

Annexation Program Update

Presented by Peter Zanoni, Deputy City Manager

City Council "B" Session

June 15, 2016



City of San Antonio, Texas

Overview



- Annexation Benefits
- Council Approved Annexation Plan
- SA Tomorrow Comprehensive Plan Annexation Review
- City Manager Annexation Technical Work Group
- Staff Recommendation
- Timeline

Annexation Benefits

City Council Adopted Policy & Comprehensive Plan
Work Team Analysis



Finances urban level services
and capital projects

3



Promotes economic growth

Annexation Benefits

City Council Adopted Policy & Comprehensive Plan
Work Team Analysis



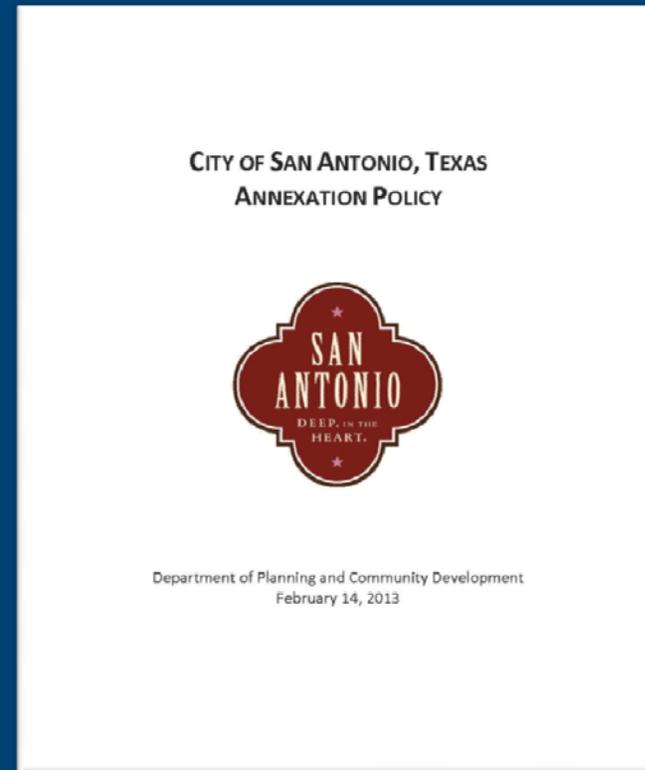
Protects future development



Protects military
installations

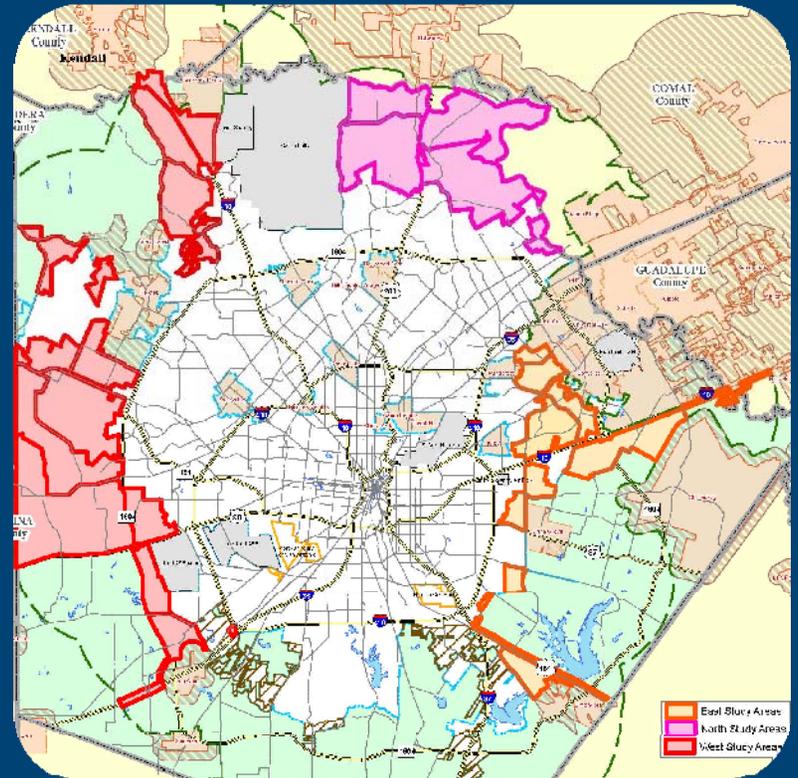
Council Approved Annexation Plan

- **2012:** City Council requested update of City's Annexation Policy
- **2013:** City Council adopted an updated Annexation Policy
- **April 2014:** City Council presented with 30 areas for potential annexation consistent with approved Annexation Policy



Council Approved Annexation Plan Cont.

- **June 2014:** City Council prioritized top 5 areas for Annexation
- **Summer/Early Fall 2014:** City Council added resources to support annexation program as part of FY 2015 Budget
- **December 2014:** City Council directed staff to initiate annexation to five priority areas



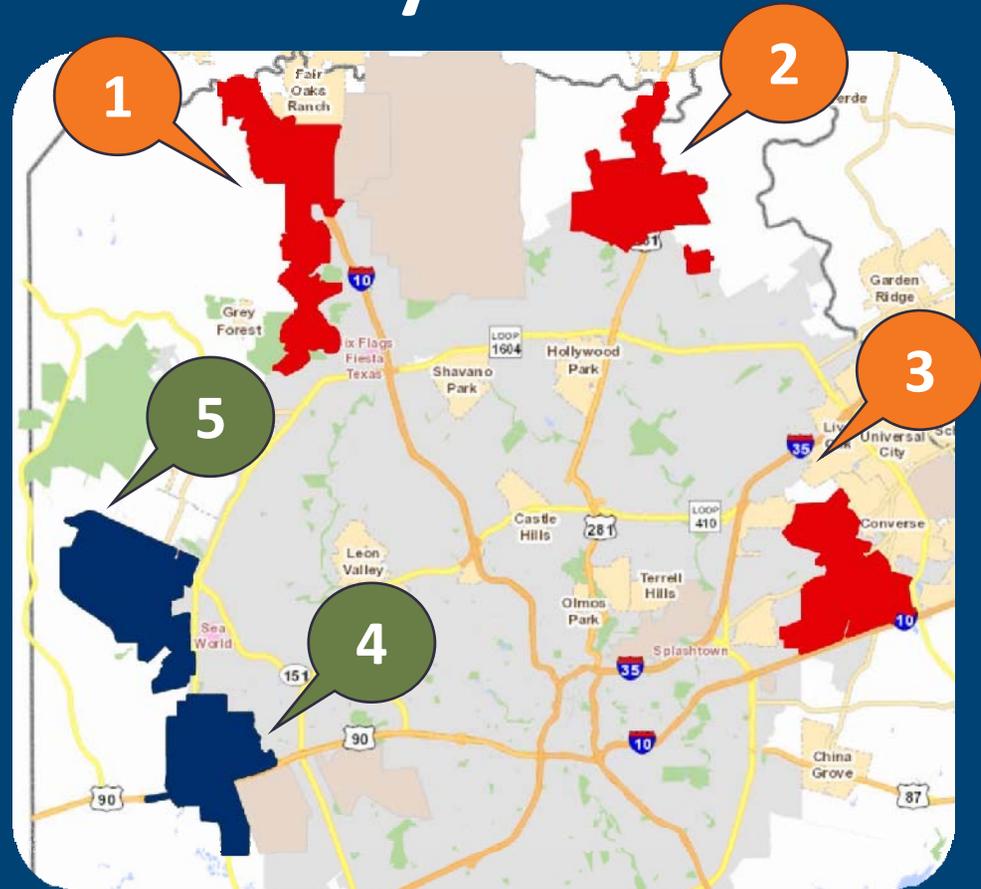
Annexation 360 Priority Areas

Phase I (FY 2015)

