



City of San Antonio

Agenda Memorandum

File Number: 17-2445

Agenda Item Number: 15.

Agenda Date: 4/20/2017

In Control: City Council A Session

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: Council District 1

SUBJECT:

Consideration of a resolution approving a Bexar County tax abatement within the boundary of the Houston Street Tax Increment Reinvestment Zone (TIRZ) as required by State law.

SUMMARY:

City Council will consider a resolution approving a tax abatement between Bexar County, NEC Networks, LLC (d/b/a CaptureRx), Graystreet Houston-315 E. Houston Street, LLC (Graystreet 315), and Graystreet Houston-305 E. Houston Street, LLC (Graystreet 305) for a project that falls within the boundary of the city-designated Houston Street TIRZ, and which includes the relocation and expansion of the CaptureRx's headquarters and the redevelopment of adjoining buildings at 305 E Houston St. and 315 E Houston St. (Kress and Grant buildings).

Because this project is within the boundaries of an active City of San Antonio designated Tax Increment Reinvestment Zone, the County is required to seek approval from all taxing entities participating in the zone in accordance with the Texas Tax Code Section 311.0125(b)(1)(2).

BACKGROUND INFORMATION:

At the request of the Bexar County Economic Development Department, on March 6, 2017 the Houston Street TIRZ Board of Directors approved a resolution authorizing a Bexar County tax abatement for the redevelopment project of 305 E Houston St. and 315 E Houston St. (Kress and Grant buildings). Bexar County is a Participating Taxing Entity (PTE) in the Houston Street TIRZ. By authorizing this tax abatement, The Houston Street TIRZ Board has agreed to forego the Bexar County portion of tax increment generated by this project during the abatement period. By providing a tax abatement, the County is providing valuable incentives to support CaptureRx which presents an opportunity to secure the presence of an innovative, rapidly growing and high-paying healthcare technology company in the heart of Downtown San Antonio, while also supporting the re-development of a historic

building and adding further momentum to the continued growth of the IT ecosystem in the city's urban core.

Kress & Grant Building

NEC Networks, LLC (d/b/a CaptureRx), Graystreet Houston-315 E. Houston Street, LLC (Graystreet 315), and Graystreet Houston-305 E. Houston Street, LLC (Graystreet 305) have proposed the redevelopment of the historic Kress Building at 305 E. Houston Street and the adjacent Grant Building at 315 E. Houston Street. This redevelopment project will house the headquarters of local healthcare technology company CaptureRx, which plans to grow its local presence from currently 114 employees to 354 employees over the next five years, with an average annual salary of approximately \$91,000. The ground floors will provide retail options on Houston Street.

The company and developer have sought development incentives from both the City of San Antonio and Bexar County. The City has authorized the following incentives:

- \$308,747 - a 6-year, 100% tax abatement on real and personal property
- \$614,000 - a 5-year, performance-based Chapter 380 Economic Development Grant
- \$158,160 - SAWS fee waivers
- \$26,530 - ICRIP City fee waivers

Furthermore, staff will nominate the project as a Texas Enterprise Project, which could potentially result in a refund to CaptureRx of state sales and use taxes on qualified expenditures of up to \$1,250,000 over 5 years.

The Bexar County proposed incentive is a 10-yr, 90% abatement of real property taxes, amounting to approximately \$281,138, per Bexar County's estimates.

The company and developer will make a capital investment of at least \$10.5 million in real and personal property improvements at the site, with construction scheduled to start in 2017, and the company's commencement of operations in the new space anticipated by June 2018.

ISSUE:

In accordance with Section 311.0125 of the State Tax Code, a taxing unit seeking to abate taxes on real property located in a reinvestment zone must obtain approval from the following entities in order for the agreement to be effective; "The board of directors of the reinvestment zone and the governing body of each taxing unit that imposes taxes on real property in the reinvestment zone and deposits or agrees to deposit any of its tax increment into the tax increment fund for the zone."

ALTERNATIVES:

The City could deny the tax abatement request from the County. This approach would deny the partnership opportunity between the County and City, which could adversely impact the company's decision to retain and grow its headquarters operations in San Antonio, as well as the developer's plans to redevelop two important buildings along Houston Street.

FISCAL IMPACT:

This action does not impact the City's General Fund. Bexar County is a Participating Taxing Entity in the Houston Street TIRZ. By authorizing this tax abatement, the Houston Street TIRZ Board has agreed to forego the Bexar County portion of tax increment generated by this project during the abatement period.

RECOMMENDATION:

Staff recommends City Council approval of the proposed Bexar County tax abatement as requested by the County.