



# City of San Antonio

## Agenda Memorandum

### File Number:

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**Agenda Item Number:** 14

**Agenda Date:** May 15, 2025

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Creation of a Public Finance Zone

**SUMMARY:**

This Ordinance designates a certain geographic area in the City of San Antonio as “Project Financing Zone Number Two, City of San Antonio, Texas” and provides an expiration date for the zone.

**BACKGROUND INFORMATION:**

On December 12, 2023, the City created a Project Financing Zone to take advantage of a new funding option available to the City due to the passage of Senate Bill 2220 during the 88th legislative session. The bill added the City of San Antonio to the list of cities eligible to participate in a “Project Finance Zone”, or “PFZ”. A PFZ allows the City to create a 3-mile zone centered around a convention center facility or venue in which the increment – or growth – in the State’s hotel associated revenues can be used by the City for a 30-year period. Hotel-associated revenues include the State’s hotel occupancy tax and sales tax revenue from businesses located within the hotel, mixed beverage sales tax revenue, and mixed beverage gross receipts tax revenue from hotels located within the PFZ.

The creation of the PFZ allows the City to utilize specific incremental revenues the State would have received within the PFZ over 30 years and redirect these revenues to the City for investment in qualifying projects. The City originally designated the Henry B. Gonzalez Convention Center and Alamodome as qualifying projects to be funded by the PFZ.

As the City has been working with public and private stakeholders to create a Sports and Entertainment District in downtown San Antonio, it has become necessary to add flexibility to the use of the PFZ funding source given the timing, scale, and magnitude of the proposed projects. The PFZ has also been identified as a potential funding source for the proposed new NBA arena for the San Antonio Spurs. City Staff discussed alternatives to modifying the existing PFZ to add the proposed new arena and the flexibility needed to fund projects within the proposed district with the Texas Comptroller's Office. Their proposed solution was for the City to dissolve the current PFZ (abandoning its boundaries and the year of designation), create a new PFZ, and designate the Convention Center Complex as the singular qualifying project for the new PFZ. The Complex under the new PFZ would be comprised of the Henry B. Gonzalez Convention Center, Alamodome, and the new sports arena.

Attachment A is a map depicting the boundaries of the proposed PFZ. Within the proposed PFZ, calendar year 2025 is established as the base year and the State's growth in hotel associated revenues as defined above will be captured for a 30-year period beginning with calendar year 2026. These funds will be used by the City for capital investment into the Complex as the designated qualifying project. Any growth in the State's hotel associated revenue above the base in calendar year 2025 will be held in a suspense account by the State Comptroller pending submission by the City of its commencement of the project. Any one of the Complex' components would satisfy the requirement that a qualifying project begin within five years of the first suspense account deposit and, once this five-year requirement has been satisfied, the City would have the flexibility to utilize PFZ funds on any of the Complex' components. The creation the PFZ does not commit the City to funding these projects but makes an important financial tool available to the City.

#### **ISSUE:**

The City is proposing to terminate the current PFZ that was designated on December 12, 2023, and simultaneously create a new PFZ, Financing Zone Number Two, City of San Antonio, Texas with the designation of the Convention Center Complex as the qualified project. The Complex is comprised of the Henry B. Gonzalez Convention Center, Alamodome, and the new sports arena. A separate ordinance to terminate the current PFZ will be considered as a separate agenda item.

#### **ALTERNATIVES:**

The City could choose to delay the creation of a new PFZ.

#### **FISCAL IMPACT:**

The creation of the PFZ has no impact on the City's Operating Budget.

**RECOMMENDATION:**

Staff recommends approval of this ordinance designating a certain geographic area in the City of San Antonio as "Project Financing Zone Number Two, City of San Antonio, Texas" and providing an expiration date for the zone.