

Economic Impacts of the City of San Antonio Center City Housing Incentive Program (CCHIP)

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Executive Summary

The City of San Antonio's Center City Housing Incentive Program provides incentives to catalyze housing developments in the downtown area. Many of these developments are multiuse facilities that contain both retail and office space. The purpose of this study was to analyze the economic and fiscal impacts of the 63 developments incentivized by CCHIP. The analysis covered the impacts of both the construction of the buildings and the operations of the businesses in those buildings that were multiuse. The impacts of the construction covered only the period in which the construction occurred, which for all of these projects occurred at various times from 2012 to 2020. The impacts of the businesses on the multiuse buildings were projected over a twenty-year period, assuming the businesses opened the year following completion of the building.

Table 1 provides the impacts of the construction of the buildings incentivized by CCHIP. The results are also cumulative from 2012 to 2020. Table 2 shows the cumulative projected impacts of the business operations assuming each business is in operation for twenty years. Finally, the total cumulative impacts of both the construction and the business operations are provided in Table 3.¹ The methodology used to calculate these impacts is discussed in the next section.

**Table 1. Cumulative Economic Impacts of Construction of CCHIP Developments:
2012-2020**

<i>Impact Type</i>	<i>Employment</i>	<i>Labor Income (2018 \$)</i>	<i>Contributions to GDP (2018 \$)</i>	<i>Output (2018 \$)</i>
Direct Effect	8,038	\$386,505,367	\$508,607,564	\$1,208,867,155
Indirect Effect	3,916	\$191,524,633	\$296,880,016	\$515,838,933
Induced Effect	3,396	\$156,581,746	\$267,012,123	\$453,964,627
Total Effect	15,350	\$734,611,746	\$1,072,499,703	\$2,178,670,715

¹ Within these tables, employment equates to full-time equivalent positions and labor income includes benefits. Contributions to GDP (gross domestic product) is a measure of the value added these economic activities contributed to the local economy. Output is the value of the goods and services produced by the firms. The direct effects measures the initial impacts of the firms through their employment and spending in the local economy, and the indirect and induced effects account for the multiplier or ripple effects of this economic activity. The indirect effects capture the spending by the businesses at the developments and the construction firms with their various suppliers in the local economy. The induced effects measure the impacts of the spending of the employees at these firms as they receive their wages and engage in their daily economic activities. The total effects are the accumulation of the direct, indirect, and induced effects.

Table 2. Cumulative Economic Impacts of Businesses in CCHIP Developments over 20 Years

<i>Impact Type</i>	<i>Employment</i>	<i>Labor Income (2018 \$)</i>	<i>Contributions to GDP (2018 \$)</i>	<i>Output (2018 \$)</i>
Direct Effect	5,982	\$248,501,358	\$359,501,603	\$551,039,032
Indirect Effect	1,304	\$67,798,409	\$110,641,932	\$193,717,572
Induced Effect	1,849	\$85,342,255	\$145,446,746	\$247,386,530
Total Effect	9,135	\$401,642,023	\$615,590,281	\$992,143,134

Table 3. Total Cumulative Economic Impacts of CCHIP

<i>Impact Type</i>	<i>Employment</i>	<i>Labor Income (2018 \$)</i>	<i>Contributions to GDP (2018 \$)</i>	<i>Output (2018 \$)</i>
Direct Effect	14,020	\$635,006,725	\$868,109,168	\$1,759,906,187
Indirect Effect	5,220	\$259,323,042	\$407,521,948	\$709,556,505
Induced Effect	5,245	\$241,924,002	\$412,458,868	\$701,351,157
Total Effect	24,485	\$1,136,253,768	\$1,688,089,984	\$3,170,813,849

The fiscal impacts of the construction of the buildings and the operations of the businesses in the buildings are provided in Table 4. The sales tax revenues generated from the construction activity are estimated at about \$3.2 million with the City of San Antonio receiving over \$2.8 million of that amount. Property tax revenues are calculated to be over \$22.2 million with the City of San Antonio receiving about \$3.5 million. The school districts will receive the largest share of property tax revenues with about \$22.3 million flowing to the various school districts in the county. The operations of the various businesses in the buildings will generate sales tax revenues over a twenty-year period of just over \$2.0 million with the City of San Antonio receiving about \$1.8 million in sales tax revenues. Property tax revenues generated from this economic activity are projected to amount to over \$14 million. The City of San Antonio is projected to receive about \$2.2 million in property tax revenues from the business operations.

Table 4. Fiscal Impacts of CCHIP

	Construction	
	<i>Sales Tax Revenues (2018 \$)²</i>	<i>Property Tax Revenues (2018 \$)</i>
City of San Antonio	\$2,838,294	\$3,474,784
Bexar County	\$319,792	\$5,422,981
Road and Flood		\$97,641
SARA		\$130,116
ACCD		\$1,116,732
University Health		\$2,108,894
School Districts		\$9,923,140
Total	\$3,158,086	\$22,274,288

	Business Operations over 20 Years	
	<i>Sales Tax Revenues (2018 \$)</i>	<i>Property Tax Revenues (2018 \$)</i>
City of San Antonio	\$1,805,328	\$2,189,587
Bexar County	\$203,407	\$3,417,218
Road and Flood		\$61,527
SARA		\$81,991
ACCD		\$703,693
University Health		\$1,328,891
School Districts		\$6,252,931
Total	\$2,008,735	\$14,035,838

Methodology

The data used in the analysis was provided by the City of San Antonio and contained the following fields for each project:

- 1) Commencement date of construction
- 2) Completion date of construction
- 3) Dollar value of investment
- 4) Square feet of office space
- 5) Square feet of retail space.

