

AN ORDINANCE 2008-10-16-0942

ADOPTING THE 2008 TAX INCREMENT FINANCING PROGRAM POLICY
AND IMPLEMENTATION MANUAL ("2008 MANUAL").

* * * * *

WHEREAS, Tax Increment Financing is an economic and community development tool authorized by the Tax Increment Financing Act, Texas Tax Code, Chapter 311, used by the City of San Antonio to promote development or redevelopment in areas where development or redevelopment would not occur solely through private investment in the reasonably foreseeable future; and

WHEREAS, in addition to the authority of the Act, in July 1998 the City Council adopted the *City of San Antonio, Texas Guidelines and Criteria for Tax Increment Financing (TIF) and Reinvestment Zones*, to serve as policy direction to City staff, potential applicants, and other interested parties regarding the use of Tax Increment Financing, and then amended the TIF guidelines in 2000, 2002, 2004, and 2006; and

WHEREAS, the City Manager directed staff to begin conducting meetings in November 2007 to discuss the financial impact of the growing number and size of TIF projects on the City's ability to fund basic services through out the City; and

WHEREAS, from May 19, 2008 through May 27, 2008, the staff solicited input from stakeholders with the purpose of improving the TIF Policy and on October 1, 2008 presented proposed amendments to the current TIF policy to the City Council during a "B" Session; and

WHEREAS, the stakeholders identified issues such as the discrepancies in the requirements for petition-initiated and City-initiated Tax Increment Reinvestment Zones (TIRZ), the manner of prioritizing areas for TIF development or redevelopment, and the use of a Local Government Corporation or another political subdivision for the administration of a TIRZ; and

WHEREAS, City staff identified fiscal issues that strike a proper balance between the City's long-term financial needs and the self-supporting nature of the TIF Unit versus the appropriate development or redevelopment incentives made available to TIF developers; and

WHEREAS, one key aspect of the proposed revisions is a schedule of fees for the processing of TIF applications as well as the administration of a TIRZ, to allow recovery of the City's cost to implement the TIF program and to help maintain the self-supporting TIF Unit funded through the proposed fees; and

WHEREAS, some proposed TIF policy changes are intended to provide guidance where none existed, such as the role of a Local Government Corporation in TIRZ administration, and to ensure that development in unproductive, undeveloped, or blighted areas where the market is not taking hold is incentivized without impacting the City's ability to provide essential municipal services City-wide; and

WHEREAS, the City Council finds that the proposed Manual, in substantial form, is consistent with the City's primary purpose of using tax increment financing to encourage community

revitalization and economic development within designated areas of the City by leveraging private investment for certain types of development activities; **NOW THEREFORE:**

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

SECTION 1. A copy of the 2008 Tax Increment Financing Program Policy and Implementation Manual (the "Manual"), in substantial form, is incorporated into and attached to this Ordinance as Exhibit "A" and is hereby adopted and approved as the guidelines and criteria governing the Tax Increment Financing Program for the City of San Antonio.

SECTION 2. The Manual approved in Section 1 of this Ordinance supersedes the prior 2006 Manual and shall be effective until October 16, 2012, during which time the policies may be amended or repealed only by a vote of a majority of the members of City Council.

SECTION 3. Only three of the newly adopted TIF policy changes will apply to an existing TIRZ without final documents approved by City Council. TIRZ in such a status shall have the level of the City's participation calculated in accordance with the newly adopted Manual. Likewise, such a TIRZ if operated in conjunction with a Local Government Corporation or other political subdivision shall be subject to the LGC restrictions enumerated in the newly adopted Manual. However, all TIRZ boards shall be governed by the City Code provisions for boards and commissions located in Chapter 2, Article IX.

SECTION 4. All pending projects that have requested tax increment financing shall be processed in accordance with the newly adopted Manual. The word "pending" herein shall mean applications on which City Council has not yet held a public hearing to consider whether to designate the requested TIRZ.

SECTION 5. Should any article, section, part, paragraph, sentence, phrase, clause or word of this Ordinance, or any provision in an attachment of this Ordinance, for any reason, be held illegal or invalid, or any exception to, or limitation upon, any general provision contained in the Ordinance or its attachments be held to be unconstitutional or invalid, the remainder shall, nevertheless, stand as effective and as valid as if it had been enacted and ordained without the portion held to be unconstitutional or invalid.

SECTION 6. This Ordinance shall become effective immediately upon the passage of eight (8) or more affirmative votes. If it is not passed by eight (8) affirmative votes, this Ordinance shall be effective on and after the tenth day after passage.

PASSED AND APPROVED this 16th day of October, 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 - 24

Name:	24
Date:	10/16/2008
Time:	11:46:35 AM
Vote Type:	Motion to Approve
Description:	An Ordinance adopting the 2008 Tax Increment Financing Program Policy and Implementation Manual ("2008 Manual"). [T.C. Broadnax, Assistant City Manager; David D. 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				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				
Louis E. Rowe	District 9	x					
John G. Clamp	District 10	x					

2008

**Tax Increment Financing Program
Policy and Implementation Manual**



City of San Antonio, Texas

Housing and Neighborhood Services Department
www.sanantonio.gov/tif
(210) 207-7881

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1. Introduction

A. TIF Manual

The City of San Antonio adopted this Tax Increment Financing (TIF) Program Policy and Implementation Manual (TIF Manual) by Ordinance No. on October 16, 2008. The City originally established Guidelines for Tax Increment Financing and Tax Increment Reinvestment Zones in 1998 by Ordinance No. 88196, amended by Ordinance No. 92552 in 2000, by Ordinance No. 92710 in 2002, by Ordinance No. 98663 on January 8, 2004, and by Ordinance 2006-11-16-1316 on November 16, 2006.

The TIF Manual sets forth policy and serves as an implementation tool for City staff and interested parties regarding the creation and management of Tax Increment Reinvestment Zones (TIRZ), whether initiated by the City, by petition, or by Bexar County. The requirements of the TIF Manual apply to all TIF proposals subject to consideration by City Council for Resolution of Intent on and after October 16, 2008, as well as those projects that are currently designated that do not have a Final Finance Plan approved by City Council. In order to provide continuity and develop a firm foundation for the TIF Program, this TIF Manual is effective through October 16, 2012. TIF is a discretionary program, and the adoption of this manual or the application for public financing under this manual does not create or vest any rights nor does it guarantee that any project under consideration will be created by the City or that the City will participate in any County created zone.

For the reader's convenience, policies and statutes that guide the TIF Program are quoted and referenced on the left-hand side of each page. Chapter 311 references are to the Texas Tax Code, Chapter 311, as amended by the 80th Legislature, Regular Session. Master Plan references are to the City of San Antonio's 1997 Master Plan Policies document. Housing Master Plan references are to the 2001 City of San Antonio Housing Master Plan. CRAG Recommendation references are to the "CRAG 2000" report from the Community Revitalization Action Group. Full text of these statutes and policies is available online at the addresses listed in Appendix C. Readers are cautioned that these statutes and policies are

subject to revisions, but that this Manual, unless otherwise stated, refers to the specific statutes and policies in effect at the time of the adoption of the Manual. This TIF Manual incorporates substantial stakeholder input. Terms used in this TIF Manual are defined in Appendix A.

B. TIF Program

Chapter 311 of the Texas Tax Code (the TIF Act) authorizes the governing body of a municipality or a county to promote reinvestment in and redevelopment of a contiguous geographic area by designating it a TIRZ. The future value of private investment within a TIRZ is leveraged to finance public improvements, to enhance existing public infrastructure, and to maximize the benefits of other incentive tools. Public investment in TIRZ, using tax increment as a financing mechanism, stimulates private sector investment in areas of the City that would not otherwise attract market interest. Taxing entities can opt in at a participation rate of their choosing, electing to contribute 0% to 100% of their tax increment.

San Antonio's TIF Program has evolved since 1998 to ensure that the incentive fully supports the City's primary revitalization programs and initiatives, including Neighborhood Commercial Revitalization, Neighborhood Sweeps, Affordable Showcase of Homes, Enterprise Zones, and Empowerment Zones. In addition to these programs, the TIF Program implements the goals, policies, and recommendations of the City's Master Plan, Housing Master Plan, Community Revitalization Action Group (CRAG), and other adopted City plans.

The TIF Program is also committed to protecting the region's environmental assets and addressing water and air quality issues. TIF can not be used for development over the Edwards Aquifer, the City's primary source of drinking water. The TIF Program also takes a proactive stance regarding San Antonio's air quality issues, given that the area is currently designated by the EPA as non-attainment (deferred). In the future, EPA will revisit the non-attainment designation based on measurements of ground-level ozone. Since cars and trucks are major sources of the Nitrogen Oxides (NOX) and Volatile Organic Compounds (VOC) that make up ground-level ozone, one approach to reduce ozone is to develop land in a way that reduces the number of times that residents must use their automobiles. Infill development and the development of compact, walkable neighborhoods have been shown to reduce NOX

and VOC emissions in studies and simulations throughout the country. The US EPA encourages land use strategies that reduce vehicle miles traveled (VMT) through compactness, mixed uses, transit accessibility, pedestrian usability, and infill. One of the best ways to protect air quality with TIF is to support such compact, walkable development. The City's Unified Development Code already includes a variety of approved Development Patterns that promote infill and walkable neighborhoods, and the TIF Program only finances development that follows one of those Development Patterns, as identified in Appendix E.

With the adoption of this TIF Manual, the City dedicates the TIF incentive to the revitalization of inner-city neighborhoods and commercial districts. The City uses TIF in areas where little to no private sector investment is currently taking place, and where redevelopment would not occur solely through private investment in the reasonably foreseeable future. The Texas Tax Code and Texas Constitution do not permit a City to designate an area as a Reinvestment Zone solely for the purpose of encouraging future development in an area.

The TIF Program is administered by the Housing and Neighborhood Services Department's TIF Unit, which coordinates with representatives of other City Departments as necessary.

2. City-initiated Tax Increment Reinvestment Zones

Master Plan Urban Design Policy 4b

Use incentives to encourage development in underutilized urban areas.

311.0031. ENTERPRISE ZONE.

Designation of an area as an enterprise zone under Chapter 2303, Government Code constitutes designation of the area as a reinvestment zone under this chapter without further hearing or other procedural requirements other than those provided by Chapter 2303, Government Code.

[Note: Federal Empowerment Zones automatically qualify for designation as an Enterprise Zone under Section 2303.101 of the Texas Government Code.]

Master Plan Economic Development Policy 4d

Pursue and implement Federal and State Economic Development Programs.

City-initiated TIRZ are designed to assist ongoing revitalization and reinvestment initiatives by implementing the goals of existing City programs and City-adopted plans. City-initiated TIRZ maximize the benefits of public-private collaboration by focusing exclusively on areas of the City that have been predetermined to be eligible for TIF; by using a comprehensive Reinvestment Plan to coordinate development incentives and set development standards that encourage long-term, high-quality investment; and by using an RFQ and/or RFP process to identify consultants with the most appropriate skills to meet the specific challenges posed by each TIRZ. As many as three (3) new TIRZ may be designated per year through the following City-initiated process:

- A. Potential TIRZ are evaluated based on statutory eligibility, the availability of public and/or private sector collaboration, reinvestment needs, and the goals and recommendations of the Master Plan, Housing Master Plan, CRAG, and other City-adopted Plans.
- B. Development objectives and a Reinvestment Plan for each TIRZ are considered and adopted by City Council.
- C. Incentive packages are structured by the City in accordance with the development objectives and Reinvestment Plan of each TIRZ.

The process for establishing a City-initiated TIRZ is outlined in Items A through I.

A. Confirmation of Eligible Area

The TIF program encourages economic growth throughout the city by supporting community revitalization and economic growth in areas of the city where development or redevelopment would not occur solely through private investment in the reasonably foreseeable future. In order to establish certainty for stakeholders and to streamline the TIRZ creation process, the City utilizes a scoring system to determine whether project areas are eligible for TIF.

Master Plan Economic Dev. Policy 2a

Develop new and use existing partnership programs which promote cooperation among public agencies, industry, and the community to enhance economic growth throughout the city.

