

ORDINANCE

2022-12-01-0897

**ADOPTING THE CITY OF SAN ANTONIO TAX ABATEMENT GUIDELINES AND CRITERIA EFFECTIVE JANUARY 1, 2023 THROUGH DECEMBER 31, 2024.**

\* \* \* \* \*

**WHEREAS**, tax abatements are used by local governments to attract new industry and commercial enterprises and to encourage the retention and expansion of existing companies; and

**WHEREAS**, Chapter 312 of the Texas Tax Code authorizes municipalities to grant tax abatements of up to 100% on real and personal property improvement for a period not to exceed ten years upon establishing guidelines and criteria for tax abatement agreements; and

**WHEREAS**, the City elects to become eligible to participate in tax abatement; and

**WHEREAS**, the existing tax abatement guidelines were approved by the City on December 17, 2020, effective January 1, 2021 through December 31, 2022; and

**WHEREAS**, the proposed guidelines and criteria contained therein are consistent with the Strategic Framework approved by the City that prioritize opportunities with significant investment, job creation in the strategic growth industries, high-wage jobs, and projects that demonstrate capacity to address our food and medical needs; and

**WHEREAS**, the City finds that it is in the best interest of the City to adopt the attached proposed Tax Abatement Guidelines as recommended by staff to be effective January 1, 2023; **NOW THEREFORE:**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:**

**SECTION 1.** The City Council hereby elects to participate in tax abatement agreements pursuant to Chapter 312 of the Texas Tax Code and adopts the Tax Abatement Guidelines attached hereto and incorporated herein as **Attachment I** for a period of two years.

**SECTION 2.** There is no fiscal impact as a result of the passage of this Ordinance.

**SECTION 3.** This Ordinance is effective January 1, 2023.

**PASSED and APPROVED this 1<sup>st</sup> day of December, 2022.**

  
**M A Y O R**  
Ron Nirenberg

**ATTEST:**

**APPROVED AS TO FORM:**

  
Debbie Racca-Sittre, City Clerk

  
Andrew Sgiovio, City Attorney



**City of San Antonio**  
**City Council Meeting**  
**December 1, 2022**

**19.**

**2022-12-01-0897**

A public hearing and City Council consideration of an ordinance adopting the City of San Antonio Tax Abatement Guidelines effective from January 1, 2023, through December 31, 2024. [Alejandra Lopez, Assistant City Manager; Brenda Hicks-Sorensen, Director, Economic Development]

Councilmember Courage moved to Approve on the Consent Agenda. Councilmember Viagran seconded the motion. The motion carried by the following vote:

**Aye:** Nirenberg, Bravo, McKee-Rodriguez, Viagran, Rocha Garcia, Castillo, Cabello Havrda, Sandoval, Pelaez, Courage

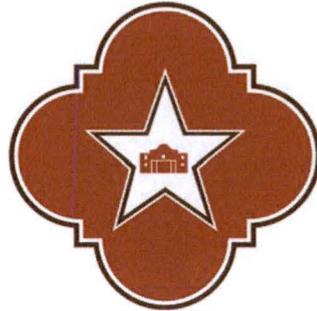
**Absent:** Perry

LR  
12/1/2022  
Item No. 19

5080-10-51-5505

## **ATTACHMENT I**

**CITY OF SAN ANTONIO ECONOMIC  
DEVELOPMENT TAX ABATEMENT  
GUIDELINES**



*Effective January 1, 2023 through  
December 31, 2024*

*(Adopted by City Council on [HOLD])*

**City of San Antonio  
Economic Development Department  
P.O. Box 839966  
San Antonio, Texas 78283-3966  
[www.sanantonio.gov/edd](http://www.sanantonio.gov/edd)**

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**CITY OF SAN ANTONIO**  
**Economic Development Department**  
**Chapter 312 Tax Abatement Guidelines**

**Introduction**

The City of San Antonio (“City”) is committed to supporting the growth, sustainability, and diversity of our regional economy. This includes enhancing the adaptability and competitiveness of the San Antonio’s workforce, as well as our business community. In FY2023, the City’s Economic Development Department’s (“EDD”) Strategic Plan was adopted which set forth key guiding principles and goals. Those five guiding principles included: Economic Healing, Resilience, Investment & Growth, Tax Base, and Equity. The guiding principles serve as the foundation for the plan’s four goals of Innovation & Industry, Placemaking & Real Estate, Talent & Workforce, and Capacity & Resources.

