



City of San Antonio

Agenda Memorandum

File Number:17-3134

Agenda Item Number: 25.

Agenda Date: 5/18/2017

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: Extraterritorial Jurisdiction

SUBJECT:

City Council approval of ordinances approving a 15-year Industrial District Non Annexation Agreement (IDA) and Basic Fire Services Agreement (FSA), and nomination of the Marmaxx Operating Corp. (TJX) project site as a State Enterprise Zone Double Jumbo Project.

SUMMARY:

Staff is requesting City Council action on the following items related to the TJX project: A) an ordinance authorizing a 15 year Industrial District Non-Annexation Agreement and associated Fire Service Agreement with TJX; B) a resolution nominating TJX to the Office of the Governor Economic Development and Tourism through the economic development bank for designation as a State Enterprise Zone Double Jumbo Project; C) an ordinance authorizing the negotiation and execution of a conveyance document with TJX for land sufficient for the City's use as a hike and bike trail and trailhead node.

BACKGROUND INFORMATION:

The TJX Companies, Inc., TJX's parent company, operates more than 3,600 stores worldwide under half a dozen retail brand names, including the two largest off-price clothing retailers in the United States: T.J. Maxx and Marshalls, which operate 2,160-plus stores nationwide. T.J. Maxx sells brand-name family apparel, accessories, shoes, domestics, giftware, and jewelry at discount prices, while Marshalls offers similar items plus a broader selection of shoes and menswear through more than 1,000 stores. The TJX HomeGoods chain of 520-plus US stores focuses exclusively on home furnishings. T.K. Maxx is the company's European retail arm with 450-plus stores in the UK, Ireland, Germany, and Poland. The TJX Companies, Inc. and TJX are headquartered in Framingham, Massachusetts (a Boston suburb) and is 89th on the Fortune 500 List with sales of \$30.94 billion in 2016. Marmaxx Operating Corp. is an operating company used by The TJX Companies, Inc. to operate its distribution centers, and The TJX Companies, Inc., will agree to guaranty all of TJX's obligations

under the IDA and ancillary documents.

TJX is seeking a site on which to build a 1.5 million sq. ft. distribution facility for its consumer goods. This will be its sixth center in the country, which TJX anticipates opening in July 2019. The City of San Antonio is in competition with other sites in Texas and Louisiana for this project, and TJX has identified 200 acres (project site) on FM 1937 (S. Flores Road), south of IH 410 and east of Highway 281, in the City's Extraterritorial Jurisdiction (ETJ). TJX has committed to invest approximately \$150 million to develop and construct the distribution center. The distribution center will be a state-of-the-art facility designed to distribute consumer goods to their retail stores in southern areas of the United States.

In connection with the IDA, TJX has agreed to create at least 1,000 new full-time jobs and provide each eligible full-time employee at the project location and his or her dependents with health and 401(k) benefits. To help maximize TJX's job opportunities, they have agreed to form workforce partnerships that include target hiring from state enterprise areas within the City and in Bexar County, work with the SA Works program to take advantage of their experiential learning opportunities, and avail itself of Workforce Solutions Alamo to conduct advertised employment events such as job fairs, and make efforts to utilize the recruitment services of workforce development agencies in Bexar County (such as Goodwill Industries, etc.) to help recruit workforce populations that may include underserved individuals.

The 200 acre project site is located in a 1,200 acre tract of land that has the potential to provide a natural buffer to Mission Espada located over a mile from the project site. In connection with the IDA, TJX has agreed to convey approximately 300 acres of wetlands to a third party conservancy group, for preservation, community recreation, agricultural, research and/or educational purposes in perpetuity.

Complementing the rural nature of the Espada tract, TJX will also convey an approximately 30 foot wide, 4 mile Espada Bike and Hike Trail tract to connect the City's trail system from the Medina Greenway to the Mission Espada Trail, which will provide a connection between the Southside and Downtown San Antonio.

TJX will cause the Project Site to be withdrawn from the Espada Public Improvement Districts 1 and 2 and the Agreement for Services in Lieu of Annexation encumbering the Project Site.

The distribution center will be built in accordance with the City's Unified Development Code, and will include pleasing architectural elements such as attractive fencing and drought resistant landscaping in buffer areas along the road, a larger than required building setback, an earthen berm that will run parallel along FM 1937, parking lot lighting that is shielded to ensure no light trespasses beyond a property line, and all other facility exterior lighting that is shielded.

In connection with the proposed site development, TJX will complete a required Traffic Impact Analysis (TIA) and has agreed to make certain improvements to area roadways and intersections, such as the widening of S. Flores, with new turn lanes at gate entrances, sidewalks along the eastern side of FM 1937 along the facility, a new VIA bus stop and improvements of Roosevelt and FM 1937, including additional turn lane capacity, and traffic signals. Some of the expected improvements may be altered based on the Texas Department of Transportation's review of the TIA and development plan. The TIA will also confirm the majority of traffic generated by the distribution center will occur at off peak hours.

During the search phase of the development, TJX has been working with the Southside Independent School District (SISD) and has committed to donate 15-20 acres to the SISD for the construction of a new school, in connection with site development.

ISSUE:

The Texas Local Government Code (Code) permits the governing bodies of municipalities to designate any part of its ETJ as an industrial district and exempt them from annexation if the governing body determines it to be in the best interests of the municipality. The governing body may make written contracts with owners of land in the industrial district to guarantee the continuation of the extraterritorial status of the district and its immunity from annexation by the municipality for a period not to exceed 15 years, and with other lawful terms and considerations that the parties agree to be reasonable, appropriate, and not unduly restrictive of business activities.

The Code further permits the governing body to enter into contracts with owners of land in industrial districts for a period not to exceed 15 years, to provide fire-protection services to businesses located in an Industrial District.

Providing the company a 15-year IDA will promote significant economic development activity by promoting capital investment and the creation of jobs. The designation will also commit TJX to making the reasonable agreements set forth above such as wetlands conveyance, the Espada Hike and Bike Trail conveyance, and the land donation to the SISD.

Nominating the TJX project site as a Texas Enterprise Zone Double Jumbo Project, could potentially result in a refund of state sales and use taxes on qualified expenditures, and motivate TJX to hire qualified workers.

ALTERNATIVES:

If City Council chooses not to approve the IDA and Basic Fire Services Agreement, and the State Enterprise Zone Project nomination, TJX may choose to locate this project outside the City and its ETJ.

FISCAL IMPACT:

The City will collect a one-time Industrial District application fee of \$1,500 from TJX credited to the General Fund. For the FSA, the City will also receive \$40,000 per year for years 1-5; \$45,000 per year for 6-10; and \$50,000 per year for years 11-15, which will be credited to the General Fund. The location of the project site in the City's ETJ under the non-annexation agreement will not result in any increase in funding for City services for the project site.

RECOMMENDATION:

Staff recommends approval to authorize an ordinance approving a 15 year Industrial District Non-Annexation Agreement and associated Fire Service Agreement with TJX; a resolution nominating TJX to the Office of the Governor Economic Development and Tourism through the economic development bank for designation as a State Enterprise Zone Double Jumbo Project; an ordinance authorizing the negotiation and execution of a conveyance document with TJX for of the land necessary for the City's use as a hike and bike trail in accordance with the city's trail alignment and trailhead node design; and granting the City Manager the authority to enter in to a 15-year IDA containing the provisions set forth herein and with the authority to further define TJX's commitments in the IDA and related agreements, in coordination with the City Attorney's office.