



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 48

**Agenda Date:** January 30, 2025

**In Control:** City Council A Session

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**DEPARTMENT:** Planning Department

**DEPARTMENT HEAD:** Bridgett White

**COUNCIL DISTRICTS IMPACTED:** District 4, ETJ

**SUBJECT:**

A Development Agreement between the City of San Antonio and Masterson 90 Investors, LP.

**SUMMARY:**

Ordinance approving a Development Agreement with Masterson 90 Investors, LP, the Landowner of the Espino Special Improvement District, consisting of approximately 241.815 acres of land generally located southeast of the intersection of W US Highway 90 and Masterson Road in the Extraterritorial Jurisdiction (ETJ) of the City of San Antonio.

**BACKGROUND INFORMATION:**

The Texas Local Government Code (LGC) Chapter 382 allows for the creation of PIDs by a municipality or a county. PIDs are economic development tools used to pay or finance public improvements and economic development within (and that benefit) a defined geographical area, which will become the PID. The proposed public improvement may include the improvement and construction of roadways, utilities, water, wastewater, or drainage systems, trails, parks, and recreational facilities in the PID boundaries. These PIDs may levy assessments and impose ad valorem, sales and use, or hotel occupancy taxes as sources of funding. Costs are apportioned and paid by landowners within its boundaries.

To create a PID in a county, more than fifty percent (50%) of landowners of taxable real property liable for assessment within the proposed PID area must submit a petition to the governing body of the county. The municipality has the option to object to the creation of PIDs in its ETJ pursuant to State law. However, a PID being created with road district powers to supply roadways, fresh water, sanitary sewer, or drainage facilities, may not be created in the ETJ of a municipality unless the municipality gives its written consent.

In accordance with Section 212.172 of the LGC, a municipality and a landowner may enter into a written development agreement by which the municipality may establish terms for annexation or non-annexation of the land and extend its development regulations and standards for the infrastructure on the land. In addition, a PID in the ETJ of a municipality may negotiate and enter into a written Strategic Partnership Agreement (SPA) with the PID board that allows the municipality to annex for limited purposes, and impose and collect sales taxes in the commercial property in the PID boundaries, in accordance with Chapter 43 of the LGC.

On September 13, 2024, Masterson 90 Investors, LP (Landowner) filed a petition with Bexar County (County), to create a PID to be named the Espino Special Improvement District, pursuant to Chapter 382 of the LGC. On October 29, 2024, the County Commissioners Court approved a resolution stating their intent to create the PID with road district powers and authority to impose taxes on future landowners located within the PID's boundaries. On October 9, 2024 (Resubmitted on January 15, 2025), the Landowner also petitioned the City to grant its consent to the creation of the PID with road district powers in its ETJ as required by State law. As a condition of the City's consent, the Landowner and the City will enter into a Development Agreement, which includes development and land use regulations, voluntary annexation for the PID land, and the framework of a SPA.

The proposed PID Property consists of approximately 241.815 acres of land generally located southeast of the intersection of W US Highway 90 and Masterson Road, in the City's ETJ in west Bexar County. The PID Property is located within the water and sewer Certificates of Convenience and Necessity (CCNs) of San Antonio Water Systems.

The PID project will be a single-family residential development, encompassing an approximate range of 986 to 1,010 lots, with a variety of lot sizes and home types, including both single-story and two-story designs. The average value of each housing unit will be approximately \$267,000. The project costs for proposed onsite neighborhood improvements (including sewer, water, streets, drainage, other utilities), collector roads, parks/amenities and offsite Masterson Road improvements and water line extension are estimated at \$68.1 million. The proposed PID's revenue is estimated at \$31.4 million.

#### **ISSUE:**

If approved, this Ordinance authorizes the execution of a 30-year Development Agreement (Agreement) between the City and the Landowner. This Agreement sets the conditions of the City's consent, 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. However, 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 Agreement sets the conditions of the City’s consent, as mentioned above, and includes the following terms and obligations between the City and the Landowner with respect to the development of the PID property:

- The Landowner will pay to the City a \$7,500.00 Special District application fee.
- The Landowner will pay to the City an operations fee of \$175.00 per built residential unit, totaling \$172,550.00 to \$176,750.00.
- The proposed PID’s tax rates shall not exceed the City’s tax rates.
- The City will guarantee the continuation of the extraterritorial status of the PID property for a period of 30 years.
- The Landowner agrees that the Agreement constitutes a petition consenting to annexation at the City’s discretion at the end of the Agreement’s term.
- The Agreement includes a Written Services Agreement between the Landowner, subsequent Landowners, and the City under Chapter 43 of the Local Government Code.
- The Landowner agrees 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 and the term of the Agreement.
- The Landowner will reimburse the City for the recording of the 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 recording 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 proposed timeline for the establishment of the proposed PID is as follows:

<u>Dates</u>	<u>Schedule of Action</u>
October 29, 2024	Bexar County Commissioners Court consideration of a resolution expressing their intent to create the PID
January 22, 2025	San Antonio Planning Commission public hearing and recommendation
January 30, 2025	City Council consideration and action
February 2025	Bexar County Commissioners Court consideration to create the proposed PID and appoint a board of directors
May 2025	PID Election and approval of PID’s taxes and bonds

**ALTERNATIVES:**

A denial of the Ordinance would result in the PID not being created by the County. This action would require the Landowner to seek a different financing mechanism for the development of the

property. It may result in the PID development occurring in a traditional method instead of the manner proposed by the Landowner.

City Council may require staff to re-negotiate the terms of the Agreement which would delay the activation of PID development.

**FISCAL IMPACT:**

This Ordinance authorizes a Development Agreement between the City of San Antonio and the PID's Landowner, Masterson 90 Investors, LP. A Special District Operations Assessment estimated at \$172,550.00 to \$176,750.00 (A total of 986 to 1,010 single family residential units at \$175.00 per residential unit) and costs related to limited purpose annexation and reimbursement for the legal recordings of the development agreement and SPA with Bexar County Real Property Records will be paid by the Landowner and deposited into the General Fund.

**RECOMMENDATION:**

Staff recommends approval of the Ordinance authorizing the execution of a 30-year Development Agreement between the City of San Antonio and the Espino PID's Landowner, Masterson 90 Investors, LP.