1. IH-10 West
2. 281 North
3. IH-10 East

Phase II (FY 2016)

4. US 90/1604
5. HWY 151



Annexation Program Status

- Public input on Phase I began Spring/Summer of 2015
- City Council requested additional scenarios to be considered
 - ✓ Commercial Corridors only
 - ✓ Non-annexation agreements for residential areas
- Phase I
 - ✓ Annexation consideration delayed to Mid-2016 to coincide with Comprehensive Plan
- Phase II
 - ✓ Fiscal impact analysis completed – staff will continue to study area

IH-10 WEST OVERVIEW

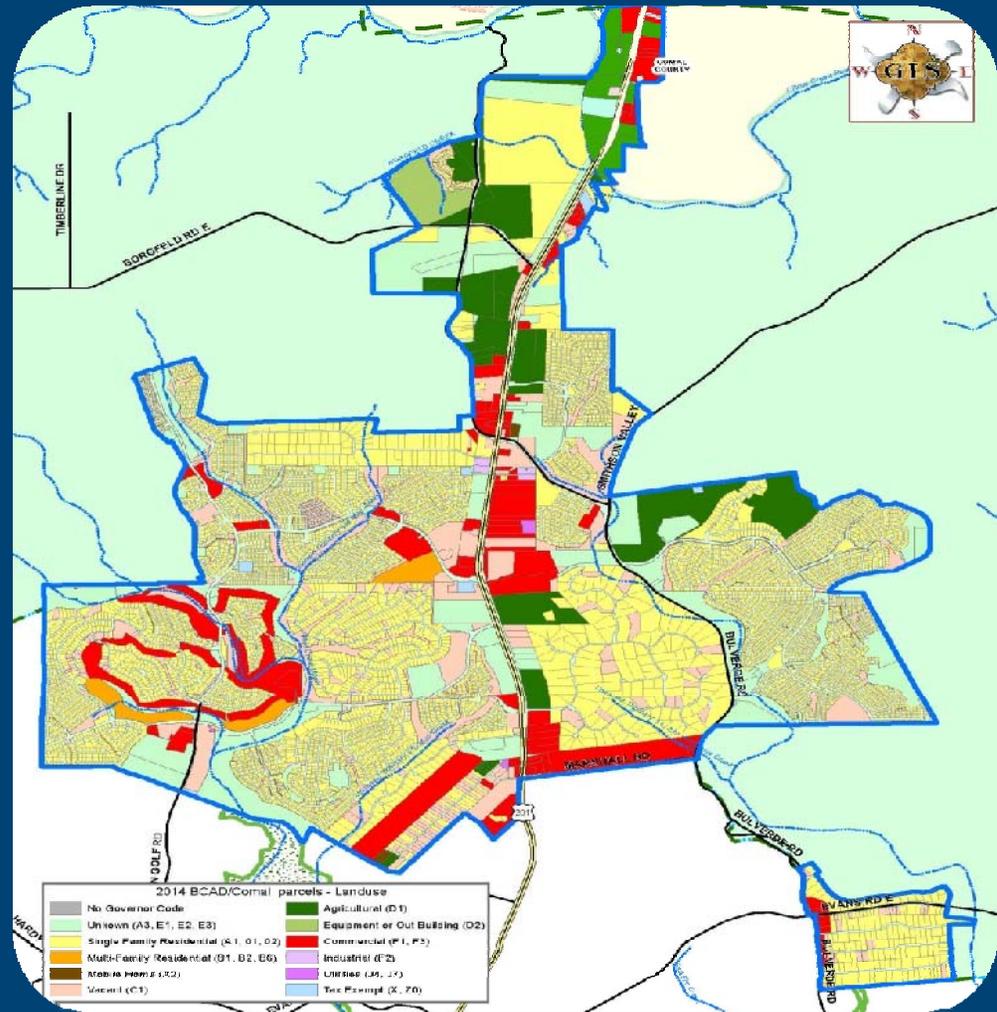
AREA DETAILS

	Year 1	Year 20
Area in Sq. Miles	14.91	14.91
Population	12,871	21,784
Residential Homes	4,032	7,752
Multifamily Acres	49	77
Commercial Acres	573	653

EXISTING PROPERTY VALUES

Median Home Value	Multifamily Value Per Acre	Commercial Value Per Acre
\$287,610	\$2,125,843	\$158,082

