

CASTLE HILLS PROPOSED PUBLIC FACILITY CORPORATION FOR THE PROPOSED LOFTS AT CASTLE HILLS

Frequently Asked Questions

(March 3, 2022)

WHAT IS WORKFORCE HOUSING?

Q1: Who is the targeted demographic for residents of this development?

A: *The Lofts at Castle Hills will target market rate tenants and the “middle market” for multi-family residential, also known as “workforce housing”. Half of the units will be allocated for renters who earn 80% or less of the Average Median Income (“AMI”) (based on the regional definition) and the other half will be allocated for traditional market rent.*

Currently, 80% of AMI is \$59,280. This income level generally describes NEISD teachers with less than 16 years’ experience, the average salary range for City workers, entry level policemen and firemen, retail workers, clerical workers, most entry level positions, trades and craftsmen, nonprofit professionals; as well as seniors and students. (Note: Castle Hills recently posted for applications for firemen starting at \$47,017 and policemen starting at \$44,000.)

This is not a low income or Section 8 property. The project will not accept Section 8 Vouchers.

WHAT KIND OF INCENTIVE IS BEING PROPOSED?

Q2: Will this project provide a tax break to an apartment complex for 75 years?

A: *The Lofts has been proposed as Public Facility Corporation (“PFC”) project. The PFC is a tool that may be utilized by the City, pursuant to Chapter 303 of the Texas Local Government Code, to create new housing opportunities in partnership with the development community. This structure allows a property tax exemption (which reduces operating expenses) and sales tax exemption (which reduces building costs), thus allowing a housing project to be financially feasible. In exchange, the community receives a higher quality housing option which is not otherwise available in the marketplace and projected financial return above what the City would collect if the project paid taxes.*

Although the project will not pay property taxes, it will pay a lease payment to the PFC (which may allocate the payment to the City). Contractually, this payment will not be less than the City would receive in property tax.

Q3: How would a project like this, paying no taxes, benefit the community?

A: *While the project will not pay property taxes, the City will receive lease payments which will not be less than the City property taxes that would otherwise be due, which means there is no financial loss to the City. Additionally, the City will participate in other revenues of the Project.*

Other benefits of the project include: developing high quality housing stock which could not be developed without the PFC, providing options for seniors, students, and others, that doesn't currently exist in the City; making a vacant lot productive, adding to the City's revenue; increasing residents to a key commercial corridor, providing walkable support for restaurants and businesses in the area (and adding to the City's sales tax revenues); creating a unique level of municipal control over a significant development project; and supporting the City's identified master plan goals.

PFC projects have been used throughout the state. There are currently over 20 PFC projects in San Antonio, some of which are near the Pearl, in downtown San Antonio, in Southtown, and near Sunset Station.

WHAT DOES IT MEAN FOR THE CITY TO HAVE A 75 YEAR LEASE?

Q4: If the City's PFC is the owner of the project, what happens at the end of the 75 year lease? Will the City be left with a decrepit building with little or no value?

A: *In any development, there is a risk that the original construction will not be of good quality and that without maintenance the development will become an eyesore and nuisance in the future. In this case, the lease requires that the project be built and maintained as a "Class A" multi-family structure. If the standard falls below that level, the developer will be in default of the lease, giving rise to all the rights the PFC will have as the owner and landlord, including termination.*

At the end of the term of the lease (75 years), the PFC will own the project. Basically, through the PFC, the City will have land-banked this site. In 75 years, the City can elect to use the site for whatever best meets the City's needs at that time, including selling the site which will have appreciated over the 75 year term.

Q5: Can the project revert back to the City before the 75 years?

A: *Under the terms of the proposed lease, it is possible that the project could revert back to the City's PFC. The most obvious scenarios for reversion would be the developer's failure to maintain the project as a Class A multi-family development or the developer's failure to make the lease payments to the PFC. In that case the City, through the PFC, could sell the property.*

HOW WILL THIS PROJECT IMPACT THE CITY AND CITY SERVICES?

Q6: Has the City's financial advisor evaluated this proposal?

A: *Yes. The City's financial advisor has evaluated the proposal and made a presentation to the City on its findings and options for the revenue created.*

Q7: How will the City allocate the proceeds from the PFC?

