



# City of San Antonio

## Agenda Memorandum

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**Agenda Item Number:** 2

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**In Control:** Economic and Workforce Development Committee

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**DEPARTMENT:** Economic Development

**DEPARTMENT HEAD:** Rene Dominguez

**COUNCIL DISTRICTS IMPACTED:** City-wide

### **SUBJECT:**

2017 Estimated Return on Investment (ROI) of Economic Development Incentives

### **SUMMARY:**

This EWDC presentation will review the methodology and results of a return on investment (ROI) analysis performed by the SABER Institute on the City of San Antonio's economic development incentive programs. The ROI Study reviewed 72 currently active projects ranging from 2003 to the year 2037. The study took into account revenue inflows and outflows resulting from economic development incentives over this period of time. The study finds that economic development incentive programs resulted in a return of \$5.22 for every \$1 invested in incented projects.

### **BACKGROUND INFORMATION:**

The purpose of this presentation is to review the study findings by the SABER Institute which calculated a "return on investment (ROI)" for all the active projects in which the City has provided business incentives (primarily tax abatements and grants) in generating jobs and investment for the community. The ROI is expressed in terms of the fiscal impact to the City from new sales and property taxes, hotel occupancy taxes and CPS Energy revenues from the project. EDD conducted a similar study in 2008, the current study builds upon that analysis and includes new projects and updated actual revenue inflow and outflow data through 2016.

The start of the study captures projects initiated in 2003 that are currently being monitored. The end date of 2037 is based on the current terms of existing incentive agreement commitments. While older projects exist and continue to contribute to general fund revenues, this study focuses solely on those projects currently being monitored by the Economic Development Department.

Through a substantial data collection and analysis process on each project, the analysis compares the outflow of funds associated with the incentives to the inflows of revenues to the City derived from the economic activity of the project. Even though tax abatements are not necessarily City cash outflows, but rather the absence of tax revenue generation, the study treats them as City outflows to demonstrate the opportunity cost of providing tax abatements. The City also offers business incentives through fee waivers and reductions, as well as performance-based economic development grants. These incentive programs and the general fund budget for the Economic Development Department staff (excluding Small Business Office staff) were also taken into consideration when determining the cost portion of the ROI calculation.

To complete the ROI study, staff reviewed the City's investments in 72 projects and assigned a level of "City" influence (LOI) to each project. For example, projects receiving tax abatements from the City were given an LOI of 100%, since it was assumed such projects would not have likely occurred in the City limits without tax abatement from the City. Other projects that were impacted less or received no City revenue but still required Council action such as State Enterprise Zone nominations were given lower LOI's. The LOI was used to determine the amount of revenues accruing to the City from each project counted in calculating the overall ROI.

#### **ISSUE:**

Based on total dollars invested of \$3,686,571,815 by the private sector with incentives totaling \$121,073,847, the City has realized revenue in the amount of \$632,552,460 for the projects studied. Based on investment in incentives and project revenues the City realized \$5.22 for every \$1 of investment and secured a private to public investment ration of 30:1. Based on this analysis, the incentives provide an economic benefit for the community and are a strong contributor to City revenues.

#### **ALTERNATIVES:**

This is a presentation, there are no recommended alternatives.

#### **FISCAL IMPACT:**

This is a presentation, there is no fiscal impact.

#### **RECOMMENDATION:**

This briefing is for informational purposes only and no action is necessary.