Master Plan Community Services Policy 5a

Develop public and private partnerships to provide cultural amenities throughout the community.

Specifically, a project area must score a minimum of sixty (60) points to be eligible for TIF. Eligibility does not guarantee that a tax increment reinvestment zone will be created nor does it mean that the City will participate in a TIRZ created by the County. Please see Appendix B for scoring criteria.

B. Identification of TIRZ Collaborators

The TIF Program is designed to maximize the TIF incentive by pursuing public-private and interagency cooperation. More resources can be dedicated to a reinvestment goal when organizations coordinate their efforts. Organizations with different but complementary strengths are particularly well-suited to work together to accomplish shared goals. In order to accomplish this, the City could at its discretion identify a collaborator or collaborators at designation or at any point through the TIF process. The TIRZ Collaborator must be able to commit significant resources such as money, land, studies, or professional services, and work with the City to identify an appropriate TIRZ Master Developer. An interlocal, purchase, or development agreement must be executed through City Council authorization in order to validate any arrangement.

Potential public TIRZ Collaborators include:

- City Department
- School District
- Public College, University, or Hospital
- Redevelopment Agency
- Transit Agency or Authority

Potential private TIRZ Collaborators include:

- Business Association
- Community Housing Development Organization (CHDO)
- Community Development Corporation
- Private College, University, or Hospital
- Financial Institution

C. Evaluation of Reinvestment Need

In addition to statutory eligibility by meeting the minimum score of sixty (60) points, potential City-initiated TIRZ are evaluated based on reinvestment need. Priority is given to areas that exhibit a larger number of reinvestment need criteria. The area of proposed City-initiated TIRZ must include at least one of the following reinvestment need criteria in order to be presented to City Council for consideration:

A) IDENTIFIED IN A CITY-ADOPTED PLAN AS AN AREA TARGETED FOR REINVESTMENT

B) REDEVELOPMENT OF CITY-OWNED LAND

C) BROWNFIELDS (OUTSIDE CRAG AREA)

D) PAPER STREETS (UNIMPROVED RIGHT OF WAY; STREETS PLATTED BUT NEVER BUILT)

E) UNFUNDED CAPITAL PROJECTS

F) FUNDED BOND PROJECTS

G) VACANT/ABANDONED/ SUBSTANDARD COMMERCIAL AND RESIDENTIAL STRUCTURES

H) DECLINING PROPERTY VALUES

D. Implementation of Adopted Policy Goals

Potential City-initiated TIRZ are also evaluated based on the goals and recommendations of the Master Plan, Housing Master Plan, CRAG, and other City-adopted plans. All City initiated zones that propose residential development, must ensure that twenty (20%) of the residential development is dedicated for Affordable Housing as defined in Appendix A. The location of proposed City-initiated TIRZ must implement at least one, and preferably several, of the following policy goals.

A) CRAG GOALS

- **Located in CRAG Area:** The CRAG report established the City's historic city limits, the thirty-six square-mile core of the city, as a priority area for

revitalization efforts. The CRAG area has always been part of the TIF Program's highest priority area, and contains the neighborhoods that bore the costs of the City's growth for many years, subsidizing the extension of new electric, water, and sewer lines to the suburbs.

- **Contains Brownfields:** The CRAG report recommended working with property owners, developers, bankers, insurers, and agencies to procure additional resources for brownfields redevelopment.
- **Contains Historic Structures:** The CRAG report recommended supporting historic preservation as a strategy for attracting and retaining investment and building equity in the inner city.

B) MASTER PLAN GOALS

- i. **Located within 1/2-mile of downtown** or within 1/2-mile of potential transit terminal or within 1/4-mile of potential high-capacity transit route. Master Plan Urban Design Policy 5j encourages growth within walking distance of downtown employment centers and within walking distance of future high capacity transit terminals in neighborhood centers.
- ii. **Vacant or underutilized commercial buildings:** Master Plan Neighborhoods Policy 1d promotes conversion or adaptive reuse of vacant or underutilized commercial buildings to provide affordable infill housing.
- iii. **Inside Loop 410:** Master Plan Economic Development Goal 4 is to provide economic opportunities in targeted areas, particularly within Loop 410 and the southern sector. Master Plan Growth Mgmt Policy 1g is to continue to make physical improvements in the inner city to encourage redevelopment and infill development.
- iv. **High proportion (>50%) of low and moderate income residents** and/or housing code violations: Master Plan Neighborhoods Policy 4b gives priority in the use of housing reinvestment programs to the revitalization of neighborhoods with higher proportions of low and moderate income residents or with the worst housing conditions.
- v. **Low student population in neighborhood schools.** Master Plan Community Services Policy 3b targets areas for revitalization where excess space in neighborhood schools exists.

CRAG Recommendations

Implement a housing rehabilitation initiative in the inner city

Support the arts as an economic development strategy for the inner city

Designate community activity centers at sites such as schools or libraries in neighborhoods within the target area

Encourage transit-oriented development by supporting future efforts to implement dedicated infrastructure for high-capacity transit, such as bus rapid transit or light rail

Fund and coordinate infrastructure to stimulate walking and bicycling as alternative modes of transportation

Housing Master Plan Objective 1.1

Rehabilitate existing single and multifamily housing units to provide additional housing units.

Housing Master Plan Objective 3.4

Encourage adaptive reuse projects.

C) HOUSING MASTER PLAN GOALS

- i. **Infill housing:** Housing Master Plan Objective 1.2 is to provide infill housing development to provide new housing stock in older neighborhoods.
- ii. **Housing located downtown:** Housing Master Plan Objective 3.1 is to stimulate increased production of units for downtown housing development.

D) GOALS OF OTHER CITY-ADOPTED PLANS

Examples of other City-adopted plans include Neighborhood Plans, Corridor Plans, Perimeter Plans, and other plans adopted by City Council.

E. Identification of Development Objectives (Resolution of Intent)

Development objectives for each TIRZ are compiled based on the location-specific reinvestment needs, Incentive Scorecard priorities (see Definitions, Appendix A), and policy goals in the Master Plan, Housing Master Plan, CRAG, and other City-adopted plans.

For example, a development objective for a TIRZ proposed in the CRAG area could reference the CRAG recommendation to create stable, mixed-income neighborhoods in the inner city. Development objectives based on that recommendation could include the construction of new mixed-income residential units, in conjunction with the rehabilitation of commercial areas to serve future and existing residents. If appropriate, the Housing Master Plan objective to provide new housing stock through infill housing could also be cited as the basis for including infill development as an additional development objective.

The final set of preliminary findings -- development objectives, reinvestment needs, and adopted policy goals -- is presented to City Council for consideration of and incorporation in a Resolution of Intent. The Resolution of Intent authorizes staff to notify participating taxing entities of a potential new TIRZ, and to begin developing the Preliminary Project Plan and the Preliminary Financing Plan required by the TIF Act (more information on Project and Financing Plans is included in the "TIRZ Documents" section). At this stage, the City may also issue an RFQ soliciting qualifications from parties interested in being notified of future RFPs related to the potential new TIRZ. The City could also begin to solicit applications for potential TIRZ Board members.

Master Plan Urban Design Policy 1g

Prepare design and construction policies and standards for utility and transportation infrastructure, capital improvement projects, public facilities and development projects that reinforce neighborhood centers and provide diverse, pedestrian-friendly neighborhoods.

Master Plan Urban Design Policy 1b

Develop urban design policies and standards which integrate and coordinate planning for historic and cultural resources, public facilities and services, and private development, infrastructure, transportation, arts and cultural resources, libraries, parks and recreation, health and human service facilities.

Master Plan Neighborhoods Policy 1a

Rezone vacant or underutilized property in and around neighborhoods to encourage redevelopment that is compatible in use and intensity with the existing neighborhood.

F. Research Market Conditions: Economic Feasibility Study

The TIF Act requires an economic feasibility study to be completed as part of a TIRZ Financing Plan. To meet this requirement, studies tailored to the needs of a potential TIRZ can be drafted by either City staff or by a consultant selected through an RFQ/RFP process. Studies must communicate a thorough understanding of the existing and emerging markets for residential and commercial development in the area of the proposed TIRZ, and must be completed in time to have the findings incorporated into the Project Plan. The required elements of the economic feasibility study are detailed in Appendix D.

G. Create Reinvestment Plan (TIRZ Designation)

The Reinvestment Plan for a TIRZ is drafted based on the development objectives and other preliminary findings presented at Resolution of Intent, as well as the result of the Economic Feasibility Study. The Reinvestment Plan is a component of the TIRZ Project Plan, and includes a form-based and/or land use plan, potential development sites, identification of Development Pattern (see Appendix E), development program (including phasing), conceptual designs, code requirements, and budgets/schedules. It also includes potential and actual linkages with other reinvestment and revitalization tools.

Appendix E, TIF Development Patterns, describes a menu of development approaches that implement policy goals supporting infill and mixed-use, walkable development. These Development Patterns, which include incentive zoning, are an important component of the Reinvestment Plan. In most cases, the infill-incentive Development Patterns (Infill Development Zoning, Commercial Center, and Commercial Retrofit) are the most appropriate for City-initiated TIRZ. However, in areas with larger development sites, one or more of the other Development Patterns may also be appropriate. The Reinvestment Plan may be drafted by City staff or by a consultant through an RFQ/RFP process.

Another important element of the Reinvestment Plan is the package of coordinated incentives. In addition to the TIF incentives, such a package could include City-initiated public

improvements, incentive zoning (such as Infill Development Zoning where appropriate or other incentives outlined in the UDC), Incentive Scorecard benefits, area-wide rezoning, coordination with currently funded Capital Improvement Projects, Brownfield remediation, use of City-owned land, and/or other applicable incentives.

A Preliminary Project and Financing Plan (including the Reinvestment Plan) is presented to City Council during consideration of the TIRZ Designation. Designation officially names the TIRZ, creates a Board of Directors for the TIRZ, establishes effective start and termination dates for the TIRZ, and creates a tax increment fund.

The Final Project and Financing Plans are presented to City Council shortly after Designation, as soon as other taxing entity participation rates are finalized and TIRZ Board approval is granted. The TIF Act requires that the Final Project and Financing Plans be as consistent as possible with the Preliminary Plans developed for the TIRZ before the creation of the TIRZ Board. The City intends to have City Council approve the Final Project and Finance Plan and all legal agreements (if necessary) within one (1) year from the date of designation. This will allow for the development/redevelopment to remain on course. The City may consider dissolving the TIRZ after one (1) year from the date of designation, if the City Council has not approved a Final Project and Finance Plan and all legal agreements (if necessary).

H. Implementation of Reinvestment Plan

After Designation, the City and/or the TIRZ Board may issue an RFQ/RFP for a TIRZ Master Developer to implement the TIRZ Reinvestment Plan. The RFQ/RFP notice details the particulars of the incentive package and the Reinvestment Plan. A mandatory \$40,000 Statement of Qualifications/Proposal submittal fee ensures the financial capacity of the respondents. The full amount of the Statement of Qualifications/Proposal fee is an eligible project cost, and may be reimbursed to the chosen TIRZ Master Developer over the term of his respective development project, while respondents that are not selected have their Statement of Qualifications/Proposal and \$40,000 fee returned. The successful respondents are required to execute a professional services contract.

The City and/or the TIRZ Board may issue an RFP to solicit projects to fund to implement the goals outlined in the TIRZ Reinvestment Plan. Each respondent will be required to submit a \$40,000 processing fee upon City Council approving the addition of their project to the Final Project and Finance Plans.

LOCAL GOVERNMENT CORPORATIONS (LGC) AND OTHER POLITICAL SUBDIVISIONS

Section 311.010 (f) of the TIF Act allows for municipalities and counties to “enter into a contract with a local government corporation or a political subdivision to manage the reinvestment zone or implement the project plan and reinvestment zone financing plan for the term of the agreement.” The City has developed the following points as requirements and rules regarding the use of an LGC with TIRZ projects. The City may impose additional restrictions and rules for the use of an LGC that are not outlined in this document.