US 281 North



281 North Overview

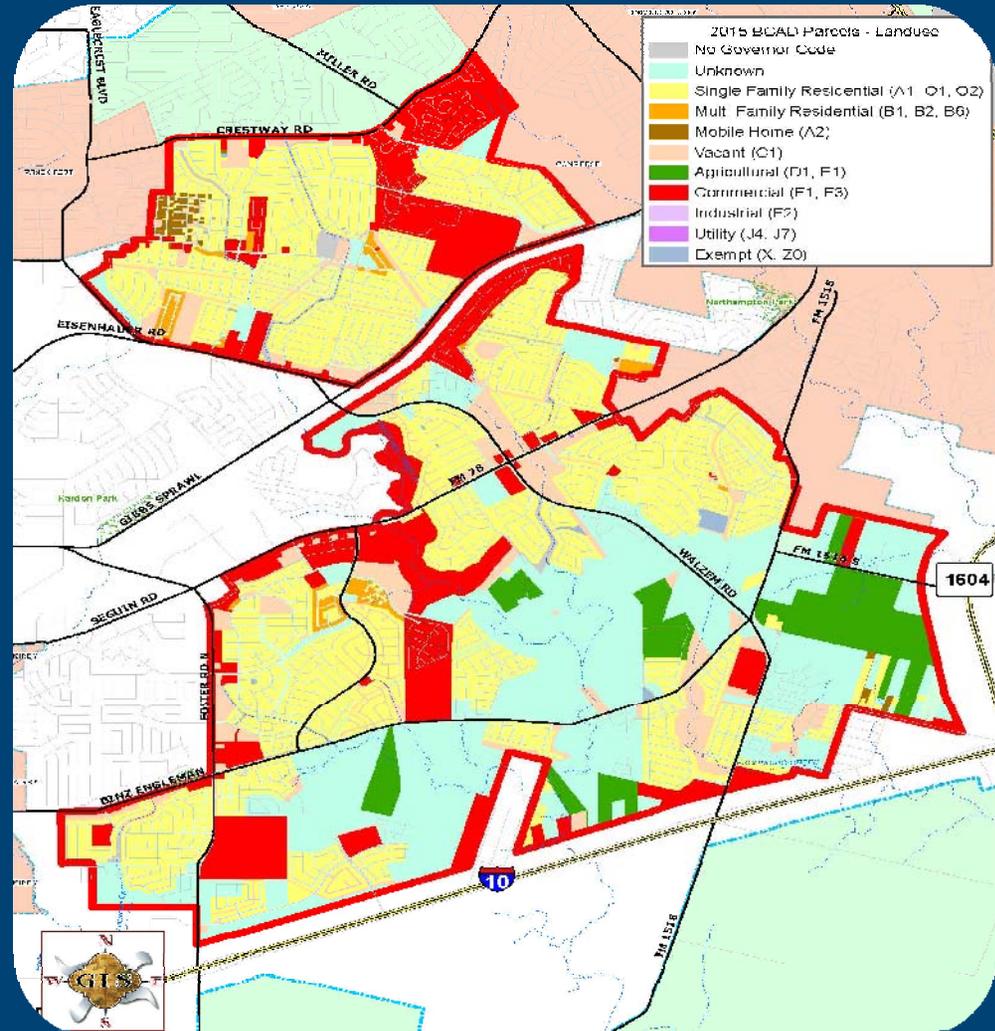
AREA DETAILS

	Year 1	Year 20
Area in Sq. Miles	11.89	11.89
Population	24,936	46,844
Residential Homes	8,610	16,095
Multifamily Acres	77	155
Commercial Acres	624	1,163

EXISTING PROPERTY VALUES

Median Home Value	Multifamily Value Per Acre	Commercial Value Per Acre
\$227,365	\$2,112,139	\$207,418

IH-10 East



IH-10 East Overview

AREA DETAILS

	Year 1	Year 20
Area in Sq. Miles	11.73	11.73
Population	40,352	46,742
Residential Homes	13,831	17,246
Multifamily Acres	76	77
Commercial Acres	1,209	1,439

EXISTING PROPERTY VALUES

Median Home Value	Multifamily Value Per Acre	Commercial Value Per Acre
\$85,920	\$665,790	\$133,266

HWY 151 Overview

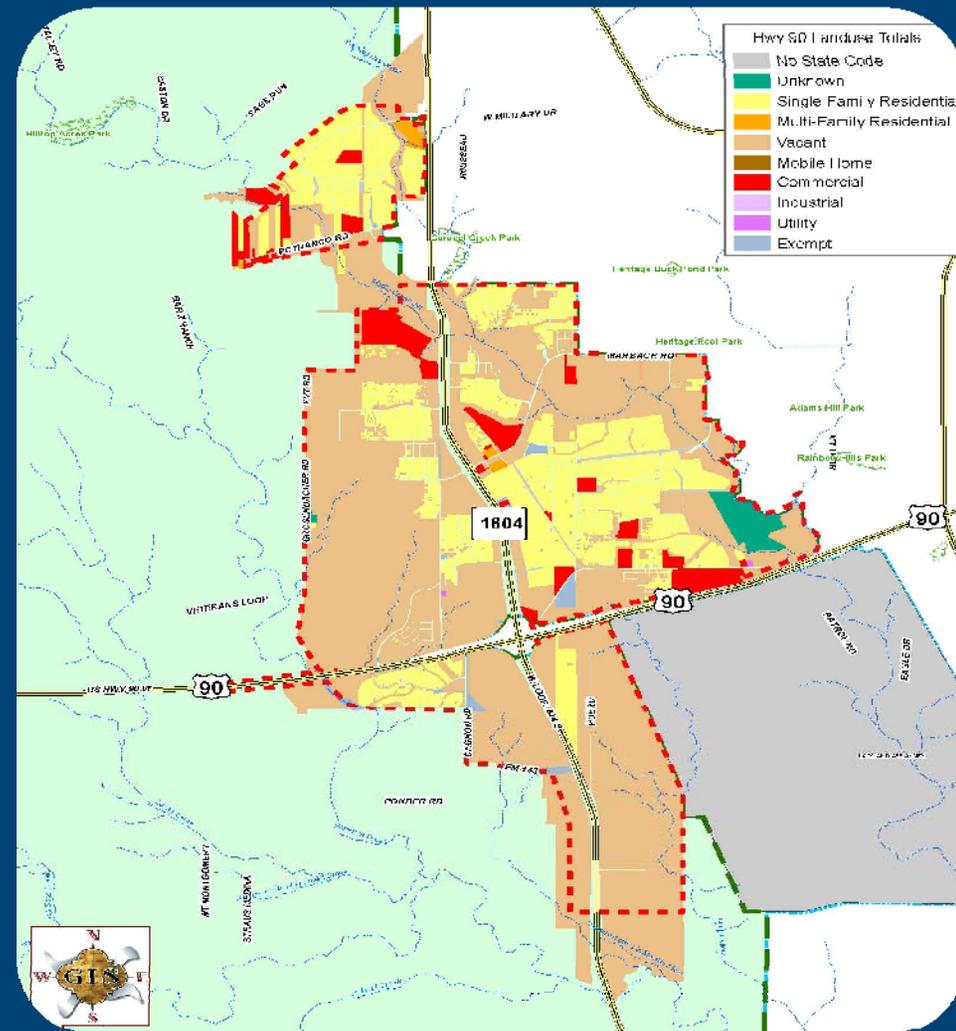
AREA DETAILS

	Year 1	Year 20
Area in Sq. Miles	14	14
Population	8,951	42,955
Residential Homes	4,139	16,521
Multifamily Acres	17	276
Commercial Acres	490	1,091

EXISTING PROPERTY VALUE

Median Home Value	Multifamily Value Per Acre	Commercial Value Per Acre
\$226,750	\$1,967,829	\$48,370

HWY 90/Loop 1604 (Lackland AFB Area)



HWY 90 Overview

AREA DETAILS

	Year 1	Year 20
Area in Sq. Miles	13	13
Population	30,407	54,302
Residential Homes	11,172	20,813
Multifamily Acres	31	65
Commercial Acres	383	838

EXISTING PROPERTY VALUE

Median Home Value	Multifamily Value Per Acre	Commercial Value Per Acre
\$105,670	\$542,423	\$90,393

