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SPORTS/1C



SUNDAY

MAY 11, 2003 • METRO EDITION

Columnist saying *adiós* to San Antonio

RICK CASEY/3A

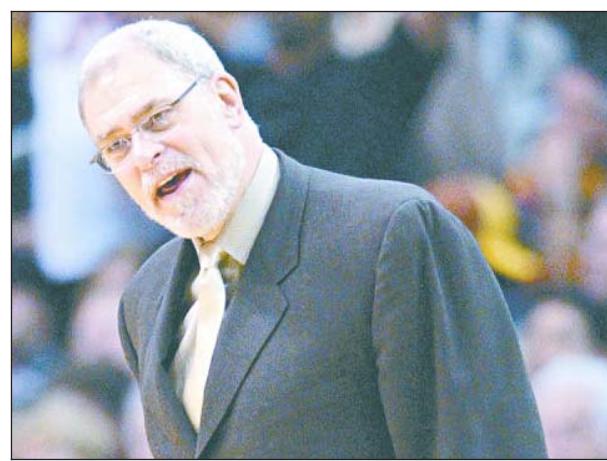


San Antonio Express-News

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Lakers coach Phil Jackson does his job during Game 3 of the Western Conference semifinals. He attended the game with the Spurs Friday at the Staples Center in Los Angeles despite having had chest pains.



EDWARD A. ORNELAS/STAFF

Local bills on right road

As session winds down, S.A. measures are progressing.

BY GUILLERMO X. GARCIA AND RACHEL STONE

EXPRESS-NEWS AUSTIN BUREAU

AUSTIN — San Antonio's legislative agenda, which got off to a good start with the approval of \$15 million for a rail spur to the planned Toyota plant, remains largely on track heading into the final weeks of the 78th Legislature.

Officials remain hopeful about bills to create an advanced transportation district, a South Side regional authority, the Texas A&M University at San Antonio and measures to improve military installations.

"We're pleased with the progress we've made thus far," said Jim Campbell, San Antonio's external relations director. "Our delegation has been possibly more effective than ever."

However, proposed cuts to indigent health care programs could cost Bexar County millions of dollars, and a dispute between city leaders and Rep. Robert Puente has raised concerns about the South Side Initiative, described by Mayor Ed Garza as the single most important bill for San Antonio to be considered by the Legislature this session.

Senate Bill 1565, by Sen. Frank Madla,

SEE LEGISLATURE/21A

Moms in combat draw critics' fire

Opponents use Mother's Day to fault current policy.

BY DAVID CRARY
ASSOCIATED PRESS

With one single mother in the U.S. Army killed in Iraq and another wounded and captured, some conservatives are urging the military to halt its march toward gender equality and restrict the deployment of mothers in war zones.

"Healthy, responsible nations do not send the mothers of small children to or near the front lines — that violates the most basic human instincts," said Allan Carlson, a historian affiliated with the Family Research Council.

For now, the cause has found few champions in Congress or at the Pentagon; politicians and commanders are pleased by the all-volunteer military's performance in Iraq and proud that three ambushed servicemen became national heroes.

However, the critics — mostly from groups opposed to the feminist movement — vow to maintain pressure in hopes the Bush administration one day may review deployment policies.

President Bush, asked about the matter Thursday, said it will be "up to the general

See MOMS'/15A

Good idea gone bad?

Tax increment financing started as a way to rebuild the inner city. Now, it's paying off for suburban developers.



This wooded area near SeaWorld (at top) is pegged for tax subsidies. Critics question the need for incentives there.

See SUBSIDIES/8A

Today's Weather

Clouds and sun
High 86, Low 62
Full report, Page 18C

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Subsidies pile profits on development projects

CONTINUED FROM 1A

"The big downside is when a developer doesn't need that subsidy," said Victoria Basolo, a professor of urban planning at the University of California at Irvine.

In the 1950s, California became the first state to adopt tax increment financing.

"They will make their profit, and they would have done the project anyhow," Basolo said.

A review of thousands of public records and scores of interviews depict a city TIF program that began in 1998 with good intentions but is veering off track.

