



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 15

**Agenda Date:** November 21, 2024

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development Department

**DEPARTMENT HEAD:** Brenda Hicks-Sorensen

**COUNCIL DISTRICTS IMPACTED:** District 3

**SUBJECT:**

Nomination of Holt Texas, Ltd. under the Texas Enterprise Zone Program.

**SUMMARY:**

A public hearing and resolution designating Holt Texas, Ltd. (“Holt”) as a Texas Enterprise Zone (“TEZ”) Project in support of the planned facility expansion at the project site located at 5665 SE Loop 410 Access Road, San Antonio, Texas 78222. The TEZ program is an economic development tool that allows local communities to partner with the State of Texas to encourage job creation and capital investment in economically distressed areas.

**BACKGROUND INFORMATION:**

HOLT Group, of which HOLT CAT is a subsidiary, operates in Louisiana and throughout Texas where they maintain their headquarters in San Antonio and are active in the local community. Peter J. Holt is the chairman and managing director of the Spurs Sports and Entertainment, and Corinna Holt Richter serves on the boards of directors of Christus Santa Rosa, the McNay, and Girls Inc.

In 2015, City Council approved a 10-year, 100% tax abatement on real and personal property investments at the headquarters campus located at 5665 SE Loop 410, San Antonio, TX 78222. This project planned to create 45 new full-time jobs, retain 150 full-time jobs and invest \$20.2

million. The tax abatement was activated in 2017 and is set to end after 2026. As of the company's June 2024 report, they count 1,041 full-time jobs at the project site and have invested \$43.8 million in real and personal property improvements. As such, the company is in full compliance with the terms of their 2015 agreement.

Holt intends to invest \$9.75 million in real and personal property to expand its current headquarters campus. This effort will be part of a new corporate initiative: Future Ready Holt ("FRH"). As part of FRH, Holt is investing extensively in software systems to implement an Enterprise Ready Planning software ("ERP") that will help the business manage and automate their core business processes, encompassing a wide range of business departments including, accounting, procurement, risk management, compliance, supply chain, human resources, service, sales, and reporting. The benefits of this extensive investment include streamlining operations, eliminating data duplication, improving efficiency, and providing intelligent automation. The ERP system is critical for Holt to remain a competitive leader in all their business units, maintaining market share and profitability during a time when high interest rates are negatively impacting the industry.

In addition to the FRH project, Holt is investing in a crane for an operations building to move machinery as part of their heavy equipment service, fabrication, and custom engineering product lines. This total investment will support the retention of 879 full-time jobs.

On March 26, 2024, the Economic and Workforce Development Committee was briefed on the Texas Enterprise Zone Program and project nomination process for both the City and County, both of whom have nine (9) nominations per State biennium.

#### **ISSUE:**

The TEZ program is an economic development tool that allows local communities to partner with the State of Texas to encourage job creation and capital investment in economically distressed areas. The Enterprise Project designation will make Holt eligible to apply for State sales and use tax refunds on qualified expenditures of up to \$1.25 million over five years.

In order to nominate Holt for designation as a Texas Enterprise Zone Project, City Council must approve said nomination via a resolution. The City of San Antonio receives an allotment of nine potential Enterprise Zone Project designations every State biennium. The 2024-2025 Biennium commenced on September 1, 2023, and will end on August 31, 2025.

During the current biennium, City Council has approved three nominations for JCB Texas, and two nominations for Toyota Motor Manufacturing Texas, Inc., which are both currently being considered for approval by the State of Texas, Office of Economic Development and Tourism. If these two Enterprise Zone Project designations are approved by the State, the City will have four of its Enterprise Zone Project designations remaining for this State biennium. If Holt's single Enterprise Zone Project designation (counting as one designation) is approved by the State, the City will have three of its Enterprise Zone Project designations remaining for this State biennium.

#### **ALTERNATIVES:**

Based on the City's use of one of its TEZ nominations for this biennium, Holt has stated its intent to proceed with the expansion of their facility, which includes retaining 879 full-time jobs and at least \$9.75 million in capital investment.

If City Council chooses not to approve the resolution nominating Holt for designation as a Texas Enterprise Zone Project, such decision may adversely impact Holt's decision to further invest in San Antonio.

**FISCAL IMPACT:**

There is no fiscal impact to the City's General Fund.

**RECOMMENDATION:**

Approval of a Resolution nominating Holt Texas, Ltd. for designation as a "qualified business" under Texas Enterprise Zone Program.