



City of San Antonio

Agenda Memorandum

File Number:19-1436

Agenda Item Number: 18.

Agenda Date: 1/31/2019

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: 10

SUBJECT:

Consideration of a Chapter 380 Economic Development Incentive Fund Grant and Tax Rebate Agreement with Pentagon Federal Credit Union (PenFed).

SUMMARY:

Pentagon Federal Credit Union (PenFed) is considering establishing a Regional Center of Excellence in San Antonio. This project would include the creation of 571 new, full-time jobs over five years with a proposed capital investment of \$8.9 million in real and personal property. Staff is requesting City Council to approve an incentive agreement with PenFed which provides for: (A) an Economic Development Incentive Fund Grant up to a maximum of \$221,000 based on 221 new full-time jobs making \$50,000 or more annually within five years; and (B) a 15-year, 60% Tax Rebate, with a total value cap of \$500,942, based on a capital investment of at least \$8.9 million and the creation of 571 new full-time jobs over five years at the site.

BACKGROUND INFORMATION:

Established in 1935 as the War Department Credit Union, Pentagon Federal Credit Union (PenFed) is the nation's third largest federal credit union. The company is headquartered in McLean, Virginia, and has over 1.6 million members and \$24 billion in assets. The company offers mortgage products, automobile loans, credit cards, and other financial services to its members.

The company has members in all 50 states and several U.S. territories. PenFed is federally insured by the National Credit Union Administration. The company currently has 2,504 full time employees, but does not have a business presence in San Antonio. The proposed project would establish a Regional Center of Excellence in San Antonio, and include a variety of support positions and IT roles, including software analysts, engineers, and developers. San Antonio competed with Tampa, Florida, for this project.

PenFed intends to create at least 571 new, full-time jobs over five years at the project site, with a planned capital investment of at least \$8.9 million. Up to 221 of those new jobs will have a base pay over \$50,000, with 105 jobs above \$70,000. The project is to be located at 19500 Bulverde Rd, San Antonio, TX 78259.

This project aligns with the City's SA Tomorrow Comprehensive Plan by creating competitive, high wage jobs in a targeted field. Attracting reputable and successful companies like PenFed builds San Antonio's economic profile and offers great opportunities for the local workforce.

ISSUE:

In order to secure this project, City staff offered PenFed an incentive agreement with a total value of \$721,942. The agreement includes an Economic Development Incentive Fund (EDIF) Grant of up to \$221,000 (\$1,000/job) for the creation of up to 221 new full-time jobs with an annual salary of at least \$50,000 before benefits, bonuses, and other non-guaranteed pay at the project site within 5 years. Additionally, the incentive agreement provides for a 15-Year, 60% Tax Rebate for all new real and personal property improvements at the project site, based on a real and personal property investment of at least \$8.9 million, with a total value cap of \$500,942. Because the project site is over the Edward's Aquifer Recharge zone, any new real property improvements or construction that adds impervious cover to the project site will not qualify for the rebate. Over the term of this agreement, the projected net fiscal benefit to the City is approximately \$2.4 million. This takes into account projected growth from new jobs and investment and the economic benefits that would be created as a result of this project.

In alignment with our shared interest in workforce development, PenFed must participate in an internship program in association with local colleges and universities, and participate in at least two job fairs within the San Antonio City limits during the first two years of operations.

Chapter 380 of the Local Government Code authorizes the City to provide economic development grants and tax rebates for the purposes of promoting economic development, provided that the City has established a program for such purposes. City Council approved a program promoting economic development in April 2005. The project complies with Chapter 380 of the Local Government Code and the economic development program established by the City.

ALTERNATIVES:

Based on the City's competitive offer and local support for this project, PenFed has decided to proceed with the expansion of its operations to San Antonio, creating a total of 571 new full-time jobs over five years, of which 221 will be making at least \$50,000 annually. City Council could choose not to approve the Ordinance authorizing the incentive agreement, which may adversely impact PenFed's decision to establish its Regional Center of Excellence in San Antonio.

FISCAL IMPACT:

This ordinance authorizes a Chapter 380 Economic Development Incentive Fund (EDIF) incentive agreement with PenFed for a grant in the amount of \$221,000 and a 15-year, 60% Tax Rebate on new real and personal property, with a total value cap of \$500,942. Funding is available from the Economic Development Incentive Fund FY 2019 Adopted Budget.

RECOMMENDATION:

Staff recommends approval of an ordinance authorizing (A) Chapter 380 Economic Development Incentive Fund Grant and Tax Rebate Agreement with Pentagon Federal Credit Union (PenFed) to include a performance-based grant in the amount of \$221,000 and a 15-year, 60% Tax Rebate on new real and personal property with a total value cap of \$500,942.