In the name of progress, developers are poised to receive millions of dollars in tax subsidies for hot real estate ventures.

Fanning the flames are City Council members who cheerlead TIF proposals before city staff experts have a chance to review plans — and even when they raise concerns.

And to justify the tax subsi-

dies, some developers adorn their projects with the pedestrian-friendly features of New Urbanism.

Upon closer inspection, aspects of their plans don't measure up.

Such cases overshadow the work of city employees, developers and builders who, with little fanfare, use tax increment financing the way many believe it was intended, to encourage housing and business in places no one wants to develop.

In a five-month review of the program, the San Antonio Express-News found that:

- City officials are planning to subsidize growth in suburbia by using a law that, at least initially, was meant to curb inner-city decay.

In one case, developer Hugo Gutierrez has proposed a 2,700-acre, master-planned community near SeaWorld, outside city limits.

From a developer standpoint, its location couldn't be better:



Harry Hausman helped finish the Sky Harbor subdivision thanks to TIF. He stands on a street among its homes.

The Village at West Pointe would be nestled on pristine land that has "all the beauty and charm of the Texas Hill Country," according to Gutierrez's TIF application.

Mayor Ed Garza said the flexibility of the Texas law authorizing TIF zones makes West Pointe possible.

The statute's author isn't so sure.

"I don't recall articulating those type of projects," said former state Sen. Ray Farabee of Wichita Falls, who helped write the 1981 law.

"The goal was to take a declining inner-city area, and create a situation where there would be money to rehabilitate it and turn it around," Farabee said.

- West Pointe's biggest supporter is David Earl, a lobbyist and prolific campaign contributor who spearheads the most districts in the city on behalf of developers.

Earl has much to gain as he carves out a niche in the world of tax increment financing law.

In one deal, Earl asked his clients for a \$125,000 flat fee and a cut of the net TIF revenue, which could earn him millions

of dollars, according to an early version of the contract obtained by the San Antonio Express-News.

A tape-recorded conversation between developers suggests Bexar County Commissioner Robert Tejeda got Earl a job with that project. Earl denied benefiting from any favoritism, and Tejeda said he wasn't trying to line up work for the lobbyist.

- The city's enthusiasm for TIF has sparked concern among officials at Bexar County and the Alamo Community College District, which are being asked to forsake property tax income for two decades or more.

