



# City of San Antonio

## Agenda Memorandum

**File Number:**18-4722

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**Agenda Item Number:** 25.

**Agenda Date:** 8/30/2018

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development

**DEPARTMENT HEAD:** Rene Dominguez

**COUNCIL DISTRICTS IMPACTED:** 8

### **SUBJECT:**

A Resolution to nominate NuStar Logistics, L.P. ("NuStar") as a Texas Enterprise Project.

### **SUMMARY:**

Staff is requesting City Council approval of a Resolution nominating NuStar 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 NuStar 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:**

NuStar's global headquarters ("Headquarters") is located at 19003 W Interstate 10 in City Council District 8, and is a wholly owned subsidiary of NuStar Energy, L.P. ("NuStar Energy"). NuStar Energy is one of the largest independent liquid terminal and pipeline operators in the United States. NuStar Energy engages in the transportation of petroleum products and anhydrous ammonia, and the terminaling, storage and marketing of petroleum products, and employs more than 1,600 people worldwide.

NuStar and its employees take great pride in giving back by contributing time, talent, money, and other resources to hundreds of community initiatives each year. In 2017, NuStar employees contributed 35,000 volunteer hours in San Antonio to charitable and civic causes.

NuStar is requesting a City Council Resolution nominating NuStar for designation as a TEZ in connection with its capital investment of approximately \$15 million at its Headquarters over the next five years. This investment includes overhauling numerous information technology systems and implementing new computer capabilities aimed at increasing efficiency, operational performance, and user interface support. The Headquarters will be designated as the qualified business site in NuStar's TEZ application.

NuStar Services Company LLC, also a subsidiary of NuStar Energy, employs personnel and provides administrative services on behalf of NuStar Energy and its subsidiaries. For the purposes of the TEZ application, NuStar Services Company LLC will be included as an Additional Participating Entity as it is responsible for personnel management at the qualified business site.

NuStar currently employs 446 people at its Headquarters and expects to hire 10 new employees over the 5-year TEZ designation period, and will retain all 446 existing full-time jobs for benefit under the TEZ Program. Because the Headquarters is not located in a State Enterprise Zone, 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 Headquarters must meet state economically disadvantaged, enterprise zone residency, or veteran requirements.

Through the City's nomination and the state's designation of NuStar as a TEZ Project, NuStar will upgrade its Headquarters and thereby continue to serve as an active participant, contributor, and corporate citizen in the San Antonio community.

#### **ISSUE:**

In order to nominate NuStar for designation as a TEZ Project, City Council must approve a Resolution nominating NuStar 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 NuStar TEZ Project designation is approved by the state, the City will have five 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 NuStar as a TEZ Project, the company will make a capital investment of approximately \$15 million to improve its Headquarters. City Council could choose not to approve the Resolution nominating NuStar for designation as a TEZ Project, which could impact NuStar's decision to further invest in its Headquarters and ensure that 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 NuStar as a TEZ Project with its Headquarters designated as the qualifying business site.

