

City of San Marcos

City Council Work Session

October 20, 2020

Presentation Item 1

Receive a Staff presentation, hold discussion, and receive direction from the City Council regarding the review and evaluation of the effectiveness of financial incentives as it relates to residential development (Resolution 2015-165R).

Resolution No. 2015-165R (11/17/2015)

- City approved or facilitated financial incentives for residential projects:
 - Blanco Vista
 - Kissing Tree (Paso Robles)
 - Trace (Highpointe)
 - La Cima
 - Whisper
- An estimated 9,800 units are to be constructed within these developments
- Moratorium was placed on any further financial incentives for future residential development to allow the City to see how the market responds.
- Resolution expires 11/17/2020 – Even though it expires at this time, the City Council still has to approve new incentives.

Residential Units Per Subdivision

Subdivision	Units
Blanco Vista	1,800
Kissing Tree (Paso Robles)	3,400
Trace (Highpointe)	1,300
La Cima	2,800
Whisper	500
TOTAL	9,800

Not All Financial Incentives Are Created Equal

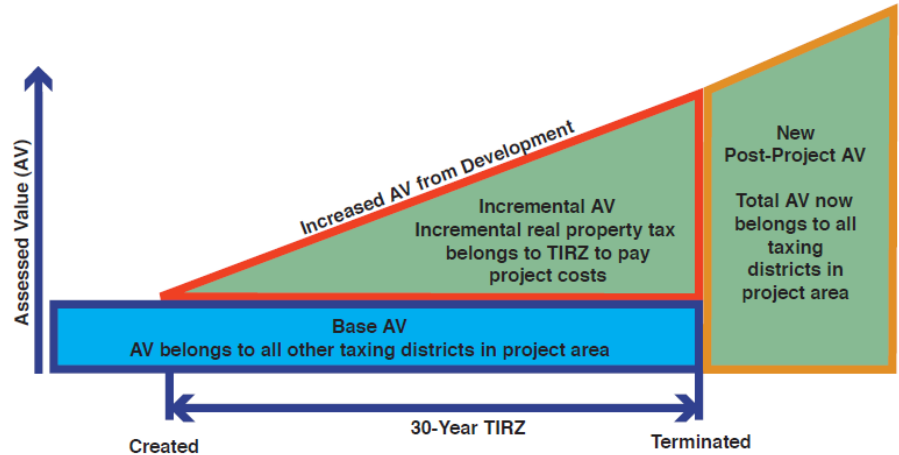
- **Public Improvement District (PID)**
 - Created to levy and collect special assessments on property within a district.
- **Tax Increment Reinvestment Zone (TIRZ)**
 - Captures the increase in tax revenue that is created by development within an area and reinvests those funds into public improvements and development projects that benefit the zone.
- **Chapter 380**
 - Provides grants/loans at little or no cost to promote economic development.

Public Improvement Districts (PID)

- **Assessment levied on property within the District (no impact on taxpayers outside of District)**
- **City keeps 100% of current and future tax revenue**
- **PID Bonds can be issued early in the process, allowing developers to install significant infrastructure upfront**
- **City Council serves as the de facto “Board” of the PID**
- **PID Bonds are limited obligations payable solely from the pledged revenues**

Tax Increment Reinvestment Zones (TIRZ)

“It should be noted that all taxing entities are shielded from risk in that the developer provides the initial funding for the proposed infrastructure projects and only receives reimbursement from the TIRZ when and if increment is created by the project. The sole source of reimbursement to the developer is the new real property tax revenue (increment) generated by the development itself.” - Blanco Vista TIRZ Project and Financing Plan



Blanco Vista

- Tax Increment Investment Zone No. 2 created in 2006
- \$7.8 million railroad overpass on Yarrington Road with Union Pacific Railroad Tracks
- Developer paid upfront for the costs to construct the overpass
- Developer reimbursed for actual costs, plus interest, with TIRZ revenue
 - County 50% TIRZ participation up to \$1.0 million
 - City 100% TIRZ participation