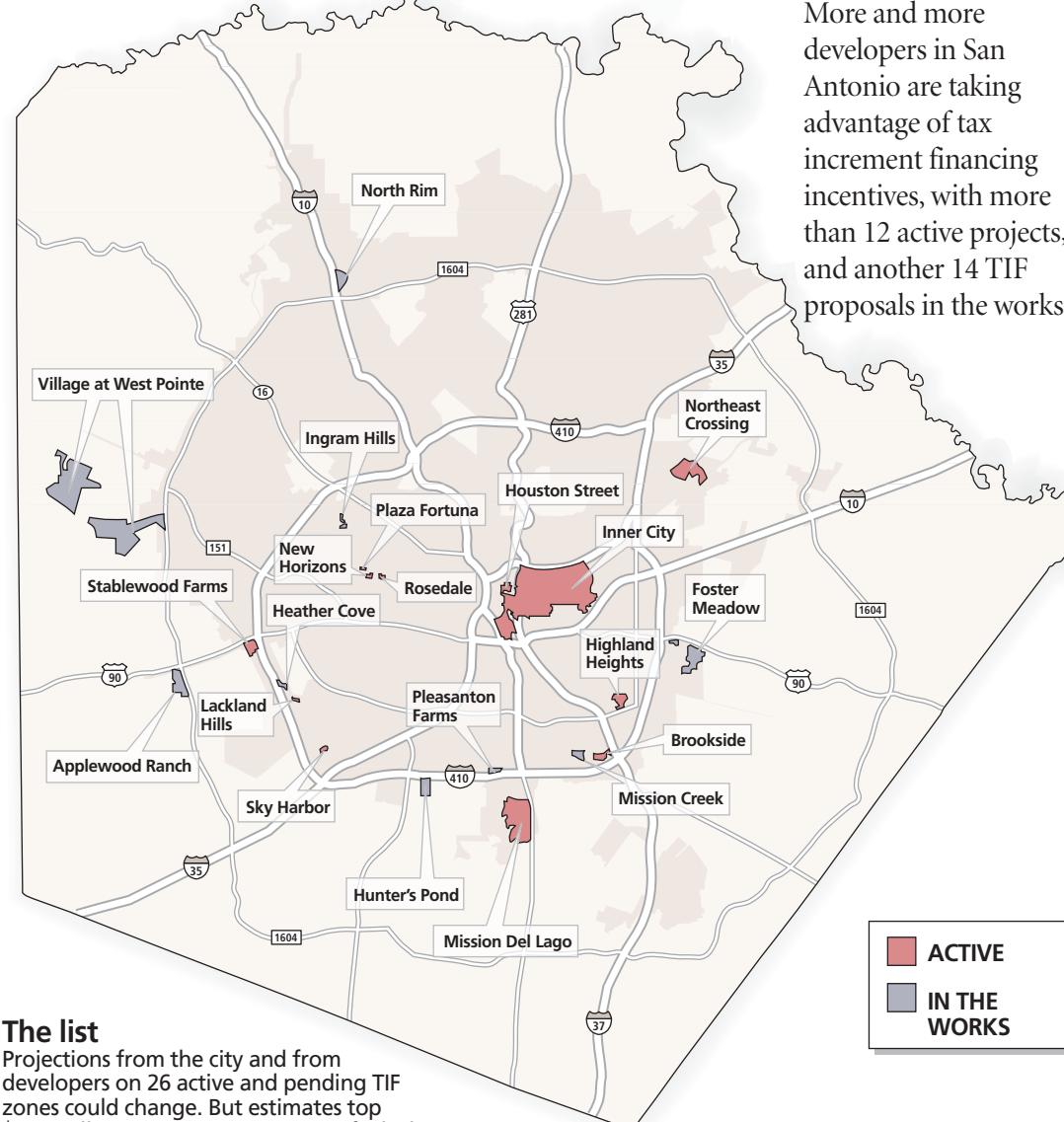
For the 26 TIF deals in which financing plans are available, an estimated \$658 million in revenue that could go to taxing entities might be raised instead for developers and other uses.

Chock full of financial estimates looking 20 years in the future, that grand total is slippery

See ZONES/9A

Taking a look at TIF

SAN ANTONIO TIF ZONES



The TIF debate

Not everyone agrees with the use of TIF in San Antonio, and recent proposals have raised questions about if and how these districts should be created. Some arguments from both sides:

PRO

- TIF encourages development in slums, deteriorated lots and other neglected parts of a city.
- Communities aren't really forsaking property taxes since most TIF districts are in stagnated areas.
- TIF can give cities greater control over development, and provide incentives to combat urban sprawl.
- Once the life of the TIF district ends, the new property goes back on the tax rolls.

CON

- Many TIF projects approved by the city have been in areas hardly considered neglected.
- Again, many TIF districts occupy land likely to be developed without the added incentive.
- The city's recently adopted Unified Developers Code should already provide control over development.
- The amount of tax revenues forsaken during the life of the TIF is too high a price to pay.

NOTE: Some projects listed don't appear on the above map

Source: City of San Antonio, David Earl's office

How TIF WORKS

Under a typical TIF project, taxing entities agree to give up future tax revenue to pay for the developer's infrastructure costs. Sky Harbor shows an example of how tax funds are raised and distributed:

Ripe for reinvestment

The city designates vacant or blighted land as a Tax Increment Reinvestment Zone, also known as a TIRZ. The base property value is frozen. The city, county and other taxing entities can dedicate all or part of their future tax revenue to the TIRZ -- or refuse to participate altogether. School districts often opt out.



Laying the groundwork

The developer builds streets, sidewalks, water lines and other infrastructure needs. In San Antonio, developers usually get private financing to pay for those costs out of their own pocket. Other cities use TIF bonds to finance the infrastructure. In some cases, there is no up-front financing.



