

A RESOLUTION 2008-06-19-0031R

EXPRESSING THE CITY'S INTENDED PARTICIPATION LEVEL IN THE FINANCING OF PUBLIC IMPROVEMENTS FOR "REINVESTMENT ZONE NUMBER TWENTY-EIGHT, CITY OF SAN ANTONIO, TEXAS", KNOWN AS THE "VERANO TIRZ", LOCATED IN CITY COUNCIL DISTRICT 3.

* * * * *

WHEREAS, on December 6, 2007, the City Council expressed its desire to support the Verano Project, located in City Council District 3, in City South, bounded by South Loop 410 to the north, the Missouri Pacific Railroad Company line and Pleasanton Road to the east, Mauermann Road to the south and Zarzamora Road or the Hunters Pond subdivision to the west; and

WHEREAS, proposed development objectives of the Project include single family and multi-family housing, retail and commercial space, sports and entertainment facilities, industrial and research parks, a hospital area, and linear and pocket parks, all of which will surround a town center and a proposed San Antonio campus for Texas A&M University (TAMU-SA); and

WHEREAS, the public improvements contemplated for the Project are projected to include such items as streets and streetscape, potable and non-potable water supply, sewer and drainage, electric and gas lines, public parks and public parking facilities; and

WHEREAS, in support of the Project, the City Council created Reinvestment Zone Number Twenty-eight, City of San Antonio, Texas, known as the Verano TIRZ, which will provide funds to help reimburse the eligible infrastructure and project costs incurred by the Developer, VTLM, Texas, through Tax Increment Financing; and

WHEREAS, the City's TIF Policy requires an evaluation of investment need for each TIRZ and identification of the developer's gap in financing for development, and City staff has been working with the Developer to complete the evaluation and to identify the funding gap for the Project; and

WHEREAS, the Texas A&M University System and Verano Land Group, LP, an entity related to the Developer have entered into a Donation Agreement whereby Verano will donate land within the Project by August 1, 2008 to the TAMUS sufficient for the creation of a San Antonio campus, and Verano has requested that the City state the amount of its intended participation in the TIRZ prior to that date; and

WHEREAS, in addition to finalizing the project and financing plans for the TIRZ, the City staff shall continue to work with the Developer to obtain participation in the TIRZ by other taxing entities, and to obtain additional County participation for the construction of essential roads and bridges in and around the Project; and

WHEREAS, the Developer recognizes that there is no guarantee that the value of property in the TIRZ will increase, that any increases in value are dependent upon many factors which are not within the City's control, and that there is no guarantee of any tax increment, and therefore no guarantee of reimbursement of its eligible costs; **NOW THEREFORE:**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. CITY'S PARTICIPATION IN TAX INCREMENT REINVESTMENT ZONE NUMBER TWENTY-EIGHT, CITY OF SAN ANTONIO, TEXAS, KNOWN AS THE VERANO TIRZ. The City of San Antonio expresses its intent to participate in the financing of the TIRZ by contributing seventy-five percent (75%) of its total incremental ad valorem tax dollars generated within the TIRZ towards the funding of eligible public improvement costs within the TIRZ, provided that the City's maximum ad valorem tax contribution will not exceed one hundred thirty-five (\$135) million regardless of the duration of the TIRZ.

SECTION 2. ALAMO COMMUNITY COLLEGE DISTRICT AND SAN ANTONIO RIVER AUTHORITY PARTICIPATION. In conjunction with the Developer, VTLM, Texas, the City shall seek participation in the TIRZ by the Alamo Community College District and the San Antonio River Authority.

SECTION 3. ADDITIONAL RESOURCES FOR THE CITY. In addition to the City's current Administrative Fee charged for TIRZ management, the Final Financing Plan for the TIRZ will reflect additional funds for City resources necessary for additional administrative activities related to the TIRZ.

SECTION 4. BEXAR COUNTY PARTICIPATION. The City and the Developer shall jointly meet with representatives of Bexar County to solicit the participation by Bexar County for the construction of essential roads and bridges in and around the Verano TIRZ and the Texas A&M Campus.

SECTION 5. RESOLUTION EFFECTIVE DATE. This Resolution shall become effective immediately upon receipt of eight (8) affirmative votes.

