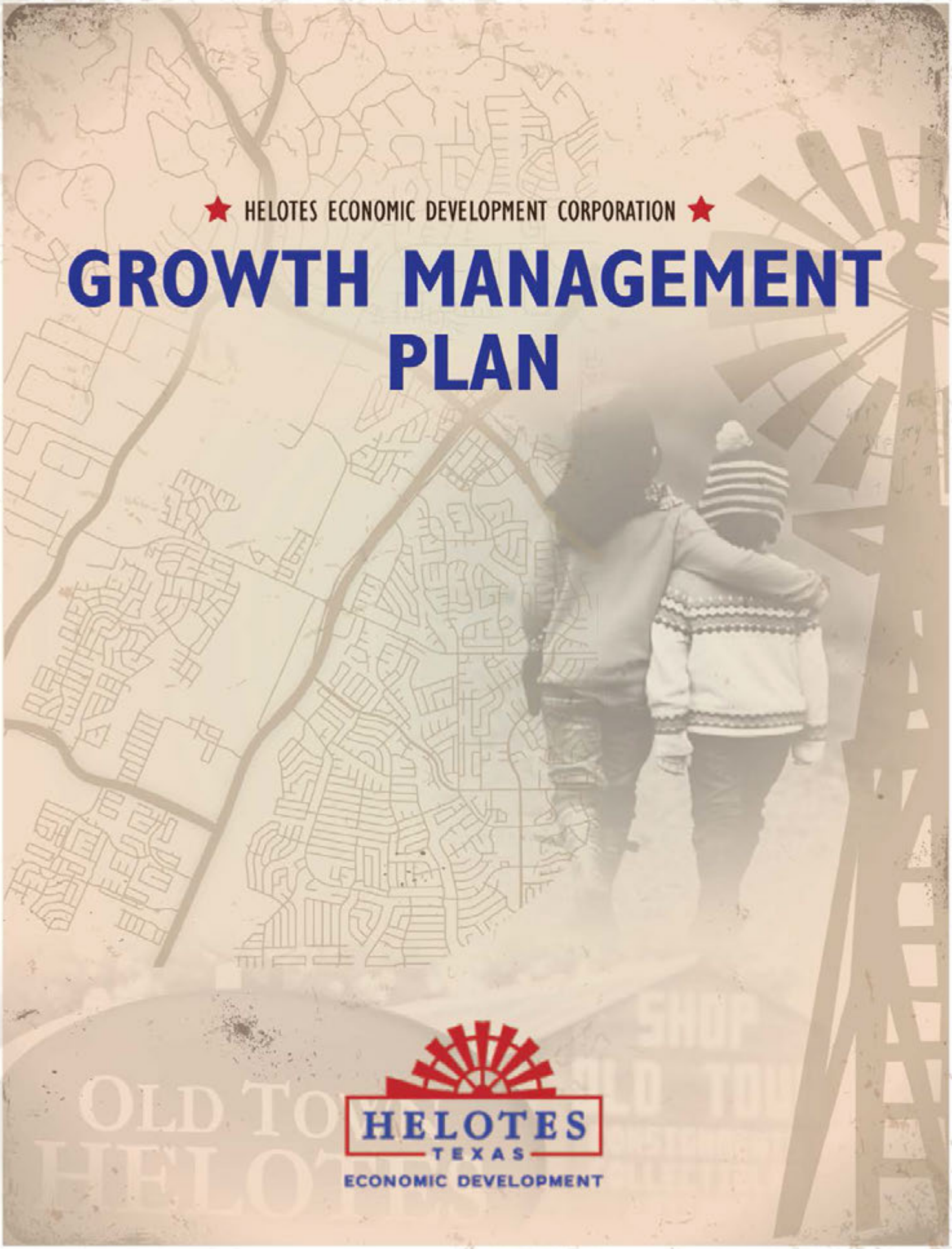
HELOTES ECONOMIC DEVELOPMENT CORPORATION

GROWTH MANAGEMENT PLAN



HELOTES
TEXAS
ECONOMIC DEVELOPMENT

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Contents

1| Background 1

Project Purpose and Scope 1

Existing Conditions 2

Challenges 3

Limited Ability to Self-Govern as a General Law City 3

Limited Control of Water and Wastewater Utilities 3

Requirement to Provide Services Upon Annexation 3

2| Key Areas for Expansion 4

Area Analysis 4

Criteria for Analysis 4

Priority Area Recommendations 10

Priority Area A 10

Priority Area B 11

Priority Area C 12

Priority Area D 13

3| Growth Management Strategies 14

Home Rule Path 14

Considerations of Becoming a Home Rule City 14

Process to Become a Home Rule City 15

Annexation in Home Rule Cities 16

General Law Path 17

Tax Increment Financing 17

Tax Abatements 18

Chapter 380 Agreements 18

Type A and Type B Corporations 19

Municipal Development Districts 20

4| Conclusion 21

Key Takeaways 21

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1| Background

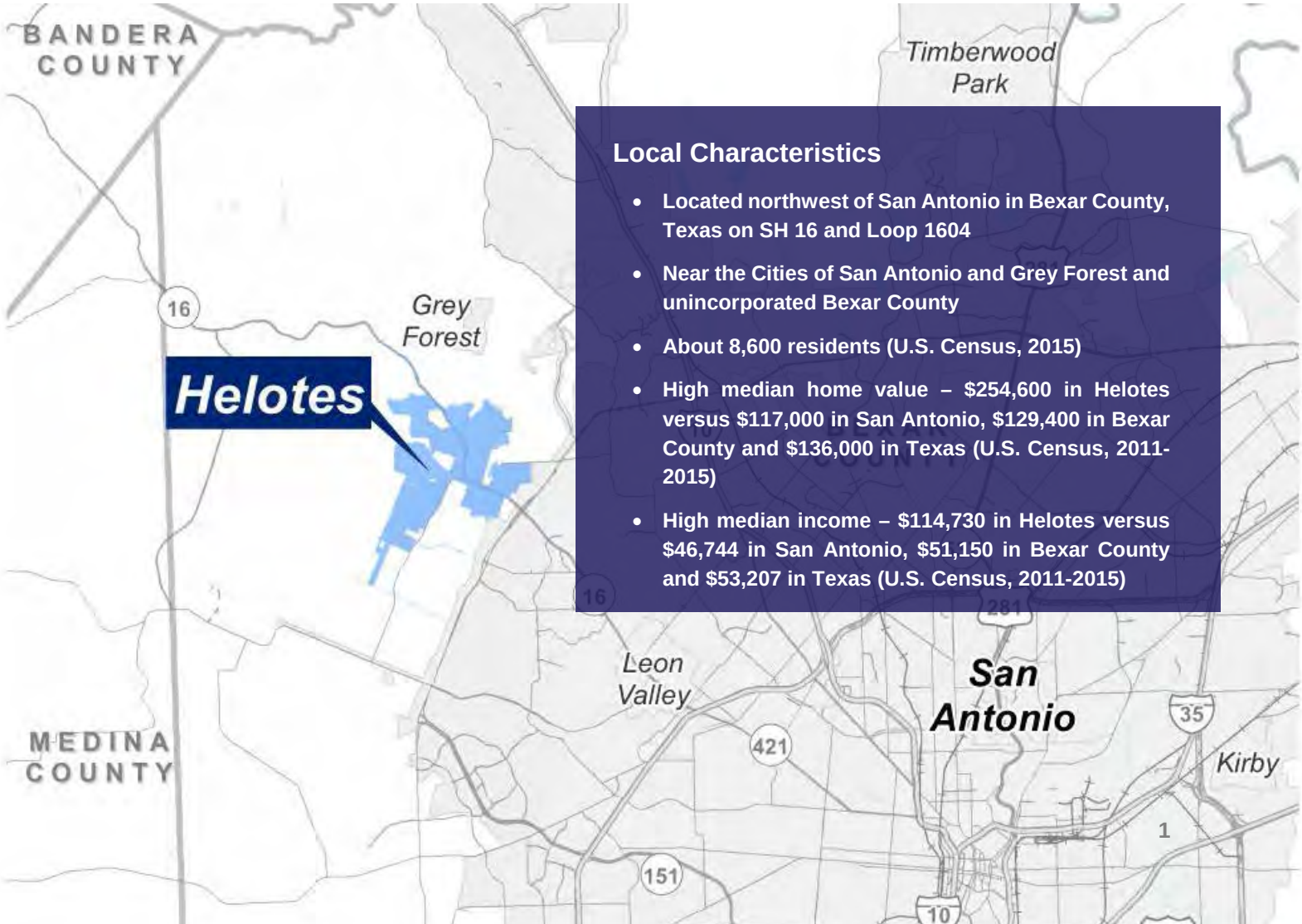
Project Purpose and Scope

In 2015, the Helotes Economic Development Corporation (EDC) retained Freese and Nichols, Inc. (FNI) to prepare this Growth Management Plan for the City of Helotes' extraterritorial jurisdiction (ETJ). The purpose of the study is to:

1. Preserve Helotes' small-town, Hill Country charm;
2. Ensure compatible future growth as development occurs;
3. Ensure a positive view from the road through quality development;
4. Responsibly plan for future infrastructure improvements; and
5. Increase sales tax revenues, which will help maintain lower residential property taxes.

