



# City of San Antonio

## Agenda Memorandum

**File Number:**19-3360

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**Agenda Item Number:** 10.

**Agenda Date:** 5/8/2019

**In Control:** Planning Commission

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**DEPARTMENT:** Planning Department

**DEPARTMENT HEAD:** Bridgett White, AICP

**COUNCIL DISTRICTS IMPACTED:** 3

### **SUBJECT:**

Proposed annexation of a 150.26 acre property, located at 4526 South Loop 1604, as requested by Halliburton Energy Services, Inc.

### **SUMMARY:**

Public hearing and consideration of a resolution recommending the approval of a proposed annexation of a 150.26 acre property located at 4526 South Loop 1604, which is contiguous to the city limits of San Antonio and located within the City of San Antonio's Extraterritorial Jurisdiction (ETJ) in southeast Bexar County, as requested by the property owners, Halliburton Energy Services, Inc.

### **BACKGROUND INFORMATION:**

Halliburton Energy Services, Inc. is a large oil services company that currently maintains an office at the intersection of IH-37 South and South Loop 1604, in the City's Extraterritorial Jurisdiction (ETJ) and in Emergency Services District (ESD) #6. This facility is the main base for its Eagle Ford Shale operations. As of 2018, Halliburton has approximately \$29.8 million dollars in real property value and \$240 million dollars in personal property value (mostly mobile equipment called "rolling stock"), located at the project site. In addition, this office is subject to Texas sales/use tax via a direct pay permit.

In 2010, the City included the Halliburton property in its Heritage South Sector Plan (as part of the City's Comprehensive Plan to accommodate sustainable growth). In January 2014, the City annexed the Halliburton property for limited purposes as part of the South San Antonio Area. Under limited purpose annexation, the City is allowed to extend regulatory authority for the limited purposes of applying its planning, zoning, health,

and safety ordinances without the provisions of full services. The City cannot assess property taxes in the area. The City would then consider annexing for full purposes within three years.

In order to retain Halliburton's presence, City Council approved a ten-year Industrial District Non-Annexation Agreement (IDA) with Halliburton in 2016. Under the IDA, Halliburton agreed to hire and maintain at least 500 employees, provide certain annual wages based on position, and offer employee benefits packages. Further, Halliburton was required to participate in City job fairs and other workforce programs. Also under the IDA, the City received a one-time, \$2 million payment into the City's workforce development fund. The City receives an annual \$1.5 million payment in lieu of taxes (PILOT), and an annual \$40,000 fire services fee. These payments were estimated on potential tax revenues, projected as if the City had annexed Halliburton in 2016 and provided a 60% property tax rebate, based on job creation and capital investment requirements in accordance with the City's incentive guidelines.

After the City approved the IDA, the ESD #6 held an election and passed an additional 1.5% sales/use tax (effective October 1, 2017). After the ESD imposed their sales/use tax, the amount of Halliburton's taxes (in addition to the amount going to City's PILOT payment) significantly increased. As a result, Halliburton considered several cost-reducing alternatives, including potentially relocating from the San Antonio region. Eventually, Halliburton requested the City's help to alleviate its complicated tax situation.

Pursuant to the IDA, if that is terminated, then the City is entitled to annex Halliburton's property. Halliburton has formally requested to terminate the IDA in order for the City to annex their property. In order to retain Halliburton's base and the accompanying jobs and local operations, City Council approved the termination of the IDA on March 21, 2019. The City then initiated the annexation process of the Halliburton property, as requested, to be effective on July 1, 2019.

The Annexation Area is currently subject to the Heritage South Sector Plan. The adopted future land use is Specialized Center for the Halliburton property. The requested I-2 (Heavy Industrial) zoning district is compatible with the adopted future land use and adjacent properties.

## **ISSUE:**

This is the Planning Commission public hearing and consideration of a resolution recommending the approval of the proposed annexation of the Halliburton property, located at 4526 South Loop 1604 and the associated Service Agreement. As requested by the property owner, the proposed annexation will expand San Antonio's municipal boundaries and the public service areas to include the Halliburton property. The Halliburton property will be part of City Council District 3.

The Service Agreement will address City services to be implemented and necessary capital improvements to be provided by the municipality after the area has been annexed. The Annexation Area will be served by the South Patrol Substation, located at 711 West Mayfield Boulevard, San Antonio, TX 78219 and the San Antonio Fire Department will provide fire protection services and emergency medical services. In addition, the map of the Annexation Area and public hearing dates are available on the Planning Department's webpage.

State law requires that a municipality follow other annexation procedures, which includes the publication of public hearing notices, two public hearings by the governing body and the adoption of the annexation ordinance, and Service Agreement. The notice for the first public hearing will be published on May 10, 2019 and the second public hearing notification will be published on May 24, 2019. The first City Council public hearing is scheduled for May 29, 2019 and the second public hearing and consideration is scheduled for June 13, 2019. The effective date of annexation will be July 1, 2019.

Additionally, the City Charter of San Antonio requires consideration by the Planning Commission, and the publishing of the annexation ordinance 30 days prior to the final adoption. The draft ordinance will be published on May 10, 2019. The Zoning Commission will hear and consider the proposed zoning for the annexation area on May 21, 2019. The associated zoning case will be considered by City Council on June 13, 2019 along with action on the annexation. Below is a proposed schedule for the Annexation Area.

<b><u>Dates</u></b>	<b><u>Required Actions</u></b>
May 8, 2019	Planning Commission
May 21, 2019	Zoning Commission
May 29, 2019	First City Council Public Hearing
June 13, 2019	Second City Council Public Hearing and Consideration
July 1, 2019	Effective Date of Annexation

### **ALTERNATIVES:**

The denial of this resolution would result in the Halliburton property remaining in unincorporated Bexar County. Hence, Halliburton would no longer be covered by SAFD and instead be served by the ESD and subject to their taxing jurisdiction. This alternative may result in Halliburton relocating its Eagle Ford Shale operations away from the San Antonio region, which in turn would cause San Antonio to lose a major regional employer.

### **RECOMMENDATION:**

Staff recommends approval of the resolution recommending the proposed Annexation and related Services Agreement for City Council to consider at their June 13, 2019 meeting.