



City of San Antonio

Agenda Memorandum

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Agenda Date: 12/12/2017

In Control: Governance Committee

SUBJECT:

City incentives for residential and commercial projects.

SUMMARY:

On October 2, 2017, District 6 Councilman Greg Brockhouse issued a CCR requesting a comprehensive review of existing incentive programs for residential and commercial projects to assess how incentives are currently utilized to promote development city-wide and across large and small businesses. Staff will present an overview of the incentive programs administered by the City to promote residential and commercial development and outline the process that is currently underway for the comprehensive review of these programs.

BACKGROUND INFORMATION:

The Center City Development and Operation Department (CCDO), Economic Development Department (EDD), and Neighborhood and Housing Services Department (NHSD) administer several incentive policies to facilitate residential and commercial development in San Antonio.

Center City Development and Operations

CCDO administers both the Inner City Reinvestment and Infill Policy (ICRIP) and Center City Housing Incentive Policy (CCHIP). The ICRIP was recommended by staff and adopted by City Council in 2010. The ICRIP purpose is to promote growth and development through incentives in areas underserved by residential and commercial real estate markets. Qualified projects within the ICRIP boundary are eligible for City and SAWS fee waivers, tax abatements, and other economic development tools. Affordable housing projects are eligible for ICRIP incentives even if the project is not within the ICRIP boundary. Additionally, priority economic development projects may receive ICRIP incentives provided they are approved by City Council.

The current ICRIP boundary is based on 13 socioeconomic indicators and input from City Council. It covers 84 square miles representing historically disinvested areas of the city. The boundary touches every City Council District with the largest portions of the ICRIP covering Council Districts 2, 3, and 5. Since October 1, 2012, the City has approved 1,288 city fee waivers that total \$9,401,213 and 474 SAWS fee waivers that total \$24,948,965. The breakdown per district for City and SAWS fee waivers awarded from October 2012 to September 2017 is in the chart below.

Fee Waivers Awarded October 1, 2012 through September 30, 2017				
Council District	# of City Fee Waivers Approved	Estimated value of City Fee Waivers Approved	# of SAWS Impact Fee Waivers Approved	Amount of SAWS Impact Fee Waivers Approved
1	337	\$3,735,241	70	\$9,422,625
2	314	\$1,618,760	49	\$4,881,289
3	126	\$1,247,588	46	\$2,752,197
4	44	\$368,768	83	\$774,630
5	270	\$1,405,238	77	\$3,565,538
6	126	\$431,690	112	\$1,250,951
7	22	\$47,192	15	\$396,027
8	2	\$25,139	3	\$144,168
9	15	\$175,130	6	\$362,515
10	32	\$346,467	13	\$1,399,025
TOTAL:	1,288	\$9,401,213	474	\$24,948,965

In 2012, following SA2020, City Council adopted the Center City Implementation Plan. The foundation of the Plan was "Housing First" and it established a goal of an additional 7,500 housing units in the downtown area by 2020. To reach the goal, the Plan recommended that the City establish a predictable incentive system for housing in the downtown area. Therefore, the City created the Center City Housing Incentive Policy (CCHIP) in 2012 to encourage high-density housing in the downtown area. In 2016, City Council extended the program to June 2018.

The City is currently at 85% of the goal that was established in 2012. Now there are 6,377 new housing units represented by 47 projects that are online, under construction or in the planning stages. These projects represent a total investment of \$1.2 billion and the City provided \$120 million in fee waivers, tax rebates, and grants.

However, since 2010, CCDO has executed 85 incentive agreements that will ultimately facilitate 8,948 housing units. The total private investment for these projects is \$1.8 billion and the City provided \$143 million in fee waivers, tax rebates, and grants in support of the projects. These projects are located within City Council Districts 1, 2, 3, 5, and 10 as outlined below.