A Local Government Corporation (LGC) is incorporated by a City ordinance and has the powers granted it by the City, **except** LGC has **no** ability to:

- Assess ad valorem taxes
- Assess sales taxes
- Access impact fees
- Make special assessments
- Exercise right of eminent domain
- Annex
- Provide services such as fire, EMS, police, or utilities

Restrictions: If a TIRZ is to be administered by an LGC or another political subdivision, the City Council shall approve all:

- All TIRZ Funds will be controlled by the City; arrangements to exchange funds will be outlined in the legal documents to be executed between the LGC, the TIRZ Board, and the City
- Bonds or notes issued by the LGC,
- Project plans to be implemented by LGC,

- Zoning and planning codes to be administered by the LGC within the TIRZ,
- Construction contracts entered into by LGC, and
- Disposition of City property used by the LGC.
- Further, City shall require the LGC or other political subdivision to implement a program promoting the use of underutilized businesses and to use some form of competitive bidding, less stringent than low bid.

The City will consider on a case by case basis the potential utilization of an LGC. The City realizes that some of the benefits of an LGC include:

- Ability to engage staff:
 - Administrative,
 - Legal,
 - Public relations,
 - Engineering, and
 - Construction
- No legal requirement for competitive bidding
- May allow (re)development to proceed more quickly

The City also realizes the drawbacks to an LGC which include:

- May duplicate ability of currently trained City staff
- Increases administrative overhead
- Requires immediate and interim funding needs, as tax increment accrual can be delayed

I. Maximum Term of the Zone

The maximum term of all City-initiated TIRZ projects will be based on the score the project area receives in accordance with Appendix B. The terms outlined are “up to” a max amount of years and does not mean that projects that receive a certain score will automatically meet the max term of years. The max term of the zone will be based on the following:

- 60 to 80 = up to 15 years
- 81 to 95 = up to 20 years
- 96 to 110 = up to 25 years

J. Maximum City Participation

The City will negotiate a maximum participation cap based on the following:

- Ensure ability to provide adequate municipal services through comprehensive service analysis.
- Completion of a gap analysis that accounts for financial capacity of developer(s) (if any) and the minimum amount needed to meet the gap.
- Prioritization of public improvement needs.
- Factor a reasonable annual growth assumption.
- Consider developer contribution of land for public use needs and/or minimum financial contribution.

K. Fee Structure

The following represents the set of fees associated with City-initiated TIRZ projects:

- Processing Fees: \$40,000.00

Fees will be assessed to RFP respondents upon City Council approval of the addition of their projects to the Final Project and Finance Plans

- Startup Fees: \$75,000.00

Fees will be assessed to the TIRZ Fund to cover costs associated with setting up the zone.

- Annual Fees: \$15,000.00 (minimum)

Fees will be determined on a case by case basis, depending on the size of the TIRZ. Fees will be assessed to the TIRZ Fund to cover costs associated with annual activities to include but not limited to: collecting increment, administering the TIRZ Fund, providing annual reports to the State Comptroller, staffing the TIRZ Board, monitoring construction, reviewing and recommending approval of TIRZ invoices, issuing checks to all parties involved, etc.

- Amendment Fees: \$50,000.00 (maximum)

Fees will be assessed to the TIRZ Fund to cover costs associated with updating the Project and Finance Plans and legal documents.

- Infrastructure Failures: \$10,000.00 (minimum)

Fees will be assessed to the TIRZ Fund to cover costs associated with addressing public infrastructure failures. This fee will be assessed only after a developer/contractor has failed to cure after the third notice. Fee will be assessed for each occurrence.

3. Petition-driven Tax Increment Reinvestment Zones

Master Plan Neighborhoods Policy 4a
Preserve and revitalize housing and promote targeted infill housing in neighborhoods, particularly older neighborhoods located inside Loop 410.

Petition-driven TIRZ allow property owners, residents, and project developers to contract with the City to bring high-quality development/redevelopment to areas that have not seen any significant development in recent history. The City issues an annual call for TIF petitions. To be considered for TIF, at least 20% of the proposed units must be affordable as defined by the City (see full definition in Appendix A). Any subsequent changes to the City's definition of affordable housing immediately apply to the requirements of the TIF Manual. The petition-driven TIRZ process includes the steps outlined in Section A through G below.

A. Pre-petition Meetings

A petitioner or developer considering the submission of a petition may request a meeting with the Housing and Neighborhood Services Department TIF Unit at any time. The meeting fee is \$75.00 per hour per City discipline requested to be present. All meetings must be scheduled through the Housing and Neighborhood Services Department TIF Unit.

B. Call for Petitions

Petitioners must respond to the call for petitions by the announced deadline with a completed application and a fee of \$40,000. The fee finances staff implementation of complete applications through Designation, including review of economic feasibility analysis and need for public assistance pro-forma, public presentations, meetings, negotiation of Project and Financing Plans, and any other elements described in the call for petitions. Applications must include a TIF petition as required by the TIF Act plus any additional information detailed in the call for petitions and in this TIF Manual. City staff reviews complete applications pursuant to the requirements posted in the call for petitions; applications missing information are deemed nonresponsive, are not evaluated, and will be returned the \$40,000.00 fee.

C. Preliminary review

The TIF Unit performs a preliminary review of each application's content, limited at this stage to the following categories of statutory and policy requirements. A thorough preliminary review is required before an application can be presented to City Council for consideration of a Resolution of Intent. By the same token, only complete applications that meet TIF Manual requirements are presented to Council. Lack of an appropriate market study, for example, terminates the application process. The following are the components of the preliminary review:

1. ELIGIBILITY

Projects must demonstrate that they are eligible to use TIF. A project area must score a minimum of sixty (60) points to be eligible for TIF. Eligibility does not guarantee that a tax increment reinvestment zone will be created nor does it mean that the City will participate in a TIRZ created by the County. Please see Appendix B for scoring criteria.

2. MARKET RESEARCH: ECONOMIC FEASIBILITY STUDY

To comply with TIF Act requirements for an economic feasibility study, each application must demonstrate a thorough understanding of the existing and emerging markets for residential and commercial development in the area of the proposed TIRZ by including an independent economic feasibility study. The required elements of the study are detailed in Appendix D.

3. NEED FOR PUBLIC ASSISTANCE

In order to accurately communicate the value of the TIF incentive, and to satisfy statutory requirements that development or redevelopment in the proposed TIRZ would not occur solely through private investment in the reasonably foreseeable future, each application must demonstrate a quantifiable need for public assistance. This analysis determines the amount of tax increment to be generated by the TIRZ, as well as the length of time the TIRZ will be in existence. The TIF Unit can provide applicants with a sample pro-forma that provides the following necessary information:

Texas Attorney General Opinion No. JC-0152

An area may not be designated as a reinvestment zone simply because the municipality contemplates that greater future development would occur in that area if a tax increment zone were created than if it were not created.

Master Plan Growth Mgmt Policy 1g

Continue to make physical improvements in the inner city to encourage redevelopment and infill development.

Master Plan Urban Design Policy 1a

Define, preserve and promote neighborhood centers which include schools, libraries, stores, transit centers and community service facilities in accessible, pedestrian friendly environments.

Master Plan Urban Design Policy 1c

Encourage patterns of urban development that provide a full range of housing choices and promote a sense of community, urban vitality and the efficient provision of infrastructure.

Master Plan Urban Design Policy 4c

Create streetscapes which emphasize both pedestrians and vehicles.

Master Plan Urban Design Policy 1g

Prepare design and construction policies and standards for utility and transportation infrastructure, capital improvement projects, public facilities and development projects that reinforce neighborhood centers and provide diverse, pedestrian-friendly neighborhoods.

CRAG Recommendation

Fund and coordinate infrastructure to stimulate walking and bicycling as alternative modes of transportation.

Housing Master Plan Objective 3.6

Encourage the design and development of Walkable Communities

- Demonstrate financial wherewithal to meet project costs and complete project (i.e. the most current three years of financial statements, complete Sources and Uses budget, and/or Letters of Credit from Bank)
- Identify all sources of funds, including other public sources, private financing, and developer equity contribution into project
- Identify all project costs, including acquisition, construction, soft costs, and long-term management costs, if applicable
- Submit detailed pro-forma that identify pre-TIF rate of return and gap in project financing
- Submit detailed pro-forma that identify project-plus-TIF rate of return and financial structure
- Identify proposed security, collateralization, or credit enhancement
- Demonstrate previous experience developing similar scale and type of project
- Demonstrate that no construction is taking place within the proposed TIRZ boundaries. No petition-driven TIRZ can include sites where construction has been initiated or where construction is ongoing, and the costs of such construction can not be financed through TIF.

4. DEVELOPMENT PATTERN

Since TIF is a long-term incentive, development supported by TIF must add long-term value to the public realm. Accordingly, projects must be built using design principles that recognize the importance of the long-term safety and comfort of all public infrastructure users – whether they are walking, jogging, riding or driving. Such design principles should recognize and implement the land use, zoning, subdivision, and street design characteristics that ensure that TIF projects are accessible to people of all ages and abilities. In practical terms, this means that many areas within TIF projects give priority to the safety of pedestrians by carefully controlling vehicular design speeds on public right of way. Such walkable communities, in coordination with other City initiatives, also help protect San Antonio's air quality by reducing the number of vehicle miles traveled. The City's Unified Development Code (UDC) sets out a menu of approaches to help designers and developers meet the City's urban design policies.

Eight Development Pattern options have been identified in the UDC (Article II Use Patterns and Zoning Districts) that support infill and mixed-use, walkable communities. Each application must identify the Development Pattern(s) to be implemented in the proposed TIRZ. These Eight Development Patterns are described in detail in Appendix E.

Master Plan Economic Dev. Policy 2a

Develop new and use existing partnership programs which promote cooperation among public agencies, industry, and the community to enhance economic growth throughout the city.

Master Plan Economic Development Policy 4a

Increase coordination and visibility of current economic development efforts in targeted areas

Master Plan Economic Development Policy 4d

Pursue and implement Federal and State Economic Development Programs.

Master Plan Economic Development Policy 2e

Facilitate communication between businesses, neighborhoods, development interests, neighborhood associations and advisory boards, community-based groups and other interested parties with respect to economic development or redevelopment.

5. IMPLEMENTATION OF ADOPTED PLANS

Each application must demonstrate how the goals and recommendations of the Master Plan, CRAG, Housing Master Plan, and/or other city-adopted plan will be furthered by the proposed TIRZ. If the proposed TIRZ is in an area for which a Neighborhood, Corridor, Area, Perimeter or other Plan has been adopted, the TIRZ application must reference how these plans will be implemented by the proposed TIRZ.

6. COORDINATED REVITALIZATION

The Master Plan supports the development of new partnerships and the use of existing partnership programs which promote cooperation among public agencies, industry, and the community to enhance economic growth throughout the city. The application must describe how the development supported by the TIRZ will contribute to ongoing or proposed revitalization activities in the surrounding area, and how the TIRZ will leverage additional revitalization activity. For example, it is encouraged that the TIF incentive be used in coordination with Economic Development Department initiatives, including the Incentive Scorecard, and other Housing and Neighborhood Services Department initiatives, such as Neighborhood Commercial Revitalization, Neighborhood Sweeps, and Housing Rehabilitation programs. Also, since all TIRZ are located in Enterprise and Empowerment Zones, applications should discuss potential coordination between these Federal and State programs with the local TIF initiative.

7. COMMUNITY PARTICIPATION

Because the creation of a TIRZ requires the substantial involvement of many stakeholders, the application must indicate how the input of these stakeholders has been integrated into the details of the development proposal. Presentation materials, meeting notes, lists of meetings, and letters of support should be included in the application.

8. INCENTIVE SCORECARD SCORE

The City uses incentives to encourage business and residential development in targeted areas and awards them to projects based on a hierarchy of qualifying scores. This process, known as the Incentive Scorecard System, is designed to expedite the award of development incentives. The Incentive Scorecard Score of each TIF application is calculated and presented as a snapshot portrait of how well the proposal meshes with City priorities. The Incentive Scorecard can be found at www.sanantonio.gov/edd.