Annexation within SA Tomorrow Comprehensive Plan Development

- 3 meetings with members from 5 of 9 Technical Working Groups
- Meeting 1: focused on validation of City Council approved annexation policies
- Meeting 2: focused on implications of annexing or not annexing
- Meeting 3: focused on pros and cons of annexing City Council identified priority areas



Finding of SA Tomorrow Work Groups: IH-10 West

- Major opportunity for more tax revenue
- Help to control and manage growth
- Would protect aquifer, greenways, and military installations
- Traffic and connectivity requirements for the area a concern



Finding of SA Tomorrow Work Groups: 281 North

- Major opportunity for more tax revenue
- Would protect aquifer and greenways
- Traffic and connectivity requirements for the area a concern
- Citizen opposition a major concern



Finding of SA Tomorrow Work Groups: IH-10 East

- Would provide underserved area with urban amenities
- Supported by current residents
- Cost to city for services a major concern



City Manager Annexation Technical Work Group

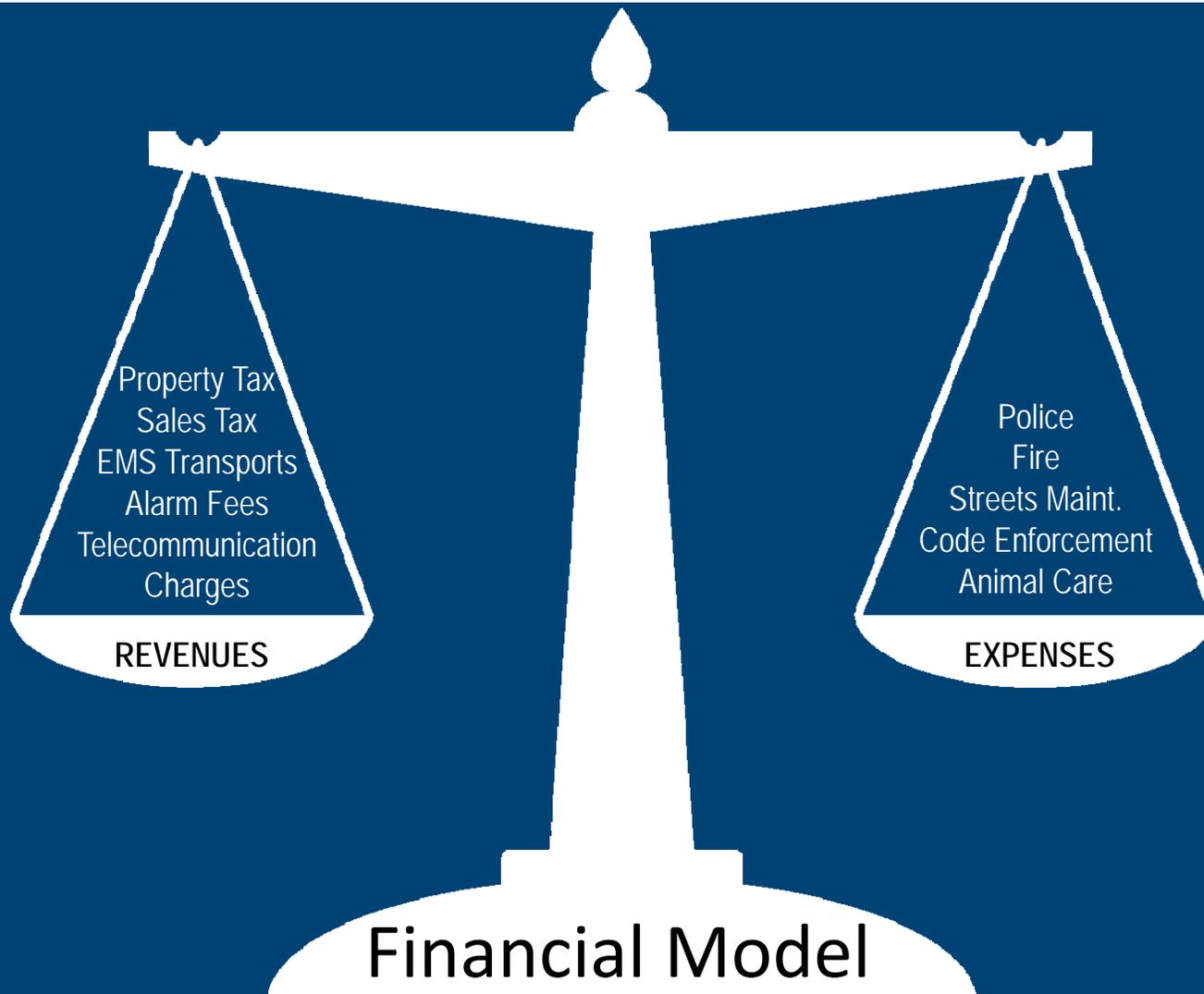


Work Group Members

- Roger Arriaga
- Dr. Afamia Elnakat
- Laurie Griffith
- Jennifer Martinez
- Lew Moorman
- Dr. Steve Nivin
- Steve Patmon

Work Group Charge

Review and provide input on City staff's assumptions for 3 annexation areas within 20-Year Financial Annexation Impact Study



Capital Infrastructure Cost

(\$ in Millions)

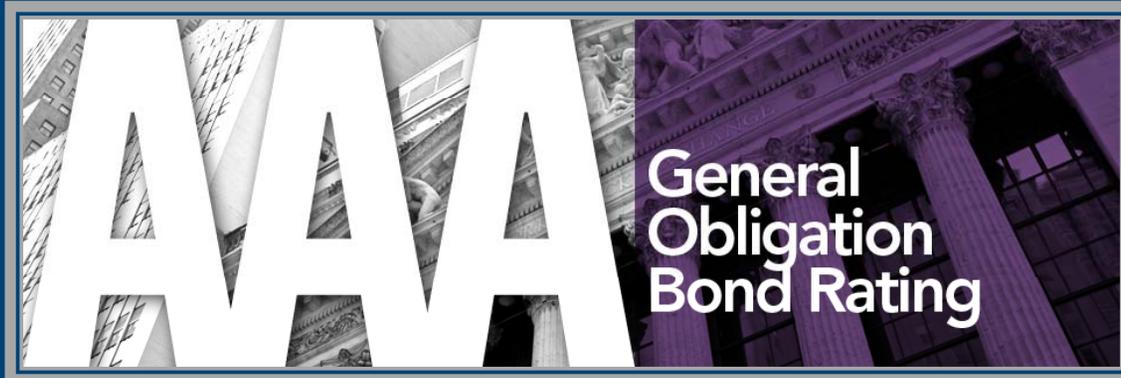
Service Category	IH-10 West	281 North	IH-10 East	Combined
Fire Stations	\$8.9	\$9.3	\$8.4	\$26.6
Streets, Sidewalks, & Drainage	\$69.1	\$28.8	\$99.1	\$197.0
Animal Care Facility, Parks, and Libraries	\$5.1	\$4.1	\$21.2	\$30.3
Total Need	\$83.1	\$42.2	\$128.7	\$253.9



