



City of San Antonio

Agenda Memorandum

File Number:19-4454

Agenda Item Number: 40.

Agenda Date: 6/20/2019

In Control: City Council A Session

DEPARTMENT: Planning

DEPARTMENT HEAD: Bridgett White, AICP

COUNCIL DISTRICTS IMPACTED: 3

SUBJECT:

Second public hearing and consideration of an Ordinance of a 150.26 acre property, located at 4526 South Loop 1604, as requested by Halliburton Energy Services, Inc., and approving the associated Service Agreement.

SUMMARY:

Second public hearing and consideration of an Ordinance extending the City limits by full purpose 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., approving a Service Agreement, and establishing an effective date of July 1, 2019.

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 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 second public hearing and consideration 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 addresses 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 was published on May 17, 2019 (revised and re-published on May 25) and the second public hearing notification was on May 31, 2019. The first City Council public hearing was held on June 5, 2019. The effective date 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. Planning Commission recommended approval on May 8, 2019 and Zoning Commission recommended approval on May 21, 2019. The draft ordinance was published on May 17, 2019. The associated zoning case will be considered by City Council on June 20, 2019 after action on the annexation. Below is the schedule for the Annexation Area.

Dates

May 8, 2019

May 21, 2019

June 5, 2019

June 20, 2019

July 1, 2019

Required Actions

Planning Commission

Zoning Commission

First City Council Public Hearing

Second City Council Public Hearing and Consideration

Effective Date of Annexation

ALTERNATIVES:

The denial of the ordinance would result in the Halliburton property remaining in unincorporated Bexar County.

FISCAL IMPACT:

In FY 2016 the City entered into an Industrial District Non-Annexation Agreement (IDA) with Halliburton. In FY 2019 Council agreed to a mutual termination of the IDA and approved a Chapter 380 Tax Rebate Agreement with Halliburton. This Tax Rebate Agreement requires the retention of 500 jobs, along with wage and benefit requirements. With the approval of this annexation, the City will receive the sales and use taxes and beginning in FY 2021 the City will begin to collect property tax at a rate of 38% in accordance with the terms Chapter 380 Tax Rebate Agreement. It is estimated that the net benefit to the City will be approximately \$2.3 Million annually over the term of the agreement.

RECOMMENDATION:

Staff recommends approval of the Ordinance regarding the annexation of a 150.26 acre property located at 4526 South Loop 1604, as requested by the property owners, Halliburton Energy Services, Inc. and approval to execute the Service Agreement.

On May 8, 2019, Planning Commission held a public hearing regarding the annexation and recommended approval.