D. Maximum Term of the Zone

The maximum term of all Petition-initiated TIRZ projects will be based on the score the project area receives in accordance with Appendix B. The terms outlined are “up to” a max amount of years and does not mean that projects that receive a certain score will automatically meet the max term of years. The max term of the zone will be based on the following:

- 60 to 80 = up to 15 years
- 81 to 95 = up to 20 years
- 96 to 110 = up to 25 years

E. Maximum City Participation

The TIF Act authorizes taxing entities to determine the amount of tax increment to contribute to a TIRZ. The City determines its participation rate using the pro-forma analysis as described in the "Need for Public Assistance" section. The City will negotiate a maximum participation cap based on the following:

- Ensure ability to provide adequate municipal services through comprehensive service analysis.
- Completion of a gap analysis that accounts for financial capacity of developer(s) (if any) and the minimum amount needed to meet the gap.
- Prioritization of public improvement needs.
- Factor a reasonable annual growth assumption.
- Consider developer contribution of land for public use needs and/or minimum financial contribution.

F. Resolution of Intent

If an application is complete and meets TIF Manual requirements, staff presents the Preliminary Review findings and the City's participation level to City Council for consideration of a Resolution of Intent. The Resolution of Intent authorizes staff to notify participating taxing entities of a potential new TIRZ, and to begin developing the Preliminary Project Plan and the Preliminary Financing Plan.

G. Other taxing entities

Several other taxing entities have adopted independent review processes and criteria for proposed TIRZ. In order to expedite the other taxing entities' review processes, applicants must independently contact the other taxing entities impacted by the proposed TIRZ and provide updates to TIF Unit staff regarding any commitments or negotiations.

While no taxing entity is obligated to participate in a TIRZ, the TIF Act does require a designated representative from each taxing entity to meet with City staff no later than the 15th day after the date the City notifies the taxing entity of a potential TIRZ. In addition, the City is required to make presentations describing the preliminary plans for the proposed TIRZ to all affected taxing entities.

H. Fee Structure

The following represents the set of fees associated with Petition-initiated TIRZ projects:

- Processing Fees: \$40,000.00

Fees must be submitted by RFP respondents upon submission of their proposal to City. Proposals deemed non-responsive will have their fee returned.

- Startup Fees: \$75,000.00

Fees will be assessed to the TIRZ Fund to cover costs associated with setting up the zone.

- Annual Fees: \$15,000.00 (minimum)

Fees will be determined on a case by case basis, depending on the size of the TIRZ. Fees will be assessed to the TIRZ Fund to cover costs associated with annual activities to include but not limited to: collecting increment, administering the TIRZ Fund, providing annual reports to the State Comptroller, staffing the TIRZ Board, monitoring construction, reviewing and recommending approval of TIRZ invoices, issuing checks to all parties involved, etc.

- Amenment Fees: \$50,000.00 (maximum)

Fees will be assessed to the TIRZ Fund to cover costs associated with updating the Project and Finance Plans and legal documents.

- Infrastructure Failures: \$10,000.00 (minimum)

Fees will be assessed to the TIRZ Fund to cover costs associated with addressing public infrastructure failures. This fee will be assessed only after a developer/contractor has failed to cure after the third notice. This fee will be assessed only after a

developer/contractor has failed to cure after the third notice. Fee will be assessed for each occurrence.

311.003. PROCEDURE FOR CREATING REINVESTMENT ZONE.

(f) ... In addition to the notice required by Subsection (e), the governing body of the municipality or county proposing to designate a reinvestment zone shall make a formal presentation to the governing body of each municipality, county, or school district...that levies real property taxes in the proposed reinvestment zone.

The presentation must include a description of the proposed boundaries of the zone, the tentative plans for the development or redevelopment of the zone, and an estimate of the general impact of the proposed zone on property values and tax revenues.

I. Full Interdepartmental Review

After passage of the Resolution of Intent, a full financial and programmatic review of the proposed project occurs. This review is conducted by an interdepartmental team directed to analyze and troubleshoot the viability of the proposed zone, and could result in an entirely different financing plan than the one initially proposed in the application. The findings of the interdepartmental review form the basis for the Preliminary Project and Financing Plan, which is presented to City Council during consideration of the TIRZ Designation. As described in the following section, designation officially names the TIRZ, creates a Board of Directors for the TIRZ, establishes effective start and termination dates for the TIRZ, and creates a tax increment fund.

4. TIRZ Documents

Following the City Council's approval of a Resolution of Intent for either a City-initiated or Petition-driven TIRZ, a Preliminary Project Plan and a Preliminary Financing Plan are prepared by City staff. Upon the creation of a TIRZ, a Final Project Plan and a Final Financing Plan are prepared by City staff for consideration by the TIRZ Board and the City Council. These project and financing documents and the Interlocal Agreements, Development Agreements, and other contracts necessary to implement TIF are described below.

A. Project Plan

The Project Plan describes the existing physical and social conditions of the area of the TIRZ, the nature, cost, and phasing of the public and private improvements to be supported by the TIRZ, and the procedural and substantive requirements for TIRZ implementation. Due to the

unique conditions of each TIRZ and the variety of approaches encouraged by this TIF Manual, TIRZ-specific requirements are common. The individual call for petition, RFQ, and RFP procedures describe those requirements in detail, as well as the nature and timing of the contractual arrangements.

However, some requirements are general to all TIRZ for reasons of state law, local ordinance, or policy. These are also described in the RFQ and RFP documentation, and include, but are not limited, to the following:

1. Economic Feasibility Study (see also Appendix D)
2. Eligible Project Costs
3. Ineligible costs and prohibitions
4. Cost-benefit analysis
5. Payment and Performance Bonds in the full amount of general contracts
6. Small Business Economic Development Advocacy (SBEDA)
7. Insurance (including Workers Compensation Insurance) and Indemnification
8. Competitive Bidding and Payment of Prevailing Wages
9. Universal Design (see also Appendix F)
10. Prohibition of Manufactured Homes
11. Acknowledgment of Requirements for the Use of TIF (see also Appendix J)

1. ECONOMIC FEASIBILITY STUDY

The TIF Act requires an economic feasibility study to be completed as part of any TIRZ Project Plan. Studies must communicate a thorough understanding of the existing and emerging markets for residential and commercial development in the area of the proposed TIRZ, and must be completed in time to have the findings incorporated into the Project Plan. The required elements of the economic feasibility study are detailed in Appendix D.

2. ELIGIBLE PROJECT COSTS

Sections 311.002, 311.008, and 311.010 of the TIF Act define Eligible Project Costs (see Appendix H). **The City finances only eligible project costs incurred after the execution of a Development Agreement and Final Project and Financing Plans. Any costs incurred prior to the execution of those documents are not eligible for tax increment financing.** If

public facilities are required to meet the demands of the new development, the City and the applicant and/or Developer negotiates the construction, operating costs, pro rata share and timing of payments for the facilities.

3. INELIGIBLE COSTS AND PROHIBITIONS

- i. No retroactive TIF: Costs incurred prior to the date of execution of a development agreement and Final Project and Financing Plan are not eligible for reimbursement or financing.
- ii. TIF proceeds cannot be used to support private purposes. Contracts for Professional Services (professional services are defined in the TIF Act as those services provided by architects, engineers, planners, and attorneys) shall not include a contingency fee based on the tax increment generated by the TIRZ or the tax increment funds used to reimburse a developer for his eligible project costs.
- iii. Lobbying services shall not be an eligible project cost reimbursable with tax increment funds.
- iv. Except to the extent prohibited by law, persons who are engaged in litigation against the City are ineligible to obtain the use of TIF as principals or participants for the duration of the litigation. A principal or participant includes the TIF applicant, developer, sponsor, development team member, or an employee, affiliate, agent, relative of the first degree of consanguinity or representative of the above. Accordingly, the City shall not consider a project proposing the use of TIF, designate a TIRZ, enter into any TIF contracts or agreements with, or authorize or make any payments to persons engaged in litigation with the City. Ineligible persons shall be excluded from participating as either participants or principals in all TIF projects during the term of their litigation. "Person" includes an individual, corporation, organization, government or governmental subdivision or agency, business trust, estate, trust, partnership, association, and any other legal entity.
- v. The City shall not enter into any agreements with individuals or parties who:

- owe the City money for delinquent real estate taxes, rents, water and sewer charges, or other indebtedness
- have been convicted of felonies or are currently under indictment for such crimes
- have defaulted on loans or other legally binding agreements (i.e. Development Agreements or liens)
- have been convicted of violating any law, code, statute or ordinance regarding conditions of human habitation
- are employed by the City of San Antonio

The applicant must provide the City with a release of information, acceptable to the City, permitting the City to obtain the above information.

4. COST-BENEFIT ANALYSIS

An analysis measuring costs and benefits to the City must be completed by the City's Budget Office prior to designation of a TIRZ.

Each Cost-Benefit analysis is reviewed by City staff using a Quantitative and Qualitative assessment process in order to identify the costs associated with the delivery of City services and the implications of broader community benefits and revitalization goals. In the event that revenue shortfalls are projected for service costs, City staff analyzes the qualitative benefits of these projects with respect to compatibility with the City's Master Plan policies, such as: development of infill, mixed-income, mixed-use, or new urbanist projects. If projects do not meet these Master Plan policy goals, further review of the project financing is undertaken, which may result in at least one of the following: (1) increased developer contribution; (2) reduced City participation; and/or (3) redefinition of the project's scope.

The City may also determine not to support the designation of a TIRZ for which the analysis shows that the costs exceed the benefits.

5. PAYMENT AND PERFORMANCE BONDS

All TIRZ developers must, prior to beginning construction on any Phase of the Project, tender to the City original payment bond and performance bonds, under Chapter 2253 of the Texas Government Code, in an amount sufficient to cover the entire cost of the Public Infrastructure Improvements for that Phase in their respective contracts. The original bonds must be reviewed, approved, and retained by the City prior to the commencement of construction, or the TIRZ may be terminated. The bonds must name the City of San Antonio as an obligee of the bonds. The bonds and the prime contracts which are attached to the bonds must be delivered to the City before construction commences, and before the execution of the Development Agreement.

6. SMALL BUSINESS ECONOMIC DEVELOPMENT ADVOCACY (SBEDA)

The SBEDA Program is dedicated to serving small, minority, African-American, and women-owned business enterprises (SBE/MBE/AABE/WBE). By ensuring that these businesses have an opportunity to obtain City contracts, SBEDA strives to keep the window of opportunity wide open for local business owners. It is the policy of the City of San Antonio that business enterprises eligible as Small, Minority or Woman-owned Business Enterprises shall have the maximum practical opportunity to participate in the performance of public contracts.

The TIRZ Board and TIRZ developers must agree that they will not discriminate against any individual or group on account of race, color, sex, age, religion, national origin or disability and will not engage in employment practices which have the effect of discriminating against employees or prospective employees because of race, color, religion, national origin, sex, age or disability. The TIRZ Board and TIRZ developers must make a good faith effort to comply with the applicable terms and provisions of City's Non-Discrimination Policy, City's Small, Minority or Woman-owned Business Advocacy Policy and City's Equal Opportunity Affirmative Action Policy. These policies are made available in the Call for Petition, RFQ/RFP documentation, and are always available from the City's Department of Economic Development and at www.sanantonio.gov/edd/pdf/Ordinance100873-071505.pdf.

7. INSURANCE, WORKERS COMPENSATION, AND INDEMNIFICATION

All Project Plans must incorporate the Insurance and Indemnification Requirements which are set forth in Appendix I. The Liability Insurance certificate and the Workers Compensation

Master Plan Neighborhoods Policy 4d

Facilitate the provision of choice in housing opportunities for all San Antonians, including special needs populations.

Master Plan Neighborhoods Policy 4i

Explore the full range of options to allow people to remain in their homes throughout their lives.

certificate must be delivered to the City before the commencement of construction, and before the execution of the Development Agreement.

8. COMPETITIVE BIDDING AND PREVAILING WAGES

Eligible Project Costs financed through TIF proceeds shall comply with the competitive bidding provisions of Chapter 252 of the Texas Local Government Code, use prevailing wages, and be constructed by the Developer, *unless*: (1) tax increments go toward financing 30 percent or less of the cost for a specific public improvement; and (2) such public improvement is not a building of any sort.