Projected 20-Year Debt Capacity from Property Tax

(\$ in Millions)

Base Model	Model Replicating Growth from 1998-2017
\$367.1	\$358.0



Annexation Technical Work Group Resources

- **Public Financial Management Annexation Report findings**

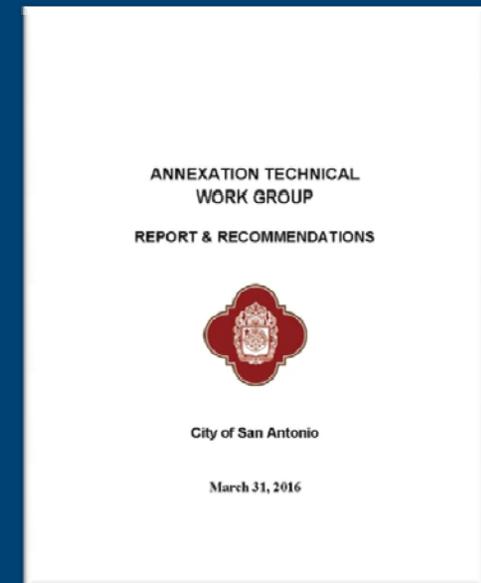
- ✓ San Antonio's fiscal impact model aligns with most national best practices
- ✓ Methodologies are amongst the most robust of all models reviewed
- ✓ Provided recommendations to enhance the City's annexation fiscal impact analysis

- **HR&A Annexation Report findings**

- ✓ May moderately underestimate costs associated with annexation
- ✓ May significantly overestimate revenues
- ✓ Does not sufficiently evaluate the risk of downside scenarios

Annexation Technical Work Group Recommendations to Financial Model

- Exclude CPS and SAWS incremental revenue on new development
- Revise Sales Tax methodology
- Include revenues for telecommunication charges
- Run alternative scenarios that generate a range of outcomes
- Include discounted cash flows



Annexation Technical Work Group Conclusions

1

- Development growth assumptions were reasonable

2

- Financial model as amended was robust

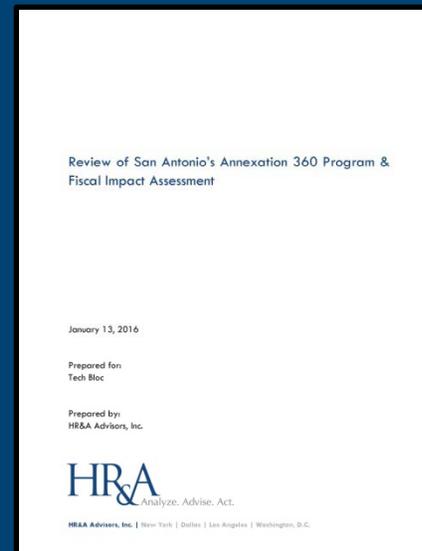
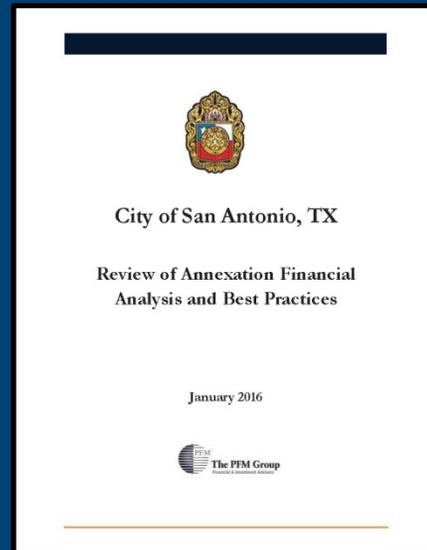
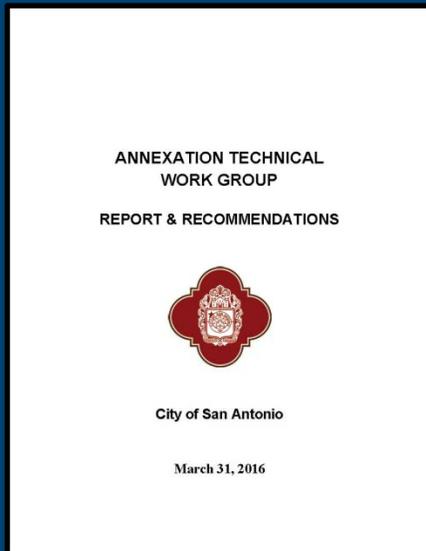
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- Financial results over 20 year period are positive for IH-10 W and US 281 N; IH-10 E is negative; in aggregate all three areas are positive

Annexation Work Group Analysis (Original Annexation Plan)

Range of 20-Year Net Operating Balance (\$ in Millions)			
		Base Model	Model Replicating Growth from 1998-2017
IH-10 West	Projected future dollars	\$96.55	\$89.92
	Discounted Cash Flow at 2.6%	\$67.17	\$62.42
US 281 North	Projected future dollars	\$106.61	\$95.66
	Discounted Cash Flow at 2.6%	\$71.56	\$63.72
IH-10 East	Projected future dollars	(\$150.40)	(\$156.10)
	Discounted Cash Flow at 2.6%	(\$112.90)	(\$117.05)
3 Areas Combined	Projected future dollars	\$52.77	\$29.48
	Discounted Cash Flow at 2.6%	\$25.83	\$9.11

