



# City of San Antonio

## Agenda Memorandum

**File Number:**15-2424

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**Agenda Item Number:** 30C.

**Agenda Date:** 4/9/2015

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development

**DEPARTMENT HEAD:** Rene Dominguez

**COUNCIL DISTRICTS IMPACTED:** 3

### **SUBJECT:**

City Council is considering approval of a Tax Abatement Agreement between the City and HOLT Texas, LTD Tax Abatement Agreement, the establishment of the HOLT CAT Reinvestment Zone, SAWS Impact and City fee waivers, a new Texas Enterprise Zone participation Ordinance, and nomination of HOLT Texas, LTD as a Texas Enterprise Project

### **SUMMARY:**

Staff is requesting a Public Hearing and City Council action on the following items related to the HOLT Texas, LTD (HOLT) project: (A) a public hearing designating the HOLT CAT Reinvestment Zone located at 3302 South WW White Road in Council District 3; (B) an Ordinance approving a 10-year, 100% Tax Abatement Agreement based on a capital investment of at least \$20.2 million in new real and personal property improvements, the creation of 45 new full-time jobs, and the retention of 150 existing full-time jobs; (C) approval of SAWS Impact and City fee waivers; (D) approving a new Ordinance for participation in the State Enterprise Zone (EZ) Program; and (E) a Resolution nominating HOLT for designation as a Texas Enterprise Project;

### **BACKGROUND INFORMATION:**

HOLT is the largest Caterpillar dealership in the United States with operations in 118 counties in Texas. Established in 1933, HOLT sells, services and rents Caterpillar equipment, engines and generators for construction, mining, industrial, petroleum and agricultural applications. HOLT also sells Caterpillar used equipment worldwide and fabricates its own line of custom engineered products. The company currently employs 642 individuals in San Antonio. The expansion of its corporate headquarters will include a \$20.2M capital investment over 5 years, the retention of 150 local corporate headquarters jobs, and the creation of 45 new corporate positions over 5 years. HOLT considered a competing site in Irving, Texas where the company

has a significant presence for the relocation and expansion of its headquarters facility.

In order to secure this proposed headquarters expansion, staff recommends a 10-year, 100% tax abatement valued at approximately \$904,406 over 10 years based on a new minimum capital investment of \$20.2M over 5 years, the retention of 150 local corporate headquarters jobs, and the creation of 45 new corporate positions over 5 years. In accordance with the City's Tax Abatement Guidelines, 100% of the jobs at the project site will meet the minimum hourly "living wage" of at least \$11.47 and, within one year, at least 70% of all employees at the project site will meet or exceed the \$14.66 hourly median "All Industry Wage."

Staff also recommends nominating the project as a Texas Enterprise Project, which could potentially result in a refund to HOLT of state sales and use taxes on qualified expenditures of up to \$487,500 over 5 years. The City of San Antonio receives an allotment of 9 Enterprise Project designations every biennium. If the HOLT Enterprise Project designation is approved, the City will have 6 of its Enterprise Project designations remaining for the remainder of the biennium (ending on August 31, 2015).

## **ISSUE:**

Before the City may enter into a Tax Abatement Agreement with HOLT, the City is required to designate the HOLT project site as a "Reinvestment Zone." This designation requires a public hearing and a finding by City Council that designation of the zone is reasonably likely to contribute to the retention or expansion of primary employment, or to attract major investment to the zone. The capital investment, job creation, and job retention resulting from this project exceed the criteria required for the designation of the HOLT CAT Reinvestment Zone.

The HOLT project is located directly across the street from an ICRIP area, and is considered a targeted project under the Tax Abatement Guidelines due to the creation of a new corporate headquarters, a high new capital investment and job creation and retention level, and high wage jobs with average salaries above \$60,000, which qualifies the project for a 10-year, 100% tax abatement.

The area in which the HOLT headquarters campus is being expanded lies outside of the ICRIP area, but because of the significant number of jobs, new investment and the expansion of a new headquarters campus adjacent to an ICRIP area, staff recommends an exception to the ICRIP Policy to permit SAWS Impact fee waivers valued at up to approximately \$300,000, and City fee waivers valued at up to approximately \$59,713.

Staff is recommending a new participation EZ Program Ordinance to update the local economic development incentives that can be potentially offered in EZ areas.

## **ALTERNATIVES:**

Based on the City's offer to HOLT of the Tax Abatement, SAWS Impact and City fee waivers, and nomination as a Texas Enterprise Project, HOLT chose to expand in San Antonio for its new corporate headquarters campus. City Council could choose not to approve the Ordinances and nomination, which could impact HOLT's decision to select San Antonio for the location of its new corporate headquarters campus.

## **FISCAL IMPACT:**

The estimated fiscal impact to the City is \$972,219, which is comprised of the \$904,406 tax abatement over 10 years, \$59,713 in DSD fee waivers, and \$8,100 (2.7% of \$300,000) in SAWS Impact fee waivers.

Staff conducted a cost-benefit analysis evaluating the City's estimated costs from the tax abatement and fee waivers in relation to the City's estimated revenues from incremental sales taxes from construction costs and

new jobs, property taxes, and CPS Energy revenues over a term of 16 years. Staff estimates this project will have a net fiscal benefit to the City of \$1,476,844 over the 16-year term of the tax abatement agreement. The following table summarizes the costs, revenues, and net fiscal benefits from the HOLT project:

<b>16-Year Estimated Net Fiscal Impact from the HOLT Project</b>			
	<b>REVENUE</b>	<b>COSTS</b>	<b>BENEFIT</b>
YEARS	Est. Revenue (CPS Energy 14%, Property Taxes, and Taxes from Construction & Jobs)	Est. Incentive (10-yr, 100% Tax Abatement, and Saws Impact and DSD fee waiver)	Est. Net Fiscal Impact
1-10	\$1,687,471	\$972,219	\$715,253
11-16	\$761,591	--	\$761,591
<b>Totals</b>	<b>\$2,449,063</b>	<b>\$972,219</b>	<b>\$1,476,844</b>

## RECOMMENDATION:

Staff recommends approval of: (A) an Ordinance designating the HOLT CAT Reinvestment Zone; (B) an Ordinance authorizing a 10-year, 100% Tax Abatement Agreement on new real and personal property; (C) approval of SAWS impact and City fee waivers; (D) an Ordinance for participation in the EZ Program; and (E) a Resolution nominating HOLT as a Texas Enterprise Project.