City of San Antonio

Agenda Memorandum

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Agenda Item Number: 28.

Agenda Date: 12/13/2018

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:
Adoption of the City of San Antonio Tax Abatement Guidelines (Tax Abatement Guidelines) effective from January 1, 2019 through December 31, 2020.

SUMMARY:

Chapter 312 of the Texas Tax Code provides local governments the authority to enter into tax abatement agreements to promote the attraction of new companies and the retention and expansion of existing businesses to create jobs and investment. State law requires the adoption of the Tax Abatement Guidelines by City Council every two years. Recommended updates to the proposed 2019-2020 guidelines include a newly formed targeted geography, increased transparency in Targeted Industry project scoring, opportunities for corporate partnerships in support of SA Tomorrow policy goals, and introduction of the new Upskill Project category. Staff is recommending an Ordinance adopting the 2019-2020 Tax Abatement Guidelines.

BACKGROUND INFORMATION:

San Antonio has seen strong growth and has enjoyed a number of accolades from national publications and think tanks for our overall economic performance, entrepreneurial growth, and millennial population growth. San Antonio has also seen record low unemployment in recent quarters, as well as stable job growth in targeted industries per the recent SA2020 Impact Report.

Despite this strong economic growth, educational attainment rates and wage levels still remain below state and national averages. Additionally, when elements such as unemployment are disaggregated along lines of geography, race, and education level, the growth in job opportunities and the seemingly broad pathway to prosperity narrows for large portions of San Antonio's population. According to the Economic Innovation

Group's 2017 Distressed Communities Index (DCI), Bexar County ranked 14th in the United States in total number of people living in distressed zip codes estimated at 412,000 or 22.6% of the population.

San Antonio's long-term economic competitiveness depends heavily on ensuring that we remain competitive for good-paying targeted industry jobs while creating pathways for residents to participate in a growing high-performing economy with a specific focus on defined areas of opportunity. San Antonio has long been a proponent of growth strategies that connect targeted populations and targeted areas of the City to additional opportunities and investment. However, economic development practices and related policies need to be reviewed and enhanced to ensure economic opportunity is available to all residents.

In March of this year, the Economic Development Department (EDD) presented to the Economic and Workforce Development Committee (EWDC) a plan to review best practices with a focus on inclusive growth to inform the update to the 2019-2020 Tax Abatement Policy. EDD hired a consultant to evaluate national best practices regarding inclusive growth policies as they pertain to connecting economic development projects to residents in distressed communities through workforce development investments. The consultant was also charged with securing input from national site selectors on the impact to potential projects considering locating significant jobs and investment to San Antonio.

ISSUE:

Proposed updates to the tax abatement policy include a new targeted geography based on zip codes where at least 20% of the population lives below the federal poverty line, and minimum eligibility was narrowed to companies making a $10M investment or creating at least 50 jobs. Additionally, the proposed guidelines include new options for a project to receive a 50% or 100% tax abatement such as paid internships, targeted hiring, or SA Tomorrow policy partnership options, which include Small/Minority/Woman/Veteran Business Enterprise (SMWVBE) contracting, sustainability practices, and commuter benefits. These options will encourage prospective projects to secure competitive incentive packages by collaborating on policy priorities in addition to adding jobs and investment.

In addition to these updates, Upskill Projects are a new category proposed in the 2019-2020 Tax Abatement Guidelines. Upskill Projects are the result of an effort to collaborate with qualifying employers on targeted hiring and upskilling support for incumbent workers through the Upskill Partners Network, a group of non-profit organizations contracted by the City of San Antonio to provide skill training and wrap-around support to service-seeking residents.

The 2019-2020 Tax Abatement Guidelines were developed with input from several economic development stakeholders such as the SA Chamber of Commerce, North San Antonio Chamber of Commerce, Hispanic Chamber of Commerce, Real Estate Council, COPS/METRO, San Antonio Real Estate Council, South Chamber of Commerce, and others. On November 6, EDD presented draft recommendations to the EWDC. Additionally, EDD hosted six, two-hour, day and evening work sessions in November to educate residents on the use of tax abatements and to secure community feedback on recommended updates. EDD also reached out to neighborhood associations and stakeholder groups through the Office of Government and Public Affairs and the Office of Equity. Staff incorporated feedback based on community feedback and presented the revised draft recommendations on November 28th at a City Council B Session. On December 4th, EDD secured endorsement from the EWDC on the final recommendations.

ALTERNATIVES:

The current Tax Abatement Guidelines expire December 31, 2018. City Council could request the Tax Abatement Guidelines remain unchanged for the 2019-2020 period, or City Council could allow the guidelines to lapse. This would effectively remove the tax abatement as an economic development tool, which has been demonstrated to consistently aid in the attraction and expansion of new jobs and investments to San Antonio. If City Council does not adopt new Tax Abatement Guidelines by this date, the City can no longer enter into tax abatement agreements until the Tax Abatement Guidelines are adopted.

FISCAL IMPACT:

There is no fiscal impact to passage of these guidelines. Each tax abatement requires City Council approval.

RECOMMENDATION:

EDD staff recommends approval of the 2019-2020 Tax Abatement Guidelines effective January 1, 2019 through December 31, 2020.