Work Completed Over Past Nine Months



Updated Staff Recommendation

IH-10 West

- Commercial and residential annexation effective in December 2019

US 281 North

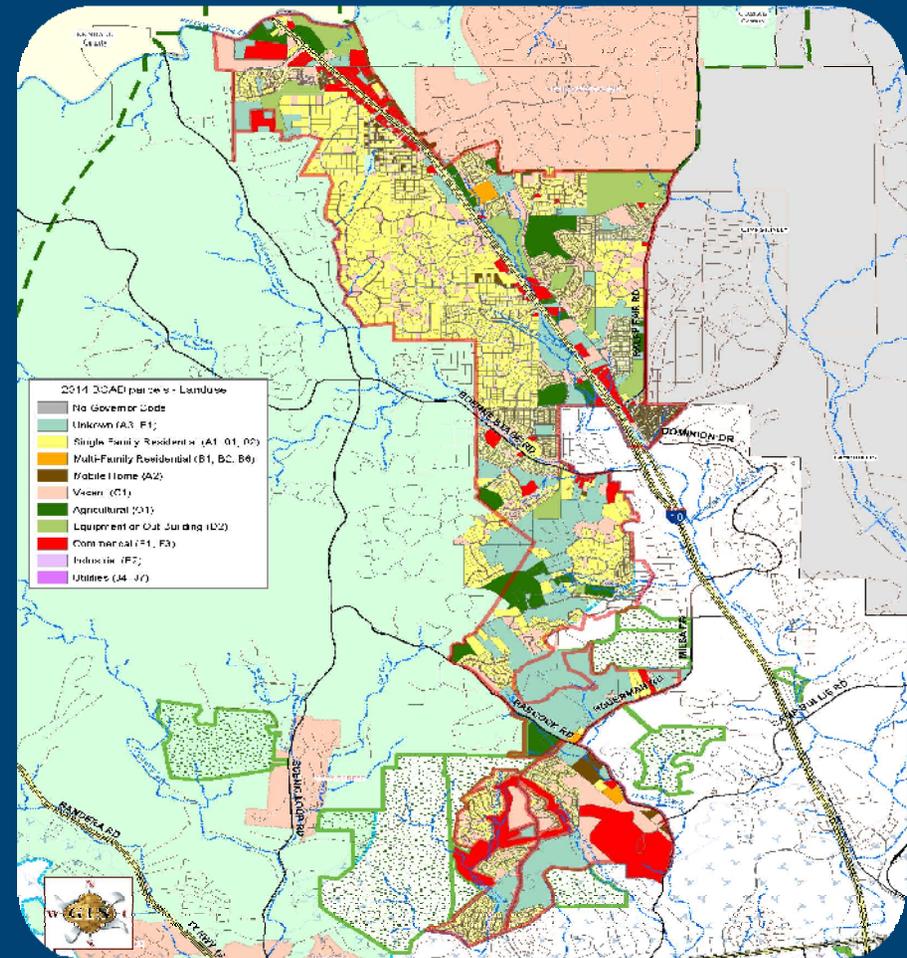
- Commercial annexation effective in 2016
- Residential annexation in 2034

IH-10 East

- No annexation
- Further develop options to address area

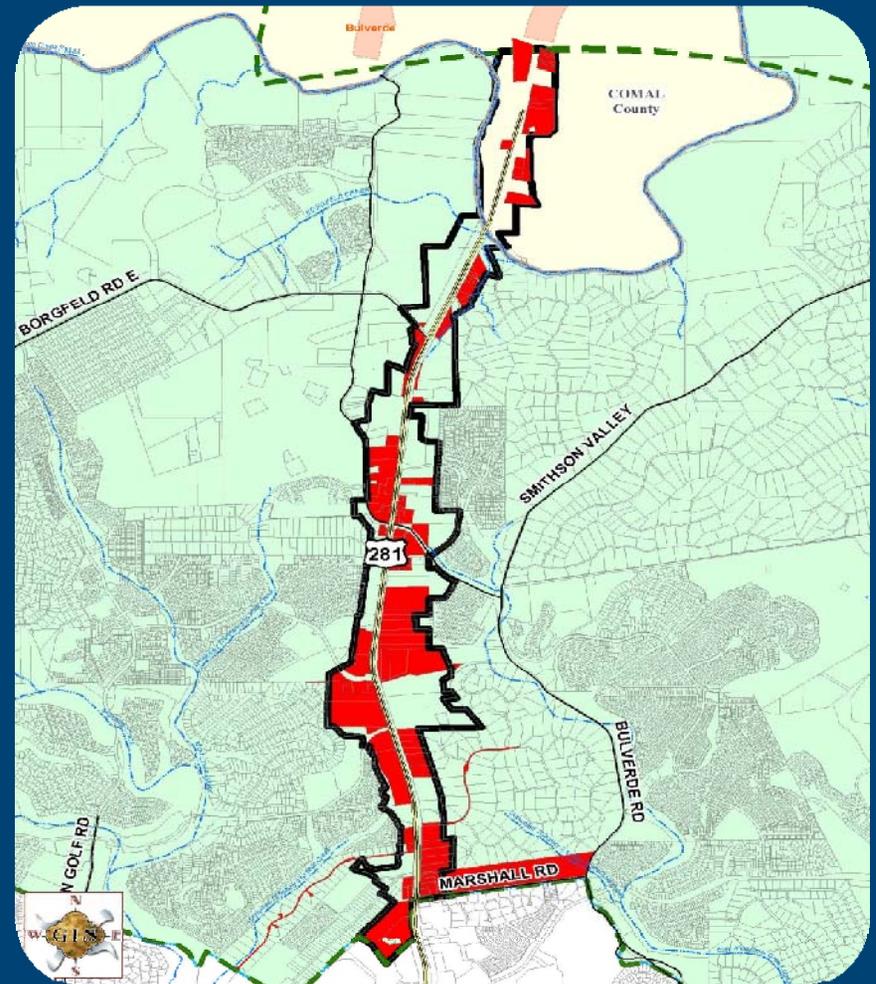
IH-10 West Both Commercial and Residential

- Place in three-year Annexation Plan in Fall 2016 through Council action
- Conduct Inventory of Services
- Develop service plan and hold 2 public hearings
- Annexation by Dec. 31, 2019



