TO: Mayor and City Council

FROM: David D. Garza, Director, Neighborhood Action Department

THROUGH: Terry M. Brechtel, City Manager

COPIES: Jelynne LeBlanc Burley; J. Rolando Bono; Milo Nitschke; Andrew Martin; file

SUBJECT: Resolution of Intent to Consider the use of Tax Increment Financing (TIF) for the Meadow Way Project

DATE: September 23, 2004

SUMMARY AND RECOMMENDATION

This item is a resolution expressing the City of San Antonio’s intent to consider creating a tax increment reinvestment zone to finance public improvements in support of the Meadow Way residential development project located in City Council District 6. Approval of this resolution would authorize the initiation of the process for consideration of designation of the tax increment reinvestment zone (TIRZ) by providing written notices of the City’s intent to all affected taxing entities.

This resolution only initiates the process for the creation of the proposed reinvestment zone. Upon passage of this resolution of intent, staff is authorized to request an appointee from each taxing entity for the purpose of discussing each project. Staff is also authorized to call and hold meetings with representatives of each taxing entity. Staff will conduct a full programmatic review and analysis to determine the viability of the project and the projected revenues generated by the tax increment. This action does not, in any way, obligate the City to designate the proposed reinvestment zone; nor does it financially obligate the City or other taxing entities. This resolution allows the staff to continue the process to structure financing and conduct project reviews for the proposed TIF project.

Staff recommends approval of this resolution, with the following waiver of 2004 TIF Guidelines:

- Section VI (C), Use Patterns and Special Districts, and
- Section VI (E), Limitations of TIF Program.

This project was one of the projects submitted prior to the revisions to the Guidelines and is a project that meets the preliminary review.
BACKGROUND INFORMATION

In September of 2002, the City Clerk first received a TIF application from Big Fish Development Two, LLC for the Meadow Way project. On October 24, 2002, the City Council amended the TIF Program Guidelines and Criteria. Staff was reviewing the Meadow Way project application when staff received direction to amend the 2002 TIF Guidelines and suspend work on the pending applications.

On January 8, 2004, the City Council amended the Guidelines and Criteria for the use of TIF as an incentive tool. Applicants with pending applications were invited to re-apply for TIF. Meadow Way was required to re-apply and did so on June 30, 2004. On July 15, 2004 the City notified the applicant of outstanding items in their application, to which the applicant responded by August 4, 2004.

The project site is located inside Loop 410 off Meadow Way near Marbach Road in Secondary Target Area in City Council District 6. Some of the proposed public improvements for the Meadow Way project include: streets and approaches, drainage, water, sewer, curbs, streetlights. The project estimates the construction of 90 single-family homes with an average sales price of $89,000.

POLICY ANALYSIS

Staff has conducted a preliminary review of the application for the creation of the proposed tax increment reinvestment zone to determine whether the proposed project satisfies the criteria for a Reinvestment Zone as outlined in the TIF Act (Texas Tax Code, Section 311.005, Criteria for Reinvestment Zone) and the eligibility requirements in the current TIF Guidelines.

The applicant has substantially complied with the eligibility criteria as summarized below:

- Section I (J): Demonstration of Community Revitalization Impact (This section asks the applicant to describe how the planned investment will contribute to revitalization activities in the parcels and the surrounding area).
  - The Meadow Way development has experienced no increase in population percentages due in part to the lack of available housing product. The project proposes 90 single-family homes to increase the rate of owner-occupied housing and enhance the overall value of the existing neighborhood.
  - The investment in this area may act as a catalyst to encourage an increase in the population. The project proposes to add $8,010,000 in value of development to the proposed site.

- Section I (K): Demonstration of Need for Public Assistance (This section asks the applicant to demonstrate that project would not occur without public assistance).
  - Proceeds from lot sales and projected TIRZ revenues were utilized to secure a conventional bank loan to finance the public infrastructure improvements.

- Section IV: Criteria for Designation of a Reinvestment Zone (This section asks the applicant how the proposed project meets the statutory criteria for designation of a reinvestment zone).
The proposed project’s census tract reflects a slightly higher level of poverty: 22.0% living below poverty, in contrast with the City average of 17.3%. The larger project area (including neighboring census tracts) can similarly be described as slightly higher-poverty, with a rate of 24.1%.

- The percentage of people without a high school degree is slightly higher (25.6%) relative to the City average of 24.9%.

- Applicant also provides general information about a slower rate of housing construction and development in general.

- According to information from the proposed project application, crime data indicates an increase from 2002 (1,101) to 2003 (1,652) for incidents including: homicide, rape, robbery, assault, burglary and vehicle theft.

Section VI (B): Project Location

- The proposed project is located within the Secondary Target Area (defined as inside Loop 410 and outside Loop 410 but south of Highway 90), which allows the City to participate up to 90% and for a term up to 20 years.

- The proposed project is not located over the Edwards Aquifer Recharge Zone.

Section VI (C): Urban Design Criteria (All TIF Projects must utilize one of the following nine non-conventional Use Patterns or Special Districts).

- This proposed project currently does not meet any Use Patterns or Special Districts.
  - Applicant is requesting a waiver. This application was originally submitted in September 2002. Staff worked with the developer to have the Planned Unit Development plan approved under the 2002 TIF Guidelines. This plan was approved in June 2002. This development is within a ¼ mile of a school, retail and commercial developments and job centers.

Section VI (E): Limitations of TIF Program (This section specifies limits on number of applications, lobbyist activities, and contract types.) The guidelines limit the applicant to one TIRZ application per year.

- Applicant has submitted applications for two TIF projects.
  - Applicant is requesting a waiver of this requirement.

Section VIII (B): Content of Application (This section asks whether the application includes: application fee, general description of public and private improvements, a map, property description, field notes, financial pro formas, description of how the project will contribute to revitalization, a written demonstration of how TIF is needed, timelines for proposed improvements, market feasibility study, and cost benefit analysis).

- Staff has determined that the applicant has submitted a substantially complete application. Further information may be required for full programmatic review.

Each Application for Redevelopment requesting the use of TIF will be evaluated by various City departments to assess the viability of the proposed project. The proposed project must comply with the Unified Development Code, the requirements set forth in the 2004 TIF Guidelines and Criteria, and any other applicable rules and regulations. Upon full review, staff will determine compliance with all relevant eligibility criteria and development standards. A preliminary Project and Finance Plan will accompany staff recommendation to City Council for designation of the reinvestment zone. If new information is discovered during the full programmatic review process that renders the project ineligible for TIF, staff will not recommend proceeding with the
project and designating the area as a reinvestment zone. The process for designation takes an average of 4 – 6 months.

**FISCAL IMPACT**

Approval of this resolution initiates the TIF process and does not have a direct financial impact to the General Fund. A full review and analysis is still required to confirm the viability of this financing approach and the revenues generated by the proposed tax increments. A preliminary reinvestment zone finance plan will be developed from the application in fulfillment of statutory requirements. The preliminary finance plan will address a number of scenarios, including TIF participation by other taxing entities.

Approved in October 2002, the TIF guidelines require a $31,000 processing fee upon passage of a Resolution of Intent for a proposed TIF project application. The fee is to be paid within 10 days of approval of the resolution of intent. This fee supports the costs associated with full programmatic review provided by the City staff funded through the TIF Special Revenue Fund. This fee will be applied to the TIF Special Revenue Fund for fiscal year 2003-2004.

**COORDINATION**

This item has been coordinated with the City Attorney’s Office.

David D. Garza, Director
Neighborhood Action

Jeyme LeBlanc Burley
Assistant City Manager

Terry M. Brechtel
City Manager