



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 52

Agenda Date: June 20, 2024

In Control: City Council A Session

DEPARTMENT: Planning Department

DEPARTMENT HEAD: Bridgett White

COUNCIL DISTRICTS IMPACTED: District 3, ETJ

SUBJECT:

The Espada Public Improvement District (PID) No. 1 Development Agreement.

SUMMARY:

Ordinance authoring the execution of a Development Agreement between the City of San Antonio (City) and the Owners, Marmaxx Operating Corp. and Lennar Homes of Texas Land and Construction, Ltd of the Espada PID No. 1 property, generally located southeast of the intersection of South Loop 410 and Highway 281 South in the Extraterritorial Jurisdiction of the City of San Antonio, in Bexar County.

BACKGROUND INFORMATION:

The Espada PID No.1 was created in May of 2008. When the PID was created, the City entered into a non-annexation agreement (formally titled an Agreement for Services in Lieu of Annexation), imposing development standards and other conditions pertaining to the property located within the District. Since its creation, the Owners of the property within the PID have changed. The new Owners, Marmaxx Operating Corp. and Lennar Homes of Texas Land Construction, Ltd., own approximately 426.794 acres within the Espada PID property. The Owners petitioned Bexar County (County) to revise the PID's boundaries to encompass a new single-family residential project by Lennar Homes and reduce its boundaries by 68.18 acres. (The PID's

existing boundaries of 494.976 acres would be reduced by 68.18 acres, with the PID's new boundaries totaling 426.794 acres.)

Under state law, when seeking to amend a PID's boundaries, the PID is required to obtain the City's consent because the PID is in the City's ETJ. In exchange for the City's consent to the change to the PID's boundaries by the PID, the Owners of the property within the PID will enter into a Development Agreement with the City, setting forth updated development standards and terms of future annexation of the property within the PID. The PID board will also enter into a Strategic Partnership Agreement (SPA) setting forth terms of future limited purpose annexation and revenue sharing in the event that commercial development is done in the Property. The following is a general overview of the PID's background and its current petition.

On December 13, 2007, the City granted a six-month conditional consent for the creation by the County of three PIDs on 1,840 acres of land, referred to as the Espada property, generally located southeast of the intersection of South Loop 410 and Highway 281 South in the San Antonio Extraterritorial Jurisdiction (ETJ), as requested by the County and the PID Landowners, ESA Residential Development, Inc., E-TM Land Investment, LTD., and Terramark Communities, Ltd. On May 27, 2008, the County approved an intent to create PID resolution according to Chapter 372 of the Texas Local Government Code (Code) and added a three-month extension to the creation deadline. On June 12, 2008, the City extended the deadline for its conditional consent to the PID creation.

On October 21, 2008, the County updated its Espada PIDs creation order by delegating road district powers, which include the powers to construct water, wastewater, and drainage facilities, and established the respective three PIDs' boundaries and their activation periods. On October 7, 2009, the County amended PID No. 1's boundaries from 471.91 acres to 494.976 acres. On March 18, 2010, the City consented to the PID's delegation of road district powers and set forth terms and conditions to the City's consent through an Agreement for Services in Lieu of Annexation.

On January 25, 2024, the County re-constituted the Espada PID No. 1, according to Chapter 382 of the Code, and appointed a new Board of Directors of the PID (Board). On February 12, 2024, the new Board authorized changing the boundaries of the PID to accommodate the single-family residential development, subject to the consent of the County and the City. Finally, on February 21, 2024, the Board formally requested the City's consent to the PID boundary amendment. As a condition of the City's consent to the amendment to the PID's boundaries, the Owners of the property within the PID and the City will enter into a 30-year Development Agreement, which includes updated development and land use regulations, voluntary annexation for the property within the revised PID boundaries and the framework of a Strategic Partnership Agreement (SPA) which will be approved by the PID's Board.

The proposed PID development will consist of 2,005 single-family residential units consisting of varied housing sizes and lot sizes. Currently, no commercial use is proposed. Proposed improvements within the PID boundaries include individual lot improvement, streets, utilities, drainage and grading, parks, open space, and trail connection. Proposed improvements outside of the PID include a turn lane, utility extension, traffic light, streets, and driveways. The PID property is located within the water and sewer Certificates of Convenience and Necessity (CCNs) of

SAWS. The proposed improvement costs are estimated to be \$95.4 million. The proposed PID's revenue is estimated at \$60.8 million.

