Agenda Item Number: 23.

Agenda Date: 5/14/2015

In Control: City Council A Session

DEPARTMENT: Department of Planning and Community Development

DEPARTMENT HEAD: John Dugan

COUNCIL DISTRICTS IMPACTED: City Wide

SUMMARY:

Approval of the amended City of San Antonio (CoSA) Tax Increment Financing (TIF) Program Policy.

BACKGROUND INFORMATION:

The Texas Tax Increment Financing (TIF) legislation permits the City of San Antonio to finance allowable public improvements to support the redevelopment of blighted or underutilized areas using the tax revenues from new development. The allowable improvement costs incurred in the reinvestment areas are repaid over a pre-determined time period using future tax increment revenues. Taxes collected on assessed values above the base values established at Tax Increment Reinvestment Zone (TIRZ) designation provide the TIRZ funding source (tax increment).

The TIF Unit currently manages 20 active TIRZs throughout the City. Eight are City initiated and 12 are Petition initiated through private developers. Since FY 2005, the City has collected tax increment revenues of approximately \$72M for itself and its participating taxing entities (PTE) partners. These partners include Bexar County, University Health Systems, Alamo Colleges, Edgewood ISD, Southside ISD, and the San Antonio River Authority.

The City Council approved the original TIF Policy and Implementation Manual in 1998. Revised policies were subsequently approved in 2000, 2002, 2004, and 2006. The City is currently utilizing the 2008 TIF Policy and Implementation Manual approved on October 16, 2008.

On October 29, 2014, staff provided a briefing at the City Council B session on the proposed Draft 2014 TIF Program Policy. Staff was directed to perform additional analysis and meet with stakeholders. Staff met with

the following stakeholders and advisors to obtain feedback regarding policy refinement:

- November through December 2014:
 - Individual briefings with City Council Members
 - Briefing with TIRZ Board Chairs
 - Letters sent to all TIRZ Board Members
 - North East Corridor Steering Committee
 - CoSA Development Process Task Force
 - Meeting with affordable housing advocate
- December 1, 2014 -San Antonio Real Estate Council
- February 13, 2015 - TIF Governance Committee
- March 25, 2015 - San Antonio Real Estate Council (follow-up)

On April 29, 2015, staff provided a follow-on briefing at the City Council B session on the proposed Draft 2014 TIF Program Policy. Staff received approval to move forward to City Council A session.

ISSUE:

Below are key recommended policy changes from the 2008 TIF Policy and Implementation Manual. These include changes suggested by stakeholders and include substantial changes from feedback received by the San Antonio Real Estate Council. The revised policy:

- **Aligns the Policy to advocate the Comprehensive Plan, 1997 Master Plan, SA2020, and REnewSA policies.**
- **Clarifies that Petition Initiated TIRZ must be developed in conjunction with a City adopted plan.**
- **Modifies TIRZ eligibility and selection criteria requirements to address demographic and market factors.**
- **Reinforces that TIF is not an “As of Right” Incentive program.**
- **Encourages mixed use development to improve property diversity.**
- **Encourages mixed income development to reduce income segregation.**
- **Requires an analysis to ensure that potential affordable housing deficiencies in the surrounding area or submarket are addressed.**
- **Modifies the fee structure to reflect associated fiscal, project management, and administrative**

workload requirements, while enabling TIF Unit to decrease reliance on the General Fund.

- **Modifies administrative fee structure to be calculated at 20% of annual increment (10% for projects that are at least 51% affordable), but capped at approved maximums.**
- **Significantly reduces initial start-up costs by 50 - 56%.**
- **Clarifies how bank interest will be paid during TIRZ lifespan.**
- **Removes the day to day operating procedures from the TIF Program Policy.**

ALTERNATIVES:

The TIF Unit could continue to use the 2008 TIF Policy and Implementation Manual. This option is not recommended because many city goals and objectives have changed since 2008. Additionally, significant changes in market conditions have altered the development landscape. The proposed policy focuses on creating a balance between market characteristics and demographic characteristics.

FISCAL IMPACT:

This ordinance amends the Tax Increment Financing (TIF) Program Policy and the fee structure for City and Petition Initiated TIRZ projects. The terms for all new TIRZ projects and amendments to existing TIRZ projects will require individual City Council approval. There is no fiscal impact with this action for existing TIRZ projects.

RECOMMENDATION:

Staff recommends approval of this Ordinance to amend the City's TIF Program Policy.