PASSED AND APPROVED *this 19th day of June 2008.*


M A Y O R
PHIL HARDBERGER

ATTEST: 
City Clerk

APPROVED AS TO FORM: 
for City Attorney



Request for
**COUNCIL
ACTION**



Agenda Voting Results - 6

Name:	6
Date:	06/19/2008
Time:	11:52:07 AM
Vote Type:	Motion to Approve
Description:	A Resolution expressing the City's intent to participate in the financing of public improvements in Tax Increment Reinvestment Zone Number Twenty-eight City of San Antonio, Texas, known as the "Verano TIRZ" located in Council District 3. [T.C. Broadnax, Assistant City Manager; David Garza, Director, Housing and Neighborhood Services]
Result:	Passed

Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Phil Hardberger	Mayor		x				
Mary Alice P. Cisneros	District 1		x				
Sheila D. McNeil	District 2		x				
Jennifer V. Ramos	District 3		x			x	
Philip A. Cortez	District 4		x				
Lourdes Galvan	District 5		x				
Delicia Herrera	District 6		x				
Justin Rodriguez	District 7		x				
Diane G. Cibrian	District 8		x				x
Louis E. Rowe	District 9		x				
John G. Clamp	District 10	x					



CITY OF SAN ANTONIO
Request for Council Action

Agenda Item # 6
Council Meeting Date: 6/19/2008
RFCA Tracking No: R-3547

DEPARTMENT: Housing and Neighborhood
Services

DEPARTMENT HEAD: David D Garza

COUNCIL DISTRICT(S) IMPACTED:
Council District 3

SUBJECT:
Resolution for Participation in Tax Increment Reinvestment Zone #28 (Verano)

SUMMARY:

This item provides direction on the City's intention to participate in the Verano Tax Increment Reinvestment Zone (TIRZ) Number #28, which was designated by City Council on December 6, 2007.

BACKGROUND INFORMATION:

Chapter 311 of the Texas Tax Code (the "TIF Act") allows a municipality to initiate the creation of a Tax Increment Reinvestment Zone (TIRZ), which occurred on December 6, 2007. At the time of designation, the City intended to move forward in negotiating a Final Project and Financing Plan which would be presented to City Council for consideration at a later date.

Verano is a 2,700-acre City-initiated TIRZ created to help finance public infrastructure costs and facilitate development around the new Texas A&M University San Antonio (TAMUS) campus. The proposed public infrastructure expenses include streets, sidewalks, streetscape, drainage, sewer, water utilities, public parking garages, public parks and other public improvements. The proposed private development includes approximately 6,938 residential units (2,542 single family; 3,375 multi-family; 1,021 condo/townhomes), approximately 5,977,200 square feet of office, retail/restaurant, industrial/research park, and institutional.

The Texas A&M University System and the Verano Land Group (the Developer) have entered into a Donation Agreement whereby the Developer will donate land within the Project by August 1, 2008 to the TAMUS sufficient for the creation of a San Antonio campus, and the Developer has requested that the City state the amount of its intended participation in the TIRZ prior to that date.

ISSUE:

This resolution states the City of San Antonio's intent to participate in the financing of the TIRZ by contributing 75% of its ad valorem portion of the tax increment generated by the development in the TIRZ towards the funding of eligible public improvement costs within the TIRZ, not to exceed a total amount of \$135 million dollars, regardless of the term of the TIRZ. Bexar County has committed to a contribution level equivalent of 70% of their O&M rate. Through this resolution, the City and the developer have agreed to seek participation in the TIRZ by ACCD and SARA.

Additionally, this resolution acknowledges that the City and the developer agree to seek additional participation by Bexar County for essential roads and bridges in and around the project area, and that the Final Financing Plan for the TIRZ will reflect additional TIRZ funds for City resources necessary for administrative related activities.

Significant to Verano is the donation of land to Texas A&M, which will allow for the build out of this seed campus. The next scheduled donation milestone is August 1, 2008 and this resolution will affirm the City's intent so that the donation process can move forward on schedule. Given that the related TIRZ revenue stream is dependent on timely build out of both the campus and the surrounding development, staff believes this resolution will avoid any potential delays related to the August 1, 2008 donation.

