City of San Antonio

Legislation Details (With Text)

File #:	14-3027
Type:	Procedural
In control:	City Council A Session
On agenda:	12/11/2014
Title:	Consideration of the following Ordinances concerning the Tax Abatement and Economic Development Incentive Fund (EDIF) Guidelines: [Carlos Contreras, Assistant City Manager; Rene Dominguez, Director, Economic Development Department]
Sponsors:	
Indexes:	
Code sections:	
Attachments:	1. Fiscal Impact Form 14-3027, 2. Proposed 2015 -2016 Tax Abatement Guidelines 11 25 2014 FINAL, 3. Proposed Tax Abatement Summary FINAL DRAFT FOR UPLOAD 11.20.2014, 4. Proposed 2015 EDIF Guidelines 11 25 2014 FINAL

Date	Ver.	Action By	Action	Result

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

Adoption of the City of San Antonio Tax Abatement Guidelines (Tax Abatement Guidelines) effective from January 1, 2015 through December 31, 2016, and amendment of the City of San Antonio Economic Development Incentive Fund Guidelines (EDIF Guidelines).

SUMMARY:

Staff is requesting City Council action on the following items: (A) an Ordinance adopting the Tax Abatement Guidelines; and (B) an Ordinance approving the amendment of the EDIF Guidelines.

BACKGROUND INFORMATION:

Since 1989, Chapter 312 of the Texas Tax Code has given municipalities the authority to offer tax abatements. City Council approved the current Tax Abatement Guidelines on December 13, 2012, which are effective from January 1, 2013 through December 31, 2014. State law requires the adoption of new Tax Abatement Guidelines every two years.

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The EDIF was established by City Council in 2004 to be used to attract new companies and help local companies expand. City Council adopted the current EDIF Guidelines on June 21, 2012.

Using the tax abatement program, the City can offer a company up to a 100% tax abatement on real and personal property improvements for up to 10 years based on a company reaching contractual milestones such as job creation and retention, high wages, and capital investment at a project site.

The proposed Tax Abatement Guidelines sets forth the eligibility criteria for projects seeking a tax abatement to include investment, jobs, and wages, targeted industries and targeted locations. City Council adopted targeted investment areas (ICRIP), which created targeted areas for economic development financial incentives, including tax abatements. The proposed Tax Abatement Guidelines retain the focus on investment and job retention/creation in the ICRIP, as well as on targeted industries.

Projects located in the ICRIP or in a targeted industry are eligible for up to a 10-year/100% tax abatement. Projects located outside the ICRIP or in a non-targeted industry are eligible for up to a 6-year/50% tax abatement. The proposed Tax Abatement Guidelines' jobs and investment thresholds are shown in the table below.

City staff uses the following criteria to determine the amount to offer a project based primarily on the following: (a) targeted industry; (b) location of the project; (c) corporate, U.S. or regional headquarters; (d) total number of jobs; (e) total capital investment; (f) number of high-wage jobs (see definition in Appendix D); (g) project meets Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ standards or equivalent acceptable methodology; and (h) project enrolls in CPS Energy's Windtricity or another CPS Energy renewable energy program.

City of San Antonio Tax Abatement Criteria		
Location of the Project:	Non-ICRIP	ICRIP and/or Targeted Industry
Term of Abatement:	Up to 6 Years	Up to 10 Years
Investment in Real & Personal Property:	$10 Million	$1 Million
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

The proposed Tax Abatement Guidelines continue to reflect companies and projects that are not eligible for a tax abatement. These include:

- Projects involving new construction over the Edwards Recharge or Contributing Zones which result in additional impervious cover at the project site are ineligible.
- Retail and contract/outbound call center projects.
- Projects that have already been issued a building permit, including conditional permits.
- Projects that do not meet wage requirements.

The proposed amendment to the EDIF Guidelines adds the "All Industries Median Hourly Wage" requirement to pay 70% of all new and existing employees, with at least one year of full employment, the San Antonio

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Metropolitan Statistical Area median wage for all industries. This wage is currently $14.66 per hour. The amendment also aligns the wage requirements of all economic development grant incentives under Chapter 380 connected to jobs creation and/or retention, with those contained in the Tax Abatement Guidelines.

ISSUE:

Chapter 312 of 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 proposed amendment to the EDIF Guidelines aligns the wage requirements of the EDIF Guidelines and all economic development grant incentives under Chapter 380 connected to jobs creation and/or retention, with those of the Tax Abatement Guidelines by adding the All Industries Median Hourly Wage requirement to the EDIF Guidelines. This alignment of wage requirements will provide clarity and consistency in the application of the guidelines to companies seeking incentives. City Council action is required to amend the EDIF Guidelines.

ALTERNATIVES:

The current Tax Abatement Guidelines expire December 31, 2014. If City Council does not adopt new Tax Abatement Guidelines by this date, the City can no longer enter into tax abatement agreements until the Tax Abatement Guidelines are adopted. If City Council does not approve the amendment to the EDIF Guidelines, the wage requirements in the Tax Abatement Guidelines, EDIF Guidelines, and all economic development grant incentives under Chapter 380 connected to jobs creation and/or retention will not align.

FISCAL IMPACT:

There is no fiscal impact associated with the adoption of the proposed Tax Abatement Guidelines or the proposed amendment to the EDIF Guidelines.

RECOMMENDATION:

Staff recommends approval of: (A) an Ordinance adopting the Tax Abatement Guidelines; and (B) an Ordinance approving the amendment of the EDIF Guidelines.

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