A: *The PFC may allocate proceeds in a specific way or direct that the proceeds may flow back to the City for any lawful municipal purpose. The proceeds can be used to repair streets or pay the City's bonds, for example.*

Q8: What is the impact of PFC projects to the other taxing jurisdictions that don't receive a lease payment, like the City?

A: *A project owned by the PFC won't pay property taxes to any jurisdiction pursuant to state law. With some projects, this raises a concern that school children may be added to area schools, without the benefit of school ad valorem tax. However, the state's robin hood tax system offsets any exempt property, so the school district operations are not affected. In this case, with only 40 two-bedrooms and 12 three-bedrooms, it's unlikely that there will be many families with school aged children.*

Q9: What assurances do residents have that the project will be well maintained?

A: *The lease requires the project to be developed and maintained as a Class-A multi-family project.*

Q10: The proposed project appears to unfairly burden the existing residents of Castle Hills by adding approximately 450 residents which will strain our utility, solid waste, and public safety resources. How is the City addressing these issues?

A: *The City Manager, Fire Chief, and Police Chief have performed an analysis on the impacts of this project on the City. No significant impacts on utilities, solid waste, or public safety were identified.*

It's important to note that the City will receive lease payments that exceed the taxes that would otherwise be due, providing revenue to enhance services.

Q11: Would the increase to the City's population by this project require the City to hire additional staff?

A: *The City's analysis of the project does not indicate that the new residents would require additional City staff.*

HOW WILL TRAFFIC IMPACTS BE ADDRESSED?

Q12: What are the basic assumptions used in the traffic analysis?

A: *The traffic study was conducted by an independent expert traffic engineer based on actual traffic counts. The study is available on the City's website.*

Q13: Will the Rural Residential District be included in the traffic analysis and impact study?

A: *Yes. The Traffic Engineer is including the Rural Residential District in the TIA.*

Q14: How will the City and the Developer deter cut through traffic on Winston, Castle, and Fox Hall Lanes?

A: *The Developer, the Traffic Engineer and the City have initiated discussions on traffic calming techniques, such as speed bumps, signage, and cameras which auto report to CHPD. These conversations are in the early stages. Once established, the mitigation plan will be a project expense of the Developer.*

Q15: How will the traffic study properly analyze pass through traffic, which differs from a destination report?

A: *That will be up to the traffic engineers in their professional judgment.*

Q16: What is the parking ratio for the apartment complex? What is the guest parking plan? Will street parking be prohibited?

A: *The parking ratio is 1.5 spaces per unit, which is the standard formula for a Class-A property with the mix of units proposed. (Note: 65% of the units are one bedroom/studio units.) The only street parking will be located on the project, not in the public street.*

Q17: Will vehicle charging stations be included in the project?

A: *Yes.*

WHAT IS THE PROCESS AND TIMING FOR THIS PROPOSAL?

Q18: When will the proposal go to City Council for a vote?

A: *The proposed process requires several votes.*

Community Development Program. After two public hearings, the CDP will be considered by the City Council. If approved, the CDP will establish the City's authority to participate in housing/economic development projects. The CDP is currently under review by the Comprehensive Plan Advisory Committee.

Public Facility Corporation. After the CDP is approved, the City can vote to create the PFC. The PFC Board will be comprised of the City Council.

Project Agreement. The project lease and related documents will be considered by the PFC after the terms are negotiated.

Q19: Will there be public meetings, town halls, or any public hearings for the project?

A: *The project has been presented and discussed at City Council Meetings on October 13, 2021, November 1, 2021, November 9, 2021, December 7, 2021, December 14, 2021, and January 11, 2021.*

A town hall meeting for the project and the PFC process was held on February 22, 2022, with a second one scheduled for March 5, 2022.

The Community Development Program, which would establish the City's interest in participating in housing projects was approved in its initial form on January 11, 2021 and referred to the Comprehensive Plan Advisory Committee for review, discussion, and completion. The Advisory Committee will hold two public hearings on this plan.

Following the public hearings, the City Council will determine whether to create a PFC. If the PFC is established, the PFC may elect to enter into negotiations with the developer to finalize the terms of the lease and related documents. It is anticipated that this process would occur in spring of 2022, with final documents coming back to the PFC in the summer.

Q:20 When would the final vote take place?

A: *The schedule anticipates the PFC would consider the lease and related documents in the summer of 2022.*
