



# City of San Antonio

## Agenda Memorandum

**File Number:**15-2456

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**Agenda Item Number:** 19.

**Agenda Date:** 5/7/2015

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development

**DEPARTMENT HEAD:** Rene Dominguez

**COUNCIL DISTRICTS IMPACTED:** District 2

### **SUBJECT:**

City Council is considering a Resolution nominating UPS as a Texas Enterprise Project.

### **SUMMARY:**

Staff is requesting City Council action on a Resolution nominating UPS as a Texas Enterprise Project. City Council previously passed a Resolution on the nomination of UPS as a Texas Enterprise Project on September 4, 2014, and this re-nomination is being made to include administrative assistance to UPS to increase the likelihood of its designation.

### **BACKGROUND INFORMATION:**

Founded in 1907, UPS is the world's largest package delivery company and a leading global provider of specialized transportation and logistics services, dealing with approximately 9 million customers on a daily basis. Headquartered in Atlanta, Georgia, UPS employs approximately 400,000 people nationwide, and in 2013 earned \$4.37 billion in revenue. UPS currently has a training facility in San Antonio located at 5313 Summit Parkway in Council District 7, which employs 80 people full-time.

Last year, UPS expanded an existing site at 6400 Seven States Boulevard, in Council District 2 for its Hub operations. This site currently employs 639 people full-time and 776 people part-time.

To support this proposed expansion, on September 4, 2014, City Council approved an Ordinance designating the United Parcel Service Reinvestment Zone and an Ordinance approving a 6-year, 40% Tax Abatement Agreement with UPS on its planned investment of approximately \$85 million in real and personal property improvements, and the creation of at least 25 new full-time jobs and the retention of 600 existing full-time jobs. Specifically, \$32.4 million will be allocated to the building expansion and renovation costs and \$52.6 million will be allocated to machinery and equipment. The project also received approval of a Resolution nominating United

Parcel Service, Inc. for consideration and designation as a State Enterprise Project. However, the application was not accepted by the state due to an especially competitive application round on December 2, 2014.

Re-nominating the project as a Texas Enterprise Project could potentially result in a refund of state sales and use taxes on qualified expenditures of up to \$1.25 million over 5 years (based on a refund of \$2,500 for each of the new and retained employees, up to the maximum amount of 500). The City of San Antonio receives an allotment of 9 potential Enterprise Project designations every biennium (which commenced on September 1, 2013). If this 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:**

In order to be considered by the state as a Texas Enterprise Project, City Council must approve a resolution nominating the company.

#### **ALTERNATIVES:**

Based on the City's offer to UPS of the incentives set forth above, the company chose to expand its facility in San Antonio for the new automated Hub. City Council could choose not to approve the nomination, which could delay its planned expansion and creation of its automated Hub.

#### **FISCAL IMPACT:**

No direct fiscal impact to the City as the incentive is a refund of state sales tax only.

#### **RECOMMENDATION:**

Staff recommends approval of a Resolution nominating UPS as a Texas Enterprise Project.