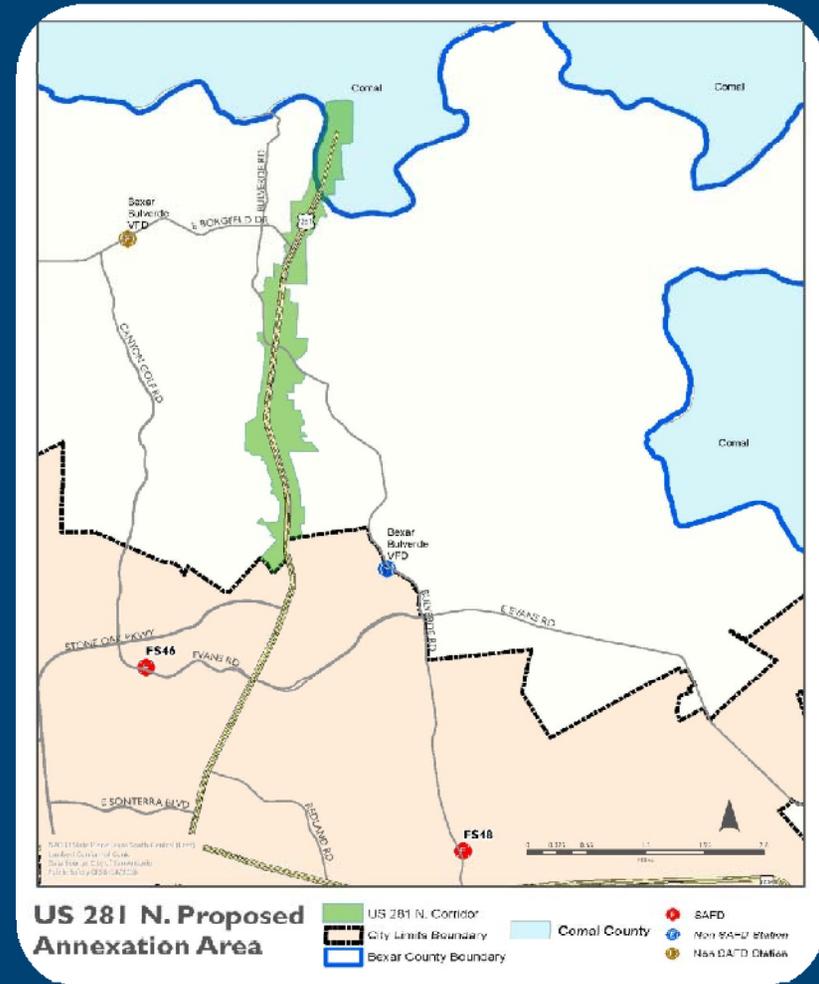
281 Commercial Corridor

- Primarily commercial and vacant tracts
- Minimum 1,000 feet
- Annexation by Dec. 31, 2016
- Contract with ESD for fire and emergency services
- Exempted from three-year annexation plan because contains fewer than 100 separate residential tracts of land
- 2 public hearings



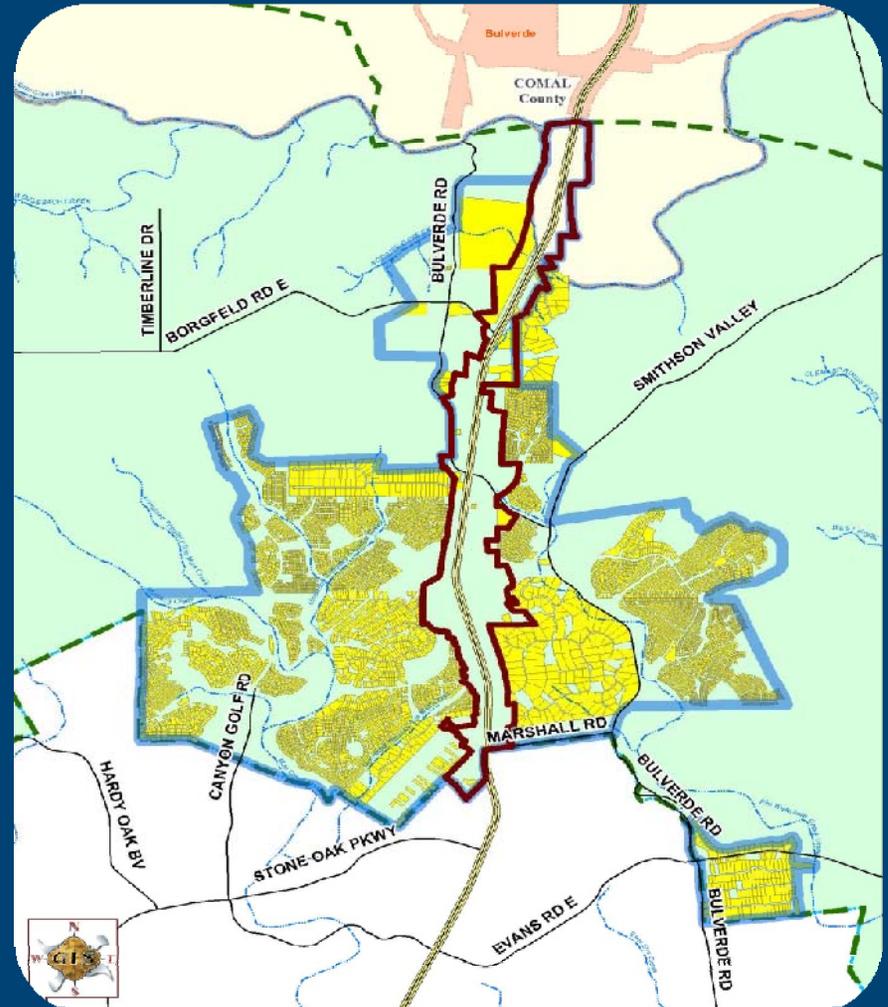
281 Commercial Corridor

- Fire and Emergency Medical Services through Emergency Services District
- City to negotiate agreement with Bexar-Bulverde Volunteer Fire Department



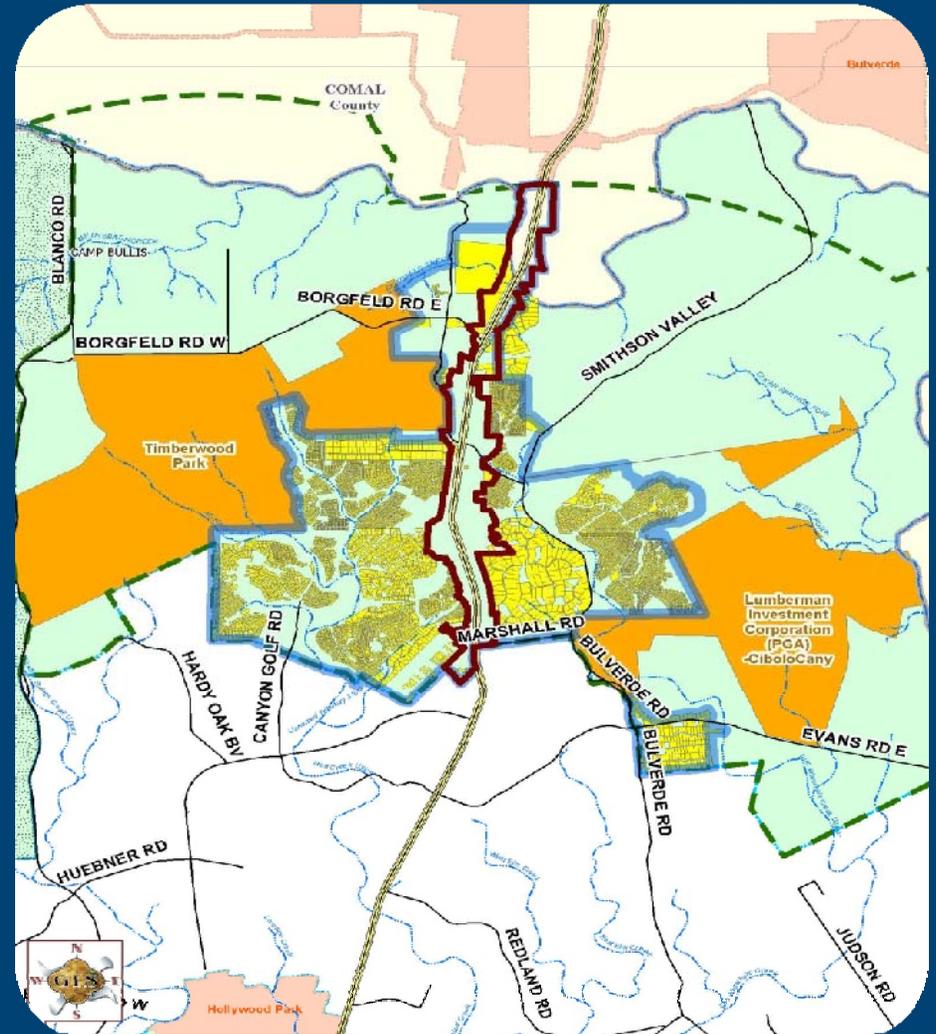
281 Residential Non-Annexation Agreement