Under such a scenario, the private Developer could request to construct the public improvement; however, City approval is required. This provision requires compliance with Sections 212.071 and 212.072 of the Local Government Code and similar provisions.

9. UNIVERSAL DESIGN

The City of San Antonio's Universal Design Policy, Chapter 6 Article XII of the City Code of the City of San Antonio applies to any person or project receiving financial assistance through the use of city, state, or federal funds administered by the City of San Antonio, and specifically includes TIF projects. Universal Design provides barrier-free housing that serves the physical needs of family members and visitors at all stages of life. Universal Design features must be incorporated into all new single-family houses, duplexes and triplexes. Appendix F outlines the City's Universal Design requirements.

10. PROHIBITION ON MANUFACTURED HOMES

All homes in TIRZ shall be constructed on permanent foundations using materials and uniform building industry standards of the day and in compliance with the most current City building ordinances and zoning requirements. No manufactured homes, as defined in the City of San Antonio Unified Development Code, and as amended, may be moved on any lot in the TIRZ. No HUD Code manufactured homes shall be placed on any lot in TIRZ. This prohibition specifically includes the use of a manufactured home in which the axle and wheels

have been removed and placed upon a concrete slab. This prohibition also specifically includes a manufactured home upon which the wheels have been left attached.

11. ACKNOWLEDGMENT OF REQUIREMENTS FOR THE USE OF TIF

Each TIF Applicant and TIRZ developer must agree, in writing, that he/she/it will comply with all requirements of the City Code of the City of San Antonio and all TIF Manual requirements in all aspects of TIF development. The signed acknowledgment must be submitted with a TIF application (in a petition-driven context) or with a Statement of Qualifications/Proposal (in a City-initiated context). Failure to submit the acknowledgment shall render an application/Statement of Qualification/Proposal ineligible for consideration for the use of TIF. The form of the agreement is attached as Appendix J.

B. Financing Plan

The Financing Plan describes in detail the projected and actual construction schedules, incremental value, tax collections, and reimbursements. The Financing Plan is updated annually to bring projections in line with actual events of the preceding year.

1. CALCULATION OF TAX INCREMENT

Once a Reinvestment Zone has been established, incremental real property taxes resulting from new construction, public improvements and redevelopment efforts accrue to the various taxing entities.

Under Section 311.013 of the TIF Act, local taxing entities retain the right to determine the amount of the tax increment that each will retain. A local taxing entity may decide to retain all of its tax increment. The City enters into written Interlocal Agreements with all participating taxing entities to specify: (1) the conditions for payment of the tax increment into a tax increment fund, (2) the portion of tax increment to be paid by each entity into the tax increment fund, and (3) the term of the Interlocal Agreement.

The amount of a taxing unit's tax increment for a year is the amount of property taxes levied and collected by the unit for that year on the "captured" appraised value of real property taxable by the unit and located in the TIRZ.

Captured appraised value is the total appraised value of all real property taxable by the unit and located in a TIRZ for that year less the total appraised value of taxable real property in the base year (year in which zone was designated by ordinance).

The City and other local taxing entities reserve the option to jointly or independently negotiate the percentage of tax increment deposited in the tax increment fund for any TIRZ.

2. TIF BONDS

The City may consider the issuance of tax increment bonds in certain instances and commensurate with the value of the project. In such cases, risk of default and length of term should be reduced to the greatest extent feasible. Safety factors are included to minimize risk exposure, including a reserve fund, special covenants, timing the issuance of TIF bonds contingent on the creation of a minimum threshold of assessed value, and/or special structuring of the debt repayment schedule. The TIF Act limits the term of any TIF bonds to 20 years.

3. RISKS TO DEVELOPER

Any contributions made by a TIF applicant and/or TIRZ developer in anticipation of reimbursement from tax increments shall not be, nor construed to be, financial obligations of the City, other taxing entities, or TIRZ board. An applicant and/or a TIRZ developer shall bear all risks associated with reimbursement, including, but not limited to: delays, incorrect estimates of tax increment, changes in tax rates or tax collections, changes in state law or interpretations thereof, changes in market or economic conditions impacting the project, changes in interest rates or capital markets, changes in development codes requirements, default by tenants, unanticipated effects covered under legal doctrine of *force majeure*, and/or other unanticipated factors.

C. Agreements

Agreements between the City and other political subdivisions of the state take the form of Interlocal Agreements. Agreements between the City and a developer are called Development Agreements. In order to enter into an Interlocal Agreement or a Development

311.008. POWERS OF MUNICIPALITY OR COUNTY.

(b) A municipality or county may exercise any power necessary and convenient to carry out this chapter, including the power to:

- (1) cause project plans to be prepared, approve and implement the plans, and otherwise achieve the purposes of the plan;
- (2) acquire real property by purchase, condemnation, or other means to implement project plans and sell that property on the terms and conditions and in the manner it considers advisable;
- (3) enter into agreements, including agreements with bondholders, determined by the governing body of the municipality or county to be necessary or convenient to implement project plans and achieve their purposes, which agreements may include conditions, restrictions, or covenants that run with the land or that by other means regulate or restrict the use of land; and
- (4) consistent with the project plan for the zone: (A) acquire blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed real property or other property in a blighted area or in a federally assisted new community in the zone for the preservation or restoration of historic sites, beautification or conservation, the provision of public works or public facilities, or other public purposes; (B) acquire, construct, reconstruct, or install public works, facilities, or sites or other public improvements, including utilities, streets, street lights, water and sewer facilities, pedestrian malls and walkways, parks, flood and drainage facilities, or parking facilities, but not including educational facilities

Agreement, the City must find that the terms of the proposed agreement meet the requirements of this TIF Manual.

The TIRZ Board of Directors, the City Council, and any participating taxing entities must approve and execute the Final Project and Financing Plans, Development Agreements, and all Interlocal Agreements before these documents may take effect. Pre-contract negotiations will not create an implied contract, a claim for detrimental reliance, or any other legal rights.

1. DEVELOPMENT AGREEMENT

The City requires that each developer seeking the use of TIF enter into a Development Agreement with the City prior to starting any construction.

A developer is required to comply with all City and state laws relating to the construction of public infrastructure, including contracting requirements for public works contracts, such as payment and performance bonds, workers compensation coverage, payment of prevailing wages, competitive bidding, tree preservation, and other requirements described in this TIF Manual.

2. ASSIGNMENT

Any agreement entered into between the City and TIRZ Board with a private Developer may be assignable to a new owner only with prior City Council approval.

3. OTHER AGREEMENTS

The TIF Act authorizes municipalities and TIRZ Boards to enter into other agreements as necessary to achieve the purpose of the Project Plan.

D. Termination of Zones

The City may elect to terminate a TIRZ if actual housing and commercial construction falls behind the projected construction schedule. Specifically, the City may terminate if at the end of the first three years, 50% or more of the non-infrastructure construction projected for each of those years is not complete. Furthermore, any default of the terms contained in the

Interlocal and/or Development Agreements that is not cured within the timeframe contained in the Interlocal and/or Development Agreements will also result in TIRZ Termination.

5. TIRZ Administration

311.003. PROCEDURE FOR CREATING REINVESTMENT ZONE.

(c) Before adopting an ordinance or order providing for a reinvestment zone, the municipality or county must hold a public hearing on the creation of the zone and its benefits to the municipality or county and to property in the proposed zone. At the hearing an interested person may speak for or against the creation of the zone, its boundaries, or the concept of tax increment financing. Not later than the seventh day before the date of the hearing, notice of the hearing must be published in a newspaper having general circulation in the municipality or county.

311.017. TERMINATION OF REINVESTMENT ZONE.

(a) A reinvestment zone terminates on the earlier of:

(1) the termination date designated in the ordinance or order, as applicable, creating the zone or an earlier termination date designated by an ordinance or order adopted subsequent to the ordinance or order creating the zone; or

(2) the date on which all project costs, tax increment bonds, and interest on those bonds have been paid in full.

TIRZ administration is a shared responsibility of the City and the Board of Directors of each TIRZ (TIRZ Board), whether City-initiated or Petition-driven.

The TIF Act requires the City Council to establish a Board of Directors for each TIRZ that is created. There are four categories of TIRZ Boards, determined by the process used and the year of zone designation. For each category, the TIF Act describes the basic eligibility requirements for appointees and composition of the boards. For example, the TIF Act describes the minimum number of members for each board, whether state legislators are members of a board, and which taxing entities may appoint members to a board. The City has approved additional requirements applicable to all existing and future TIRZ Boards.

In addition to preparing and adopting Project and Financing Plans, Interlocal Agreements, and Development Agreements (as described in Section 4, "TIRZ Documents"), the City and each TIRZ Board commit to certain long-term responsibilities for the duration of each TIRZ.

A. City's Long-term Responsibilities

The City generally acts as the administrator of all TIRZ for the purposes of reviewing compliance with Interlocal Agreements and Development Agreements. Specific long-term responsibilities of the City include:

1. CONSTRUCTION COORDINATION AND POLICY ENFORCEMENT

The City's TIF Unit is responsible for tracking progress in each TIRZ. The Project Plan, Financing Plan, Interlocal, and Development Agreements set out the specific standards, timetables, and policy goals that each TIRZ is designated to implement. Should discrepancies or schedule issues arise during project build-out, the TIF Unit seeks to accurately report the situation, provide a detailed analysis of possible remedies, and assist in the implementation of remedies.

2. TIRZ BOARD OVERSIGHT

As part of the management of the City's TIRZ Boards, the City provides Board training, coordinates and facilitates TIRZ Board meetings, and manages TIRZ Board membership for City-appointed Board members, including vacancies, applications and appointments. The City also ensures compliance with Open Meetings requirements, Robert's Rules of Order, TIRZ Board policies (see Appendix G), and City ethics requirements, such as Municipal Leadership Institute training and the filing of annual Financial Disclosure Reports.

City of San Antonio Ordinance No. 94468 (8/30/01).

The City ... reserves the power to hold, invest, and administer the tax increment funds for [its Tax Increment Reinvestment Zones] and the revenue generated by [them].

3. TAX INCREMENT FUND ADMINISTRATION

The City administers the tax increment fund on behalf of each TIRZ board. The City is responsible for invoicing, collecting, and depositing tax increment revenues from participating taxing entities. The City is also responsible for the investment, disbursement, and general accounting of funds. The City reviews all requests for tax increment funds, including reimbursement invoices, for compliance with provisions of the Project Plan, Financing Plan, Development Agreement, and Interlocal Agreements and presents such requests for payment to the TIRZ boards for approval prior to making distributions.

In addition, the City is responsible for submitting regular reports to the other taxing entities, to the State Comptroller, and to the State Attorney General's Office on the status of the TIRZ. Those reports must include, among other things, the amount and source of revenue in the fund, the amount and purpose of expenditures, the total amount of tax increment revenues received, and other information pertaining to the tax increment funds.

City of San Antonio Ordinance No. 94468 (8/30/01).

The Zone Boards ... shall review, and consider for approval, all requests for disbursements made from the Funds. All disbursements shall be made in accordance with all applicable Interlocal Agreements entered into with the Zones and other participating taxing entities; and in accordance with the Act.

B. TIRZ Board Responsibilities

According to the TIF Act, TIRZ Board responsibilities include making recommendations to the City Council regarding tax increment financing for the Zone, acting under authority delegated by the City Council for the implementation of the Project Plan, and entering into agreements as necessary to implement the Project Plan.

TIRZ Board actions necessary to fulfill these responsibilities include the finalization and approval of a Project Plan, Financing Plan, Development Agreement, and Interlocal Agreement(s). Once a TIRZ Project Plan, Financing Plan and other necessary legal documents are approved by the TIRZ Board, the Board monitors the ongoing performance of

the TIRZ by: reviewing the construction status of proposed public improvements and amenities; reviewing the status of the tax increment fund; approving subsequently proposed amendments to the Project Plan, Financing Plan, and legal agreements; approving payments from the tax increment fund, including reimbursements to the developer of eligible construction and project-related costs; and recommending certain actions by City Council related to the TIRZ. The TIRZ Board provides direction to the TIF Unit on specific issues related to the TIRZ for which it is responsible.

