



City of San Antonio

Agenda Memorandum

File Number:18-4698

Agenda Item Number: 24.

Agenda Date: 8/30/2018

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: 8, 6

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 to 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.

MHS requests a City Council Resolution nominating Methodist Hospital for designation as a TEZ in connection with a \$16.7 million expansion of an (1) electrophysiology lab (“EP Lab”) at its main facility located at 7700 Floyd Curl Drive; (2) and the construction of a 10.8K sq. ft. free-standing emergency room (“FSER”) to be located approximately 11 miles away at State Highway 151 and Loop 1604 in City Council District 6.

In addition, the nearby Methodist Healthcare operational headquarters on 8109 Fredericksburg Road, located less than ½ mile away from 7700 Floyd Curl Drive, will be included in the TEZ application. The three locations function as one cohesive unit.

The Methodist Hospital qualifying business site currently employs over 4,000 employees, and plans to retain and supplement with an additional 200 employees over the 5-year TEZ designation period, as part of its planned expansion of its EP Lab and FSER. 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 TEZ Project, Methodist Hospital’s commitment to grow its existing workforce will have an enduring positive influence on the development of the economy in San Antonio.

ISSUE:

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

The City of San Antonio receives an allotment of nine potential TEZ Project designations every state biennium. Biennium 2018-2019 commenced on September 1, 2017. If the MHS TEZ Project designation is approved by the state, the City will have six of its TEZ 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 TEZ Project, the company will make a capital investment of approximately \$16.7 million to expand Methodist Hospital’s EP Lab and FSER. City Council could choose not to approve the Resolution nominating MHS for designation as a TEZ 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 TEZ Project with Methodist Hospital designated as the qualifying business site.