Up and running

With the infrastructure in place, builders buy lots and new buildings are constructed. As the value of the land grows, more tax revenue is generated. Taxing entities that participate in the TIRZ continue to receive property taxes from the base property value. The new taxes go to a TIF fund.



Dividends paid

Over the years, the TIF fund is used to make annual payments to the developer, reimbursing him for infrastructure costs. After the TIF expires, city, county and other entities collect taxes on the increased value previously given back to developer.



NOTE: Property tax values and TIF collections are projections provided by the city. Artist renderings for example only and don't indicate any specific neighborhood.

Graphic by MONTE BACH and ROBERT ZAVALA/STAFF

SAN ANTONIO EXPRESS-NEWS

DOLLARS FOR DEVELOPERS

SUNDAY, MAY 11, 2003

"Some TIFs may not conform with the intent and spirit of the law."

LEO ZUNIGA, ACCD

Zones 'preferred' inside Loop 410

CONTINUED FROM 8A

and could easily change. Developers came up with many projections that have yet to be reviewed by the city.

And some of that money might not be spent if project costs are less than expected TIF revenue.

But if the estimates are anywhere near accurate, they are more than 35 times the value of controversial city tax abatements granted to hotels and other businesses.

Since 1990, City Hall has granted \$18 million in abatements to various companies.

A good tool?

The TIF boom has been encouraged by Garza, who began championing the financing mechanism in the 1990s as a member of the San Antonio Housing Trust and later as a city councilman.

The mayor, city officials and developers insist TIF sparks construction in areas that long have been shunned.

In many cases, the city isn't really giving up future tax revenue, supporters said, because TIF usually targets vacant, dilapidated properties that have little chance of ever being used.

"It's a very good tool if it's done properly," said Harry Hausman, a local developer who has frequently made use of the program.

In one of Hausman's projects, rows of affordable brick homes have sprouted in Sky Harbor, a subdivision on the Southwest Side where residents have struggled for years with gang violence.

The stigmatized neighborhood was left unfinished by its original developer, Ray Ellison, in the 1980s. Builder after builder tried finishing the job.

The vacant lots, seemingly cursed, remained empty.

Yet in the past two years, the empty land came to life with 150 affordable homes. Starting sales price: \$60,000.

On a sunny afternoon, Merline Estevez, 28, sat outside her new brick house as her children devoured Popsicles.

"It's mine," Estevez said of the first house she's ever owned. "Nobody can tell me what to do. I like it."

Her neighbor, Janie Huerta, 22, remembers the excitement of buying a home, her first.

"We moved in right away," said Huerta, who works as a waitress at a Taqueria Jalisco. "It's awesome. You start investing in your property."

How did Hausman succeed where others failed?

He credits a \$1 million TIF district.

The government keeps taxes from original property values, but the increment, or the \$1 million in extra tax income from development and higher appraisals, goes to the TIF fund.

Over time, the city will pay back Hausman with part of that TIF money if all goes well. The city keeps some money for administrative costs.

Because developers usually pay for infrastructure themselves, the annual payments can dramatically cut expenses.

High hopes

Sky Harbor's small size and its stated goal of growth in forgotten parts of the city is typical of most TIF projects scattered across San Antonio.

But Sky Harbor also reveals limitations.

Below the surface of neat brick houses are untidy details — boxy homes with no back doors, complaints of stolen car stereos, and the occasional resident who neglects a property and skips town.

"Some of the neighbors are



PHOTOS BY BILLY CALZADA/STAFF

Children play in the streets of Sky Harbor. Tax increment financing began in California as a way to remake urban blight.



New homes in Sky Harbor, such as this one, have no rear entrances. This TIF district's subsidy is worth \$1 million.

less than what we had hoped for," homeowner Angela Garcia said. "We had hoped for a really friendly community."

Carole Abitz, president of the local neighborhood association, wondered if Sky Harbor really was getting better.

"It's a mixed bag," Abitz said of the new tax zone. "I think some of the people don't really feel like they're part of the community."

Documents and interviews depict a program filled with lofty goals that have been difficult at times to achieve.

