



City of San Antonio

Agenda Memorandum

File Number:21-3637

Agenda Item Number: 16.

Agenda Date: 6/3/2021

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Alejandra Lopez

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Mutual Termination Agreement with Petco Animal Supplies, Inc (Petco)

SUMMARY:

An Ordinance authorizing a Mutual Termination Agreement of an economic development agreement with Petco Animal Supplies, Inc. (Petco). The City of San Antonio entered into an economic development agreement with Petco in 2010. The agreement included a 10-year, 100% real and personal property tax abatement for the project site, an Economic Development Incentive Fund (EDIF) grant for \$625,000 and \$100,000 in training credits with Alamo Colleges. The company was required to invest \$5 million into the project site and create 400 full-time jobs.

The company has not met their job requirements and has since sold its facility and is leasing office space back from the new owner. Due to the failure to meet terms of the agreement, staff recommends terminating the 2010 economic development agreement with Petco.

BACKGROUND INFORMATION:

In 2010, City Council approved an economic development agreement with Petco that included a ten-year, 100% real and personal property tax abatement for a new facility and an Economic Development Incentive Fund (EDIF) grant of \$625,000. Of the EDIF grant, \$250,000 was for the project and \$400,000 was to be paid out in annual installments contingent upon annual contributions from the company for the benefit of ACS's spay-neuter program. Training credits at Alamo Colleges in the amount of \$100,000 over a two-year period were also dedicated as part of the incentive package, all of which was contingent on the company investing \$5 million at the project site and creating 400 new jobs.

Since the start of this agreement, the City paid \$250,000 of the Economic Development Incentive Fund grant for meeting the investment requirement of \$5 million and the construction of the facility. The City also has abated \$277,739 in property taxes for the job creation Petco has reported. The additional \$400,000 in the EDIF grant, was mutually cancelled by the City and Petco and was never paid to Petco.

Currently, the company is in year ten of the ten-year abatement term and have met all wage requirements, including exceeding the original investment requirement with a cumulative total of \$21.8 million to date. However, as a result of changes in business operations and conditions, Petco has 250 positions at the 654 Richland Hills Drive location in Council District 6. Additionally, in 2020 Petco sold the building and is leasing office space back from the new owner.

Over the past ten years, the company has proven to be a good corporate partner with the Petco Foundation having invested \$1 million over a five-year period for programs and efforts to enhance animal welfare at Animal Care Services (ACS). Additionally, the Petco Foundation invested \$2 million in K9s for Warriors, a Florida-based nonprofit dedicated to transforming shelter dogs into service pets for our nation's veterans. In 2019, the City Council approved a partnership with K9 for Warriors to lease City property to the organization in order to establish a program in the City of San Antonio.

ISSUE:

As part of the agreement with Petco, the company was required to create 400 jobs. However, staff has met with the company and due to changes in business operations and condition, Petco has stated that the position count has been right-sized and is not planning additional hiring. Recognizing that Petco has been a good partner to the City, a valuable corporate citizen to the larger community, and that the current jobs continue to meet the Living Wage and All-Industry Wage requirements, staff recommends terminating the agreement without recapturing funds.

ALTERNATIVES:

The City could exercise the recapture clause of the agreement; however, this could negatively affect the company's current philanthropic efforts in the community and future with San Antonio.

FISCAL IMPACT:

This ordinance authorizes a Mutual Termination Agreement of an economic development agreement with Petco Animal Supplies, Inc. (Petco) with no recapture of previously paid grants or tax abatements. Since 2010, the City has paid \$250,000 in an Economic Development Incentive Fund Grant and has abated \$277,739 in property taxes. Staff does not recommend recapturing these funds, however, this termination will have no additional fiscal impact on the City's General Fund.

RECOMMENDATION:

City staff recommends approval of the Ordinance authorizing a Mutual Termination Agreement of an economic development agreement with Petco Animal Supplies, Inc. (Petco)