- Residential properties represented by 15 HOAs
- Place in 3 three- year Annexation Plan in Fall 2016 through council action
- Negotiate services in lieu of annexation with annexation by 2034 through appointment of 5 representatives by Bexar County Commissioner's Court
- Conduct Inventory of Services
- Prepare service plan and hold 2 public hearings



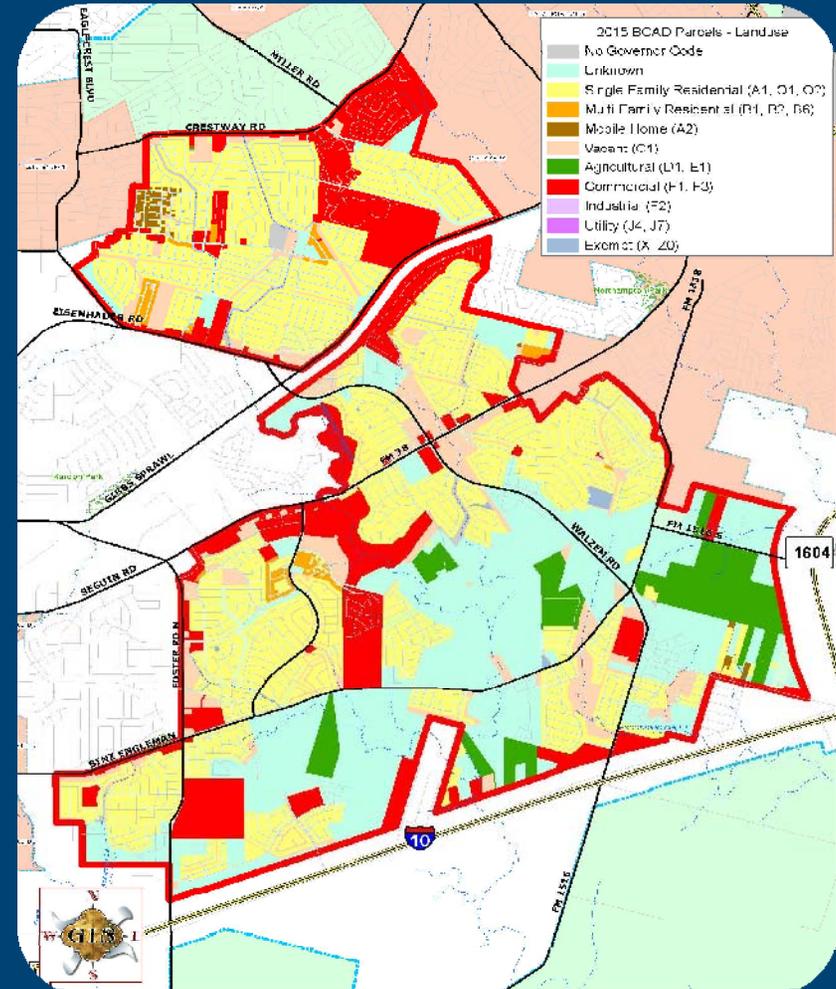
Annexation in 2034:

- 281 North Residential areas
- Timberwood Park
- Lumberman Property



IH-10 East

- No annexation at this time
- Area is not fiscally positive in 20 year fiscal analysis
- Staff to develop alternative options for area to be presented to City Council in Fall 2016
- Work with Bexar County to obtain additional authority from State
- Emergency Service Districts continue to serve residents
- Converse and Kirby have expressed interest in expanding their municipalities



Fiscal Analysis of Alternate Annexation Option

Range of 20 Year Net Operating Balance (\$ in Millions)			
		Base Model	Model Replicating Growth from 1998-2017
IH-10 West Commercial and Residential	Projected future dollars	\$96.55	\$89.92
	Discounted Cash Flow	\$67.17	\$62.42
US 281 N Commercial Only*	Projected future dollars	\$5.57	\$5.25
	Discounted Cash Flow	\$3.87	\$3.65
Two areas Combined	Projected future dollars	\$102.12	\$95.17
	Discounted Cash Flow	\$71.04	\$66.07

Next Steps/Process

August
2016

October through December
2016

2017



Council
authorizes
annexation
work plan

- ✓ Initiate and conduct 281 commercial only annexation
- ✓ Begin IH-10 West annexation procedures
- ✓ Begin 281 residential non-annexation agreement
- ✓ Develop alternative options for IH-10 East area

- ✓ City Council adopts ordinance to annex 19 sq miles of South Side San Antonio placed into limited purpose annexation by the Council on January 2014

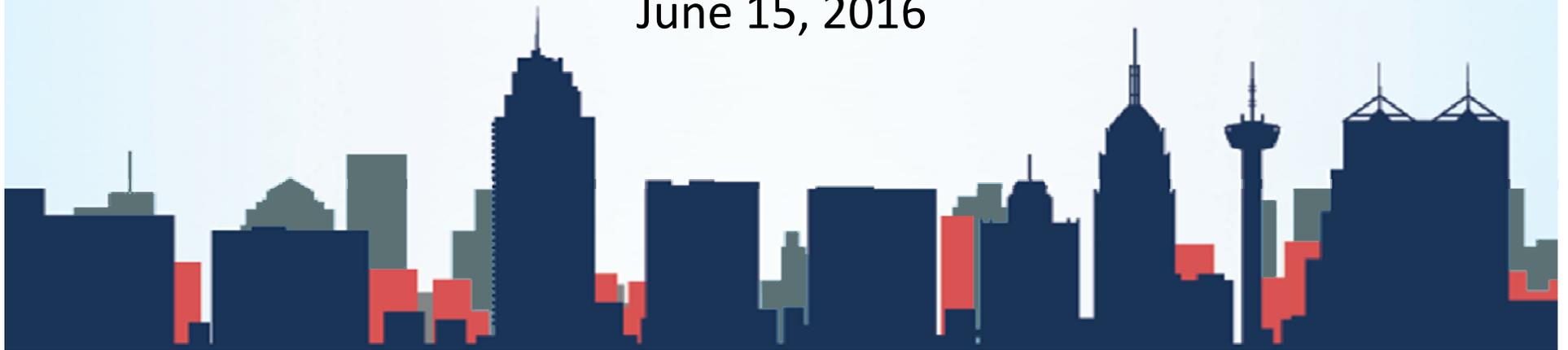
Finalize actions
for 281
residential only
and IH-10 West
annexation

Annexation Program

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