In December 2000, the City Council approved a \$14 million "Inner City" TIRZ on the East Side that was supposed to make life better for thousands of residents and business owners, most of them minorities.

Before he stepped down from the City Council, Mario Salas said the zone would be his lasting legacy.

Today, residents have yet to see any benefits. The fund's financial projections were slashed and some projects were dropped.

It's the second time the East Side has been jilted; another zone called La Paz held promise for 2,600 homes, but the developer bailed out.

On the South Side, an 800-acre TIRZ that encircles Mission del Lago golf course should boast hundreds of new homes

as workers build a \$320 million mixed-income subdivision.

Today, the work is three years behind schedule as the developers feud with each other in court.

Bureaucratic delays are common. Near Brooks City-Base, developer Fred Elsner helped build \$32 million in housing in a new neighborhood called Brookside.

Elsner paid for the streets, water lines and drainage ditches that made Brookside possible, but the city has been habitually late making his TIF reimbursements.

"It's getting a little embarrassing," Elsner said.

Mayor Garza acknowledges the city's TIF program is going through growing pains. Last year, an eight-member team was formed to streamline the application process, Garza said, and the city is moving forward with more requests than ever.

Since 1998, when the program started locally, the City Council has approved a dozen reinvestment zones, and 14 more are in the works.

Scattered across San Antonio, the districts range from modest, 10-acre affairs to West Pointe, a proposed 2,700-acre behemoth.

Other taxing entities are taking note of those numbers.

Questioning their future participation in TIF zones, Bexar

County officials could impose stricter guidelines or a moratorium altogether, and the Alamo Community College District set up its own standards in March.

An Oct. 31 e-mail by Leo Zuniga, director of governmental relations for ACCD, spelled out the concerns of giving up taxes to developers.

"Some TIFs may not conform with the intent and spirit of the law," Zuniga wrote his boss, Ernest Martinez.

Developers were meeting privately with ACCD board members, and there appeared to be "no end in sight" to the number of proposals, Zuniga wrote.

North Side blight

With Mayor Garza in office, the TIF program is evolving.

Garza has instructed staffers to encourage more walkable, traditional neighborhoods in San Antonio. Strip malls and mundane subdivisions have overrun the city, Garza said, and he views TIF as the carrot to entice developers to try something different.

But two proposals that tout the merits of New Urbanism are miles from the inner city. Developers want them in desirable areas that likely would grow without the help of tax subsidies.

Near Six Flags Fiesta Texas, G.W. "Bill" Worth is seeking tax assistance for a 320-acre project called North Rim Village.

If the city, Bexar County and ACCD all agreed to participate, more than \$60 million in TIF revenue could be raised until 2026.

Worth's company estimates it needs about \$50 million of that total. In return, it promises to build a top-notch retail center that would bear faint resemblance to San Antonio's all-too-common strip malls and "big-box" retail centers.

Instead of a vast parking lot next to a Wal-Mart, North Rim's proponents said it will mix shaded streets, cozy shops, a new library, apartments and homes.

TIF would make it all possible, and Garza likes the project.

But at what cost?

North Rim is being proposed near some of the priciest real estate in South Texas.

Located in an abandoned quarry, the site is across Interstate 10 from Six Flags, and a few miles from The Dominion, home to the Spurs' David Robinson and country-music superstar George Strait.

City guidelines define the preferred location for TIF zones as the area within Loop 410 and south of U.S. 90, where growth is stagnant.

Houston lawyer Steve Robinson, an expert on TIF who represents Worth's company, said "there is no question" that the quarry itself is a blighted area that deserves tax help.

But who has owned the quarry since the 1930s? Worth and his family.

"There's a whole lot of money that's been raised out of that land already," said former Mayor Howard Peak, who's no fan of Worth.

"It's been used once. And now they're figuring out what to do with the rest of it. In my view, reclamation costs ought to have been part of the original business plan, not just to leave a hole in the ground," he added.

Garza acknowledged Worth still would make money on North Rim Village without a TIF subsidy — just not as much.

And three experts who reviewed the project for the Express-News describe it as a hybrid of New Urbanism that in some places isn't pedestrian-friendly at all.

