



# City of San Antonio

## Agenda Memorandum

**File Number:**18-3123

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**Agenda Item Number:** 15.

**Agenda Date:** 5/17/2018

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development

**DEPARTMENT HEAD:** Rene Dominguez

**COUNCIL DISTRICTS IMPACTED:** 2

**SUBJECT:**

City Council is considering approval of waivers of City of San Antonio development and SAWS water and sewer impact fees, in connection with a substantial HEB hub expansion for distribution, manufacturing, and food processing at the SW corner of East Houston and South Foster Road in City Council District 2 (Project Site).

**SUMMARY:**

Staff is requesting City Council approve an ordinance permitting the City to waive SAWS water and sewer impact fees in an amount up to \$500,000, and City of San Antonio development fees in an amount up to \$1,000,000. Under the Inner City Reinvestment and Infill Policy (ICRIP) Fee Waiver Program Guidelines, approval of the fee waivers requires City Council approval.

**BACKGROUND INFORMATION:**

H-E-B is Texas' largest privately held company and the largest food retailer in South and Central Texas. H-E-B operates 400 retail stores in Texas and Mexico.

In 2017, H-E-B sales were \$25 billion and the company is ranked No. 12 on Forbes' list of "America's Largest Private Companies." In 2017 H-E-B was named to the Forbes list of "America's Best Employers". Known for putting community first, H-E-B is one of the largest philanthropic companies in Texas donating 5% of pretax earnings to Texas non-profits.

H-E-B desires to expand its existing investment in the City by developing an 871-acre Project Site on the east side of San Antonio, as a major new hub for distribution, manufacturing, and food processing activities. In connection with this hub, H-E-B is master planning for future expansions/investments on this site.

## **ISSUE:**

The H-E-B expansion meets several of the key long-term economic goals laid out in the community's economic development strategic plan led by the San Antonio Economic Development Foundation. Among these goals is support to retain and expand local businesses and encourage job growth. This project evidences the coordinated and concerted effort among the community's economic development partners to keep our valued employers engaged and successfully operating in San Antonio.

The company plans to invest at least \$130 million in the real and personal property at the Project Site over three years. The total number of new jobs to be created at the Project Site is at least 300 over five years, with 348 existing positions being retained from existing hub facilities and moved to the Project Site. The major capital investment will not only create new jobs, but will also generate ad valorem real and personal property tax revenue for the City exceeding \$8 million over the next 10 years, over \$20 million to other taxing jurisdictions, with more than \$14 million to the local school district.

In order to support this project, staff recommends City Council approval of an ordinance authorizing an exception to the ICRIP Fee Waiver Program Guidelines, which will permit the City to waive SAWS water and sewer impact fees in an amount up to \$500,000, and City of San Antonio development fees in an amount up to \$1,000,000. The Center City Development and Operations Department has confirmed the availability of appropriated funds to support the fee waivers, which will be accessed over multiple fiscal years; subject to the availability of funds at the time development fee waivers are requested.

Approval of an ordinance authorizing fee waivers under the ICRIP Fee Waiver Program Guidelines is recommended based on the exceptional capital investment, the creation and retention of full-time jobs with benefits, and the fact the newly annexed Project Site is located in a traditionally underserved area in a State Enterprise Zone, and is across the street from the ICRIP boundary, which would likely have been included in the ICRIP had it been within City limits during the most recent ICRIP update.

## **ALTERNATIVES:**

Based on the City's waiver of development and SAWS water and sewer impact fees and other local support for the project, H-E-B has decided to proceed with the expansion of its operations in San Antonio. City Council could choose not to approve an ordinance authorizing fee waivers, which may adversely impact H-E-B's decision to grow its operations in San Antonio.

## **FISCAL IMPACT:**

City fee waivers for this project in the amount of \$1,000,000 are provided by the General Fund to the ICRIP Fee Waiver Program approved annually in the budget process by City Council. SAWS impact fee waivers for this project in the amount of \$500,000 are provided by the annual SAWS impact fee waiver allocation and have no fiscal impact to the City.

## **RECOMMENDATION:**

Staff requests City Council approval of an ordinance authorizing the City to waive SAWS water and sewer impact fees in an amount up to \$500,000, and City of San Antonio development fees in an amount up to \$1,000,000.