Each board has the responsibility to review requests for payments from the respective tax increment fund and the power to approve requests for disbursements prior to disbursement by the City. All disbursements shall be made in accordance with all applicable Interlocal Agreements entered into with the TIRZ Boards and other participating taxing entities, and in accordance with the TIF Act.

Each TIRZ Board must comply with the Texas Open Meetings Act and the TIRZ Boards Handbook, given in Appendix G, as well as with all subsequent City Code provisions for City Boards, Commissions, and Committees, to the extent that there is no conflict with the TIF Act.

APPENDIX A: Definitions

Adaptive Reuse: the substantial improvement of a building or series of buildings that are not Historic Properties, for the purpose of incorporating a new type of development or use

Affordable Housing: In the case of a single-family owner-occupied unit, affordability is based on providing housing to a family whose household income does not exceed 120% of San Antonio's Area Median Income, as adjusted for household size and as defined by the U.S. Department of Housing and Urban Development (HUD). In the case of a tenant-occupied unit, affordability is indexed to annually published HUD Section 8 Rents. These published rents are pre-set annually and based on household income and size.

Brownfield: Abandoned, idled, or under-used industrial and commercial facilities on which the presence or perceived presence of a hazardous substance, pollutant, or environmental contamination may complicate the property's expansion, redevelopment or reuse.

Community Housing Development Organization (CHDO): A private non-profit, community-based service organization with capacity to develop affordable housing for the community that it serves and recognized and certified by the City of San Antonio. CHDO recognition and certification takes place on an annual basis and is covered by the City's Housing Policy Guide. Partnerships with a CHDO must include a minimum contribution by the CHDO of 5% to 20% of total units at affordable housing rates in a mixed-income development as defined by HUD or if non-federal funds are utilized, using the City's definition of affordable housing.

CRAG: The inner-city area defined by the Community Revitalization Action Group as the San Antonio city limits prior to 1940, which is a 36 square mile area, with the center being the dome of the San Fernando Cathedral. The area is roughly defined by Hildebrand Avenue to the north, Division Street to the south, Rio Grande Street to the east, and 24th Street to the west.

Downtown: Bordered by an area which starts at the intersection of Salado and El Paso Streets; north on Salado to its intersection with Frio Street; thence northeast in a straight line to the intersection of IH-10 and Cadwalader; south on IH-10 to IH-35; northeast on IH-35 to a perpendicular point connecting with Cherry Street; south on Cherry Street to Durango Boulevard; west on Durango to the San Antonio River; south along the San Antonio River to Arsenal Street; west on Arsenal to El Paso Street; and then west on El Paso to Salado.

Empowerment Zone: A geographic area designated by the Federal Government to allow businesses the opportunity to receive wage credits, bond financing to help stimulate job growth, and capital gains and deduction tax incentives to promote economic development in targeted areas of the City. The core designated area of the Round III San Antonio Federal Empowerment Zone (EZ) is bordered by the MK&T Railroad Tracks on the East, Kirk St, Durango Blvd, Mitchell St., and Martin Luther King Dr. on the South, S. San Joaquin Ave. on the West and Culebra Road on the North. It also includes three primary Developable Sites which are: (1) the KellyUSA and Brooks Technology and Business Park Developable Site located in the southern sector of San Antonio connected by Military Drive commercial corridor; (2) the Fredericksburg Road Commercial Corridor; and (3) the I-10/I-35 Commercial and Industrial Corridor. For additional information, or maps of the EZ visit sanantonio.gov/edd/empowersa.asp.

Historic Property: A building, object, site or structure designated by the City of San Antonio as a historic landmark, or a contributing property within a designated City or National Register Historic District; or a Registered Texas State Historic Landmark; or any structure listed on the National Register of Historic Places.

Incentive Scorecard: A comprehensive inventory of existing development incentives designed to promote infill, affordable, mixed-income and market rate housing developments in targeted areas; encourage desired commercial and mixed-use development in targeted areas; foster development in driver industries; promote the restoration and rehabilitation of historic buildings; encourage development within designated revitalization zones; and promote neighborhood revitalization, all of which

provide a scoring basis for determining incentive eligibility. The scorecard system offers incentives via reduction, waivers, or rebates of the following fees: street closures, sidewalk closures, preliminary plan review fees and SAWS water and sewer impact fees.

Infill Housing: New construction of residential units on vacant lots inside Loop 410 or south of Highway 90 that have not been developed previously or have become vacant through demolition of structures that formerly existed on the lot(s). Infill sites consist of a single lot or a number of isolated, or up to five (5) contiguous, vacant lots within previously developed residential areas. Consistency of design with the character of the existing neighborhood shall be required, and includes features such as scale or size of structures, setbacks, and spatial relationships between buildings.

Lobbyist: a person who communicates, either verbally or in writing with a city official in an effort to influence or persuade the official regarding a municipal question. For further information on the City's Ethics Code and Lobbying restrictions, please visit the City's web page at: www.sanantonio.gov/ecfl/index-lobbyists.asp.

Market Rate Housing: Development of new housing units (single-family or multi-family) that are available for sale or rent at prevailing market rates without requiring any housing subsidy.

Mixed-Income Housing: Residential developments where 80% of the units are at market rate and where 20% of the units are affordable.

Mixed-Use Development: a single project containing two or more occupancy types (residential, office, or retail) which utilizes a minimum of 15% of the total project occupancy square footage for residential purposes.

Multi-Family Housing: A dwelling or group of dwellings on one (1) lot containing separate living units, but which may have joint services or facilities including duplexes, 3-4 unit structures, and apartment-type structures with five units or more. Multi-family housing

also includes condominium units in structures of more than one living unit that do not meet the above single-family housing definition.

Neighborhood Commercial Revitalization (NCR) Corridor: Revitalization project areas designated by the City to promote and market the business district to potential customers, preserve and maximize the district's unique physical assets through design and planning of private and public improvements provide assistance to promote business retention and attraction, and recapture the economic vitality which once characterized the areas. NCR Partnership Projects are excluded. For more information, contact the Housing and Neighborhood Services Department at (210) 207-7881.

Neighborhood or Community Plan: a plan developed by community stakeholders (residents, community groups, property owners, businesses, developers, investors, etc.) that addresses issues, develops goals, and outlines action steps. Plans include three basic elements: land use, transportation networks, and community facilities.

Public Improvement: a permanent improvements that is beneficial and accessible to the general public contingent upon approval by the City, such as streets, curbs, drainage, sidewalks, parks, etc.

Real Property: land and its improvements

Rehabilitation: The act or process of returning a building, object, site or structure to a state of utility through repair, remodeling or alteration that makes possible an efficient use while preserving those portions or features of the building, object, site or structure which are significant to its historical, architectural or cultural value.

Reinvestment Zone: A geographic area, designated by applicable governing bodies, for which reinvestment is targeted, based on statutory or regulatory criteria, through the use of incentives. Examples include the Federal Empowerment, State Enterprise, and Defense Economic Readjustment Zones.

RFP: A Request for Proposals (RFP) is a competitive procurement process that allows the City to consider a variety of factors when selecting a contractor for award. Price, qualifications, experience, innovations, creativity, and project approach are some factors which may be evaluated. RFP's may be used for the procurement of consulting and other professional services.

RFQ: A Request for Qualifications (RFQ) is a method of procurement in which the City seeks to identify those persons or entities that may be qualified to provide defined services. Respondents are asked to summarize their background, experience, certifications, knowledge, education, skills, and/or training. An RFQ may be used when the City is unaware of the availability of qualified persons or entities in that market. However, an RFQ is sometimes used as a first step in a procurement process, with a Request for Proposal to follow. An RFQ may also be used as the sole procurement process.

Single-Family Housing: a single structure occupied exclusively by not more than one (1) family to include detached, semi-detached, row house, and townhouse units. Row houses and townhouses are included when each unit is separated from the adjacent unit by an unbroken ground-to-roof party or firewall. Condominiums are included as single-family housing when they are of zero-lot-line or zero-property-line construction, or when units are separated by an air space, or when an unbroken ground-to-roof party of firewall separates units. Manufactured or mobile homes are excluded from receiving incentives.

Stakeholder: an individual, institution, agency, or other organization that has an interest in a particular system or program (in this case, the TIF Program).

TIRZ Collaborator: an organization (not a developer) that enters into an agreement with the City to pursue the development of a City-initiated TIRZ, and contributes money, land, studies, or professional services to that end.

TIRZ Master Developer: a developer selected by the City and other TIRZ Collaborators to oversee the implementation of a TIRZ Reinvestment Plan.

APPENDIX B: Criteria for Eligibility and Maximum Term of the TIRZ

Eligible Areas

The City determines whether a project area is eligible for TIF based on the factors outlined below. A project must score a minimum of sixty (60) points to be eligible for TIF. If a project area is located within CDBG eligible Census Tracts, the Empowerment Zone and/or Enterprise Zone, High Health Risk Zip Codes, and/or the CRAG, those projects will receive the points outlined below. If project area is located within a Census Block area that demonstrates high levels of poverty, low educational attainment levels, and high levels of unemployment, they will receive up to the maximum points outlined below, depending on the percentage of the specific demographic.

- CDBG Census tracts
- High Health Risk Zip Codes
- Empowerment Zone & Enterprise Zone
- CRAG
- Poverty
- Education
- Unemployment

Appendices

Category	Max Pts	Criteria				
CDBG	20	<i>Project is within eligible Census Tracts = 20 pts</i>	<i>Project is not within eligible Census Tracts = 0 pts</i>			
Unhealthy Zip Codes	5	<i>Project is within Zip Codes = 5 pts</i>	<i>Project is not within Zip Codes = 0 pts</i>			
CRAG	10	<i>Project is within CRAG boundaries = 10 pts</i>	<i>Project is not within CRAG boundaries = 0 pts</i>			
Empowerment/Enterprise Zones	10	<i>Project is within Empowerment Zone and/or Enterprise Zone boundaries= 10 pts</i>	<i>Project is not within Empowerment Zone and/or Enterprise Zone boundaries = 0 pts</i>			
Poverty Levels	25	<i>City average = 17.3%</i>	Project demonstrates less than 17.3% = 0pts	Project has at least or more than 17.3% = 15pts	Project has at least or more than 24.2% = 20pts	Project has at least or more than 32.9% = 25pts
Education	25	City average = 24%	Project demonstrates less than 24% = 0pts	Project has at least or more than 24% = 15pts	Project has at least or more than 33.6% = 20pts	Project has at least or more than 45.6% = 25pts
Unemployment	15	City average = 6.2%	Project demonstrates less than 6.2% = 0pts	Project has at least or more than 6.2% = 5pts	Project has at least or more than 8.7% = 10pts	Project has at least or more than 11.8% = 15pts
TOTAL POINTS	110					

Maximum Term of the Zone

The maximum term of for both City-initiated and Petition-initated TIRZ projects will be based on the score the project area receives. The terms outlined are “up to” a max amount of years and does not mean that projects that receive a certain score will automatically meet the max term of years. The max term of the zone will be based on the following:

- **60 to 80 = up to 15 years**
- **81 to 95 = up to 20 years**
- **96 to 110 = up to 25 years**

APPENDIX C: Additional Resources

Links and addresses listed here were valid as of the date of publication of the TIF Manual (October 2006).

Master Plan Neighborhoods Policy 4f

Design programs and policies that maximize the leverage of private investment by lenders and builders or developers.

TIF Act: The full text of Chapter 311, known as the Tax Increment Financing Act, is available online at www.capitol.state.tx.us/statutes/tx.toc.htm.

