



# City of San Antonio

## Agenda Memorandum

**File Number:**16-5919

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**Agenda Item Number:** 26.

**Agenda Date:** 12/15/2016

**In Control:** City Council A Session

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**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, 2017 through December 31, 2018.

### **SUMMARY:**

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. Staff is requesting an Ordinance adopting the January 1, 2017 through December 31, 2018 Tax Abatement 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 11, 2014, which are effective from January 1, 2015 through December 31, 2016. State law requires the adoption of new Tax Abatement Guidelines every two years.

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, wage thresholds, 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. In addition, the Guidelines reference the SA Tomorrow Comprehensive Plan which highlights Regional Centers and the potential regional center plans that are to be developed through upcoming efforts.

The Tax Abatement Guidelines criteria used to determine the value of the incentive to offer a project is based primarily on the following: targeted industry; location of the project; corporate, U.S. or regional headquarters; total number of jobs; total capital investment; and the number of high-wage jobs.

For example, 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.

<b>City of San Antonio Tax Abatement Criteria</b>		
<b>Location of the Project</b>	Non-ICRIP	ICRIP and/or Targeted Industries
<b>Term of Abatement</b>	Up to 6 Years	Up to 10 Years
<b>Investment in Real &amp; Personal Property</b>	\$10 Million	\$1 Million
<b>New Full-Time Jobs</b>	100	25
<b>Amount of Tax Abatement</b>	Up to 50% on real and personal property improvements	Up to 100% on real and personal property improvements

The proposed Tax Abatement Guidelines also retain the focus on targeted industries such as Cybersecurity/IT, Healthcare and Bioscience, Advanced manufacturing, New Energy and now include the Creative Industries. Creative Industries have their origin in individual creativity, skill and talent and have a potential for wealth and job creation through the generation and exploitation of intellectual property.

Companies receiving a tax abatement from the City must meet certain minimum wage requirements for all new and existing (i.e. retained) jobs at the project site such as the present Living Hourly Wage of \$11.68 per hour and All Industries Median Hourly Wage of \$15.68 per hour. These wages are indexed annually and updated when new wages are reported by the U.S. Department of Health & Human Services (HHS), Bureau of Labor Statistics (BLS) and the Texas Workforce Commission (TWC).

Additional consideration associated with the Tax Abatement term and/or percentage will be provided based on the proportional number of jobs that meet the State of Texas High-Wage Job Threshold which also provides access to the State Enterprise Fund and State Enterprise Zone programs. This wage is compiled by the BLS Occupational Employment Survey and published annually by the TWC. This wage is updated quarterly, and for 2016 the current applicable wage is \$22.74 per hour.

The Guidelines also authorize remedies if the company is unable to meet and maintain these wage requirements for all new and existing employees at the project location. The Guidelines provide provisions in the event of default of its Tax Abatement Agreement, which could result in termination of the Agreement and the recapture of all or a portion of the previously abated property taxes.

In addition to wage, investment (including foreign direct investment), and job creation requirements, the

Guidelines promote workforce and community development priorities of the City of San Antonio. In order to receive consideration for a tax abatement, the company must sponsor a student for an internship as well as choose between: 1.) Enter into a research and development collaboration with a local college or university, 2.) Host a community blood drive with the South Texas Blood and Tissue Center, 3.) Participate in no less than two job fair events in the two years following the effective date of the abatement agreement.

#### **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.

#### **ALTERNATIVES:**

The current Tax Abatement Guidelines expire December 31, 2016. 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.

#### **FISCAL IMPACT:**

There is no fiscal impact associated with the adoption of the proposed Tax Abatement Guidelines.

#### **RECOMMENDATION:**

Staff recommends approval of an Ordinance adopting the 2017 - 2018 Tax Abatement Guidelines.