Kissing Tree (Paso Robles)

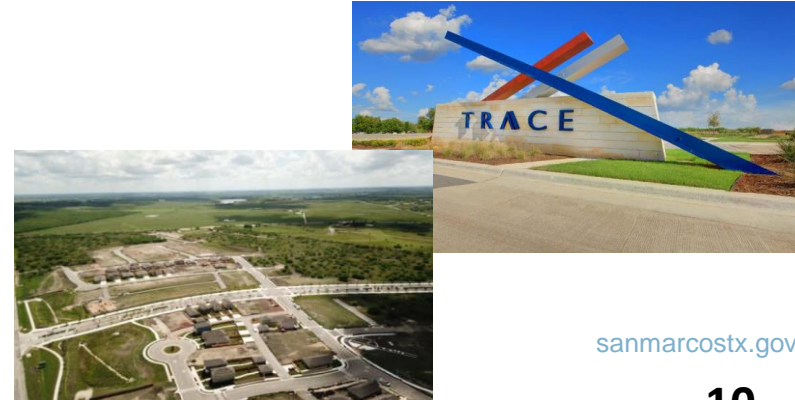
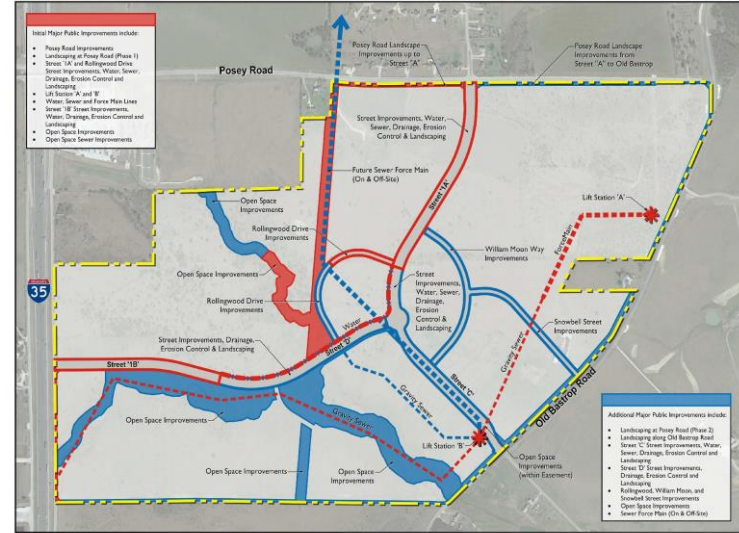
- Tax Increment Investment Zone No. 4 created in 2011
- Developer paid upfront for the costs to construct the regional improvements
- Developer reimbursed for actual costs, plus interest, with TIRZ revenue up to \$20.0 million, plus interest costs
 - County 10% TIRZ participation (~ \$3.3 million)
 - City 40% TIRZ participation (~ \$16.7 million)
 - Total reimbursement to developer capped at \$20 million, but split between City/County will vary based on adopted tax rates

ITEM	PROJECTS	ESTIMATED ZONE NO. 4 PROJECT COSTS	ESTIMATED NON-ZONE NO. 4 PROJECT COSTS
WATER			
1	Hunter Road Water Lines	\$ 2,088,180	-----
2	Soyars Tank Upgrades	\$ 2,303,910	-----
3	Trunk Hill Tank	\$ 862,500	-----
4	Trunk Hill Pumps	\$ 345,000	-----
5	McCarty Tank Pumps	\$ 800,000	-----
6	Regional Water Line Infrastructure	\$ 3,249,870	-----
WASTEWATER			
1	Regional Offsite Improvements	\$ 1,837,000	-----
ROADS/DRAINAGE			
1	Centerpoint Extension	\$ 7,828,540	-----
2	Hunter Road Intersection Improvements	\$ 500,000	-----
3	Hunter Road Right-Of-Way 2.1 acres South of Centerpoint Road, East side of Hunter Road	\$ 183,000	-----
4	Entry Feature	-----	\$ 1,425,000.00
5	Bridge	-----	\$ 2,500,000.00
6	Bridge Element	-----	\$ 50,000.00
7	Golf Cart Tunnel	-----	\$ 250,000.00
8	TxDOT Signals, Striping	-----	\$ 500,000.00
9	Major Boulevard	-----	\$15,055,977.98
10	Landscaping	-----	\$ 7,539,718.00
11	Consulting Fees	-----	\$ 4,098,104.40
RECLAIMED WATER LINE			
1	Reclaimed Water Line	\$ 2,185,000	-----
LOT DEVELOPMENT			
1	Lot Development	-----	\$39,729,010.88
2	Consulting Fees	-----	\$ 5,959,351.63
TOTAL ESTIMATED PROJECT COSTS:		\$ 22,183,000*	\$77,107,162.89