To implement our adopted economic development goals, the City developed detailed policies concerning our Chapter 312 tax abatement program. Chapter 312 of the Texas Tax Code allows the City to abate up to 100% of ad valorem property taxes on the value of new property improvements for up to ten (10) years, including real property and/or tangible personal property qualifying projects that meet the eligibility requirements set forth in these Guidelines. Under Chapter 312, the Tax Abatement guidelines and criteria adopted are effective for two (2) years from the date adopted. The City adopts the guidelines for Chapter 312 effective January 1, 2023. This policy is to expire December 31, 2024.

The following guidelines and standards were developed to align with the Strategic Framework along with other ongoing City initiatives and priorities. As a result, City Council has herein adopted the factors and criteria for persons or entities interested in receiving economic development incentives or a Tax Abatement from the City pursuant Chapter 312 of the Texas Tax Code. EDD staff will prioritize opportunities with significant investment, job creation in the strategic growth industries, and high-wage jobs. Per City Council direction, EDD may exercise flexibility in offering the maximum tax abatement necessary to attract new projects and to expand existing projects in San Antonio, regardless of where they locate in the community.

State law requires that each taxing jurisdiction enter into a tax abatement agreement with each owner of real and personal property or with the owner of a leasehold interest in real property receiving an abatement or a portion thereof. Each taxing jurisdiction independently decides whether to abate taxes for any given project and approval from one governmental entity does not guarantee approval from any other. Chapter 312 agreements are binding legal documents governing all agreed provisions and requirements between the parties.

City Council has adopted these guidelines to ensure that any tax abatement achieves the City’s economic development goals.

# 1. Eligibility and Evaluation Criteria

## 1.1 Eligibility Requirements

1.1.1 Eligibility: A new company or an existing company (“Applicant”) may be eligible for a tax abatement if the Applicant’s project (“Project”) meets the following criteria:

- A. 100% of Full-Time Employees at the Project Site must be paid at least the Entry Wage of \$17.50 per hour (“Entry Wage”) annually for the Agreement Term; and
- B. At least 90% of Full-Time Employees at the Project Site must be paid at least \$20.54 per hour (80% of “Median Wage”) for the Agreement Term; and
- C. Offers workers’ compensation coverage, as well as a healthcare benefits package to all Full-Time Employees and their eligible dependents; and
- D. Project must meet the respective Minimum Investment Levels and Minimum Job Creation Requirements to qualify for respective Tax Abatement Percentage as depicted in the following matrix:

Tier	Hourly Wage		Minimum Capital Investment		Minimum No. Of Jobs Created	Base Tax Abatement
1	\$20.54	AND	\$10M	AND	50	20%
2	\$25.00	OR	\$25M	OR	200	30%
3	\$30.00	OR	\$50M	OR	400	40%
4	\$35.00	OR	\$100M	OR	600	50%
5	\$40.00	OR	\$150M	OR	800	60%
6	\$45.00	OR	\$250M	OR	1000	70%

1.1.2 Exceptional Enhancements: Projects located in a regional center; within a targeted industry; and/or in a census tract with a score of at least 7 in the City of San Antonio Equity Atlas may receive an additional 10% abatement per qualified exceptional enhancement met up to 30% if all three are met.

## 1.2 Catalytic Project Exception

1.2.1 Eligibility: Projects that meet Tier 6 eligibility matrix requirements with at least one (1) Exceptional Enhancement may obtain additional incentives for Project-related costs which may include costs related, but not limited, to:

- Infrastructure: water, wastewater, roads, electric; or
- Site Work: site development, rail spur development, other site mitigation; or
- Financing: site acquisition or training.