The City and developer will work to complete the Final Project and Financing Plan for City Council consideration in the Fall. Additionally, staff will be requesting City Council approval to appoint Board Members to the TIRZ Board later this summer.

ALTERNATIVES:

An alternative is to not state City's intent through this resolution and continue to move forward with the development of the Final Project and Financing Plan for consideration by City Council. This alternative is not recommended because it is likely that the Final Project and Financing Plan will not be ready for City Council consideration until late Summer or early Fall, potentially delaying the land donation to Texas A&M and impacting the overall development of the campus.

FISCAL IMPACT:

The proposed level of participation provides for the City to participate by contributing 75% of its ad valorem portion of the tax increment generated by the development in the TIRZ towards the funding of eligible public improvement costs within the TIRZ, not to exceed a total amount of \$135 million dollars, regardless of the term of the TIRZ. These funds would be generated by the incremental ad valorem tax associated with the proposed development.

In the negotiation of the City's proposed participation level, staff analyzed and took into consideration City service delivery impacts, estimated gap on the project submitted by the developer, the proposed public improvements, participation by other taxing entities, and overall impact to the City's operational budget and debt plan. Staff also considered the overall impact of the proposed Texas A&M campus.

This action expresses the City's commitment, but does not, in any way, financially obligate the

City or other taxing entities.

RECOMMENDATION:

Staff recommends approval of this resolution, expressing the intent of the City to participate in the financing of the TIRZ.

ATTACHMENT(S):

File Description	File Name
Voting Results	
Resolution/Supplemental Documents	200806190031R.pdf

DEPARTMENT HEAD AUTHORIZATIONS:

Dionne L. Roberts Assistant Director Housing and Neighborhood Services

APPROVED FOR COUNCIL CONSIDERATION:

T.C. Broadnax Assistant City Manager

Pat DiGiovanni Deputy City Manager

VERANO TAX INCREMENT REINVESTMENT ZONE

City Council Meeting

June 19, 2008

Presented by Pat DiGiovanni, Deputy City Manager

Summary Verano TIRZ Resolution

- **Establishes proposed level of City participation in Tax Increment Reinvestment Zone #28 (Verano)**
- **Seeks participation of both Alamo Community College District and San Antonio River Authority in the Verano TIRZ**
- **Also addresses Bexar County participation for essential roads and bridges in and around Verano**
- **Addresses need for additional City administrative resources related to Verano TIRZ**

Verano TIRZ Background

- **September 6, 2007**
 - **City Council approved Memorandum of Understanding between City, CPS Energy, Texas A&M University System, and Verano Land Group related to university land donation and support of A&M Campus**
 - **City pledged \$15 Million from the Capital Budget for public infrastructure projects benefitting A&M University**
 - **City / CPS committed to up to \$8 Million from City's CIED Funds for utility infrastructure**
 - **Verano Land Group agreed to donate land by August 1, 2008 to A&M University (valued at \$25 M to \$30 M)**

Verano TIRZ Background

- **December 6, 2007**
 - Council designated Verano Tax Increment Reinvestment Zone, created Fund, and TIRZ Board of Directors
 - Estimated life of TIRZ 29.9 years up to 9/30/2037
 - Form based development use pattern / zoning for City South approved by City Council in separate action