* The total reimbursable amount to the Developer through TIRZ No. 4 tax increment revenues will be limited to \$20,000,000 for all Zone No. 4 Projects including any interest costs related to any listed Zone No. 4 Project.

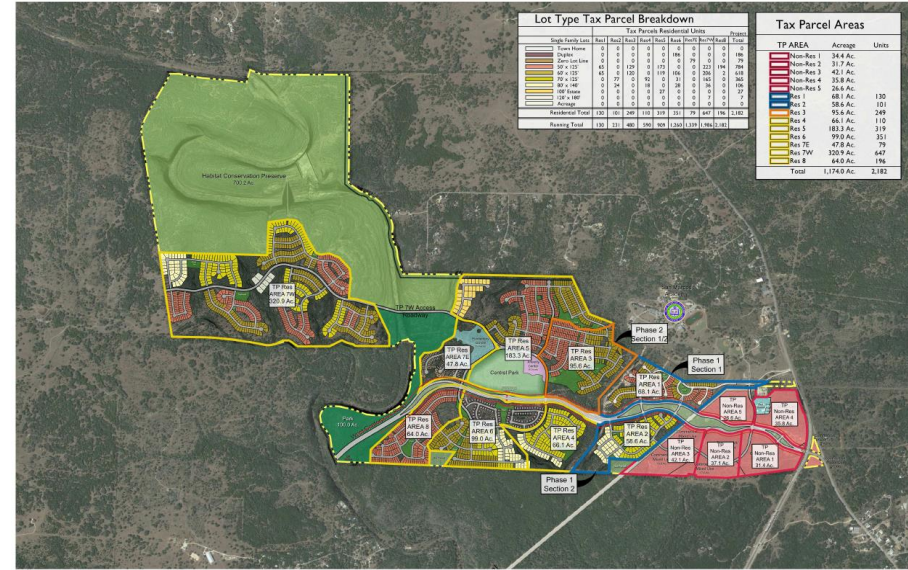
Trace (Highpoint)

- Trace Public Improvement District
- \$11,885,000 PID Bonds issued January 2019
- \$10,115,000 Reimbursement Obligation to developer (RO to be refunded with future PID Bonds)
- Homeowners pay an average equivalent tax rate of approximately \$0.34 per \$100/assessed value
- Average annual installment for homeowners of approximately \$650 - \$900 per year