To address these goals, the EDC tasked FNI with the following scope:

1. Identify key ETJ areas that are desirable for expansion,
2. Recommend land uses in the key areas, and
3. Provide annexation strategies.



Local Characteristics

- **Located northwest of San Antonio in Bexar County, Texas on SH 16 and Loop 1604**
- **Near the Cities of San Antonio and Grey Forest and unincorporated Bexar County**
- **About 8,600 residents (U.S. Census, 2015)**
- **High median home value – $254,600 in Helotes versus $117,000 in San Antonio, $129,400 in Bexar County and $136,000 in Texas (U.S. Census, 2011-2015)**
- **High median income – $114,730 in Helotes versus $46,744 in San Antonio, $51,150 in Bexar County and $53,207 in Texas (U.S. Census, 2011-2015)**

Existing Conditions

In 2013, the City of San Antonio released 8.4 square miles from its ETJ into the City of Helotes to be added to its existing ETJ. This acquisition presents possibilities for Helotes to expand its City limits and promote responsible growth in the areas surrounding the existing City.

As shown in **Figure 1** and **Table 1**, about 86% of the City is already developed. Additionally, some areas are consumed by floodplain, leaving only approximately 302 acres of vacant land within the existing City limits. Expanding into the ETJ presents an opportunity for future growth in Helotes, with over 2,300 vacant acres.

Table 1. Acreage Development

	City	ETJ
Total Acres	4,556	6,931
% Developed	86%	60%
Developed Acres	3,895	4,130
Floodplain Acres	360	482
Vacant Acres	302	2,320

Figure 1. Aerial of Helotes and ETJ (City Limits in Blue Outline)

Challenges

Limited Ability to Self-Govern as a General Law City

Texas has two categories of cities – home rule and general law. In 1912, a constitutional amendment was passed in Texas to allow cities with a population over 5,000 to adopt a home rule charter. Home rule status allows a city to self-govern by defining its own set of rules, as long as it does not conflict with the State constitution or statutes. One example of this authority is to annex land without the approval of residents. Conversely, general law (sometimes referred to as "Dillion's rule") cities rely on the State constitution or statutes to define the municipality's powers and duties. As a result, general law cities typically cannot annex land without the approval of property owners.

Cities may annex land only within their own extraterritorial jurisdiction (ETJ), which refers to area generally surrounding the city limits. Chapter 42 of the Texas Local Government Code provides that municipalities with populations between 5,000 and 24,999 may have an ETJ that extends one mile from the municipal limits, except when abutting another municipality's limits. Helotes' ETJ extends up to one mile from the City limits, except where abutting the Cities of San Antonio and Grey Forest and their ETJs, Government Canyon State Natural Area, and Rancho Diana Nature Park. Chapter 43 of the Texas Local Government Code specifies that municipalities can annex only land that is located within their ETJ or owned by the municipality. However, as a result of general law status, Helotes cannot involuntarily annex land within its ETJ.

Additionally, general law cities are restricted in terms of issuing bonds, unless explicitly authorized by a state statute for a specific purpose, such as infrastructure improvements or municipal facilities. This can limit the range of economic development incentives that are available to Helotes, as most funds used for economic development purposes must be made from current funds.

Limited Control of Water and Wastewater Utilities

The San Antonio Water System (SAWS) is a public water and wastewater utility owned by the City of San Antonio. SAWS serves much of Bexar County and parts of Medina and Atascosa Counties. SAWS holds a Certificate of Convenience and Necessity (CCN) to provide utility service to a defined service area, including the City of Helotes. The Texas Water Code requires a CCN holder to provide exclusive service to the area within its boundary.

In other parts of Texas, public utilities are managed by municipalities; this allows cities to require voluntary annexation into the city limits in exchange for providing utility service. Since the SAWS CCN boundary includes Helotes, this approach is not an option for the City.

Requirement to Provide Services Upon Annexation

Upon annexation, Chapter 43 requires cities to provide services to annexed areas that are equivalent to the services provided in the remainder of the city limits. The plan for providing these services must be outlined in a service plan prior to annexation. "Soft services" – such as police, fire, waste management, and park/library access – must be provided immediately upon annexation. "Hard services" – such as water and wastewater utilities – must be provided within 2 ½ years (or 4 ½ years in some circumstances).

Because Helotes is included within SAWS CCN, the City will not be responsible for providing hard services to newly annexed areas. The City would be responsible, however, for providing soft services to the annexed areas upon annexation. While this would be an added cost, serving non-residential development is typically more cost-effective than single-family residential development, and the provision of soft services is typically much less expensive than hard services.

2| Key Areas for Expansion

Area Analysis

The process of identifying key priority areas for expansion began with an analysis of Helotes' entire ETJ. Helotes' ETJ was divided into 35 areas based on boundaries, such as roadways and other significant land use characteristics. **Figure 2** and **Table 2** on the following pages identify the 36 areas and the characteristics considered during the prioritization of key areas. **Figure 3** depicts the development characteristics of each area.

Criteria for Analysis

Development Characteristics

Land that is currently vacant, sparsely developed, or anticipated for future redevelopment is preferable when considering annexation; densely developed areas and residential neighborhoods are not ideal. Natural features like steep topography and floodplain typically have a major impact on a site's development potential as well. While many issues related to natural features can be addressed through engineering and design, these solutions are often costly and may not be environmentally desirable.

Access and Frontage

In order to promote economic development in Helotes, future expansion areas should have convenient access to at least one major roadway. In addition to access, proximity to a major roadway can also improve visibility, which is desirable for many retail uses. It is important to consider proximity to entryways into the community because the entryways establish the image of Helotes – what visitors see and associate with Helotes when they enter the City.

Current Infrastructure

Infrastructure availability is an important consideration in terms of any development timeline. Adequate water and wastewater utilities allow for development in the near-term, while planning for utility installation may cause a delay. It is important to keep in mind that SAWS is the local utility provider and is responsible for providing service to the area; however, the developer is typically responsible for installing the infrastructure near and within a site.

Overall Non-Residential Development Potential

It is important to consider the overall development potential of sites for non-residential uses. In addition to the above characteristics, development potential relies on the existing development of the site and nearby areas, development pressures, potential for redevelopment or reuse of a site, proximity to the existing City limits, and other aspects.