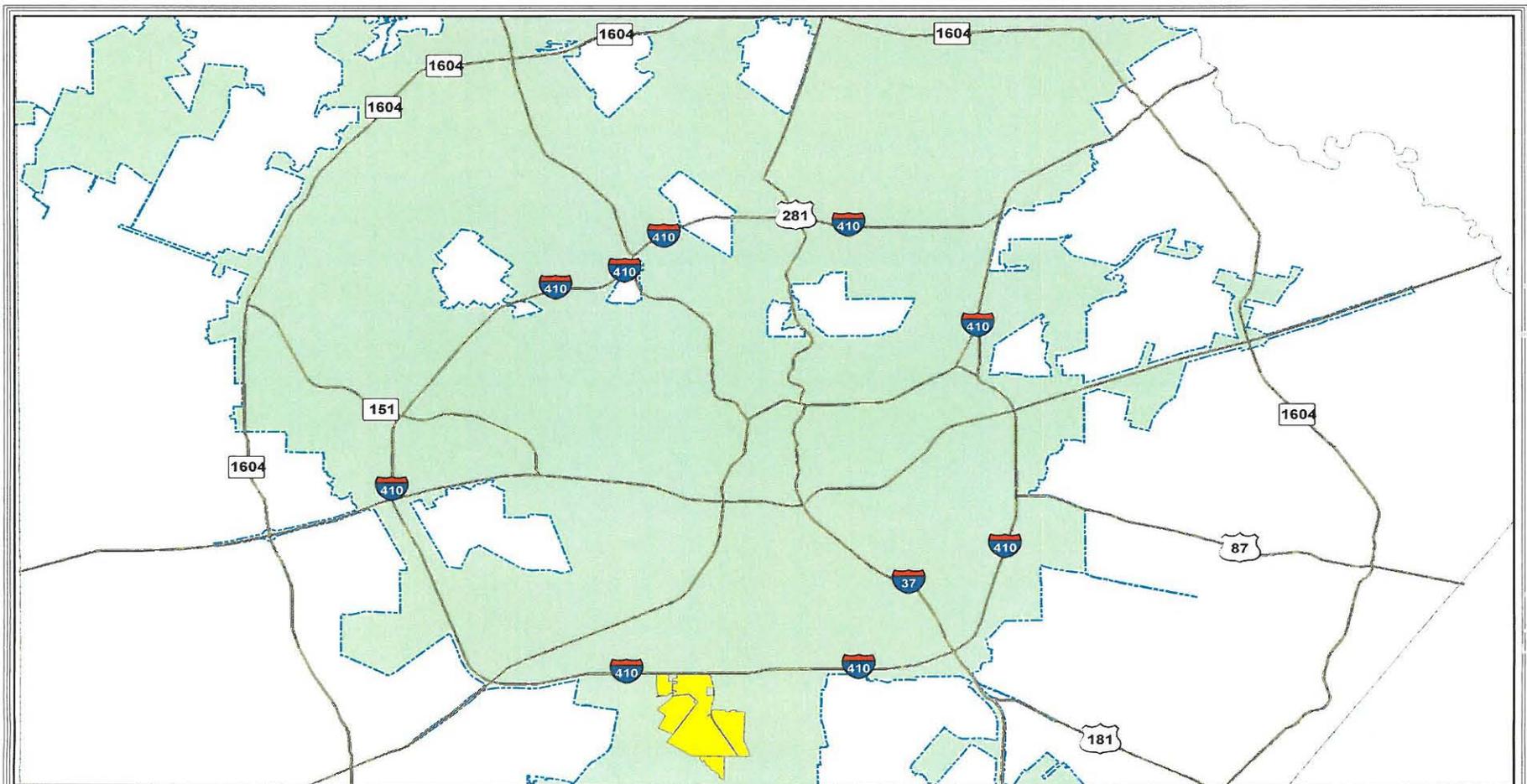


City Due Diligence Guidelines

- **As indicated on December 6, 2007, given magnitude and size of Verano TIRZ comprehensive analysis required by City staff**
 - Service Delivery Impacts
 - Project Gap Analysis
 - Developer Financial Capacity
 - Analysis of proposed Public Improvements
 - Participation of other taxing entities
 - Overall impact to City's operating budget / debt plan
 - Resulting economic impact benefit to City
- **Above analysis used to develop recommended City participation level in Verano TIRZ**