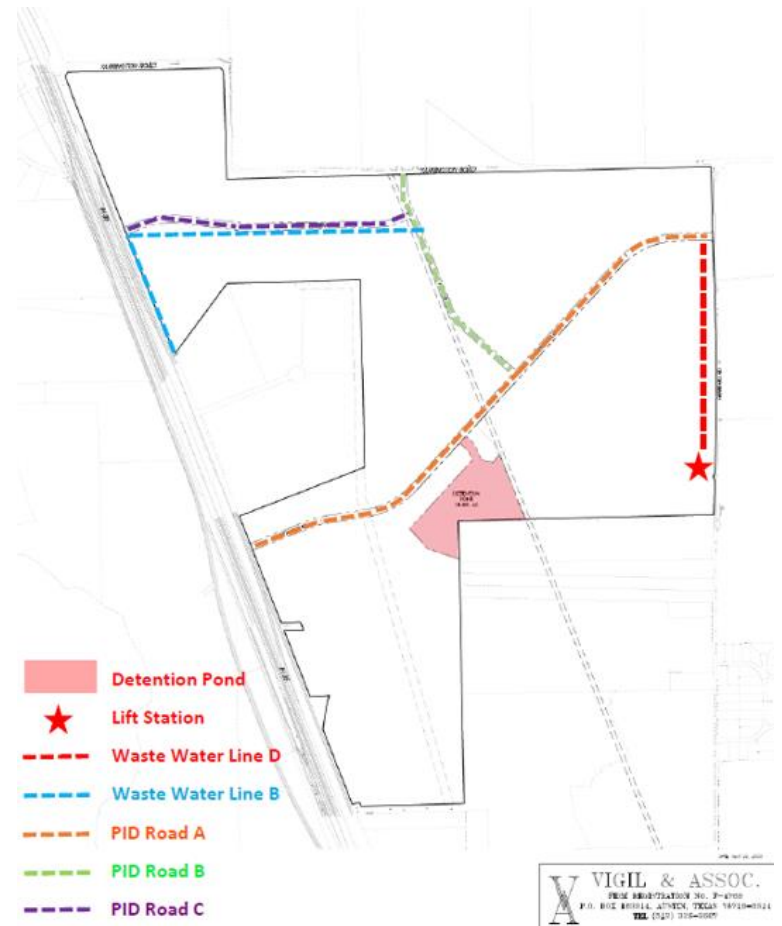
La Cima

- La Cima Public Improvement District (Hays County)
- \$19,200,000 PID Bonds issued August 2015
- \$9,345,000 PID Bonds expected to be issued November 2020
- Upon completion of project, an estimated \$86.7 million of PID bonds will be issued
- Average annual installment for homeowners of approximately \$1,600 - \$2,750 per year



Whisper

- Whisper Public Improvement District
- \$14,300,000 PID Bonds issued June 2020
- Property owners pay an average equivalent tax rate of ~ \$0.16 per \$100/assessed value
- Average annual installment for homeowners of approximately \$375 per year



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Residential Units and Value Per Year by Subdivision

(as of end of 2019)

	Units in Subdivision	Remaining Units (Capacity)	Subdivision Value
Blanco Vista	1,800	705	\$172,005,245
Kissing Tree (Paso Robles)	3,400	3,041	\$84,520,970
Trace (Highpointe)	1,300	1,153	\$21,554,380
La Cima	2,800	2,714	\$17,678,687
Whisper	500	500	\$0
TOTAL	9,800	8,113	\$295,759,282

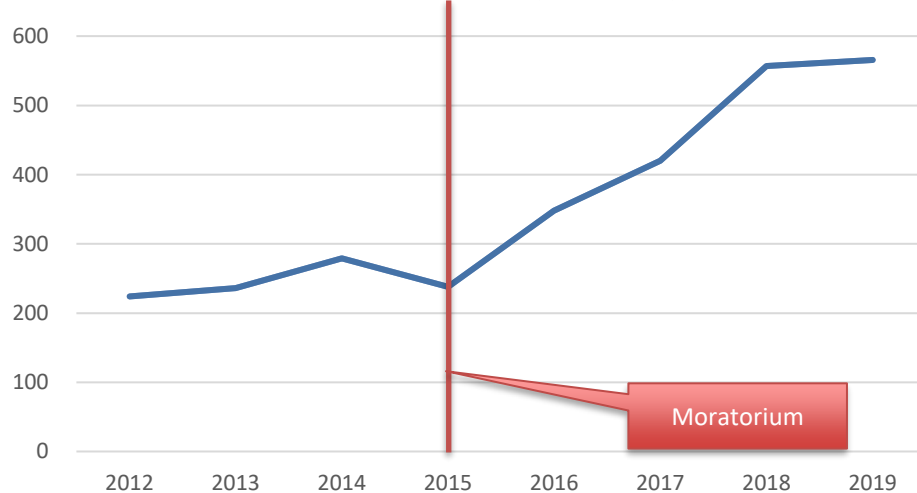
Residential Units and Value Per Year Overall (as of end of 2019)

