



# City of San Antonio

## Agenda Memorandum

**File Number:** 17-5611

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**Agenda Item Number:** 28.

**Agenda Date:** 10/19/2017

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development Department

**DEPARTMENT HEAD:** Rene Dominguez

**COUNCIL DISTRICTS IMPACTED:** 1

### **SUBJECT:**

City Council consideration of Tax Abatement and Chapter 380 Economic Development Program Grant Agreements with Credit Human Federal Credit Union (Credit Human) (*Formerly San Antonio Federal Credit Union*) to assist with public improvements costs and fees associated with the project site located at 1803 Broadway Avenue, and a resolution approving a Bexar County tax abatement within the boundary of the Midtown Tax Increment Reinvestment Zone (TIRZ) #31 as required by the Texas Tax Code.

### **SUMMARY:**

Staff is requesting City Council approval of a 10-year, 100% tax abatement agreement and a five-year Chapter 380 economic development program grant agreement (tax rebate agreement) to fund a portion of public improvements at the Credit Human headquarters project site, based on: (1) a capital investment of approximately \$113 million in real and personal property improvements attributable to Credit Human's use and ownership of a new headquarters; (2) the creation of at least 50 new full-time jobs and retention of 435 existing full-time jobs; and (3) the implementation of formal commuter benefits and workforce development programs for its employees. Staff is also requesting a resolution approving a tax abatement between Bexar County and Credit Human, as the project falls within the boundaries of an active City of San Antonio designated Tax Increment Reinvestment Zone (TIRZ), which requires the County to seek approval from all taxing entities participating in the TIRZ in accordance with the Texas Tax Code.

### **BACKGROUND INFORMATION:**

As part of a rebranding effort to expand and serve additional members in and outside of San Antonio, San

Antonio Federal Credit Union, has changed its name to Credit Human. For more than 80 years, Credit Human has had a presence in San Antonio, with its main location at 6061 IH 10 W in Council District 1. Credit Human serves more than 250,000 members in five states and manages nearly \$3 billion in assets. Aside from San Antonio, Credit Human has operations in the following locations: Schertz and Houston, Texas; Federal Way, Washington; Greensboro, North Carolina; St. Albans, Vermont and Aurora, Colorado.

As of December 2016, Credit Human had a total full-time workforce of 696 employees. Of those, 435 full-time employees work at one of three operations centers in San Antonio. Credit Human seeks to consolidate its operations centers to a new headquarters and considered relocation to Washington, North Carolina, Vermont and Colorado, along with Schertz, Texas. Ultimately, the company has decided to construct a 10-story building at the 3.13 acre project site for its headquarters operations. The project will also include a six-story mixed-use office and retail building and the construction of a total of 958 surface and underground parking spaces. However, the recommended tax abatement and tax rebate only apply to the portion of the project associated with Credit Human headquarters operations.

The project will cover nearly the entire block at the northwest corner of Broadway and Pearl Parkway. The buildings will be state-of-the-art, sustainably constructed corporate headquarters targeting a LEED Gold rating, that will allow for future growth over the next 45-50 years. Furthermore, Credit Human will offer access to jobs and financial services within walking distance to neighborhoods to the west and east of Broadway in an area that is underserved by financial institutions.

The Credit Human project aligns the City's *SA Tomorrow Comprehensive Plan*, as it resides within the Midtown Activity Center and will foster redevelopment and contribute toward job diversity within this area. It also aligns with *Forefront SA*, the community's economic development strategic plan led by the San Antonio Economic Development Foundation, by promoting the attraction and retention of corporate and regional headquarters, and supporting the continued growth of the City's targeted industries.

In addition, staff is requesting a resolution from City Council approving a 10-year, 90% Bexar County tax abatement of real and personal property taxes for the Credit Human project, valued at approximately \$2,970,370. Pursuant to the Texas Tax Code, Bexar County must obtain approval from the City to provide a tax abatement within a TIRZ.

## **ISSUE:**

In order to secure this project, staff recommends a 10-year, 100% tax abatement agreement on real and personal property, and a five-year tax rebate agreement on real and personal property. However, the combined value of the tax abatement agreement and tax rebate agreement will be tied directly to and will not exceed the actual expenses incurred by Credit Human for the public improvements costs and fees at the project site. These public improvements include underground power and data infrastructure, complete street improvements, traffic signal modifications, public storm drain improvements, new street parking, and street trees, patios and green spaces. The costs of the public improvements are approximately \$7.5 million. The City's Transportation & Capital Improvements Department (TCI) will inspect and monitor the public improvements made by Credit Human, and, under a separate agreement with Credit Human, may also provide funding for a portion the public improvements.