Figure 2. ETJ Subareas for Analysis

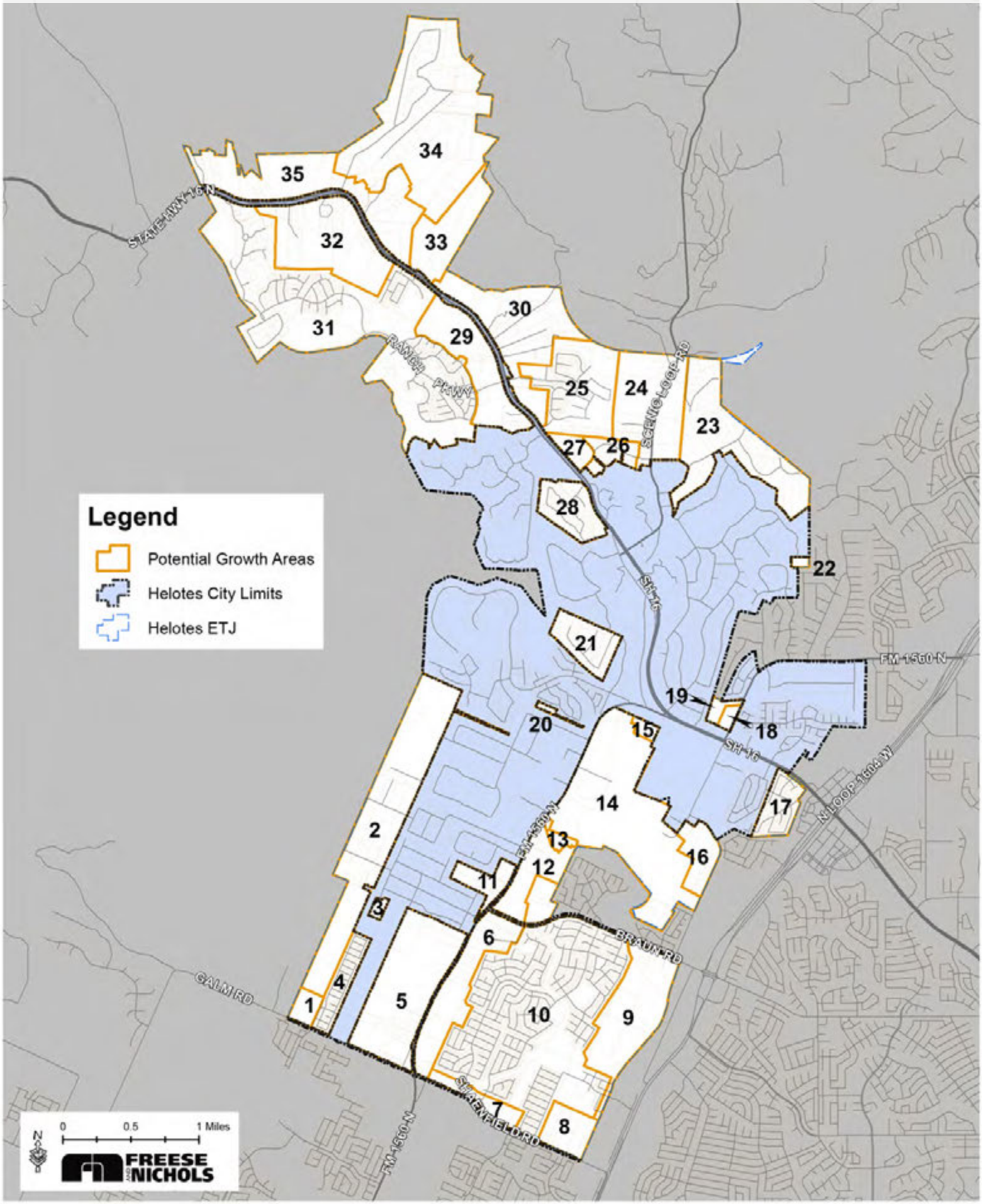


Table 2. Subarea Analysis

Area	Acres	Development Characteristics	Access/Frontage	Current Infrastructure	Non-Res. Potential
1	28	Undeveloped land between newer single-family neighborhood and Folks Middle School	Frontage on Galm Road	Nearby water and sewer	Strong
2	435	Large lot single-family homes and platted future residential areas	Accessed via local streets	Nearby water	Poor
3	9	“Donut hole”, large lot newer single-family home	Accessed via local streets	Nearby water	Poor
4	72	Densely developed newer single-family homes	Limited frontage on Galm Road	Water and sewer	Poor
5	320	Primarily undeveloped, limited commercial development clustered in southeast, several homes on eastern side, floodplain through the southeast corner of area, includes Bexar County fire station	Frontage on FM 1560 and Galm Road	Nearby water	Strong
6	179	Existing retail on south end, commercial use on north end, new Fields Elementary School and several large lot homes in middle, floodplain along immediate frontage, adjacent to single-family neighborhood	Frontage on FM 1560	Nearby water	Strong
7	50	Partially developed with commercial and single-family residential uses, near subdivision entry, large area of vacant land	Frontage on Shaenfield Road	Nearby water and sewer	Strong
8	71	Partially developed with commercial uses, in close proximity to 1604	Frontage on Shaenfield Road	Nearby water and sewer	Strong
9	236	Primarily undeveloped land, industrial uses on north end, floodplain across north end, adjacent to single-family neighborhood	Frontage on Braun Road	Nearby water and sewer	Limited
10	932	Completely developed, newer single-family neighborhood	Accessed via Braun Road	Water and sewer	Poor
11	52	Large lot single-family homes, relatively level topography	Frontage on FM 1560	Nearby water	Limited
12	104	Low density development including industrial, commercial, and single-family uses	Frontage on FM 1560	Nearby water	Strong
13	14	Developed industrial site	Accessed via local streets	None	Limited
14	505	Site of Vulcan Materials Company, active quarry, significant floodplain	Frontage on FM 1560	None	Limited
15	14	Large lot single-family home	Frontage on FM 1560	None	Limited
16	70	Large lot single-family homes, commercial uses, electric substation, adjacent to Vulcan quarry	Frontage on Leslie Road	Nearby water	Strong
17	72	Developed newer single-family neighborhood, split by utility easement	Accessed via local streets	Water and sewer	Poor
18	13	Vacant lot adjacent to multi-family apartments, 150’ strip along SH 16 already in city limits	Frontage on SH 16 and FM 1560	Nearby water and sewer	Strong
19	15	Developed Elm Hollow multi-family apartments behind retail/commercial frontage	Accessed via SH 16	Water and sewer	Poor
20	6	“Donut hole”, large lot single-family homes	Accessed via local streets	Water and sewer	Poor

Area	Acres	Development Characteristics	Access/Frontage	Current Infrastructure	Non-Res. Potential
21	91	"Donut hole", developed lower density single-family neighborhood, ground water storage site	Accessed via local streets	Water	Poor
22	6	"Donut hole", large lot single-family home	Accessed via local streets	Water and sewer	Poor
23	300	Primarily undeveloped, limited single-family homes, steep topography	Accessed via local streets	Water	Poor
24	241	Limited large lot single-family, steep topography in northwest and eastern portions, floodplain along roadway	Frontage on Scenic Loop	None	Limited
25	238	Developing single-family neighborhood, steep topography in northern area	Limited frontage on SH 16	Water and sewer	Poor
26	47	Developed single-family neighborhood, steep topography	Accessed via local streets	None	Poor
27	32	Developed with lower density single-family homes and limited commercial uses along frontage	Frontage on SH 16	Nearby water and sewer	Limited
28	99	"Donut hole", developed lower density single-family neighborhood	Frontage on SH 16	Water and nearby sewer	Poor
29	189	Limited commercial development, steep topography in the northwest and southwest corners, adjacent to single-family neighborhoods, limited floodplain along frontage	Frontage on SH 16 and Ranch Parkway	Water and sewer	Strong
30	279	Primarily undeveloped, limited residential and commercial uses, steep topography in northern area, limited floodplain near frontage	Frontage on SH 16	Nearby water and sewer	Strong
31	880	Large lot single-family homes, area of dense single-family homes, areas of steep topography	Limited frontage on SH 16	Some water and sewer	Poor
32	236	Commercial development along frontage, lower density homes, steep topography and floodplain in central area	Frontage on SH 16	None	Strong
33	138	Site of Martin Marietta aggregates quarry, steep topography	Frontage on SH 16	None	Limited
34	606	Large lot single-family homes, relatively level topography	Accessed via local streets	None	Poor
35	238	Limited commercial development, golf course, remainder undeveloped, steep topography in northern area	Frontage on SH 16	None	Strong

