



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 26

**Agenda Date:** April 14, 2022

**In Control:** City Council A Session

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**DEPARTMENT:** Planning Department

**DEPARTMENT HEAD:** Bridgett White

**COUNCIL DISTRICTS IMPACTED:** District 3

**SUBJECT:**

The City of San Antonio's consent to the creation by Bexar County of the proposed Sapphire Grove Public Improvement District (PID)

**SUMMARY:**

Resolution granting the City's consent to the creation by Bexar County of a proposed Sapphire Grove Public Improvement District (PID), generally located south of New Sulphur Springs Road and east of Gardner Road in the extraterritorial jurisdiction of the City of San Antonio in Bexar County.

**BACKGROUND INFORMATION:**

Texas Local Government Code Chapter 382 allows for the creation of Public Improvement Districts (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 general nature of the proposed public improvement may include, but is not limited to, the improvement and construction of roadways, utilities, water, wastewater, or drainage systems, trails, and park/recreational facilities, which are located within the PID boundaries. These PIDs may levy assessments and impose ad valorem, sales and use, or hotel occupancy taxes as sources of funding, and costs are apportioned and paid

by landowners within the PID boundaries that benefit from public improvements and/or services.

To create a PID in a county, more than fifty percent (50%) of owners 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 extraterritorial jurisdiction (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 by resolution.

Lennar Homes of Texas Land and Construction, Ltd., the new (Owner) owns 173.27 acres of land, generally located south of New Sulphur Springs Road and east of Gardner Road in southeast Bexar County. The PID Property is located within the SAWS water and sewer Certificates of Convenience and Necessity (CCNs).

On June 8, 2021, Guillermo T. Reynoso and Emilce A. Reynoso, (the previous Owners) and Lennar Homes of Texas Land and Construction, Ltd. (the new Owner) filed a petition and application to Bexar County (County), to create a PID to be named the Sapphire Grove Special Improvement District, pursuant to Chapter 382 of the Texas Local Government Code. On June 29, 2021, the previous Owners and new Owner 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. On September 7, 2021, 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.

As a condition of the City's consent, the new Owner and the City will enter into a development agreement, which includes development and land use regulations, and voluntary annexation for the PID land, pursuant to Section 212.172 of the Texas Local Government Code. The Development Agreement includes the framework of a Strategic Partnership Agreement (SPA), which allows the municipality to annex for limited purposes, as well as impose and collect sales taxes on the commercial property in the PID boundaries, in accordance to Chapter 43 of the Texas Local Government Code.

Following the City's Consent, the new Owner will develop the PID project as a residential development with 950 single-family residential units. This development has proposed no commercial use. The proposed individual lot improvements, streets, utilities, drainage, and grading are estimated at \$36.2 million. The proposed PID's revenue is estimated at \$24 million.

#### **ISSUE:**

If approved, this Resolution provides the City's consent to the creation of the Sapphire Grove PID by the County subject to the execution of a 30-year Development Agreement (Agreement) between the City and the Owner. This Development Agreement will establish the terms and conditions to the City of San Antonio's consent to the creation of the Sapphire Grove PID in its ETJ. The written consent of the City by Resolution, which includes the delegation of the road district powers, in addition to, the powers to construct water, wastewater, and drainage facilities, is required by State

law for the 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 Owner with respect to the development of the PID property:

- The Owner will pay to the City a \$7,500 Special District application fee.
- The Owner will pay to the City an operations fee of \$175 per each built residential unit, totaling \$166,250.
- 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 Owner 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 Owner, subsequent Owners, and the City under Chapter 43 of the Local Government Code.
- The Owner 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 during the term of the Agreement.
- The Owner 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 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 proposed timeline for the establishment of the proposed PID is as follows:

<b><u>Dates</u></b>	<b><u>Schedule of Action</u></b>
September 7, 2021	Bexar County Commissioners Court consideration of a resolution expressing their intent to create the PID
March 23, 2022	San Antonio Planning Commission public hearing and recommendation
April 14, 2022	City Council’s consideration and action
August 2022	Commissioners Court consideration to create the proposed PID and appoint a board of directors
November 2022	PID Election and approval of PID’s taxes and bonds

**ALTERNATIVES:**

A denial of the Resolution would result in the PID not being created by Bexar County. This action would require the Owners 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 developer.

**FISCAL IMPACT:**

This item is to consider the Resolution granting the City's consent to the creation by Bexar County of the Sapphire Grove PID, located in an unincorporated area of the ETJ of the City San Antonio, subject to the execution of a Development Agreement between the City of San Antonio and owner, Lennar Homes of Texas Land and Construction, Ltd. This Resolution enables the Owner to pay a \$7,500 Special District application fee, to the City of San Antonio's General Fund.

**RECOMMENDATION:**

Staff recommends approval of a Resolution providing the City's consent to the creation by Bexar County of the Sapphire Grove PID.

On March 23, 2022, the Planning Commission recommended to City Council to grant its consent to the PID creation by Bexar County subject to the execution of a Development Agreement with the Owner.