

ECONOMIC DEVELOPMENT



Adoption of 2017-2018 Tax Abatement Guidelines

December 15, 2016

Rene Dominguez, Director, Economic Development Department

RECOMMENDATION

Staff recommends adoption of the proposed Tax Abatement Guidelines (effective January 1, 2017 through December 31, 2018).

SUMMARY OF CHANGES TO TAX ABATEMENT GUIDELINES

- The proposed Guidelines include revisions to:
 - Reference the SA Tomorrow Comprehensive Plan and Regional Centers.
 - Requires Annual Sponsorship of a Student Intern.
 - Adds Definition of State of Texas High-Wage Job Threshold which also provides access to State Enterprise Funds and State Enterprise Zone Project Designations.
 - Adds Creative Industries as a Qualifying Industry.

BACKGROUND

- Chapter 312 of the Texas Tax Code provides local governments the authority to enter into tax abatement agreements:
 - By state law, City Council is required to adopt new Tax Abatement Guidelines every two years. The current Guidelines expire December 31, 2016.

TAX ABATEMENT SUMMARY

- Section 1, Page 6: Eligibility Criteria
 - Specifies that the Guidelines apply to new as well as existing local companies.
 - Retains minimum levels of investment and job creation.
 - Retains Living Wage requirement for all employees.
 - Retains requirement to provide access to healthcare benefits for employees and dependents.
- Section 2, Page 6: Targeted Areas
 - Retains 6-year and 10-year term areas, defines exceptional projects and identifies non-eligible areas.
 - Makes reference to future Regional Center Plan Development

TAX ABATEMENT CRITERIA

- Section 3, Page 7

City of San Antonio Tax Abatement Criteria		
Location of the Project	Non-ICRIP Area	ICRIP and/or Targeted Industries
Term of Abatement	Up to 6 Years	Up to 10 Years
Minimum Investment in Real & Personal Property	\$10 Million	\$1 Million
Minimum New Full-Time Jobs	100	25
Amount of Tax Abatement	Up to 50% on real and personal property improvements	Up to 100% on real and personal property improvements

ELIGIBILITY CRITERIA

- Section 3, Page 7:
 - Guidelines Criteria used to determine the value of the incentive to offer a project is based primarily on the following:
 1. targeted industry;
 2. location of the project;
 3. corporate, U.S. or regional headquarters;
 4. total number of jobs;
 5. total capital investment;
 6. number of high-wage jobs and other factors related to improved energy use.

NEW CRITERIA

- Section 3, Page 7 - In order to receive consideration for a tax abatement, a company must also do one or more of the following:
 - Must sponsor a student for an internship with SA Works.
 1. Enter into a R&D collaboration with local college or university;
 2. Host a community blood drive with the South Texas Blood and Tissue Center;
 3. Participate in no less than two job fair events in the two years following the effective date of the abatement agreement.

RETAINED CRITERIA

- Section 4, Page 7: Timing
 - Company must submit an application prior to commencement of the project; and
 - Before issuance of a building permit or Certificate of Occupancy (consistent with EDIF Guidelines).
- Section 5, Page 8: Local Hire Requirement
 - Must hire a minimum 25% from Bexar County.
- Section 6, Page 8: Employee Health Benefits
 - Must provide employee and dependents access to healthcare benefits.

WAGE CRITERIA

- Section 7, Pages 8-9:
 - Retains Living Hourly Wage Requirement: 100% of the company's new and existing employees at the project location must earn no less than a "living wage." (2016: \$11.68 per hour).
 - Retains All Industries Median Hourly Wage Requirement: After one year of initiating full operations at the project location, at least 70% of all new and existing employees at the project location. (2016: \$15.68 per hour)
 - Adds State of Texas High-Wage Job Threshold: Additional consideration based on the number of jobs that meet the High-Wage Job Threshold, which also provides access to State Enterprise Funds and State Enterprise Zone Project Designations. (2016: \$22.74 per hour)

NEW CRITERIA CONT.

- Section 8, Page 9 (Targeted and Qualifying Industries)
- Adds Creative Industries – Industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.
- Sections 9 -12 - No changes.

CRITERIA CONT.

- Appendix C - Definitions
 - Adds Definition for New and High Wage Jobs.

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TAX ABATEMENT AND EDIF INCENTIVE PROJECTS SINCE JANUARY 1, 2013

Project Name	Council District	Total Investments	Jobs Created	Jobs Retained	Total Jobs	Total Grants
AmeriCredit	6	\$24,500,000	490	-	490	-
CST Brands Campus (Project Sullivan)	10	\$27,000,000	100	305	405	\$500,000
CyrusOne - Colocation	6	\$120,000,000	15	-	15	-
CytoCentrics - HQT	9	\$15,000,000	300	-	300	\$1,000,000
Dialpad-Expansions	1	\$0	44	6	50	\$100,000
EE - Location	1	\$0	50	0	50	\$100,000
HelpSocial - SAEDC	1	\$0	4	6	10	\$100,000
HOLT CAT -Expansion	3	\$20,200,000	45	150	195	-
HVHC - Headquarters (Amendment)	1	\$1,000,000	150	-	150	\$360,000
HVHC - Manufacturing	6	\$25,000,000	600	-	600	\$1,140,000
Indo-MIM - Manufacturing	4	\$24,000,000	330	-	330	\$500,000
Liquid Web - downtown	1	\$0	43	57	100	\$225,000
Microsoft - Data Center Expansion	6	\$250,000,000	20	-	20	\$3,087,102
Oracle - Financial Operations	1	\$0	200	-	200	\$1,000,000
Parlevel - SAEDC	1	\$0	30	10	40	\$100,000
Project ASI (Arvin-Sango)-Manufacturing	3	\$16,600,000	45	-	45	-
SSFU - Expansion	8	\$120,000,000	200	747	947	\$1,297,693
StemBioSys - SAEDC	1	\$0	6	-	6	\$200,000
UPS - Training/Logistics	2	\$85,000,000	25	600	625	-
Grand Total (19 Records)		\$728,300,000	\$2,697	\$1,881	\$4,578	\$9,709,795

TAX ABATEMENT RECAPTURE PROVISIONS

6-Year Abatement Period		10-Year Abatement Period	
Termination of Abatement	Recaptured Taxes	Termination of Abatement	Recaptured Taxes
During Abatement Period	100%	During Abatement Period	100%
Year 1 of Recapture Period	100%	Year 1 of Recapture Period	100%
Year 2 of Recapture Period	75%	Year 2 of Recapture Period	80%
Year 3 of Recapture Period	50%	Year 3 of Recapture Period	60%
Year 4 of Recapture Period	25%	Year 4 of Recapture Period	40%
		Year 5 of Recapture Period	20%
		Year 6 of Recapture Period	10%

TAX ABATEMENT HISTORY

Fiscal Years	Number of Agreements
1990 – 1995	20
1996 – 2000	17
2001 – 2005	27
2006 – 2010	14
2011 - 2014	12
2015 - 2016	4

INELIGIBLE PROJECTS (INCLUSIVE LIST)

- Projects involving new construction over the Edwards Recharge or Contributing Zone that will result in additional impervious cover at the project site.
- Retail stores, retail centers and/or businesses that primarily provide goods and services, including medical and professional services, directly to consumers on a competitive basis.
 - Staff, however, may consider offering a tax abatement to such projects located in the ICRIP.
- Outbound or contract call centers. Staff, however, may consider offering a tax abatement to such projects locating in the ICRIP.
- Hotels and motels.
- Projects that may negatively impact military missions and/or installations.
- Projects that have already been issued a building permit, including any conditional permits.