Figure 3. Development Characteristics

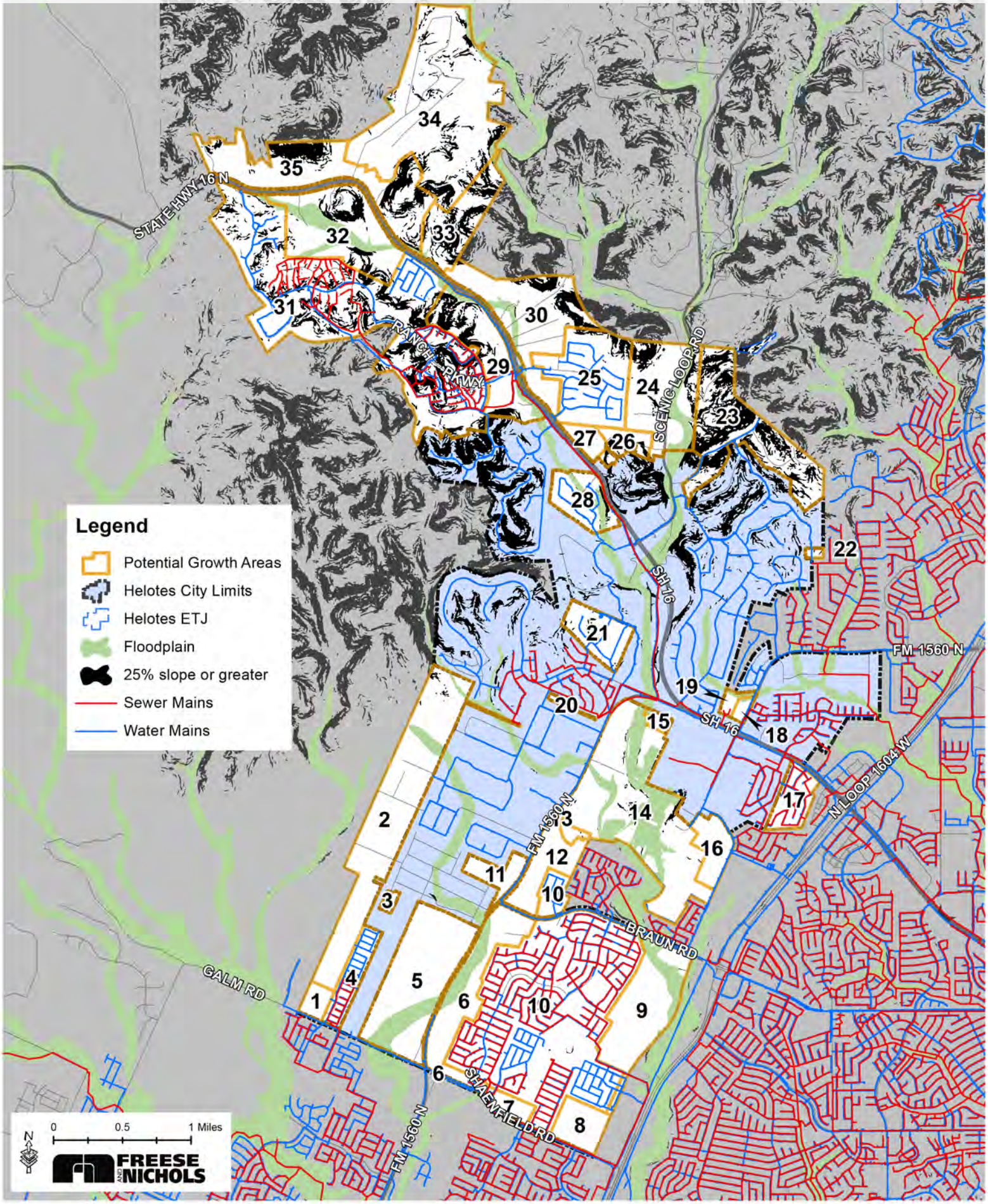
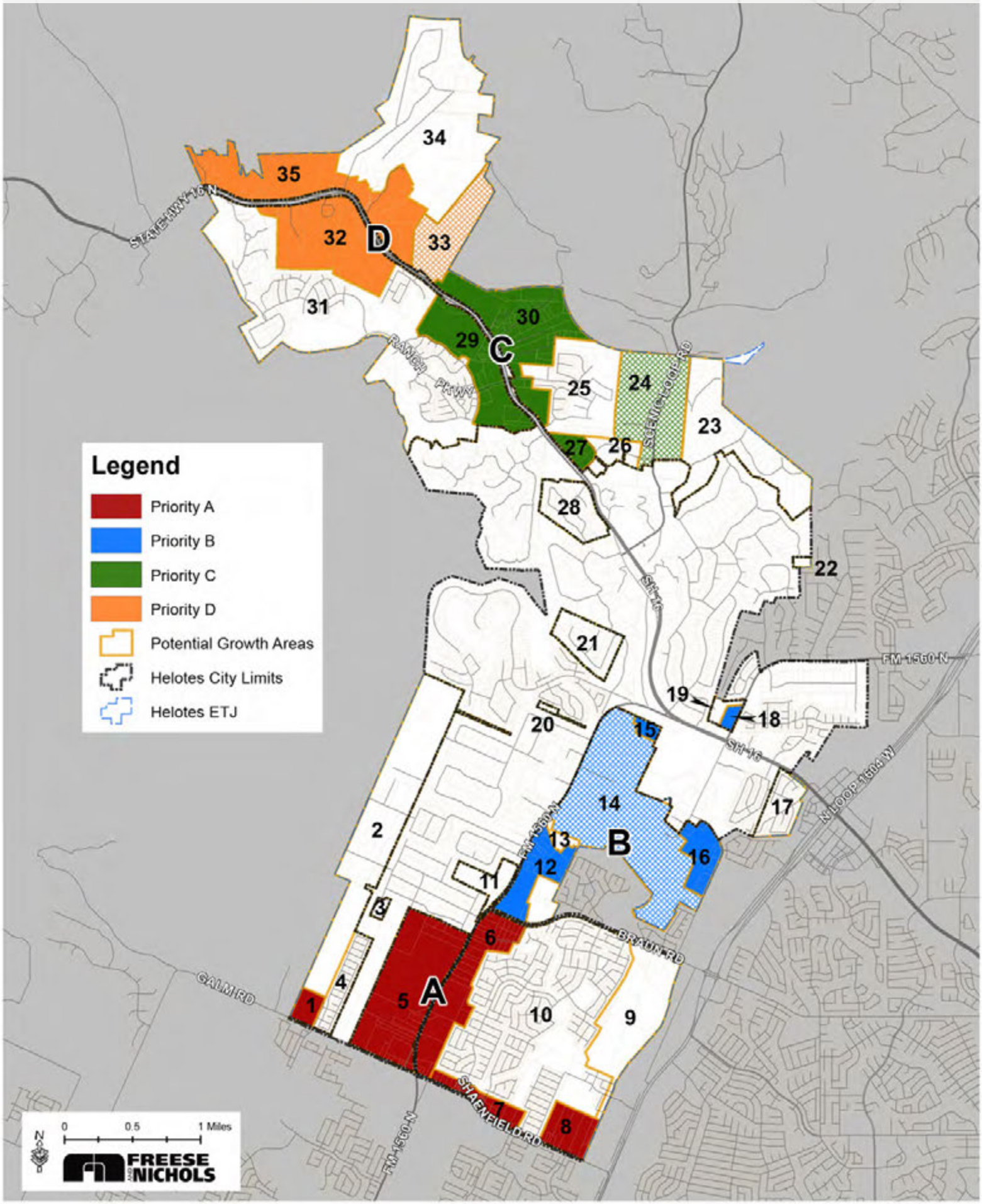


Figure 4. Priority Areas

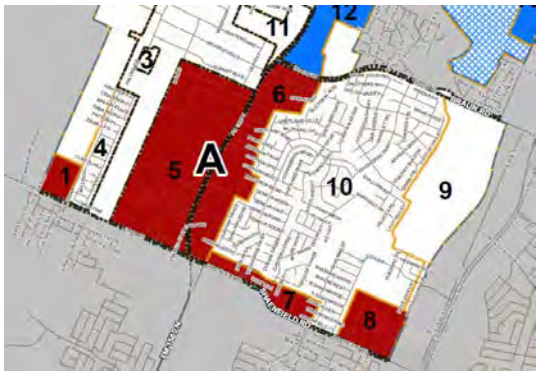


Priority Area Recommendations

Figure 4 identifies the four areas recommended as priority areas for future annexation. The areas are mostly undeveloped and located along major roadways. **Table 3** below outlines the rationale behind the selection of each area, as well as recommendations for future land use types.

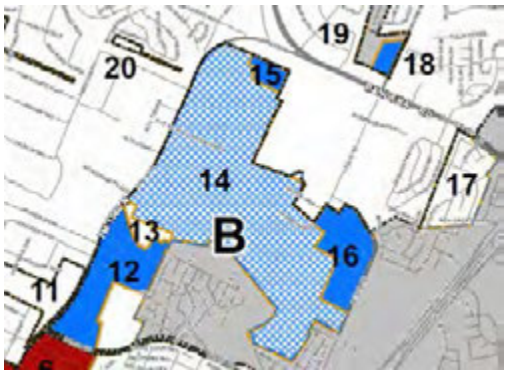
Table 3. Specific Priority Area Recommendations

Priority Area A



Analysis Subareas:	1, 5, 6, 7, 8
Acreage:	648 acres
Rationale for Prioritization:	This area has been identified as the top priority, largely due to its high visibility along Shaenfield Road/Galm Road and along FM 1560, as well as nearby development pressures. Development is beginning to occur in this area, including the new NISD Fields Elementary School, CVS Pharmacy, and a strip retail center with a Domino's Pizza, dental office, dry cleaners, and several other small retailers. Although the newly constructed Wal-Mart is not within Helotes' ETJ, it is likely to spur future development in this area. Much of the land is currently vacant, which would allow Helotes the opportunity to ensure that future development will be comprised of high-quality construction and desirable uses. Although utility service is not currently located in most of the area, utilities are located in nearby proximity.
Land Use Recommendations:	Retail development should continue to be the focus at the Galm/Shaenfield and FM 1560 intersection, and in Subareas 7 and 8. Subareas 1, 5 (NW portion), and 6 may be suitable for commercial, office, or, possibly, light industrial development. Due to the high visibility and proximity to neighborhoods, screening and buffering methods should be used to protect the view from public areas.