	2012-2015	2016-2019	Difference
Units Built Per Year (Single-Family)	244	473	229
Construction Value Per Year (Single-Family)	\$35,922,653	\$81,020,865	\$45,098,212
Units Built Per Year (Multi-Family)*	879	286	-593
Construction Value Per Year (Multi-Family)	\$56,946,260	\$34,100,571	-\$22,845,690
Units Built Per Year (Total)	1,123	759	-365
Construction Value Per Year (Total)	\$92,868,913	\$115,121,435	\$22,252,522

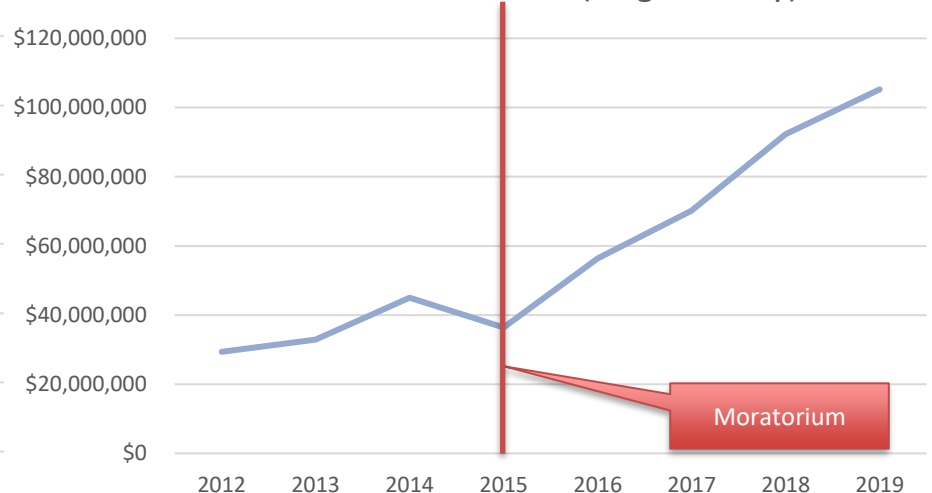
* 3,376 multi-family units are either under construction or slated for future development.

Residential Units and Value Per Year Overall (as of end of 2019)

Units Per Year (Single Family)



Construction Value Per Year (Single Family)