ISSUE:

If approved, this Ordinance approves the execution of a 30-year Development Agreement (Agreement) between the City and the Owners. This Agreement will apply to the Lennar Homes residential development and 68.18 acres will be removed from the boundaries of the existing PID's acreage of 494.976, making the new total acreage of the PID 426.794 acres. The written consent of the City by resolution, which includes the delegation of the road district powers along with the powers to construct water, wastewater, and drainage facilities, is required by state law for this PID to exercise those powers. The terms of the City's consent are provided in the attached Agreement. The original Agreement for Services in Lieu of Annexation will remain in effect as to the 68.18 acres that will now lie outside of the PID, thereby maintaining consistency of the development standards in the area. The City's consent will not include the following:

- The power to exercise eminent domain by the PID; and
- The power to annex, expand, or exclude land into the PID's existing boundaries.

The terms of the Agreement between the City and the Owners includes the following terms and obligations:

- The Owners will pay the City a \$7,500 Special District application fee.
- The Owners will pay the City an operations fee of \$175 per built residential unit, totaling Three Hundred and Fifty thousand, Eight Hundred and Seventy-Five and 00/100 (\$350,875.00) U.S. dollars.
- The PID tax rates shall not exceed the City's tax rates.
- The City will guarantee the continuation of the extraterritorial status of the amended PID property for a period of 30 years.
- The Owners agree that the Agreement constitutes a petition consenting to annexation at the City's discretion at the end of the Agreement's term or at any time if the Owners violate the terms of the Agreement.
- The Agreement includes a Written Agreement Regarding Services between the Owners, subsequent Owners, and the City under Chapter 43 of the Local Government Code.
- The Owners agree to comply with all municipal regulations, ordinances, and other laws applicable to all properties located within the City's ETJ during all phases of development and construction of the PID project during the term of the Agreement.
- The Owners will reimburse the City for the recordings of the development agreement with Bexar County Real Property Records.

The Agreement includes the proposed framework of a Strategic Partnership Agreement (SPA) between the City and the PID, which will include the following provisions:

- The PID will pay for costs related to the SPA and limited-purpose annexation and will reimburse the City for legal recordings of the SPA with Bexar County Real Property Records.
- Commencing after the effective date of the limited-purpose annexation of the commercial property, the City will remit to the PID an amount equal to 25% of the Sales Tax Revenues collected within the annexed commercial property.

The timeline for consideration of the application for consent to the PID boundary change is as follows:

| <u>Dates</u> | <u>Schedule of Action</u> |
|------------------|---|
| May 8, 2024 | Planning Commission public hearing and recommendation |
| June 20, 2024 | City Council consideration and action |
| July, 9, 2024 | Commissioners Court consideration to amend the original PID |
| November 5, 2024 | PID election and approval of the PID's taxes and bonds. |

ALTERNATIVES:

A denial of the Ordinance may result in the amended PID boundaries, not being approved by the County. This action may also result in the project being delayed because the Owners would have to seek a different financing mechanism for the development of the project.

City Council may require staff to renegotiate the terms of the Agreement, which would delay the completion of the PID development.

FISCAL IMPACT:

This ordinance authorizes of a Development Agreement between the City of and the Owners, Marmaxx Operating Corp. and Lennar Homes of Texas Land and Construction, Ltd. This ordinance enables the Owners to pay a Special District Operations Assessment estimated at \$350,875.00 (for a total of 2,005 single-family residential units at \$175 per residential unit) and costs related to limited purpose annexation and reimburse the legal recordings of the development agreement and SPA with Bexar County Real Property Records to the City's General Fund.

RECOMMENDATION:

Staff recommends approval of the Ordinance authorizing the execution a Development Agreement between the City and the Owners, Marmaxx Operating Corp. and Lennar Homes of Texas Land and Construction, Ltd.

On May 22, 2024, the Planning Commission recommended to City Council to grant its consent to an amendment to the Espada Special Improvement District No. 1 boundaries, subject to the execution of a Development Agreement between the City and the Owners.