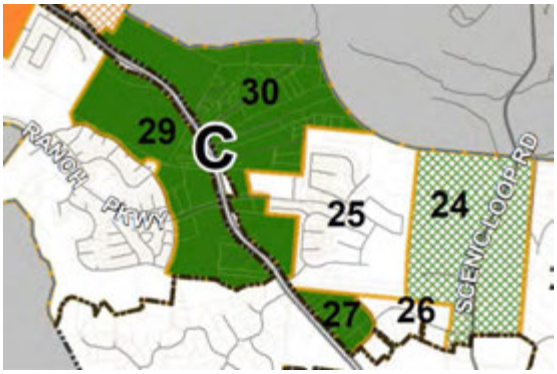
Priority Area B



Analysis Subareas:	12, 14*, 15, 16, 18
Acreage:	201 acres / 706 acres including Subarea 14
Rationale for Prioritization:	This area has a significant amount of frontage along FM 1560 and is close to the central core of Helotes. Although it is anticipated that Vulcan Materials will continue to operate the quarry for the foreseeable future, it may be beneficial for the City to begin long-range planning for future annexation and redevelopment of the site if/when the company decides to sell the land.
Land Use Recommendations:	Priority Area B is envisioned to include commercial or light industrial uses, possibly with retail development along the FM 1560 corridor frontage. This area has significant development potential; however, the intersection configuration of SH 16 and FM 1560 (between City Hall and the Shell gas station) is a major hindrance affecting this area. The intersection causes traffic delays, confuses visitors, and raises safety concerns, all of which can discourage future development. The City and TXDOT are currently working on the reconstruction of this intersection. Quarry redevelopment is a challenge in many cases. Many cities have pursued quarry redevelopment into a destination point – examples of quarry reuse include terraced, mixed-use developments, public gardens, adventure parks, urban rock climbing, and mountain biking.

**Asterisk indicates a possible long-range opportunity, depending on changes in circumstances over time.*

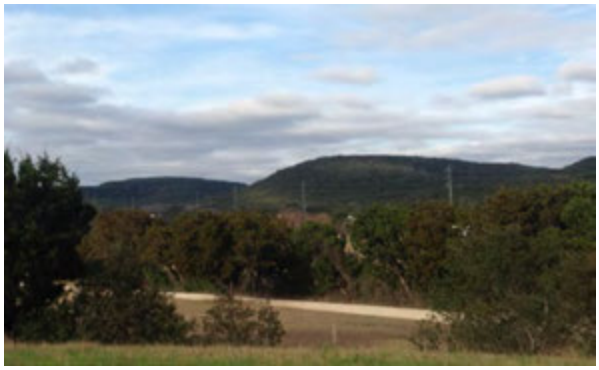
Priority Area C

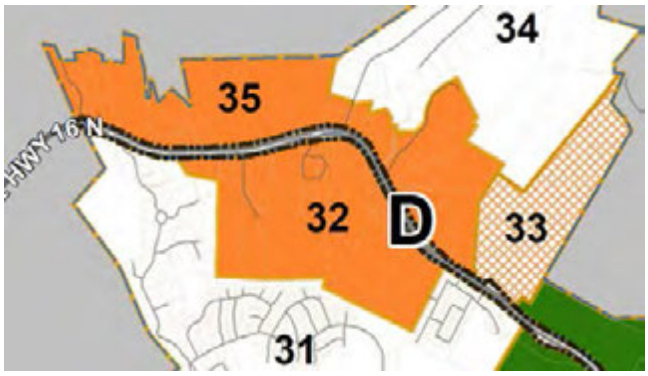


Analysis Subareas:	24*, 27, 29, 30
Acreage:	500 acres / 741 acres including Subarea 24
Rationale for Prioritization:	Priority Area C has been selected due to its frontage along SH 16, large areas of undeveloped land, and proximity to the existing City limits. Subarea 24, along Scenic Loop Road, has been identified as a potential long-term area of interest. Although this area currently consists of large lot single-family homes, pockets of non-residential development may emerge in this area. Scenic Loop Road provides a connection to Grey Forest and other cities to the north. Additionally, future utility improvements are anticipated within this area, which will incentivize future development.
Land Use Recommendations:	This area would be appropriate for retail and office development along the SH 16 frontage, with possible commercial uses in portions of Subarea 30, as topography allows.

**Asterisk indicates a possible long-range opportunity, depending on changes in circumstances over time.*

Priority Area D





Analysis Subareas:	32, 33*, 35
Acreage:	591 acres / 729 acres including Subarea 33
Rationale for Prioritization:	Priority Area D has been identified due to its frontage on SH 16 and the limited amount of existing development. Additionally, this area serves as a major entry point into Helotes and should project a positive image of the community.
Land Use Recommendations:	Retail, office, and commercial development would be appropriate in Priority Area D, capitalizing on the frontage along SH 16. Similar to the quarry in Priority Area B, the City is not aware of any plans by Martin Marietta Materials to cease operations within Subarea 33 in the near future.

**Asterisk indicates a possible long-range opportunity, depending on changes in circumstances over time.*

3| Growth Management Strategies

Growth management strategies in Helotes are contingent on two future pathways: a home rule path and a general law path.

Home Rule Path

The City may consider holding an election to adopt a home rule charter, thereby becoming a home rule city. This is a process that the City could undertake in the near future, if desired, or at a later point in time.

Considerations of Becoming a Home Rule City

Adopting a home rule charter allows the City to establish many of its own rules, rather than following the rules for general law cities provided by the State. Most cities in Texas over 5,000 in population have voted to become a home rule city. The following are several key considerations to keep in mind regarding home rule status:

1. Home rule cities can issue bonds and other debt service for a wider range of purposes, which can be used to finance projects and encourage economic development.
2. Home rule cities can involuntarily annex land, thereby eliminating the need to provide financial incentives encouraging voluntary annexation.
3. Also, since home rule cities can involuntarily annex land, the City could annex areas of the ETJ and apply zoning to protect property values. The current ETJ has few restrictions to limit the use, appearance, and impacts of future development, which could have a negative impact on existing development.

Only 24 of the 375 Texas cities over 5,000 in population have not adopted home rule status. … In 1994, the [Texas Municipal] League asked officials in many of those cities to comment on the reasons their city had chosen not to adopt a charter.

The responses were as follows:

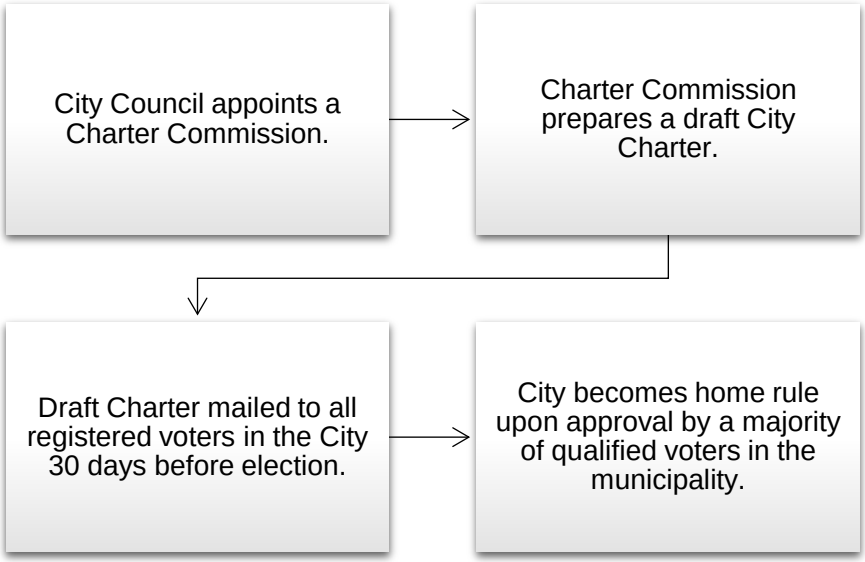
- **Citizens are not aware of advantages of home rule;**
- **A charter commission had never been authorized;**
- **A charter had never been considered;**
- **City has no appreciable extra-territorial jurisdiction (ETJ);**
- **Issue was considered, but no one ever took action;**
- **Discussion being held now to possibly elect a commission;**
- **Very conservative community, and citizens feel less government is best;**
- **Three elections were held for charter commissions (1959, 1969, 1977), but all failed;**
- **A charter would give "city hall too much control."**

(Texas Home Rule Charters, Texas Municipal League, 2010)

Process to Become a Home Rule City

Chapter 9 of the Texas Local Government Code outlines the process to become a home rule city. The process is summarized in **Figure 5**. It is important to note that the process requires approval from a majority of voters in the municipality. If City Council pursues the path to consider becoming a home rule city, it is critical to ensure that the residents of Helotes understand the impacts of becoming a home rule city. Helotes' City staff could initiate the process and accomplish many of the required steps below, which would minimize the need for municipal attorney involvement.

Figure 5. Summary of the Process to Become a Home Rule City in Texas



It can be helpful to examine several Texas cities that recently adopted home rule charters to better understand the typical timeframe that is needed for the adoption of a home rule charter. The following is an outline of the home rule charter adoption process in the Cities of Melissa, Sunnyvale, and Bulverde. While Melissa and Sunnyvale completed the process in 1 year and 1 ½ years respectively, the Bulverde charter adoption process stretched over 8 years.