To qualify for the recommended incentives, Credit Human must: (A) create at least 50 new jobs over five years and retain 435 jobs for a total of 485 jobs at the project site; (B) make a capital investment of approximately \$113 million over three years for the portion of the facilities owned by and attributable to Credit Human's headquarters operations; and (C) offer commuter and workforce benefits programs for Credit Human

employees. Additionally, 100% of Credit Human’s employees at the project site must be paid the “Living Wage” of no less than \$11.83 per hour, exclusive of benefits. After one year, Credit Human must pay at least 70% of all employees at the project site a wage of no less than \$15.68 per hour, exclusive of benefits.

The City has established a program and guidelines to use economic development incentives through the authority granted in Chapter 312 and Chapter 380 of the Local Government Code. This project meets those guidelines and is also within the Inner City Reinvestment/Infill Policy (ICRIP) area, which promotes redevelopment in targeted areas. As part of the ICRIP program, this project is eligible for City and SAWS fee waivers. However, SAWS fee waivers will be limited to \$100,000, to allow for the availability of funds to support other projects.

The project site is located within an existing Texas Enterprise Zone and in accordance with Section 312.4011 of the Texas Tax Code, designation of an area as a State Enterprise Zone constitutes designation of the area as a Reinvestment Zone without further hearing or other procedural requirements. The project site is also located within the existing Midtown #31 TIRZ, and the TIRZ Board approved the tax abatements by the City and Bexar County on September 8, 2017.

**ALTERNATIVES:**

Based on the City’s competitive offer and local support for the project, Credit Human has decided to keep its headquarters in San Antonio and to create and retain 485 full-time jobs. City Council could choose not to approve the ordinances authorizing the City to enter into the tax abatement and tax rebate agreements, which could impact Credit Human’s decision to maintain and expand its headquarters operations in San Antonio.

**FISCAL IMPACT:**

The estimated fiscal impact to the City is \$5,923,882, which is comprised of the 10-year, 100% tax abatement valued at approximately \$5,242,785 and a five-year tax rebate agreement valued at approximately \$1,515,741. However, the combined value of the tax abatement agreement and tax rebate agreement will not exceed \$5,923,882, and will be based on the actual expenses incurred by Credit Human for public improvements costs and fees associated with the project.

This project is also eligible for ICRIP City and SAWS impact fee waivers, but will have no fiscal impact to the City’s General Fund.

Staff conducted a cost-benefit analysis evaluating the City’s estimated costs in relation to the City’s estimated revenues from incremental sales taxes from construction costs, new jobs, and property taxes. Staff estimates this project will have a net fiscal benefit to the City of \$12,275,631 over a 20-year period, as summarized in the following table:

**20-Year Estimated Net Fiscal Impact from the Credit Human Project**

	<b>REVENUE</b>	<b>COSTS</b>	<b>BENEFIT</b>
<b>YEARS</b>	Revenues to City (Property Taxes, CPS Revenues, Sales Taxes from Construction from New Jobs)	Costs to City (Tax Abatement and Rebate)	Net Fiscal Benefit (Present Value) C = (A - B)
1-10	\$9,925,484	(\$5,242,785)	\$4,682,699

11-20	\$8,274,029 <sup>1</sup>	(\$681,097) <sup>2</sup>	\$7,592,932
<b>Totals</b>	<b>\$18,199,513</b>	<b>(\$5,923,882)<sup>3</sup></b>	<b>\$12,275,631</b>

1 Years 11-20 include tax revenue of \$990,682 from tax rebate after maximum incentive value is reached

2 Cost of tax rebate only reflects the amount of the rebate until maximum incentive value is reached

3 Maximum incentive value

**RECOMMENDATION:**

Staff recommends approval of: (A) an Ordinance approving a 10-year, 100% tax abatement agreement; (B) an Ordinance approving a five-year tax rebate agreement; and (C) a resolution approving a tax abatement agreement between Bexar County and Credit Human.