Center City Incentives 2010-2017				
Council District	Number of Projects	Housing Units	Incentives	Investment
1	50	4,776	\$98,539,282	\$1,162,617,473
2	20	1,378	\$15,155,556	\$212,485,592
3	5	844	\$5,573,201	\$92,116,261
5	9	1,747	\$21,340,127	\$261,056,805
10	1	278	\$2,892,428	\$34,543,507
TOTAL	85	9,023	\$143,500,594	\$1,762,819,638

Economic Development Department

EDD also administers various incentive programs to promote new investment and job creation, which include serving small, medium and large businesses. To support small business, EDD has traditionally implemented a capacity building model vs. an incentive model.

An incentive model is typically based on a “competiveness context,” or the need to provide an incentive in order to secure, retain, and grow quality jobs and investment in San Antonio. Projects under this model are generally secured through a custom incentive based on a variety of factors, including jobs, investment, geography, cost-benefit analysis and project desirability, among other factors. As part of these projects, companies receiving incentives must also commit to job creation targets, wage standards and are subject to recapture provisions for non-performance.

Since 2007, 49 companies have active incentive agreements with the City worth an estimated aggregate value of \$106 million in incentives. Under these agreements companies will generate over 16,000 jobs and \$2.9 billion in private investment. The majority of the incentive dollars, jobs, and private investment are concentrated in Council Districts 6 and 8, and demonstrate private industry’s continued focus and interest in these geographic areas.

Active Economic Development Incentive Projects 2007-2017				
Council District	Number of Active Project	Total Estimated Incentive Dollars	Total Number of Jobs	Total Estimated Investment
1	11	\$10,095,413	1,147	\$68,800,000
2	3	\$2,572,391	819	\$99,500,000
3	3	\$2,588,731	195	\$104,590,000
4	2	\$6,162,228	3,130	\$124,000,000
5	2	\$1,094,418	270	\$28,700,000
6	13	\$41,682,212	5,004	\$1,332,800,000
7	2	\$1,300,000	310	\$19,312,000
8	8	\$38,463,184	3,094	\$346,540,000
9	1	\$150,000	27	\$0
10	1	\$1,644,683	405	\$27,000,000
CoSA ETJ	3	--	2,038	\$745,000,000
TOTAL:	49	\$105,753,260	16,439	\$2,896,242,000

Please note that the information and analysis only includes active contracts approved by City Council over the last ten years. Consequently, the data does not include the following:

- projects approved before 2007;
- projects where contractual obligations have been fully completed; and
- projects that have been terminated.

It should also be noted that there is no particular exclusion of small businesses who wish to qualify for these traditional incentives. For example, the minimum requirements for a Tax Abatement are 25 employees and a minimum of \$1M dollars within the ICRIP area.

EDD's primary focus in assisting small business has been through support of "capacity building" programs and initiatives to help local small businesses succeed, whether they are in the ideation, startup, or growth phase. A capacity building model consists of providing technical assistance, access to capital and city contacts, and mentorship and advocacy through the Small Business Economic Development Advocacy (SBEDA) program. In addition to the SBEDA program, Launch SA and the Loan Buy Down Program also support capacity building among out small businesses.

Neighborhood and Housing Services Department

The Tax Increment Financing (TIF) Division administers the Tax Increment Reinvestment Zones (TIRZ) on behalf of the City of San Antonio. Tax Increment Financing (TIF) is defined as a public financing mechanism through which the growth in taxes (increment) associated with new development or redevelopment can be captured and used to pay costs associated with economic development for the public good. The area in which TIF is being used is known as a Tax Increment Reinvestment Zone (TIRZ). A tax increment reinvestment zone (TIRZ) is a political subdivision of the City of San Antonio created to implement tax increment financing. They may be initiated by the City or by petition of owners whose total holdings in the zone consist of a majority of the appraised property value. The City of San Antonio began utilizing TIF in 1998 and later officially established a TIF Division to staff the program. In considering the creation of a TIRZ, the City takes into account the factors described in the TIF Act found in Chapter 311 of the Texas Tax Code. Additionally, the City of San Antonio seeks to ensure that the TIF incentive fully supports the primary revitalization initiatives, goals, policies and recommendations in all City adopted plans.