Melissa

- December 2010 – Appointed a Charter Committee.
- July 2011 – Council approved a charter for election consideration.
- September 2011 – Town hall forum to discuss the proposed charter.
- October 2011 – Second town hall forum to discuss the proposed charter.
- November 2011 – Election to adopt the charter.

Sunnyvale

- October 2011 – Appointed a Charter Committee.
- November 2012 – Town hall forum to review the proposed charter.
- April 2013 – Second town hall forum to review the proposed charter.
- May 2013 – Election to adopt the charter.

Bulverde

- May 2007 – Failed election (44% support)
- November 2008 – Failed election (48% support)
- May 2009 – Failed election (45% support)
- May 2015 – Election to adopt the charter (62% support)

Annexation in Home Rule Cities

There are two methods for annexation by a home rule municipality in Texas:

Three-Year Municipal Annexation Plan

In order to annex land, State law requires that a municipality have a plan in place for annexation that may begin on the third anniversary of the date when the plan is adopted. No annexation or taxation may occur before that time. (See Section 43.052 of the Texas Local Government Code for additional detail.)

Exempt Annexation

State law provides an exemption for annexations of areas that contain fewer than 100 tracts of land with residential dwellings. (See Section 43.0052.(h)(1) of the Texas Local Government Code for additional detail.)

In addition to only annexing area within the ETJ, Section 43.0052.(i) requires that “generally accepted municipal planning principles and practices” be applied when defining the annexation area. Examples of such principles and practices may include roadways or other built infrastructure, natural topography, property ownership, and the ability to serve the area.

A city may annex up to 10% of the existing city limits per year; any unused amount carries over into the following year, up to 30%. Based on the current city limits of 4,556 acres, the City could annex up to 1,366 acres in the first year following adoption of a home rule charter. Priority Areas A, B, and C total 1,262 acres (excluding the denoted long-term Subareas) and could be annexed in the first year under an aggressive growth strategy if fewer than 100 parcels with residential dwellings exist. If the City pursues the home rule path, additional study should be conducted regarding annexation planning.

General Law Path

Economic development incentives are typically required to encourage voluntary annexation in general law cities. The following is an overview of several economic development tools that could be used to encourage voluntary annexation in Helotes. Note that several of these programs are already in existence; however, the current application could be modified to target the Priority Areas shown in **Figure 4**.

Tax Increment Financing

Tax Increment Financing (TIF) districts, also referred to as Tax Increment Reinvestment Zones (TIRZs), are established by Chapter 311 of the Texas Tax Code to encourage growth in areas where development otherwise may not occur (per Sec. 311.003: "if the governing body determines that development or redevelopment would not occur solely through private investment in the reasonably foreseeable future"). Tax increment financing allows future tax revenues in a particular area to fund selected public improvements. Property values at the time of TIF creation are used to establish a baseline. As property values increase with future development, the property taxes on the increased value are set aside to fund improvements within the area. Cities can choose whether to fund the improvements upfront through bonds or as the increment accumulates.

The following steps are required to create a TIF district:

1. Designate the area to be included in the reinvestment zone and create a board of directors;
2. Develop a reinvestment zone financing plan, including the percentage of the increment to be derived, duration of the TIF district, estimated project costs, proposed improvements to be financed, and other information outlined in Chapter 311; and
3. Follow notice and public hearing requirements outlined in Chapter 311 and allow time for property owners to protest inclusion in the area.

The City does not currently have any TIF districts in place; however, the tool is noted by the Economic Development Corporation's website as a possible incentive. Since TIF districts are targeted toward areas that require public investment to develop, TIF districts could be appropriate for Priority Areas B, C, and D, since development will likely occur in Priority Area A in the foreseeable future. A TIF district would serve as an incentive for development because it facilitates improvements within the immediate area. As noted above, the City could fund improvements upfront to encourage development, which would be repaid through TIF revenues over time. If the City decides to pursue development of a TIF district, it is recommended that the City encourage the County to participate in the district as well.

Tax Abatements

Chapter 312 of the Texas Tax Code establishes the Property Redevelopment and Tax Abatement Act to attract new businesses or support expansion of existing businesses. The Act authorizes taxing entities to reduce the assessed property tax on the increased value of a property between 1% and 100%. For example, if a property is presently valued at $500,000 and future improvements to the site increase the value to $700,000, the City may reduce property taxes only on the $200,000 increased value.

The following steps are required to enter into a tax abatement agreement:

1. Pass a resolution to participate in tax abatement;
2. Establish criteria governing tax abatement agreements;
3. Follow notice and public hearing requirements outlined in Chapter 312;
4. Designate an area as a tax abatement reinvestment zone; and
5. Enter into a tax abatement agreement with the property owner with Council approval.

The criteria established to govern the agreements can specify the required types of improvements to the property, types of industries that are targeted, the minimum amount of employment anticipated, and a clause to recapture some or all of the abated property taxes if the terms of the agreement are not met. These criteria are effective for two years, and may be amended or repealed during that time. Adoption of criteria does not obligate the City to offer a tax abatement agreement, but rather the City retains discretion when offering agreements.

The City currently offers a tax abatement program in the Old Town area. It is recommended that new reinvestment zones be identified in accordance with the Priority Areas shown in **Figure 4**. Additionally, it is recommended that criteria be added to include minimum employment generation and target industries that may be desirable in these areas.

Chapter 380 Agreements

Chapter 380 of the Texas Local Government Code authorizes cities to loan or grant money or provide city personnel/services to promote economic development and commercial activity. The incentive is typically offered in exchange for the creation of new jobs, construction of improvements, or another benefit to the community. A city can stipulate that it will recapture the investment amount if the terms of the agreement are not met.

Some cities allocate budget for these loans or grants, while some home rule cities issue bonds. As previously mentioned, general law cities cannot issue debt unless specifically authorized by State law; therefore, 380 Agreements can only be funded through current funds.

380 Agreements are already in use in Helotes – the City currently has five 380 Agreements in place. It is recommended that the City/EDC continue use of 380 Agreements for non-residential development as funds are available.

Type A and Type B Corporations

Chapter 501 of the Local Government Code establishes a city's authority to create an Economic Development Corporation (EDC). EDCs are separated into two types – Type A and Type B – and the authorized spending for projects is based on type, as compared in **Table 4**.

In 2003, the citizens of Helotes voted to create a Type B EDC with a 0.50% sales tax. The Texas state sales tax rate is 6.25%; however, local taxing jurisdictions, such as cities, may impose an additional 2.00% tax for a total sales tax rate of 8.25%. The City currently imposes a 1.75% tax, leaving an additional 0.25% available.

Table 4. Comparison of Type A and Type B Permitted Spending

Type A	Type B
Job Creation or Retention	
Development, Retention, Or Expansion of: Manufacturing and industrial facilities Research and development facilities Military facilities Transportation facilities (airports, rail, cargo, parking, etc.) Sewage or solid waste disposal facilities Recycling facilities Air or water pollution control facilities Public water provisions Distribution centers Small warehouse facilities Primary job training facilities for use by higher educational institutions Corporate headquarters facilities	
Infrastructure Improvements to Develop, Retain, or Expand Businesses: Streets Water and sewer Electric and gas utilities Drainage Site improvements Telecommunications and internet improvements Beach remediation along the Gulf of Mexico	
	Recreation and Community Facilities: Stadiums Ball fields Auditoriums Amphitheaters Concert halls Open space improvements Museums
	Develop or Expand Affordable Housing

Municipal Development Districts

Chapter 377 of the Texas Local Government Code allows a city's voters to establish Municipal Development Districts (MDDs), which is an additional sales tax to support economic development efforts. MDDs are similar to Type B corporations; however, MDD sales taxes can be levied in the city limits as well as in a city's ETJ. MDDs can help finance costs of a "development project", which may include "the land, buildings, equipment, facilities, expenditures, targeted infrastructure, and improvements found by the corporation's board of directors to promote new or expanded business development" for cities with populations of less than 20,000 (Sections 377.073 Section 505.158). MDDs are also authorized to issue bonds for these purposes.

The following steps are required to create an MDD:

1. Identify the desired boundaries and hold an election within those boundaries to decide whether to create an MDD;
2. Appoint a board of directors; and
3. Pass a resolution to establish a development project fund.

Section 377.072 outlines the allowed uses of the development project fund:

1. Pay the costs of planning, acquiring, establishing, developing, constructing, or renovating one or more development projects in the district;
2. Pay the principal of, interest on, and other costs relating to bonds or other obligations issued by the district or to refund bonds or other obligations; or
3. Pay the costs of operating or maintaining one or more development projects during the planning, acquisition, establishment, development, construction, or renovation or while bonds or other obligations for the planning, acquisition, establishment, development, construction, or renovation are outstanding.