² Sales tax revenues include hotel occupancy tax revenues.

The number of months of construction was calculated and allocated proportionately to each year in which construction occurred for each project. For example, if construction on a project began on June 1, 2014 and completed construction on May 31, 2016, seven months of construction activity were allocated to 2014, twelve months to 2015, and five months to 2016. The proportion of construction in each year relative to the total number of months of construction for the project was calculated. This proportion was multiplied by the total investment to allocate the dollar amount of construction activity in each of those years. These calculations were made for each project and the total construction activity was calculated for each year across all of the projects. The total construction activity was entered into the IMPLAN input-output model for Bexar County for each year from 2012 through 2020. A model for the City of San Antonio is not available, so the Bexar County model was used as the model of the local economy. The impacts of the construction activity are given in Table 1.

In order to calculate the impacts of the operations of the businesses located in the multiuse facilities, it was assumed that the businesses would begin operations in the buildings the year after completion of construction. The amount of square feet for both office and retail space was multiplied by 85% to get an estimate of the net square footage of actually used office and retail space. It was assumed that there would be two jobs per 1,000 net square feet in a retail space and three jobs per 1,000 net square feet in the office space. The total employment levels across all multiuse developments in each year was calculated by dividing the total net square footage of office space per year by 1,000 and multiplying that quotient by three. A similar calculation was done to calculate the number of retail jobs in the buildings with the quotient of total net square footage of retail space divided by 1,000 multiplied by two to get the number of retail jobs. The estimates of the number of office and retail jobs at the time in which the businesses start operations in the CCHIP developments in shown in Table 5.

Table 5. Initial Employment in CCHIP Developments at Start of Business Operations
(Figures are not cumulative.)

	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Office employment	6	6	6	6	6	6	6
Retail employment	24	0	0	22	10	51	104
Total employment	30	6	6	28	16	57	110

In order to run the model to project the impacts of the business operations, the type of office operations had to be determined. It was assumed that the businesses in the office spaces would follow a similar distribution to that across the San Antonio economy. Data on the employment levels across broadly defined industries³ for the city of San Antonio were pulled from the 2016 American Community Survey provided by the U.S. Census Bureau. The industries that would most likely be present in the downtown area were pulled from the data and the proportion of employment to total employment in each industry was calculated. These proportions are shown in Table 6. The total office employment in each year was multiplied by these proportions to get a projection of the industries across which the jobs would be distributed. This assumes that the same distribution holds across all years of the analysis. The retail establishments were assumed to be general merchandise stores. It was assumed that all of the businesses would operate for twenty years. The employment level across industries, including the retail employment, were run through the IMPLAN input-output model to get the projections of the economic impacts as shown in Table 2.

Table 6. Proportion of Employment in Select Industries in San Antonio: 2016

<i>Industry</i>	<i>Proportion to Total Employment</i>
Information	0.040
Finance and insurance	0.147
Real estate	0.040
Professional, scientific, and technical services	0.126
Management of companies and enterprises	0.002
Administrative and support and waste management services	0.115
Educational services	0.201
Health care and social services	0.292
Arts, entertainment, and recreation	0.037

In calculating the fiscal impacts, the results provided by the IMPLAN model for the total revenues to the county, sub-county general entities, and the sub-county special entities were

³ For the most part, these are provided at the two-digit NAICS code level.

used. The sub-county general entities includes all of the cities, towns, villages, and similar taxing entities within the county. The sub-county special entities include all of the special taxing entities like school districts and various special taxing districts.⁴ In order to calculate the sales and property tax revenues flowing to the various entities shown in Table 4, the revenues received by these entities had to be separated from the various other organizations captured in the overall figures. The revenues to Bexar County are provided in the results of the model. The sales tax revenues received by the City of San Antonio were estimated by multiplying the proportion of employment in the retail; arts, entertainment, and recreation; and the accommodation and food services industries in the city of San Antonio relative to Bexar County. These industries were selected because it is the sales in these industries that generate the sales and hotel occupancy tax revenues. San Antonio accounts for 79% of all of the employment in these industries in Bexar County, so it was assumed that 79% of the total sales tax revenues flow to the City of San Antonio.

To pull out the property tax revenues for road and flood, San Antonio River Authority, Alamo Community College District, University Health System, Bexar County, and the City of San Antonio, the net taxable property values in 2017 for all taxing entities, including all cities, school districts, and other special taxing districts (e.g., TIF, MUD, PID) were collected from the Bexar Appraisal District.⁵ The property tax rates as of 2017 were also collected from the Bexar Appraisal District for each of the taxing entities.⁶ The net taxable property value was multiplied by the tax rate to get a measure of the tax revenues flowing to each entity. The total tax revenues were calculated, and the proportion of revenues each entity received relative to the total revenues across all entities was calculated. The proportions for each of the entities shown in Table 4 was multiplied by the appropriate revenues resulting from the IMPLAN input-output model with the proportions for all of the school districts being aggregated.

⁴ Source: IMPLAN, "Generation and Interpretation of IMPLAN's Tax Impact Report."

⁵ "2017 Certified Totals," Retrieved from http://www.bcad.org/data/_uploaded/file/Reports/2017%20Certified%20Totals%20Report.pdf

⁶ "2017 Actual Tax Rates," Retrieved from http://www.bcad.org/data/_uploaded/file/taxinfo/TAX%20RATE%20CHARTS%202017_new.pdf