CRAG Report: portaldev/crag/future.asp

San Antonio Master Plan Policies: www.sanantonio.gov/planning/master_plan.pdf

Housing Master Plan: www.sanantonio.gov/hcd

Empowerment Zone: www.sanantonio.gov/edd/empowersa.asp

Neighborhood Plans: www.sanantonio.gov/planning/neighborhoods.asp

Universal Design: www.sanantonio.gov/ada/universal_design.asp

Prevailing Wage Determinations: Prevailing wages as of the construction bid date of a given TIF project phase are determined by the official wage determinations issued by the U.S. Department of Labor. To see examples of wage rates and fringe benefit rates for different types of construction (building, highway, residential), scroll down to Bexar County at: www.gpo.gov/davisbacon/tx.html

Contracting Policy & Process Manual: The City's Contracting Policy & Process Manual outlines the City's requirements for soliciting and reviewing competitive proposals. www.sanantonio.gov/contracts.

Appendix D: Elements of Economic Feasibility Study

A required element in the formation of every TIRZ, the economic feasibility study is tailored to the needs of each proposed TIRZ and must communicate a thorough understanding of the existing and emerging markets for residential and commercial development in the area of the proposed TIRZ.

For areas with potential for **commercial** development, a 5-year commercial (office, retail) and jobs market analysis that answers the following questions is required.

- What is the market demand for development of retail, office and employment uses in the proposed TIRZ? Are specific sub-areas and locations within the overall area more or less likely to support this development?
- What is the range of commercial development types that is likely to be attracted (scale of market area, ownership, rent scale, floor area, and configuration)? What characteristics should define these development types? Identify existing market leakages and potential linkages.
- What price points/rents are supportable?
- What is the likely rate of development and absorption for the different types of projected commercial use, based on comparable sales, estimated values, and current/potential lease space in the area?
- What employment sectors and uses are likely to be attracted (service, medical, hotel, entertainment)? Are there emerging or niche markets that have the potential to serve residents and users? What is the likely job creation impact of the TIRZ?
- What is the market size of the proposed TIRZ? What is the primary, geographically-defined market, taking into consideration physical and psychological boundaries? What are the secondary markets that may not be geographically defined?
- Where are competing districts and retailers located; what are their characteristics?
- What is the future direction of the proposed TIRZ markets from a demographic standpoint?

- What kind of business recruitment strategy is recommended, including phasing and realistic expectations for implementation?

For areas with potential for **housing** development, a 5-year housing market analysis that answers the following questions is required.

- What are the demographic and socioeconomic characteristics of existing and likely future residents? What are their purchasing power, homeownership and rental rates, and family sizes?
- What is the market demand for housing: what are rental and ownership rates and prices, who are the potential buyer and renter populations, and what are the synergies between new housing development and new commercial development?
- What is the range of housing types that can be developed in the TIRZ area?
- What are the geographic and economic challenges in redevelopment of residentially-zoned sites?
- How do conditions in different sub-areas of the proposed TIRZ support different types of housing development?
- What price points are supportable? What is the likely rate of development and absorption of new housing units?

Appendix E: TIF Development Patterns

Master Plan Growth Management Policy 1g
Continue to make physical improvements in the inner city to encourage redevelopment and infill development.

Housing Master Plan Objective 3.9
Encourage infill housing production.

Master Plan Urban Design Policy 1g
Prepare design and construction policies and standards for utility and transportation infrastructure, capital improvement projects, public facilities and development projects that reinforce neighborhood centers and provide diverse, pedestrian-friendly neighborhoods.

CRAG Recommendation
Encourage transit-oriented development by supporting future efforts to implement dedicated infrastructure for high-capacity transit, such as bus rapid transit or light rail

Master Plan Natural Resources Goal 1
Preserve the unique, rare and significant features of San Antonio's natural environment.

Master Plan Urban Design Policy 1a
Define, preserve and promote neighborhood centers which include schools, libraries, stores, transit centers and community service facilities in accessible, pedestrian friendly environments.

Infill Development Zone (UDC 35-343): Flexible use regulation combined with contextual urban design standards to promote pedestrian activity and maintain character of neighborhood. The IDZ may be used as a Special or Overlay District.
www.sanantonio.gov/dsd/pdf/Jan06ord03_Zoning.pdf

Traditional Neighborhood Development (TND) Use Pattern (UDC 35-207): Comprehensive development approach that integrates and fine-tunes urban design standards to permit the development of neighborhoods that encourage daily pedestrian activity. Defines size, location and composition of the Centers, Neighborhoods, and Open Space that constitute a TND.
www.sanantonio.gov/dsd/pdf/Jan06ord02_UsePatterns.pdf

Transit Oriented Development Use Pattern (UDC 35-208): Encourages compact, mixed-use development within ½-mile of Transit Station or Major Bus Boarding Location. Focus is on density and pedestrian accessibility.
www.sanantonio.gov/dsd/pdf/Jan06ord02_UsePatterns.pdf

Commercial Center Use Pattern (UDC 35-204): Urban design guidelines specifically tailored to shopping, service and employment opportunities within walking distance of residential areas. Guidelines balance the needs of pedestrians and drivers and encourage nodal, mixed-use development.
www.sanantonio.gov/dsd/pdf/Jan06ord02_UsePatterns.pdf

Conservation Subdivision Use Pattern (UDC 35-203): Primarily residential guidelines designed to maximize preservation of large parcels of natural habitat through the use of density bonuses.
www.sanantonio.gov/dsd/pdf/Jan06ord02_UsePatterns.pdf

Housing Master Plan Objective 3.5

Encourage retail and supportive services in close proximity to inner-city housing initiatives.

Master Plan Urban Design Policy 1c

Encourage patterns of urban development that provide a full range of housing choices and promote a sense of community, urban vitality and the efficient provision of infrastructure.

Master Plan Urban Design Policy 4c

Create streetscapes which emphasize both pedestrians and vehicles.

Master Plan Urban Design Policy 1g

Prepare design and construction policies and standards for utility and transportation infrastructure, capital improvement projects, public facilities and development projects that reinforce neighborhood centers and provide diverse, pedestrian-friendly neighborhoods.

Commercial Retrofit Use Pattern (UDC 35-206): Increased flexibility to encourage the redevelopment of existing shopping centers and big box retail sites with a development pattern which is pedestrian friendly and compatible with surrounding development.

www.sanantonio.gov/dsd/pdf/Jan06ord02_UsePatterns.pdf

Urban Development Zoning District (UDC 35-310.15): Encourages the development of a land use pattern that encourages compact neighborhoods and centralized commercial areas that promote a sense of community and are pedestrian and transit friendly.

www.sanantonio.gov/dsd/pdf/Jan06ord03_Zoning.pdf

SmartCode Zoning: Transect-based zoning and subdivision code that encourages walkable, mixed-use neighborhoods at various scales, including hamlets, villages, and regional centers. At the time of adoption of the TIF Manual, the SmartCode was being considered for adoption by the City of San Antonio, and is immediately applicable to TIF upon City Council adoption.

Appendix F: Universal Design Requirements, City of San Antonio Code, Chapter 6, Article XII

Master Plan Neighborhoods Policy 4d

Facilitate the provision of choice in housing opportunities for all San Antonians, including special needs populations.

Master Plan Neighborhoods Policy 4i

Explore the full range of options to allow people to remain in their homes throughout their lives.

1. At least one entrance shall have a 36-inch door and be on an accessible route. (An accessible route is a continuous, unobstructed path at least thirty-six (36) inches wide connecting all interior and exterior elements and spaces of a house and site including corridors, parking, curb ramps, crosswalks and sidewalks and served by a no-step, flat entrance with a beveled threshold of one-half-inch or less).
2. All interior door openings shall be no less than 32 inches wide, except for a door that provides access to a closet of fewer than (15) square feet in area.
3. Each hallway shall have a width of at least thirty-six (36) inches and shall be level with ramped or beveled changes at each door threshold.
4. All bathrooms shall have the walls reinforced around the toilet for potential installation of grab bars. Walls around the shower and tub shall be reinforced for potential installation of grab bars or a pre-manufactured tub and shower surround may be used which includes grab bar(s) certified to meet the ADA requirement to bear a 250-pound load. Wall reinforcements shall comply with the standards set forth in requirement 6, Reinforced, "Walls for Grab Bars of the Fair Housing Act Design and Construction Guidelines"; Federal Register/Volume 56 No.44/Wednesday, March 6, 1991/ Rules and Regulations, a copy of which is available for inspection at the office of the City Clerk.
5. Each electrical panel, light switch or thermostat shall be mounted no higher than forty-eight (48) inches above the floor. Each electrical plug or other receptacle shall be at least fifteen (15) inches from the floor.

6. An electrical panel located outside the dwelling unit must be between eighteen (18) inches and forty-two (42) inches above the finished grade and served by an accessible route.
7. All hardware installed to open/close doors and operate plumbing fixtures shall be lever handles.

A) WAIVER OF EXTERIOR ACCESSIBILITY REQUIREMENTS

1. The director of the Development Services Department or his designee may only grant modifications or an exemption to the requirements regarding full compliance with exterior path of travel on an individual case-by-case basis. The criteria for granting a modification or exemption are as follows:
 - A. The lot rises or falls so steeply from the street that a maximum 1:12 slope cannot be achieved without extensive grading
 - B. No vehicular access to the back of the house will be available by means of an alley.
2. Appeals of orders, decisions or determinations made by the Director of Development Services Department may be made to the Building and Fire Code Board of Appeals.

B) IMPLEMENTATION

1. Architects and builders shall:
 - A. Clearly stamp or print "Universal Design Compliance" on plans submitted in accordance to any City Department.
 - B. Clearly identify design elements complying with Universal Design Ordinance and attached to any City Departments application.
 - C. Certify that the plans comply with the City's Universal Design requirements.
2. Plan checking, construction inspections and enforcement shall be accomplished by the Development Services Department.

Appendix G: TIRZ Board Appointments

TIRZ Boards are under the City Code provisions for boards and commissions, located in Chapter 2, Article IX, to the extent that the City Code policy does not conflict with TIF Act. This policy change will apply to all existing and future TIRZ boards.

Appendix H: Eligible Project Costs

311.010. POWERS AND DUTIES OF BOARD OF DIRECTORS.

(b) ... An agreement may during the term of the agreement dedicate, pledge, or otherwise provide for the use of revenue in the tax increment fund to pay any project costs that benefit the reinvestment zone, including project costs relating to the cost of buildings, schools, or other educational facilities owned by or on behalf of a school district, community college district, or other political subdivision of this state, railroad or transit facilities, affordable housing, the remediation of conditions that contaminate public or private land or buildings, the preservation of the facade of a private or public building, or the demolition of public or private buildings.

An agreement may dedicate revenue from the tax increment fund to pay the costs of providing affordable housing or areas of public assembly in or out of the zone.

An agreement may dedicate revenue from the tax increment fund to pay a neighborhood enterprise association for providing services or carrying out projects authorized under Subchapters E and G, Chapter 2303, Government Code, in the zone. The term of an agreement with a neighborhood enterprise association may not exceed 10 years.

A. No retroactive TIF

The City finances only eligible project costs incurred after the execution of a Development Agreement and Final Project and Financing Plans. Any costs incurred prior to the execution of those documents are not eligible for tax increment financing.

B. Capital costs

Capital costs include the actual costs of acquisitions and construction of public works and public improvements (e.g., utilities, streets, street lights, water and sewer facilities, pedestrian malls/walkways, parks, flood and drainage facilities, educational facilities, and parking facilities) and new public buildings, structures and fixtures, if they are to be used for a public purpose.

Also included in this category are the actual costs of acquisition, demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and fixtures if said facilities are to be dedicated to the City as a public building, structure, or fixture; and the actual costs of acquisition of land and equipment, if to be dedicated to the City as public land or equipment. The actual costs of clearing and grading of land and applicable predevelopment fees are also eligible capital project costs.

C. Financing costs

Financing costs include, for TIF Bonds, the interest paid to “holders of evidences of indebtedness or other obligations used to pay for project costs”, and the premiums paid over the principal amount of the obligation because of the redemption of the obligations before maturity.

For private or commercial financing, eligible project financing costs include the interest that may begin to accrue from the date the reimbursement request is approved by the City and the TIRZ Board, to be calculated based on the unpaid balance of those approved reimbursement requests.

D. Real property assembly costs

The costs incurred in purchasing the real property.

E. Professional service costs for public improvements

These costs (defined in Section 311.002(1)(D) of the TIF Act to include architectural, planning, engineering, and legal advice and services) are subject to City approval and must meet City TIF contracting requirements.