For reference, the following is a list of several cities in Texas that have created an MDD:

1. Azle
2. Bertram
3. Brownwood
4. Fate
5. La Vernia
6. Murphy
7. Oak Point
8. Ovilla
9. Palmview
10. Rockdale
11. Selma
12. Shenandoah

Helotes could implement an MDD throughout the City and ETJ area at 0.25%, which would bring the City to the 8.25% maximum sales tax. Note that a future MDD is not recommended to replace the current EDC, but rather to supplement the EDC's current efforts. Due to the ability to levy sales tax in the ETJ and the opportunity to issue bonds to fund improvements, it is recommended that Helotes explore the possibility of creating an MDD. The additional revenue and bond potential could help to facilitate and incentivize growth in the priority areas.

4| Conclusion

As Helotes evaluates the pathway forward, it is important to keep in mind the overarching goal and purpose of this study:

1. Preserve Helotes' small-town Hill Country charm;
2. Ensure compatible future growth as development occurs;
3. Ensure a positive view from the road through quality development;
4. Responsibly plan for future infrastructure improvements; and
5. Increase sales tax revenues, which will help maintain lower residential property taxes.

Key Takeaways

The following points outline the key takeaways resulting from this study:

1. The City should consider whether the home rule or general law path is most appropriate for Helotes.
2. While the City/EDC may be able to successfully encourage voluntary annexation, the financial incentives required often take away from funding that normally could have been used for other City services, such as police, fire, parks, and recreation.
3. Home rule government would empower the City to make many of its own decisions (rather than being governed primarily by the State) and would allow the City to issue bonds and other types of financing in more situations.
4. If the home rule path is chosen, it is recommended that the City begin pursuing the adoption of a home rule charter and evaluating the appropriate annexation methods for the community (whether a 3-year plan is required or the exemption for sparse development applies).
5. If the general law path is chosen, it is recommended that the City pursue the creation of a Municipal Development District to levy an additional 0.25% sales tax throughout the City and ETJ, or offer the creation of a TIF district to fund improvements following voluntary annexation.

In summary, the most economical approach for the City and its citizens may be to seek home rule status. Under either scenario, Helotes' tax dollars will be spent attracting economic development; however, under the general law scenario, additional tax dollars will be spent incentivizing voluntary annexation.

