



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 50

Agenda Date: December 15, 2022

In Control: City Council A Session

DEPARTMENT: Neighborhood and Housing Services

DEPARTMENT HEAD: Veronica Garcia, Interim Director

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Tax Increment Financing Program Policy

SUMMARY:

This ordinance authorizes approving the City's Tax Increment Financing (TIF) Program Policy.

BACKGROUND INFORMATION:

Cities are authorized by Chapter 311 of the Texas Tax Code to use Tax Increment Financing as an economic development tool to spur development or redevelopment of underperforming areas that would otherwise remain stagnant. Tax Increment Financing (TIF) incentivizes development by capturing the growth in taxes within a designated area (Tax Increment Reinvestment Zone or TIRZ) which is then used to pay costs associated with projects and programs within the TIRZ that meet the guidelines established in Chapter 311, stimulating further improvement within the zone and surrounding area.

The City of San Antonio's TIF Program was established in 1998. The City of San Antonio uses Tax Increment Financing to encourage development in areas where it is desired but not being provided by traditional market mechanisms or other City incentives. Through TIF, the City intends to achieve goals and objectives established in City adopted initiatives and policies and to support

projects that increase diversity of uses and decrease income segregation. The City has used TIF funding for housing, affordable housing, economic development, historic preservation, and other public improvements. The City currently has twenty-three TIRZ - nine City Initiated TIRZ and fourteen Petition Initiated TIRZ – located throughout the City, more specifically in Council Districts 1, 2, 3, 4, 5, and 10.

The purpose of the TIF Program Policy is to help guide the use of TIRZ and TIF funding in alignment with the City's primary revitalization programs and initiatives. The current TIF Program Policy was last updated on May 14, 2015 and is lengthy, confusing, and references old City policies. City staff, with direction from the City Council Planning and Community Development Committee, gathered feedback from multiple stakeholders of the TIF Program – Developers, Community Groups, City Departments, and Council Offices, among others. The feedback was instrumental in providing guidance to NHSD staff on updating the current TIF Program Policy.

ISSUE:

Based on this feedback from stakeholders, the TIF Program Policy was rewritten to

- align with current City initiatives and plans,
- formalize current practices,
- create a process for TIRZ Boards to be more pro-active,
- update fees with provisions for reductions or waivers for non-profits, and
- standardize the TIRZ Board appointment process and Board composition.

Additionally, the TIF Program Policy was updated to provide guidance to applicants seeking TIF funding for projects. The updated Policy includes new provisions for housing, affordable housing goals, and sustainability. Housing Projects will be required to include a market analysis to determine the appropriate types of housing, a Displacement Impact Analysis, and a contribution to the Affordable Housing Fund if affordable housing goals cannot be met.

Under the proposed TIF Program Policy, TIRZ Boards will adopt priorities and goals to pro-actively address needs specific to their Zones. Although the proposed TIF Program Policy must give guidance to applicants and City staff, the proposed Policy includes sufficient flexibility for TIRZ Boards and City Council.

ALTERNATIVES:

City Council could chose to not move forward with an updated TIF Program Policy. However, the delay would cause TIF users to continue to use an outdated program policy and could cause a loss of affordable housing opportunities.

FISCAL IMPACT:

This ordinance authorizes approving the City's Tax Increment Financing (TIF) Program Policy. There is no fiscal impact to the General Fund.

RECOMMENDATION:

Staff recommends approval of the Tax Increment Financing (TIF) Program Policy.