



# City of San Antonio

## Agenda Memorandum

**File Number:**21-2075

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**Agenda Item Number:** 19.

**Agenda Date:** 4/1/2021

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development

**DEPARTMENT HEAD:** Alejandra Lopez

**COUNCIL DISTRICTS IMPACTED:** District 2

### **SUBJECT:**

City Council consideration of an ordinance authorizing a 10-year, 75% tax abatement agreement with Matthews International Corporation and Agarita Profit Street LLC on new real and personal property improvements.

### **SUMMARY:**

This ordinance authorizes a 10-year, 75% tax abatement agreement on real and personal property valued at \$234,963, based on a capital investment of at least \$9,000,000 and the creation of 50 new, full-time jobs at the project site.

### **BACKGROUND INFORMATION:**

Founded in 1850, Matthews International Corporation (Matthews) is a publicly traded multinational company headquartered in Pittsburgh, Pennsylvania. Matthews employs 11,000 people worldwide and is composed of three main business segments focused on marketing, memorialization, and industrial technologies.

Matthews is considering the development of a new advanced manufacturing facility at 4338 Profit Drive in City Council District 2 focused on the design, assembly and installation of custom equipment for high-tech customers in a range of industries, including automotive and energy storage. To establish the facility, Matthews will cause \$1,750,000 in real property investment by its landlord, Agarita Profit Street LLC, and invest \$7,250,000 in personal property for a total of \$9,000,000 in capital improvements over a five-year period.

The project will create 50 new, full-time jobs over five years, including engineering, programming, and

technician positions, with an average wage of \$73,500. All 50 positions will make an annual salary of at least \$50,000, exclusive of benefits, bonuses and other non-guaranteed pay, will be provided access to healthcare benefits, and will exceed the City's All-Industry Wage (\$17.37) and Living Wage (\$12.60) requirements.

Finally, as part of the abatement agreement, Matthews has committed to spending \$11,750 on local, City-supported internship initiatives during the first five years of the tax abatement term. The company will also collaborate with the City on marketing open positions through the Ready to Work Program, as well as preferential interviewing and hiring for qualified applicants in the program.

## **ISSUE:**

To secure this project, staff recommends approval of a 10-year, 75% tax abatement agreement on real and personal property valued at an estimated \$234,963. The agreement is contingent on Matthews investing or causing an investment of \$7,250,000 in personal property and \$1,750,000 in real property, creating 50 jobs, paying an average annual salary of at least \$73,500 at the facility, and contributing \$11,750 towards local internship opportunities.

The tax abatement under consideration in this item was publicly posted 30-days in advance in accordance with Chapter 312 of the Tax Code. The project is located in an existing Texas Enterprise Zone area - Block Group Number 130900-1 - and in accordance with Section 312.4011 of the Texas Tax Code, designation of an area as a State Enterprise Zone constitutes designation of the area as a Reinvestment Zone without further hearing or other procedural requirements.

## **ALTERNATIVES:**

Based on the City's competitive offer and local support for the project, Matthews International Corporation will make its final decision regarding the location for its new manufacturing facility following the City Council consideration of this ordinance. City Council could choose not to approve the ordinance authorizing the tax abatement agreement, which may adversely impact Matthews' decision to invest in San Antonio.

## **FISCAL IMPACT:**

Staff conducted a cost-benefit analysis evaluating the City's estimated costs in relation to the City's estimated revenues. Staff estimates the project will have a net fiscal benefit of \$184,250 over the 16-year term of the agreement (10-year abatement term and then a 6-year recapture period).

The estimated revenue to the City from the project over 16 years is \$720,594, which includes anticipated property tax revenues and sales tax revenues associated with the creation of jobs and the construction of the production facility. The estimated costs to the City over 16 years is \$301,381 and includes projected City service costs associated with the project. Finally, the estimated cost of the 10-year, 75% abatement of real and personal property taxes is \$234,963.

## **RECOMMENDATION:**

Staff recommends approval of an ordinance authorizing a 10-year, 75% ad valorem real and personal property tax abatement with Matthews International Corporation.