Population

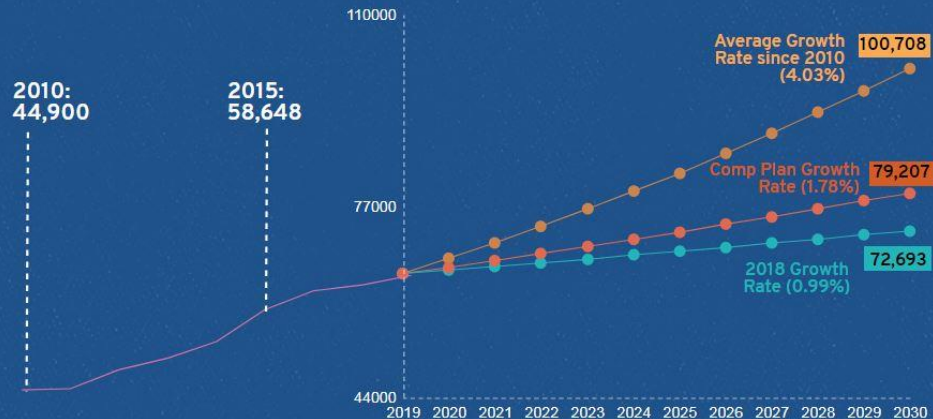
Population Growth



Source: City of San Marcos, US Census Data

Future Population Estimates

2030 Population Projections

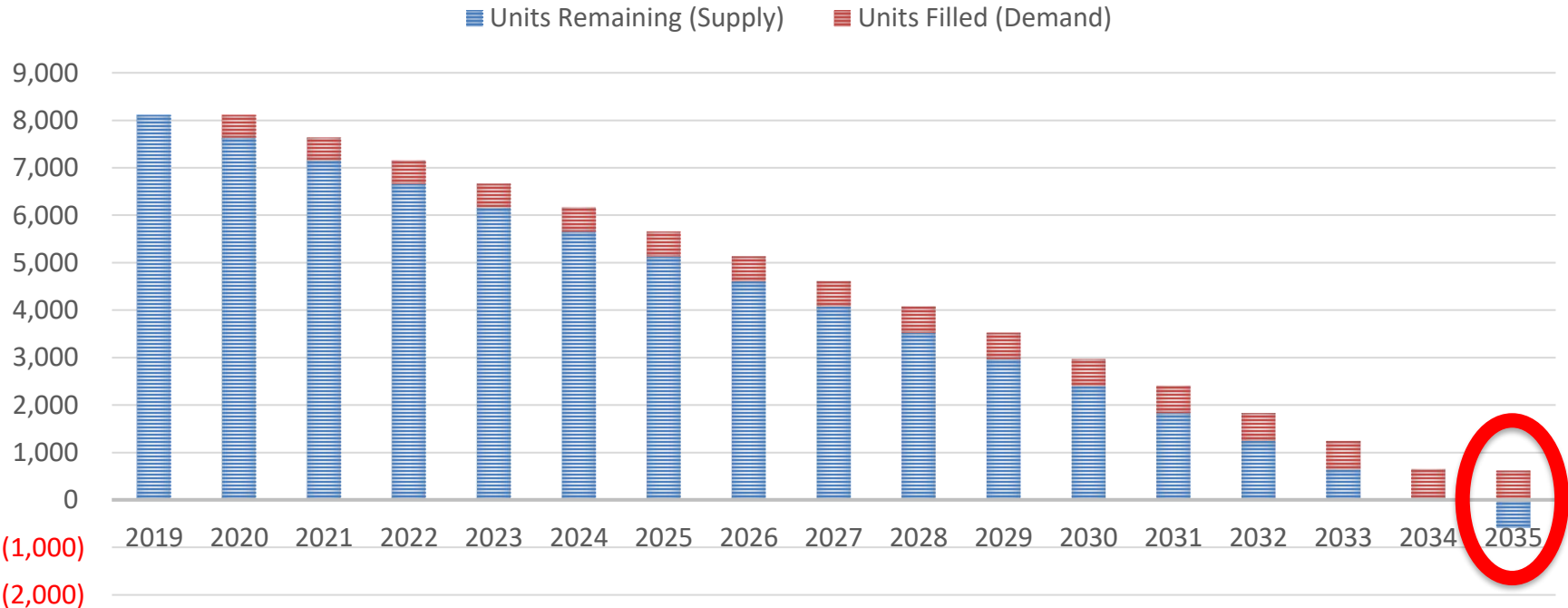


Source: City of San Marcos Population Estimates (Conducted 2019)

