



City of San Antonio

Agenda Memorandum

File Number:17-6714

Agenda Item Number: 41B.

Agenda Date: 12/14/2017

In Control: City Council A Session

DEPARTMENT: Center City Development and Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: City-Wide

SUBJECT: USAA Expansion Project

SUMMARY:

City Council will consider a Chapter 380 Economic Development Program Loan in the amount of \$4 million and a Tax Abatement Agreement capped at \$2 million or 10 years, whichever comes first, with United Services Automobile Association ("USAA") to help facilitate the addition of 1,500 net new full-time jobs to San Antonio, with an annual salary of at least \$50,000, and the expansion or construction of a parking garage to support jobs downtown, including USAA's increased downtown presence.

BACKGROUND INFORMATION:

In 2013, USAA Real Estate Company purchased One Riverwalk Place located at 700 N St. Mary's. In 2017, USAA Real Estate Company purchased the Bank of America Financial Services Center located at 300 Convent. The combined properties represent a large area of downtown commercial real estate and space in them are currently leased to tenants, with USAA occupying 60,399 square feet in One Riverwalk Plaza.

In addition to new hires, USAA is considering relocating employees from other USAA locations outside of San Antonio which could result in 1,500 net new full-time jobs to the City. Should USAA relocate these jobs, USAA would reassess the location of the various divisions within the company for increased efficiency. Such reassessment could result in the relocation of up to 2,000 full-time employees to One Riverwalk Plaza and the Bank of America Financial Services Center.

While some employees that could occupy these buildings in the future may currently be located at the main San Antonio campus on Fredericksburg Road, or at other USAA locations in San Antonio, it is projected that 1,500 net new full-time jobs (some relocations to San Antonio and some new hires into San Antonio) will over a 5-

year period be created in San Antonio.

ISSUE:

To accelerate the project and benefit from the addition of 1,500 net new jobs to San Antonio, and to have significant additional structured parking available downtown to support an increasing employment base there, City staff is recommending to City Council a Chapter 380 Economic Development Program Loan in the amount of \$4 million, to support the construction or expansion of a parking garage for One Riverwalk Place. The loan will be due 5 years after the issuance of a certificate of occupancy for the garage, but will be forgiven at the rate of \$4,000 for each net new job up to 1,000 created that has a base salary of \$50,000.

To leverage parking resources and facilitate shared parking solutions for downtown patrons, the \$4 million forgivable loan has the following additional conditions:

- Both parking garages must be made accessible to the public Mondays thru Thursdays after 7 pm, on Fridays after 6 pm, and all day on weekends; and
- 10% of the parking supply associated with both buildings must be made available to San Antonio Virtual Valet or other City-sponsored valet service for weeknights and weekends.

City staff is also recommending a tax abatement for real and personal property taxes paid to the City on improvements made to One Riverwalk Plaza and the Bank of America Financial Services Center. It is projected that USAA will invest at least \$70 million into these two buildings, the expanded parking facilities, and the adjacent property. The tax abatement will be capped at \$2 million or 10 years, whichever comes first, and will be reduced in years 6 through 10 by \$4,000 per job for each job fewer than 500 qualifying net new jobs created by USAA in excess of 1,000 jobs, within the first 5 years of the tax abatement agreement.

The USAA project site (700 N St. Mary's and 300 Convent) is located within an existing Texas Enterprise Zone area, and in accordance with Section 312.2011 of the Texas Tax Code, designation of an area as an enterprise zone constitutes designation of the area as a reinvestment zone without further hearing or other procedural requirements.

The expansion of the parking garage at One Riverwalk Place will require the closure of Hagner Arc, and a closure of a small portion of Convent Street to assist with pedestrian and vehicular access to the adjacent property at 333 Convent. Consideration of a future action will be requested by staff to convey Hagner Arc to USAA in consideration of USAA's projected \$70 million investment into 300 Convent and 700 N St. Mary's, its construction of the new parking facilities, and its investment in improvements necessary for ingress and egress at the neighboring property at 333 Convent. It is anticipated that City staff will return to City Council in March of 2018 with the closure and conveyance of these areas.

ALTERNATIVES:

If City Council does not approve this item, the City may not benefit from the addition of 1,500 net new jobs to San Antonio and will not benefit from the ability to utilize additional parking in downtown.

FISCAL IMPACT:

The funding source for the \$4 million forgivable loan is the Parking Operations and Maintenance Fund and the Economic Development Incentive Fund ("EDIF"). Of the \$4 million in forgivable loans, a total of \$2 million will be funded through the Parking Operations and Maintenance Fund; \$1 million will be appropriated from Fund Balance in FY 2018 and \$1 million will be funded in FY 2019 contingent upon Council approval of the

Annual Budget. Funding for the remaining \$2 Million is available in the Economic Development Incentive Fund for this economic development project to include \$1,000,000 in previously approved funding by City Council.

The tax abatement will be capped at \$2 million or 10 years, whichever comes first, and will be reduced by \$4,000 per job for each job fewer than 500 qualifying net new jobs in excess of the 1,000 net new jobs, created by USAA within 5 years.

RECOMMENDATION:

Staff recommends approval of an Economic Development Program Loan in the amount of \$4 million and a Tax Abatement Agreement capped at \$2 million or ten (10) years, whichever comes first, to incentivize USAA to expand its presence downtown, and to create 1,500 net new jobs in San Antonio and additional parking that will be made available to the public on weeknight and weekends.