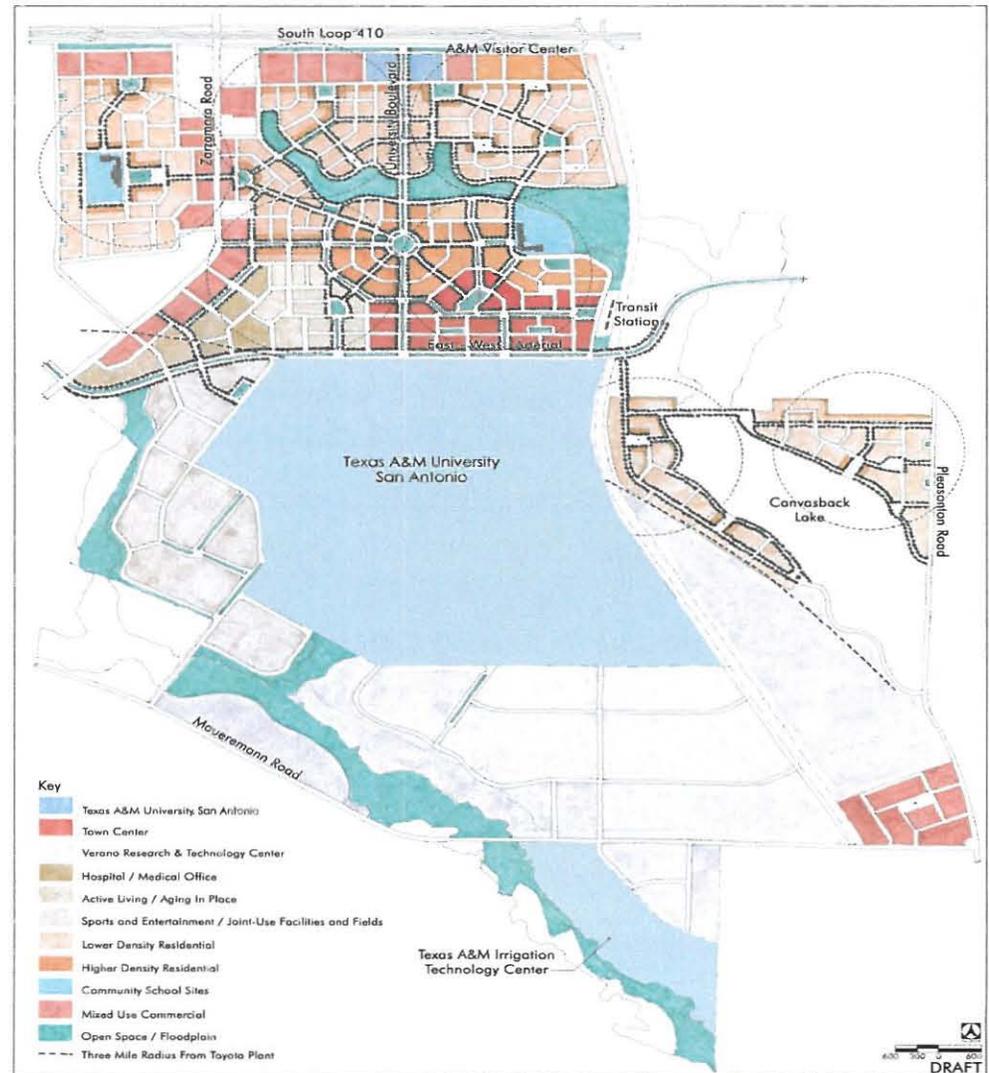
Location of Verano

Generally between South Loop 410 (N) and Mauermann Road/Toyota Facility (S) and Pleasanton (E) and Zarzamora Road (W)