Currently, the TIF Division manages 10 Petition initiated and 9 City initiated zones consisting of 122 separate projects.

ISSUE:

The CCR issued by Councilman Brockhouse seeks a comprehensive review of all incentive programs for residential and commercial projects to re-assess how incentives are being utilized to promote development city-wide and across large and small businesses. The comprehensive review is already underway. The evaluation and recommendations will be based on market conditions and community goals.

Any policy revisions or new policies will also need to align with the SA Tomorrow Comprehensive Plan. Adopted in August 2016, the Comprehensive Plan addresses wide-ranging and interconnected citywide issues. As a long range vision for San Antonio, the Plan provides strategic direction for decision making and community investment. The Planning Department is working with the community over the next five to six years to create Sub-Area plans for 13 Regional Centers and 17 Community Areas that collectively cover the entire City of San Antonio. Each Sub-Area plan will address land use, transportation, infrastructure, and development. The Comprehensive Plan calls for focusing future growth in the 13 Regional Centers. Like SA2020, a diverse group of community stakeholder will help identify the development goals for each area. Five Regional Center Plans and the first Community Area Plan are currently underway: UTSA Area, Medical Center Area, Downtown, Midtown, and Brooks Area Regional Centers, and the Westside Community Area. The remaining eight Regional Center Plans area expected to be initiated by fiscal year 2019 and all Community Area Plans by fiscal year 2021. Additionally, the Planning Department, in partnership with VIA Metropolitan Transit, has developed the SA Corridors Strategic Framework Plan which includes recommendations on transit-supportive land use and housing development incentives. These recommendations will be considered as part of the Sub-Area planning process.

The CCHIP will expire in June 2018. Staff has commissioned a housing study to evaluate the success of the program and to perform a separate analysis' of the policy for five distinct downtown areas: Downtown Core,

Midtown, Southtown, Near Eastside, and Near Westside. The analysis will consider the market economics for each of these areas, such as land prices and rental rates, and apply those conditions to today's construction market. The analysis will also evaluate the impact an affordable/workforce housing requirement would have on a project's financial feasibility and illustrate the level of subsidy necessary to support such a policy for each of the five areas.

The housing study will inform staff on where the policy is working and where it needs to be adjusted if the City were to continue incenting market rate housing or to develop a policy focused on affordable/workforce housing. The study will be completed by April 2018 and coordinated with the goals in the Midtown and Downtown Regional Center Plans and will also consider the recommendations from the Mayor's Housing Policy Task Force. The evaluation of the incentive programs and recommended policy changes with regards to CCHIP and ICRIP will be presented to City Council in May 2018.

The Economic Development Department and NHSD are also evaluating all economic development incentives congruent with the findings of the SA Tomorrow Regional Center Plans and will perform additional analysis around goals and outcomes for policy amendments once the SA Tomorrow Regional Center Plans are adopted. NHSD will also evaluate TIF policy in coordination with the SA Tomorrow Comprehensive Plan.

EDD staff is also evaluating how fee waivers or other as-of-right incentives can be developed to support growing small businesses. EDD is researching best practices to determine new programming that will further assist small businesses, such as expanding development fee waivers beyond small businesses located within the ICRIP. This policy development will be executed concurrently with the SA Tomorrow Regional Center policy discussion.

ALTERNATIVES:

There are no alternatives associated with this briefing.

FISCAL IMPACT:

There is no fiscal impact associated with this briefing.

RECOMMENDATION:

Staff recommends moving forward with a re-evaluation of existing incentive policies to assess how these policies address current and future city-wide needs. The proposed re-evaluation will take into consideration the goals of the City's SA Tomorrow Comprehensive Plan and to-be completed Regional Center Plans, recommendations from the Mayor's Housing Policy Task Force, findings from housing and market studies, community priorities, and other policy initiatives.