"From what I can see, this is essentially a lifestyle shopping center adjacent to some housing and a conventional office park," said Neal Payton, a designer with the award-winning firm Torti Gallas & Partners in Silver Spring, Md. "I would not call this New Urbanism."

For a cash-strapped city grappling with a budget shortfall, Garza's endorsement of such projects has raised hackles among critics.

If a TIF district is created, fu-

ture property taxes would go Worth's way until the year 2026.

Every time police search for a burglar, or firefighters put out a blaze or any other city service is expended in the district, other San Antonians will shoulder those costs.

In the early 1980s, the same predicament bogged down then-Mayor Henry Cisneros, who pushed for a TIRZ in downtown San Antonio soon after the state's TIF legislation was passed.

At the time, a construction boom was reshaping downtown, and Bexar County Judge Albert Bustamante saw millions of potential tax dollars slipping away if Cisneros succeeded.

"It's not a blighted area," Bustamante told the San Antonio Express in a Dec. 17, 1981, article. "If they want a blighted area, why not try Guadalupe (Street) where businesses are going out?"

Cisneros dropped the plan.

More than 20 years later, the same controversies are facing another San Antonio mayor who's trying to give the city a face-lift.

Developer Hugo Gutierrez wants the city to annex a 2,700-acre development on the Northwest Side outside Loop 1604, a short drive from the towering roller coasters at SeaWorld.

In his own words, the Village at West Pointe is in a charming section of the Hill Country, with a booming population, and where the average household income within a 3-mile radius is \$73,000.

Two housing developments already are firmly entrenched near the site without the help of tax subsidies, yet Garza has embraced West Pointe for its promises of friendly, walkable neighborhoods and plazas.

Who is the driving force behind the city's largest proposed TIF project?

David Earl, San Antonio's TIF king,

jtedesco@express-news.net
Monday: How a lobbyist cornered the TIF market.

Texas developers don't mind a little 'blight' — if it makes them money

By JOHN TEDESCO

EXPRESS-NEWS STAFF WRITER

Tax increment financing started in California in the early 1950s as a way to fix neglected inner-city neighborhoods.

Over the years, the practice began spreading across the country as federal funds for urban renewal dried up.

In the 1970s, San Antonio Mayor Lila Cockrell saw what other states were doing with TIF zones, and wondered why

Texas didn't have its own law on the books.

As a board member of the Texas Municipal League, Cockrell suggested the group get similar legislation passed.

Ray Farabee, a state senator from Wichita Falls, was willing to listen.

As Farabee tells it, the purpose of Texas law mirrored California's efforts to fix slums and dead commercial districts. A report by the Texas Legislative Council, which helped draft Farabee's

bill, concluded TIF was intended to help "economically distressed" areas.

But in its final form, the 1981 law allowed TIF zones not just for blight, but for undeveloped areas.

In addition to blight, it approved TIF for land that impairs the "sound growth" of a city, which has proven to be open to interpretation.

Researchers at the University of Texas at Arlington wrote that the statute's language "has allowed Texas ci-

ties to establish TIF districts practically anywhere political consensus allows."

Dick Brown, now a lobbyist, was the league's director at the time. Credited by Farabee for helping write the law, Brown agreed the language gave more latitude to developers.

The statute has proven controversial, especially in Houston, where city officials have aggressively used TIF in prosperous parts of town.

"Some of the earliest (TIF

zones) were over valuable property," said Stephen Robinson, an expert on TIF law with the Houston law firm Vinson & Elkins.

When Houston officials wanted to create a TIF zone to fix streets around the Galleria, an iconic shopping center with a Neiman-Marcus, Saks Fifth Avenue and the Westin Oaks Hotel, critics cried foul.

A 1999 opinion, signed by then-Attorney General John Cornyn, now a U.S. senator, concluded cities could deter-

mine their own definition of blight, as long as it fit within the broad strokes of state law.

"Most states have a strict definition of blight," said Joyce Man, an Indiana University professor who has studied TIF zones across the country.

"But some states, they do not require blight as the precondition. They found out that TIF actually is more politically popular than a tax abatement."

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