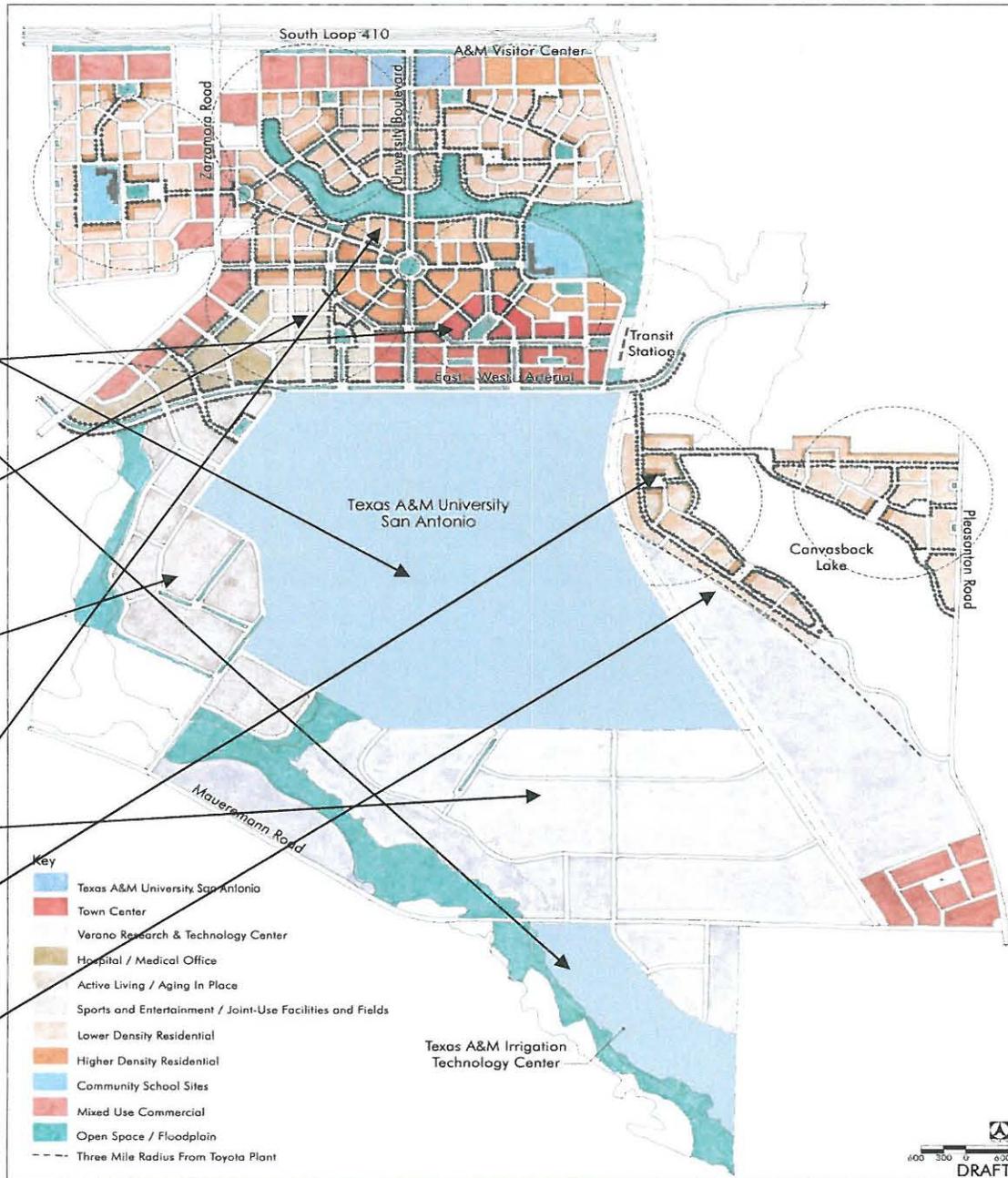
Verano Development

- Approximately 2,700-acres
- Build-out scheduled approximately 15 years
- Expected population: 20,000
- In Southside and Southwest School Districts
- Energy to be provided by CPS Energy
- Water service provided by SAWS & BexarMet / sewer Service provided by SAWS



Verano Plan

- Texas A&M
- Town Center & Rail Station
- Teaching Hospital & Retirement Living
- Sports Complex (shared use)
- Technology Research Center
- Mixed Use Neighborhoods
- Toyota Buffer Zone (3 Miles from Plant)



Verano Development—Financial Summary

- **Current base value is \$44.8 Million**
- **Projected captured value at buildout (with inflation) is \$3.3 Billion**
- **Public Infrastructure Improvement Costs of \$496 Million including items such as**
 - Streets, sidewalks, and streetscapes
 - Sewer and drainage
 - Water utilities
 - Public Parks

Guiding Principles in City Participation Level

- **City supports development of Texas A&M San Antonio Campus**
- **City supports development of City South**
- **City prepared incentive package to support the Verano development based on project gap**
- **City worked to minimize resulting impacts to future City service levels resulting from pledged revenues toward TIRZ**



Financial Analysis / Cost for City Services

- **City Budget Office managed development of 30-year service cost analysis model**
 - Coordinated with Finance and Housing & Neighborhood Services Departments
 - Service recommendations developed with various operating departments
- **Service analysis included various levels and degrees of City services**
- **Evaluated information provided by Verano**

