



City of San Antonio

Agenda Memorandum

File Number:18-3124

Agenda Item Number: 16.

Agenda Date: 5/17/2018

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: 8

SUBJECT:

A resolution to nominate Methodist Healthcare System of San Antonio, Ltd., L.L.P. (MHS) as a Texas Enterprise Project.

SUMMARY:

Staff is requesting City Council approval of a Resolution nominating MHS for designation as a Texas Enterprise Project. The Texas Enterprise Zone (TEZ) is an economic development tool that allows local communities to partner with the State of Texas to encourage job creation and capital investment in economically distressed areas. The TEZ designation will make MHS eligible to apply for State Sales and Use Tax refunds on qualified expenditures of up to \$1.25 million over five years. This nomination has no fiscal impact for the City.

BACKGROUND INFORMATION:

MHS is the largest provider of health care services in South and Central Texas with 26 facilities, including eight hospitals serving over 80,000 inpatients and 350,000 outpatients annually. MHS was formed in 1995 with co-ownership between Methodist Healthcare Ministries and Hospital Corporation of America, Inc.

The qualified MHS business site for the TEZ is Methodist Hospital located at 7700 Floyd Curl Drive in City Council District 8. Methodist Hospital has deep-rooted traditions of patient-focused care, faith-based philosophies, and hiring staff that genuinely care for the well-being of others. Since opening in 1963, Methodist Hospital has become the largest hospital in San Antonio for a broad range of specialties including cardiology, cancer care, emergency medicine, neurosciences, maternity care, gynecology and orthopedics. Methodist Hospital and the additional TEZ participating locations in San Antonio are not affiliated with any academic entities.

Two additional San Antonio locations in District 8, Methodist Ambulatory Surgery Center located at 4411 Medical Drive, and Methodist Specialty and Transplant Hospital located at 8026 Floyd Curl Drive, will be included in MHS' TEZ designation. These two locations function with the 7700 Floyd Curl Drive Methodist Hospital as one cohesive health care provider unit.

In order to enhance capacity, Methodist Hospital plans to renovate and expand its central tower and lobby, which will result in an increase of its health care service and provider workforce. The existing lobby to the Central Tower will be renovated and expanded to create a new main adult entrance. The second and third floors will see an addition of 10 postpartum and 12 ICU beds, with shell space for an equal number of beds in the future. The fourth floor will include shell space for 24 medicine beds. The total capital investment of the planned projects is over \$22 million.

The Methodist Hospital qualifying business site currently employs over 4,000 employees, whom it plans to retain and supplement with an additional 200 employees over the 5-year TEZ designation period, as a part of its planned central tower expansion. Furthermore, in order to be eligible for State Sales and Use Tax refunds on qualified expenditures, at least 35% of the company's new employees at the TEZ qualified business site must meet state economically disadvantaged, enterprise zone residency, or veteran requirements. Through the City's nomination and the state's designation of MHS as a Texas Enterprise Project, Methodist Hospital's commitment to grow its existing workforce will have an enduring positive influence on the development of the San Antonio economy.

ISSUE:

In order to nominate MHS for designation as a Texas Enterprise Project, City Council must approve a Resolution nominating MHS for designation as a Texas Enterprise Project.

The City of San Antonio receives an allotment of nine potential Enterprise Project designations every state biennium. Biennium 2018-2019 commenced on September 1, 2017. If the MHS Texas Enterprise Project designation is approved by the state, the City will have seven of its Enterprise Project designations remaining for the remainder of this state biennium, ending on August 31, 2019.

ALTERNATIVES:

Based in part on the City's nomination of MHS as a Texas Enterprise Project, the company will make a capital investment of over \$22 million to expand Methodist Hospital's Central Tower and lobby. City Council could choose not to approve the Resolution nominating MHS for designation as a Texas Enterprise Project, which could impact MHS's decision to further invest in Methodist Hospital and ensure job creation and retention commitments are realized.

FISCAL IMPACT:

There is no fiscal impact to the City of San Antonio.

RECOMMENDATION:

Staff recommends approval of a Resolution nominating MHS as a Texas Enterprise Project with Methodist Hospital designated as the qualifying business site.