



City of San Antonio

Agenda Memorandum

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In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Alejandra Lopez

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

A public hearing and City Council consideration of the adoption of the City of San Antonio Tax Abatement Guidelines (Tax Abatement Guidelines) effective from January 1, 2021 through December 31, 2022.

SUMMARY:

The Texas Tax Code provides local governments the authority to enter into tax abatement agreements to promote the attraction of new companies and the retention and expansion of existing businesses to create jobs and investment. State law requires the adoption of the Tax Abatement Guidelines by City Council every two years. The current Tax Abatement Guidelines were approved by Council on December 13, 2018, and will expire, if not renewed, on December 31, 2020.

Staff requests the City Council consider an Ordinance adopting the 2021 to 2022 Tax Abatement Guidelines as required by Chapter 312 of the Texas Tax Code. The 2021-2022 proposed guidelines are an extension of the current guidelines, which includes a targeted geography, increased transparency in project eligibility, opportunities for corporate partnerships in support of SA Tomorrow policy goals, and the Upskill Project category.

BACKGROUND INFORMATION:

Chapter 312 of the Texas Tax Code authorizes local governments to abate up to 100% of *ad valorem* property taxes on the value of new property improvements for up to 10 years, including real property, and tangible personal property. Chapter 312 also requires the City of San Antonio to reauthorize the tax abatement guidelines every two years.

Traditionally, the Economic Development Department does extensive outreach with economic development

partners and receives feedback regarding community and business priorities in order to gauge how best to design and implement the tax abatements. The community is informed about the process through SA Speak Up, community meetings, and through online mediums. Outreach is typically done over several months with drafts presented to the community and City Council in order to receive further feedback. Historically, the City has also used consultants or economic development partners to research best practices around the state and country.

In 2018, the City Council approved a set of guidelines that supports the City's priorities of (1) attracting new targeted industry jobs and investment, (2) maximizing the competitiveness of local businesses, and (3) supporting socioeconomic mobility for the residents of San Antonio. Under these guidelines, the Economic Development Department has prioritized opportunities with significant investment, job creation in targeted industries, and projects that demonstrate the capacity to promote access to job opportunities and training to distressed populations.

Under the current Tax Abatement Guidelines, a traditional project must meet certain wage requirements, and make a \$10 million capital investment or create at least 50 jobs. The current Tax Abatement Guidelines include a targeted geography, the Inclusive Growth Area (IGA), based on zip codes where at least 20% of the population lives below the federal poverty line. The IGA is used to identify the term of tax abatements. The Tax Abatement Guidelines also include Upskill Projects, which are collaborations with qualifying employers for targeted hiring, upskill training and wraparound support for incumbent workers.

Additionally, the Guidelines include options for a project to receive a 50% or 100% tax abatement by participating in two or three qualifying priorities respectively. These priorities include being in a Targeted Industry; paying at least 30% of full-time employees a High Wage (\$50,000 / year); maintaining or creating an internship program; committing to hiring at least 35% of new jobs from the IGA; or participating in at least two partnership options. Partnership options include utilization of Small/Minority/Woman/Veteran Business Enterprise (SMWVBE) contracting, promoting sustainability practices, promoting health and wellness initiatives, and/or promoting commuter benefits. These options encourage prospective projects to collaborate on policy priorities, in addition to adding jobs and investment, to secure competitive incentive packages.

Since adoption of the current guidelines, City Council has approved a total of three tax abatement projects, including one Upskill Project. These projects supported the creations or retention of 4,326 jobs and \$756.3 million in capital investment in San Antonio.

As a result of the COVID-19 pandemic, staff shifted focus and has primarily engaged on the City's Recovery and Resiliency Plan, assisting the residents and business community with the ongoing crisis. Consequently, staff was unable to implement traditional outreach efforts to the residents and business community this year.

ISSUE:

In order to remain competitive in promoting economic growth in San Antonio, staff is requesting that City Council approve extending the current guidelines for the next two years, with only two adjustments. The two changes to the current guidelines are to update the IGA to reflect the City's growth and adjusted poverty levels, and to incorporate a requirement that companies receiving tax abatements engage in preferential interviewing and hiring from the City's workforce development programs.

Over the next six months staff will conduct an extensive outreach effort into the community and work with a consultant to develop new guidelines for Council consideration that better align and support local COVID economic recovery. State statute does not prevent the City from making updates to the guidelines after official adoption.

As part of the outreach effort, staff will engage with our strategic partners (i.e. SAGE, chambers of commerce, SAEDF, COPS/Metro, Westside Development Corporation, etc) to secure feedback. Working with them and enlisting the assistance of an economic consultant, staff will better tailor the guidelines to support future development while aligning with community interests, specifically incorporating a stronger workforce development component into the guidelines to ensure that residents with the most need are benefitting from the economic agreements.

This process will take place over the first six months of 2021, draft updates being presented to the Economic and Workforce Development Committee for initial feedback and presented to full City Council for final consideration in August 2021. This timeline will also allow staff and economic partners more time to fully realize and understand the extent the COVID-19 pandemic is having on residents and the business community. Understanding this impact will help inform how to better utilize tax abatements for economic recovery.

ALTERNATIVES:

The current Tax Abatement Guidelines expire December 31, 2020. Allowing the guidelines to lapse would effectively remove tax abatements as an economic development tool which has been demonstrated to consistently aid in the attraction and expansion of new jobs and investments to San Antonio. Per state law, the City Council cannot enter into tax abatement agreements until Tax Abatement Guidelines are adopted.

FISCAL IMPACT:

There is no fiscal impact to passage of these guidelines. Each tax abatement requires City Council approval.

RECOMMENDATION:

City staff recommends approval of the 2021-2022 Tax Abatement Guidelines effective January 1, 2021 through December 31, 2022.