Figure 2. ETJ Subareas for Analysis

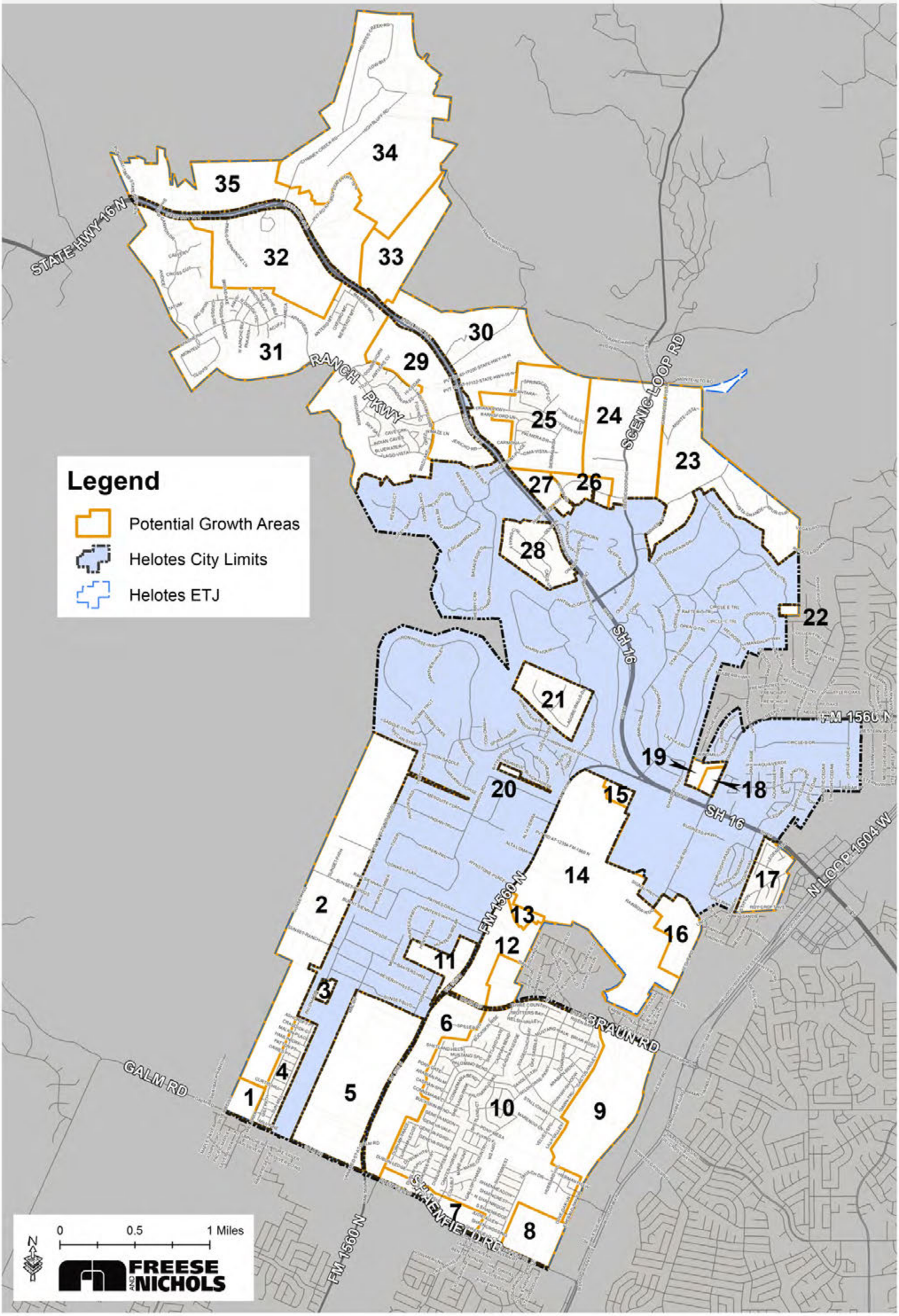


Figure 3. Development Characteristics

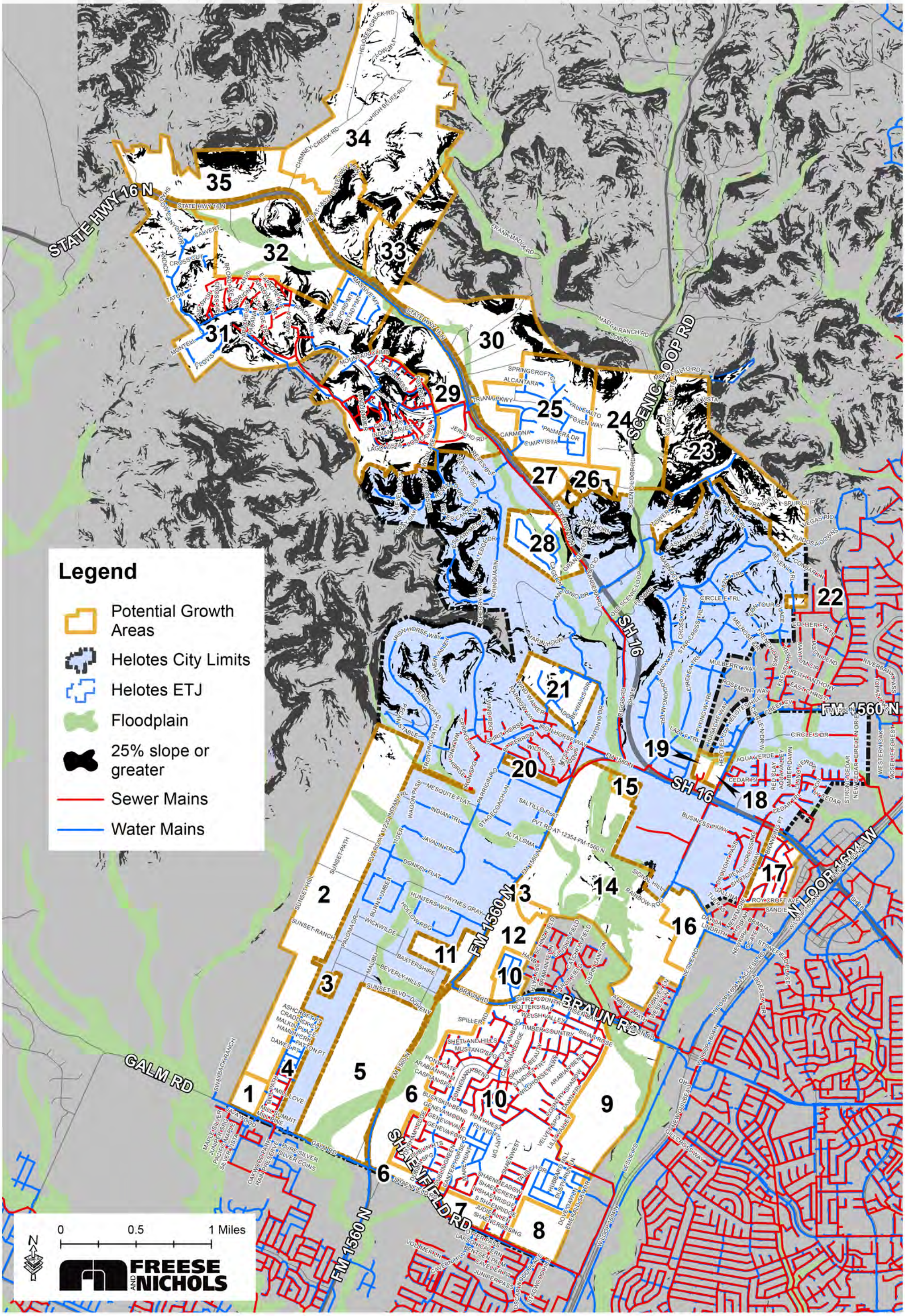
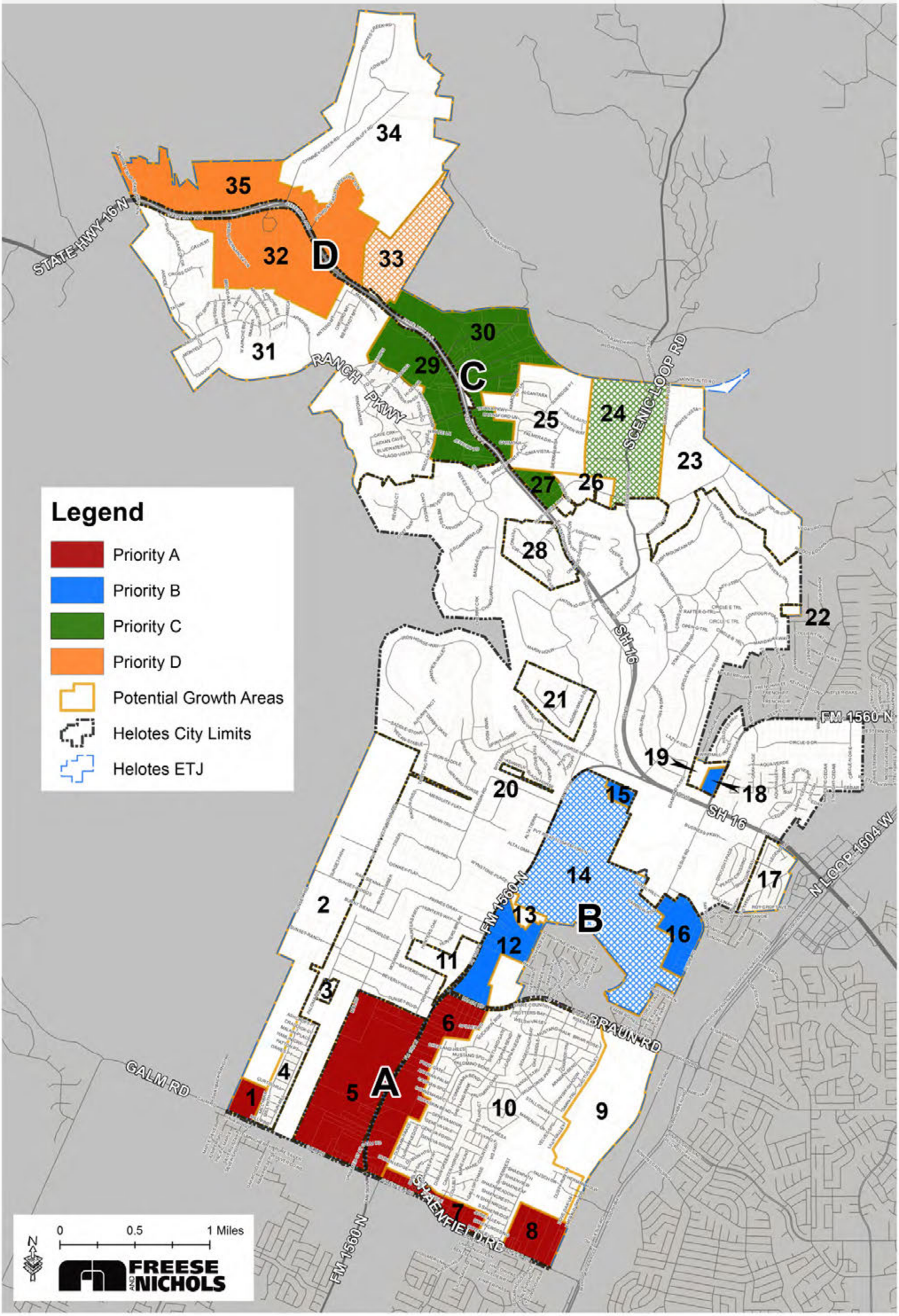
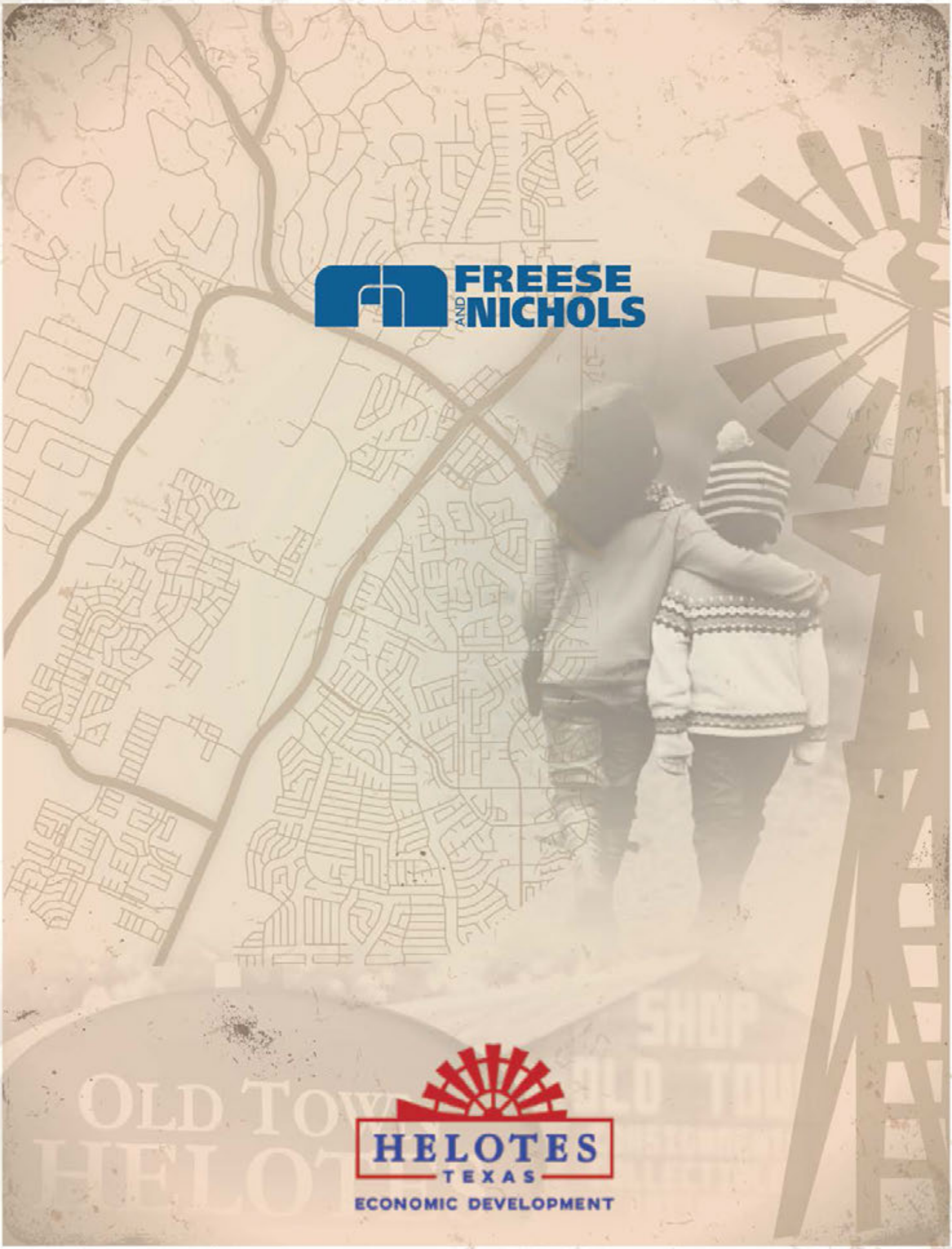


Figure 4. Priority Areas

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