F. Imputed administrative costs

This category includes reasonable charges for time spent by city employees in connection with the implementation of a project plan and initial start-up costs for other taxing entities. The City's Administrative Fee Policy accounts for reasonable annual administration and operation expenses incurred by the City or its consultants. These fee amounts are withheld by the City and not deposited into the tax increment fund, and include:

- First fiscal year administrative start-up fees as negotiated, or: 10% of total projected revenues for each newly created TIRZ or \$75,000; whichever is the greater of the two. These revenues are divided among all participating taxing entities and are used to support first fiscal year administrative start-up costs of the TIRZ.
- Second fiscal year through the end of the TIRZ annual administrative fees as negotiated, or: 10% of projected annual revenues of the TIRZ or \$50,000, whichever is the lesser of the two.

G. Relocation costs

H. Organizational costs

This category includes environmental impact studies or other studies; publication and notification costs; and costs of project plan implementation.

I. Interest before and during construction and for one year after completion, whether or not capitalized

J. Cost of operating the Reinvestment Zone and project facilities

Appendix I: Insurance and Indemnification

The following summary is provided for the reader's convenience. Complete insurance and indemnification requirements are contained in the draft Development Agreement, which is posted on the TIF Unit website.

The developers' financial integrity is of interest to the City, therefore, subject to the developers' right to maintain reasonable deductibles in such amounts as are approved by the city, the developer, or developer's contractor, shall obtain and maintain in full force and effect during the construction of all Public Infrastructure Improvements required by the Project Plan and Financing Plan, and any extension hereof, at developer's or developer's contractor sole expense, insurance coverage written on an occurrence basis, by companies authorized and admitted to do business in the State of Texas and rated A or better by A.M. Best Company and/or otherwise acceptable to City, in the following types and amounts:

<u>Type</u>	<u>Amount</u>
1 Worker's Compensation & Employer's Liability	Statutory (\$500,000/\$500,000/\$500,000)
2 Comprehensive General Liability (Including Broad Form Coverage, Contractual Liability, Bodily and Personal Injury, and Completed Operations	Combined limits of \$1,000,000 per occurrence and \$2,000,000 in the aggregate or its equivalent in umbrella or excess liability coverage
3 Business Automobile Liability (any auto, including employer's non-owned and hired auto coverage)	\$1,000,000 combined single limit per occurrence

With respect to the above-required insurance, all insurance contracts and Certificate(s) of Insurance shall contain the following required provisions:

- Name City and its officers, employees, and elected representatives as additional insured as respects operations and activities of, or on behalf of, the named insured

performed under agreement with City, with the exception of the Workers' compensation policy;

- Provide for an endorsement that the "other insurance" clause shall not apply to City where City is an additional insured shown on the policy;
- Workers' compensation and employers' liability policy shall provide a waiver of subrogation in favor of City.

The developer shall notify City in the event of any notice of cancellation, non-renewal or material change in coverage and shall give such notices not less than thirty (30) days prior to the change, or ten (10) days notice for cancellation due to non-payment of premiums, which notice must be accompanied by a replacement Certificate of Insurance.

The developer shall also indemnify City, board, and all other participating taxing entities and their respective officials and employees from and against any and all claims, losses, damages, causes of actions, suits and liabilities arising out of developer's and developer's general contractor's actions related to the construction of the Public Infrastructure Improvements.

The developer shall also require its general contractor or general contractors working on this Project to indemnify City, board, and all other Participating Taxing Entities and their respective officials and employees from and against any and all claims, losses, damages, causes of actions, suits and liabilities arising out of their actions related to the performance of this Agreement, utilizing the same indemnification language contained herein, in its entirety.

WORKERS COMPENSATION INSURANCE COVERAGE

All Contractors must provide coverage, based on proper reporting of classification codes and payroll amounts and filing of any coverage agreements that meets the statutory requirements of Texas Labor Code, Section 401.011(44), for all employees of the Contractor providing services on the Project for the duration of the project, and provide a certificate of coverage to the governmental entity prior to being awarded the contract.

Appendices

I agree to comply with workers compensation coverage, payment of prevailing wages, competitive bidding under Chapter 252 of the Texas Local Government Code, and the most recent tree preservation regulations.

I agree to clearly mark each document presented to the City for review and approval with the phrase “TIF Project”. I understand that this includes, but is not limited to, all building plans or permits, applications, plats, requests for variances or waivers, master development plans, PUD plans, and construction plans. I understand that failure to do so at any time will result in the termination of the TIF process.

I agree that Tax Increment Financing is a discretionary program. I have no right to receive tax increment financing, and the TIF manual does not create legal rights. The city may terminate my application for TIF at any time, for any reason.

I agree to use and cause my contractors to use competitive bidding under state law.

I agree to abide by the City’s Unified Development Code, as it may be amended from time to time. I agree that the City’s Unified Development Code is based on the City’s concern for the health, safety and welfare of its citizens.

I understand that the execution of this Acknowledgement does not constitute a contract with the City, or a promise of the City to enter into a contract.

Name of Affiant:
Title:
Corporation/Partnership:

Corporate Acknowledgment

The State of Texas

County of _____

Before me, the undersigned, a Notary Public on this day personally appeared known to me (or proved to me on the oath of _____), to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said (_____ here insert name of corporation) a corporation, and that he had executed the same as the act of such corporation for the purpose and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this _____ day of _____, A.D. 20_____

Notary Public, State of Texas
(PERSONALIZED
SEAL)

(Print name of Notary Public here)

My commission expires the _____ day of _____ 20_____



CITY OF SAN ANTONIO
Request for Council Action

Agenda Item # 24
Council Meeting Date: 10/16/2008
RFCA Tracking No: R-4002

DEPARTMENT: Housing and Neighborhood Services **DEPARTMENT HEAD:** David D Garza

COUNCIL DISTRICT(S) IMPACTED:
City Wide

SUBJECT:
Tax Increment Finance Policy Revisions

SUMMARY:

This item is to consider amendments to the Tax Increment Finance (TIF) Policy and Implementation Manual.

BACKGROUND INFORMATION:

Chapter 311 of the Texas Tax Code (the "TIF Act") allows for a municipality to institute local policy related to this program. As a result, the City of San Antonio has previously identified policies and priorities, which have been approved by City Council and implemented as the TIF Policy and Implementation Manual. The City originally established guidelines in 1998, and were subsequently updated in 2000, 2002 and 2004. City Council approved updates to the guidelines on November 16, 2006.

As part of the process for considering updates to the guidelines, City staff has met extensively internally, met individually with members of City Council and the Mayor's Office, and held meetings with other taxing entities and stakeholders. Staff presented these recommendations to City Council at a B-Session held on October 1, 2008.

ISSUE:

Since 1998, the City of San Antonio has been actively utilizing the Tax Increment Financing tool as a mechanism for encouraging development thru investment in public infrastructure. The City currently has twenty-two designated Tax Increment Reinvestment Zones (TIRZ or Zones), seventeen of which have final finance plans in place. These seventeen Zones have a maximum City contribution of up to \$155,000,000.00 in accordance with their finance plans.

Five additional TIRZ have been designated and have preliminary finance plans in place at this time. Three of these (Palo Alto Trails, Hunters Pond and Rosillo Ranch) are similar to the first 17 and are developments of primarily single-family residential subdivisions.

Combined, the maximum City contribution for these three is anticipated to be up to \$56,000,000.00.

The other two TIRZ that have been designated and that have preliminary finance plans in place at this time are River North and Verano. Both of these Zones are proposed to include residential (rental and homeowner), commercial, retail, and institutional development. Verano is capped at \$135,000,000.00 and River North has a range from \$45,000,000.00 to \$90,000,000.00.

This amounts to a potential City contribution of up to \$436,000,000.00 for the twenty-two Zones.

In addition, the City has been asked to consider forming at least three additional TIRZ, currently identified as Midtown, Westside/District 5, and Mission Area.

At the direction of the City Manager, staff began meeting in November 2007 to discuss the impact on the financial impact on the growing number and size of TIF projects on the City's ability to fund basic services throughout the city. Staff has met internally and with other taxing entities and stakeholders to receive input. The recommendations are summarized below:

Collaborator Requirement: Staff recommends that the new policy not require a Collaborating Entity be identified at designation for a City-initiated zone. The City could, at its discretion, identify a collaborator or collaborators at designation or later in the process.

Affordable Housing Requirement: Staff recommends that the new policy reduce the current affordable housing requirement for Petition-driven projects from 50% to 20%. Staff recommends that Affordable housing be defined as households that earns up to 120% Area Median Income. Staff further recommends that this policy also apply to City-initiated projects.

Local Government Corporations and other political subdivisions: Staff recommends that the new policy add a section in the TIF Manual addressing the roles and responsibilities of Local Government Corporations or other political subdivisions that may become involved in the management of a zone.

Eligibility and Priority Areas: Staff recommends that the new policy address Eligibility by scoring projects based on the following factors: CDBG Census tracts, High Health risk zip codes, CRAG, Poverty, Education, Unemployment, and Empowerment Zone/Enterprise Zone. Projects must score a minimum of 60 to be eligible for TIF. Staff is utilizing the score to demonstrate that proposed projects are in areas that meet the Statutory Criteria outlined in the TIF Act. Eligibility and meeting the Statutory Criteria does not guarantee that the City will designate a project and does not guarantee that the City will participate in a project. Staff recommends that the Priority Areas language be removed.

Term: Staff recommends the new policy address the length of term (years) based on the score the project receives.

Level of Participation: Staff recommends the new policy address participation based on the following: ensure municipal service needs are met in the zone, completion of financial gap analysis, prioritization of public improvements, factor a reasonable annual growth assumption, consider developer contribution of land for public use needs and/or minimum financial contribution and the negotiation of a maximum participation cap

based on above factors.

TIRZ Boards: Staff recommends the City Council place TIRZ Boards under the City Code provisions for boards and commissions, located in Chapter 2, Article IX, to the extent that the City Code policy does not conflict with TIF Act. This policy change will apply to all existing and future TIRZ boards.

Fee Structure: Staff recommends the new policy change the fee structure to the following: Processing: \$40K

Startup: \$75K

Annual: \$15K (minimum)

Amendment: establish at \$50K (maximum)

Infrastructure Failure: establish at \$10K (minimum)

ALTERNATIVES:

Staff considered defining "Eligible Areas" as those strictly within the Empowerment Zone/ Enterprise Zone and within Loop 410 or South of Hwy 90, including a one mile buffer around 410. Staff rejected this option in order to focus more closely on the areas of greatest need.

Staff considered defining "Priority Areas" by strict geographic boundaries. Staff rejected this option in order to allow flexibility and to focus on areas of greatest need by scoring projects.

City Council could consider other options to staff recommendations and direct staff to bring back revised policies at a later City Council Meeting date.

FISCAL IMPACT:

There is no fiscal impact associated with this action. All TIRZ projects require City Council approval and are presented on a case by case basis.

RECOMMENDATION:

This action is to consider amendments to the Tax Increment Finance (TIF) Policy and Implementation Manual in relation to seven policy areas: 1) City-initiated vs. Petition-initiated requests; 2) Local Government Corporations or other political subdivisions; 3) Eligible Areas; 4) Term of Zones; 5) Determination of City's Level of Participation; 6) Fee Structure 7) TIRZ Board Appointments. Staff's recommendations in these areas are intended to provide guidance where none exists, such as with the role of Local Government Corporations or other political subdivisions, and to ensure that development in unproductive, underdeveloped, and blighted areas where the market is not taking hold is incentivized without impacting the City's ability to provide essential municipal services city-wide.

ATTACHMENT(S):

File Description

File Name

[Revised TIF Manual](#)

08 TIF Manual Council doc 10-16-08.doc

[Voting Results](#)

[Ordinance/Supplemental Documents](#)

200810160942.pdf

DEPARTMENT HEAD AUTHORIZATIONS:

David D Garza Director Neighborhood Services

APPROVED FOR COUNCIL CONSIDERATION:

T.C. Broadnax Assistant City Manager