Summary of Capacity

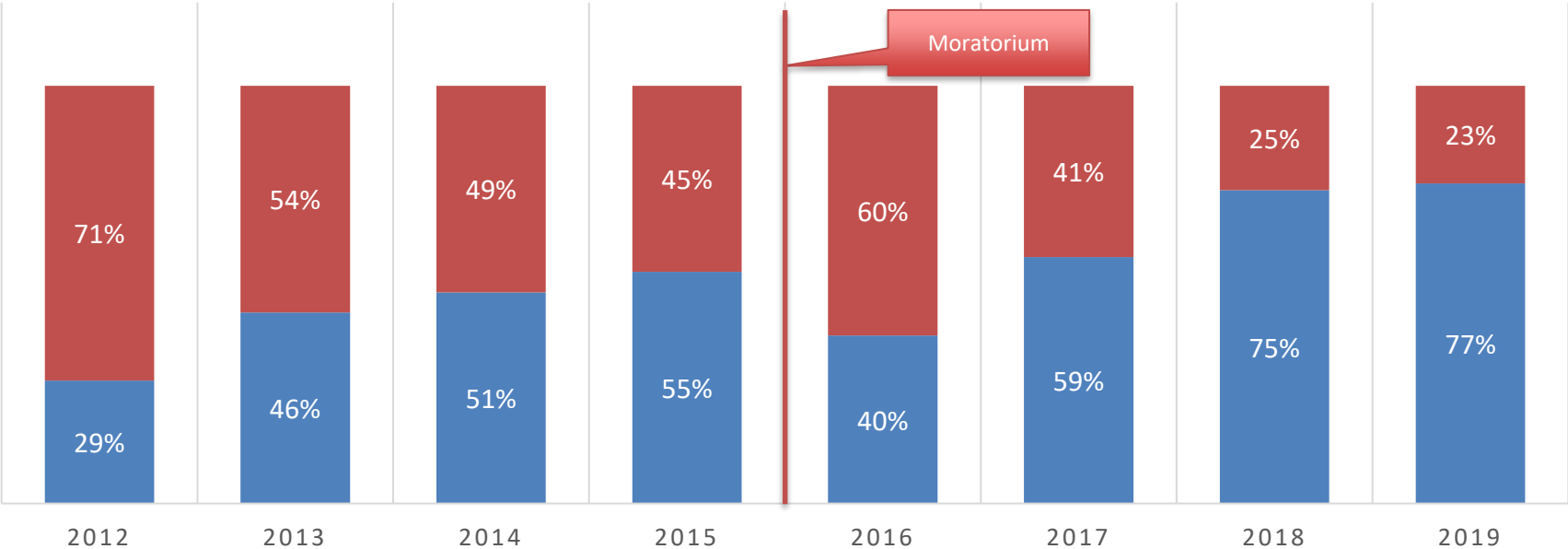
- An additional 229 single family units were constructed per year for the years 2016-2019 (mainly after incentivized developments), versus for the years 2012-2015 (mainly prior to incentivized developments).
- Of the 9,800 units that have been approved through the residential incentives, 1,687 units have been constructed, leaving 8,113 units still available.
- 8,113 units multiplied by the average household size of 2.43, equates to room for an additional 19,715 people within the city, within these five developments.
- Current population is 64,776.
- Comprehensive Plan projected growth rate by 2030 is 79,207 or 1.78% per year.
- Based on the Comprehensive Plan growth rate of 1.78% per year, these five developments would have enough capacity for over 10 years.
 - $64,776 + 19,715 = 84,491$ (supply) vs. 79,207 (demand)

UNITS AVAILABLE WITHIN THE FIVE NOTED DEVELOPMENTS



PERCENTAGE OF UNITS DEVELOPED

■ Inside of Incentivized Subdivisions ■ Outside of Incentivized Subdivisions



Potential Options

1. **Extend the moratorium on incentives for residential developments for a certain period of time.**
2. **Allow the moratorium to expire and evaluate projects on a case-by-case basis.**
3. **Allow the Comprehensive Plan to drive decision-making on future developments and requests for incentives.**
4. **Other options?**

Staff Recommendation

- In the shorter-term (next 1-2 years), allow the moratorium to expire and evaluate projects on a case-by-case basis.
- In the longer-term (beyond 2 years), use the newly adopted Comprehensive Plan to develop an incentive policy that addresses the use of financial incentives based on the vision, goals, objectives, and policies identified in the Comprehensive Plan.
 - For example, specific types like workforce housing, or specific locations.

City Council Direction Sought