

## Agenda No. 13.

## CITY COUNCIL MEMORANDUM

**City Council Meeting:** September 22, 2020  
**Department:** City Secretary  
**Subject:** Resolution No. 20-R-107 - Consideration and/or action approving a Resolution by the City Council of the City of Schertz, Texas, authorizing an amended Development Agreement, Project/ Financing Plan, and Interlocal Agreement for the Tax Increment Reinvestment Zone #2 (TIRZ) #2 (Sedona/Crossvine). (M. Browne/B. James)

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**BACKGROUND**

The Tax Increment Reinvestment Zone #2 (TIRZ #2 Sedona/Crossvine) was created in 2006 by the City of Schertz. A TIRZ is a mechanism to jumpstart development and ultimately generate new tax revenue. It builds needed public infrastructure in areas lacking adequate development to attract businesses; encourages development, thereby increasing property values and long-term property tax collections; and reduces the cost of private development by providing reimbursement for eligible public improvements. A TIRZ uses improvements to spur development and raise property values within a zone. Then it funnels some tax collected on that increase in value into a fund that pays for the improvements.

In addition to the City of Schertz, Bexar County and the San Antonio River Authority (SARA) participate in the TIRZ.

The TIRZ #2 was created at the request of the owner/developer of the Sedona Master Planned Community. As part of the creation a Project and Finance Plan; Interlocal Agreement; and Development Agreement were approved. Only one phase of the development was constructed, the neighborhood known as Sedona off of Lower Seguin Road and Hollering Vine. With the economic downturn in the late 2000s the project was sold to the current developer, Schertz 1518, Ltd.

Initially the TIRZ included about 825 acres, was to run through 2027 and would generate a maximum reimbursement to the developer of \$45,000,000. Homes values were estimated to be between \$160,000 and \$240,000 and the average market value of those homes in 2018 was \$212,793. The value of home that have been constructed since then are conservatively estimated at between \$250,000 and \$350,000. The new average market value in 2018 of these newer homes was \$321,538.

The Project and Finance Plan details the improvements that will be made and estimates the revenue to be generated to pay for/reimburse the developer for the improvements. It also outlines the property to be included in the zone. The Interlocal Agreement between the City, Bexar County, SARA and the TIRZ outlines the terms of the TIRZ and the agreement between the entities to participate in the TIRZ (and includes the Project and Finance Plan). It also outlines the percent of increased revenue to be contributed to the TIRZ. The Development Agreement is between the participating entities and the developer outlining the obligations of the developer, Schertz 1518, Ltd. and the entities.

In 2015, as a result of the economic downturn the developer sought and the City approved Ordinance 15-R-80 amending the Development Agreement that extended the term of the TIRZ and increased the maximum contribution. This occurred also as a result of the rezoning and rebranding of the development as The Crossvine. The rezoning significantly increased the amount of open space and transformed the nature of the development. Prior to seeking County approval, a significant issue arose with regard to land use conflicts with JBSA Randolph. A large section of the TIRZ that was zoned for large lot single family development was in the Accident Potential Zone II (APZ II) and the recently updated Joint Land Use Study (JLUS) no longer recommended large residential lots in the area. As a result, the developer let lapse an option to purchase and develop this land which then allowed the owner to enter into a conservation easement thus eliminating the land use conflict. This stalled the approval process and necessitated updating the Project and Finance Plans.

The proposed amendments increase the maximum reimbursement to \$66,000,000 as a function of the increase in the cost of improvements and revenue generated by the zone. It also increases the size of the TIRZ to approximately 948

acres. It extends the TIRZ to the end of 2041. Per these amendments, the City's contribution remains at 100%, SARA's remains at 55% and Bexar County's is proposed to increase from 58% to 89%. It also includes the maximum portion of the \$66,000,000 each entity will contribute - City of Schertz \$47,190,000; SARA \$990,000; and Bexar County \$17,820,000. Other amendments include: adjusting the developer's contribution to the Fire Station to \$500,000 and indicating the City can use any of those funds for other purposes, the developer agreeing that the tract of land on Ware Seguin Road dedicated to the City for a Fire Station can be used for any purpose. Finally, the developer is required to dedicate and additional 1 acre tract next to the current Fire Station on Lower Seguin Road to the City. Other changes have been made as outlined in the attachment, but one of note is that the developer must impose the architectural restrictions that were in the zoning but can no longer be enforced by the City due to changes in State Law.

Finally, a significant factor in increasing the term of the agreement is to account for the substantial number of exemptions in the area. In 2015 the assessed value (the part that pays property taxes) was 92% of the determined market value. As of 2019 that had declined to 76%. This means the TIRZ is not generating the anticipated revenue to be paid to the developer for the cost of improvements. By extending the term, it allows more time for the developer to potentially be reimbursed, though there is no guarantee of that.

The TIRZ Board unanimously recommended approval of the amendments at their August 21, 2020, meeting.

#### **GOAL**

Provide for the continued high quality of development in the TIRZ by responding to changing economic and land use conflicts by amending the documents.

#### **COMMUNITY BENEFIT**

The approval of the amendments allows for the orderly and high quality development of the area. It also provides additional land near Fire Station #3 that can be used for an expansion of City facilities and allows the tract of land owned by the City and dedicated by the developer to be used for any purpose the City desires.

#### **SUMMARY OF RECOMMENDED ACTION**

Approval of Resolution 20-R-107 authorizing the amendments to the Development Agreement, Project/Financing Plan and Interlocal Agreements for TIRZ #2.

#### **FISCAL IMPACT**

The amendment increases the maximum City contribution until the end of 2041 to \$47,190,000, but only if the TIRZ generates that amount of revenue.

#### **RECOMMENDATION**

Approval of Resolution 20-R-107.

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#### **Attachments**

Resolution 20-R-107  
 Change Overview  
 Project Financing Plan  
 Development Agreement  
 Interlocal Agreement  
 Crossvine Update

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