



# City of San Antonio

## Agenda Memorandum

**File Number:** 14-3177

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**Agenda Item Number:** 40B.

**Agenda Date:** 12/11/2014

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development Department

**DEPARTMENT HEAD:** Rene Dominguez

**COUNCIL DISTRICTS IMPACTED:** 8

### **SUBJECT:**

Establishment of the Security Service Federal Credit Union Reinvestment Zone, a Tax Abatement Agreement with Security Service Federal Credit Union (SSFCU), and a Chapter 380 Economic Development Program Grant Agreement with SSFCU used to offset the cost of public infrastructure improvements at the project site.

### **SUMMARY:**

In order to assist with the cost of public infrastructure improvements consisting of the expansion of UTEX Boulevard and construction of an on-site public roadway (Public Improvements), staff recommends for consideration the following items related to the SSFCU project: (A) a public hearing and Ordinance designating the Security Service Federal Credit Union Reinvestment Zone located at 14880 W IH 10 San Antonio, Texas 78249 in Council District 8; (B) an Ordinance approving a 10-year, 100% Tax Abatement Agreement and (C) an Ordinance approving a 5-year Chapter 380 Economic Development Program Grant Agreement (Tax Rebate Agreement), based on a capital investment of at least \$120 million in real and personal property improvements, the creation of at least 200 new full-time jobs, and the retention of 900 existing full-time jobs.

### **BACKGROUND INFORMATION:**

SSFCU is a credit union headquartered in San Antonio. SSFCU was formed in 1956 as a not-for-profit, member owned financial cooperative to service the fiscal needs of the U.S. Air Force Security Service Command. It has grown to be the 8th largest credit union in the U.S. and the largest credit union in Texas with over \$7 billion in assets and 900,000 members. SSFCU has 37 locations in Texas, and has offices in the Coastal Bend, Rio Grande Valley regions, and El Paso, Texas, as well as locations in Colorado and Utah.

SSFCU employs approximately 900 people in San Antonio at its current headquarters facility located near La Cantera and 1,600 employees nationwide. The company plans to consolidate its current headquarters with its other San Antonio locations into a new headquarter facility located at 14880 W IH 10 San Antonio, Texas 78249 in City Council District 8. This project will result in a new corporate headquarters, the creation of at least 200 new full-time jobs over 5 years, the retention of 900 existing full-time jobs, and a minimum capital investment of at least \$120 million over 8 years. SSFCU considered existing sites in El Paso, Utah, and Colorado for the relocation and expansion of its headquarters facility.

SSFCU is developing its headquarters near the UTSA main campus as part of a phased, mixed-use, high-density corporate campus. The campus is expected to include residential and office components. The tax abatement and tax rebate incentives will be used to offset the cost of the Public Improvements, which will maximize the campus' value and utility to City residents, existing and future businesses, and the UTSA community.

In order to secure this proposed expansion at the new San Antonio site, staff recommends a: (A) 10-year, 100% tax abatement valued at approximately \$4,035,140 over 10 years; and (B) 5-year Chapter 380 grant in the form of tax rebates over 5 years valued at approximately \$1,297,693. The project meets the Tax Abatement Guidelines due to exceptional investment levels and job retention and creation. In addition, SSFCU will meet or exceed the Tax Abatement Guidelines wage requirements that 100% of the jobs at the project site will meet the minimum hourly "living wage" of at least \$11.47 and, within one year, at least 70% of employees at the project site will meet or exceed the \$14.66 hourly median "All Industry Wage."

## **ISSUE:**

Before the City may enter into a Tax Abatement Agreement with SSFCU, the City is required to designate the Security Service Federal Credit Union project site as a "Reinvestment Zone." This designation requires a public hearing and a finding by City Council that designation of the zone is reasonably likely to contribute to the retention or expansion of primary employment, or to attract major investment to the zone. The capital investment, job creation, and job retention resulting from this project exceed the criteria required for the designation of the Security Service Federal Credit Union Reinvestment Zone.

The SSFCU project is located in a non-ICRIP area, but is categorized as an "Exceptional" project under the Tax Abatement Guidelines due to the creation of a new corporate headquarters, an investment level above \$30 million and job creation and retention above 500 jobs, which qualifies the project for a 10-year, 100% tax abatement.

Chapter 380 of the Local Government Code authorizes the City to provide incentives for the purpose of promoting economic development, provided the City has established a program for such purposes. City Council approved a program promoting economic development in April 2005. The retention by SSFCU of at least 900 full-time jobs and the relocation and expansion of a new corporate headquarters facility meets the criteria for a Chapter 380 grant.

## **ALTERNATIVES:**

Based on the City's offer to offset the cost of the Public Improvements by providing SSFCU the tax abatement and tax rebate, SSFCU chose to expand in San Antonio for its new corporate headquarters. City Council could

choose not to approve the Ordinances, which could impact SSFCU’s decision to select San Antonio for the location of its new corporate headquarters campus with a large mixed use component.

**FISCAL IMPACT:**

The estimated fiscal impact to the City is \$5,332,833, which is comprised of the \$4,035,140 tax abatement over 10 years and the \$1,297,693 Chapter 380 tax rebate over 5 years.

Staff conducted a cost-benefit analysis evaluating the City’s estimated costs from the tax abatement and Chapter 380 grant in relation to the City’s estimated revenues from incremental sales taxes from construction costs and new jobs, property taxes, and CPS Energy revenues over a term of 22 years. Staff estimates this project will have a net fiscal benefit to the City of \$8,530,792 over a 22-year period. The following table summarizes the costs, revenues, and net fiscal benefits from the SSFCU project:

**22-Year Estimated Net Fiscal Impact from the SSFCU Project**

	<b>REVENUE</b>	<b>COSTS</b>	<b>BENEFIT</b>
<b>YEARS</b>	Est. Revenue (CPS Energy 14%, Property Taxes, and Sales Taxes from Construction & New Jobs)	Est. Incentive (10-yr, 100% Tax Abatement, 5-yr. Ch.380 Grant)	Est. Net Fiscal Impact
1	\$174,186	--	\$174,186
2-11	\$7,266,785	\$4,035,140	\$3,231,646
12-16	\$3,120,442	\$1,297,693	\$1,822,749
17-22	\$3,302,212	--	\$3,302,212
<b>Totals</b>	<b>\$13,689,439</b>	<b>\$5,332,833</b>	<b>\$8,530,792</b>

**RECOMMENDATION:**

Staff recommends approval of Ordinances: (1) designating the Security Service Federal Credit Union Reinvestment Zone; (2) authorizing a 10-year, 100% Tax Abatement Agreement on real and personal property; and (3) authorizing a 5-year Tax Rebate Grant Agreement on real and personal property.