Verano Revenues

- **Projected General Fund Revenues: \$405 Million**
 - Service Analysis Model includes
 - Property Tax (O&M and Debt Service)
 - Sales Tax
 - CPS Payment
 - Service Model excludes property tax revenue generated by Verano area base property values
- **Included growth in revenue collections**
- **Analysis included evaluation of additional “spin-off” revenue from Verano and A&M ranging from \$176 Million to \$240 Million**

Verano Expenses

- **City Service Expenses: \$349 Million**
 - Considers General Fund service levels closely comparable to today's current levels
 - Police and Fire Services
 - Streets, Alleys, and Traffic Signals
 - Parks & Recreation and Library



Other Costs Associated with City South Growth

- **In addition to operating costs forecasted, capital infrastructure costs have been identified to support growth from City South including Verano**
- **Capital infrastructure costs totaling over \$235 Million (excluding financing costs) include:**
 - New/reconstructed roads not part of the Verano development
 - Additional Branch Library
 - New Parks Community Center

30 Year Financial Analysis Summary

Description	Amount
Revenue (Sales, Property Tax, CPS)	\$405 M
Less City TIRZ Contribution	(\$135 M)
Available Revenues	\$270 M
Operating Costs to Service Verano	\$349 M
Balance	(\$ 79 M)
Additional "Spin-Off" Revenue associated with Verano and Texas A&M (range without inflation)	\$176 M to \$240 M
Potential Ending Balance	\$97 M to \$161 M*
*To be used to offset projected infrastructure cost not part of the Verano development	

Recommended City Participation

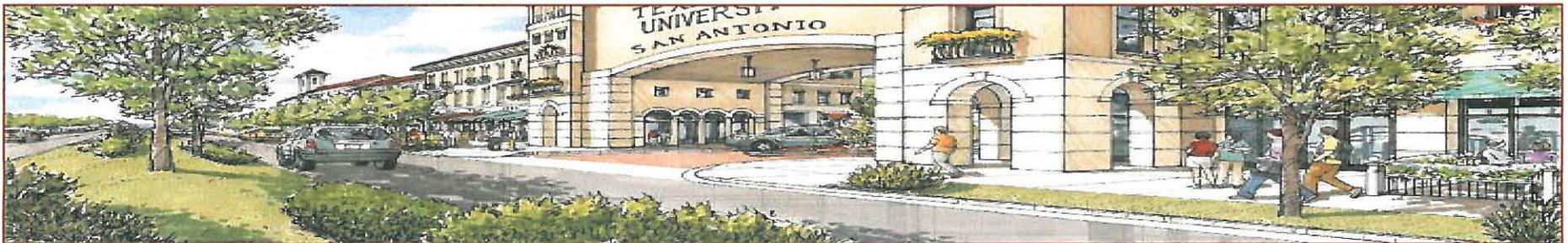
- **75% of City's total incremental ad valorem tax dollars generated within Verano TIRZ**
 - To fund eligible public improvement costs on reimbursement basis
 - City's contribution not to exceed \$135 Million (capped) regardless of term of the TIRZ
- **City and Verano to seek participation from Alamo Community College District and San Antonio River Authority**
- **City and Verano continue to work with Bexar County to identify resources for road and bridge capital improvements in and around Verano TIRZ**
- **Additional administrative resources to be dedicated to Verano TIRZ funded with TIRZ proceeds**

Verano TIRZ Participation Levels

Tax Entity	Participation Level	Estimated Contribution
Bexar County	70% of O&M Tax Rate	\$100 Million (Not Capped)
City of San Antonio	75% of Total Tax Rate	\$135 Million (Maximum/Capped)
Alamo Community College District	To Be Determined	
San Antonio River Authority	To Be Determined	
School Districts (Southside/Southwest)	No Participation Level, Precluded by Law	
University Health System	No Participation Level, Prohibited by Law	

Next Steps

- **City staff presents recommended appointments of Members to Verano TIRZ Board**
 - Expected later this summer
- **City and developer complete Final Project Plan, Final Development Agreement, and Final Financing Plan for City Council consideration and approval**
 - Expected to be complete in late summer / early fall 2008



VERANO TAX INCREMENT REINVESTMENT ZONE

City Council Meeting

June 19, 2008

Presented by Pat DiGiovanni, Deputy City Manager