## 2. Abatement Term

2.1 A Project may be eligible for the following tax abatement term:

Maximum Abatement Term	Minimum Requirements
3-4 years	Less than \$50M invested or less than 400 Jobs
5-6 years	\$50M - \$99M or 400-599 Jobs
7-9 years	\$100M - \$249M or 600 - 999 Jobs
10 years	\$250M+ or 1000+ Jobs

## 3. Annual Wrap-Around Support Requirement

3.1 **Dedication.** Each calendar year or partial calendar year during the term of the Agreement, commencing on the first tax abatement and continuing until the termination or expiration of the Agreement, all tax abatement recipients will be required to dedicate the equivalent of 10% of their yearly abated value into a dedicated spending account (“dedicated funds”). All dedicated funds must be expended on training, transit, or childcare for their firm’s employees.

3.1.1 The following items are considered eligible uses of dedicated funds:

**A. Training:** Key elements to developing a strong workforce and meeting employment needs are **training and retaining talent**. To this end, employers can participate in or support the following:

- i. Ready to Work SA (Work-Based Learning)
- ii. Paid Internships or Apprenticeships
- iii. TXFAME/TX FAST
- iv. DOD SkillBridge Program
- v. Justice-Involved Employee Support
- vi. Internal, customized training resulting in industry-recognized credentials
- vii. Internet and IT equipment training
- viii. Career coaching for transitioning employees

**B. Childcare Needs:** Childcare presents a dual-generation workforce opportunity where the youngest community members receive quality, reliable, early childhood education while allowing parents to establish stable careers. Such efforts can be supported by:

- i. Providing onsite quality childcare
- ii. Providing childcare vouchers, subsidies, or reimbursements for Quality Childcare facilities (TRS or other nationally accredited center)
- iii. Purchasing slots at a quality childcare facility
- iv. Partnering with Workforce Solutions Alamo for expertise in childcare support mechanisms

**C. Transportation Needs:** Affordable, reliable, and safe modes of transportation

improve San Antonio's Workforce's access to employment, education, training, and other services. To support these efforts an employer can:

- i. Provide or subsidize, VIA passes
- ii. Incentivize alternative modes of transportation (i.e., walking, bikes, scooters, carpools, vanpools)

#### 4. Incentive Application and Fees

**4.1 Application.** A company seeking a tax abatement must submit a fully executed Joint Incentive Application (with required attachments) and the appropriate fee to the City's Economic Development Department (see Section 4.2 below). The incentive application provides required project information and describes how the project meets the above criteria. If an Agreement has not been finalized within six months of application, the City may terminate a pending application at its sole discretion. Any submission of a subsequent application following such a termination will require another application fee for consideration of the application.

**4.2 Non-refundable Application Fee.** A company seeking a tax abatement must submit a non-refundable application fee in the amount of \$2,500 submitted in the form of a cashier's check or money order made payable to the order of: "City of San Antonio" which shall be paid by the Applicant to the City's Economic Development Department at the time of Application submission.

**4.3 Assignment or Amendment.** Any Project that requires an assignment of or an amendment to an existing Agreement will be required to pay an additional fee of \$2,500.00 to the "City of San Antonio".

#### 5. Additional Terms And Conditions

**5.1 Timing.** City Council will not consider any development projects in which any building permits (including any conditional permits) or when a certificate of occupancy for the facility for which taxes are to be abated has been filed with the City's Development Services Department.

**5.2 City Council Approval.** City Council retains sole authority to approve or deny any agreement and is under no obligation to approve any application or agreement. City Council approval is required for each Agreement.

**5.3 Ineligible Projects.** Regardless of the investment or number of jobs created, the following types of businesses and projects are not eligible for tax abatement:

- A. Projects involving new construction over the Edwards Aquifer Recharge or Contributing Zone (see **Appendix C**) that will result in additional impervious cover at the project site;
- B. Retail operations, including stores selling goods and services directly to customers;
- C. Hotels and motels;
- D. Outbound or contract call centers;
- E. Projects encroaching on military operations as defined in the SA Tomorrow Comprehensive

Plan, Department of Defense Joint Land Use Studies, or the City's Annexation program;  
and

F. Those projects statutorily prohibited under Chapter 312.

- 5.4 Flexibility and Transparency.** The City will work with each eligible company to recommend an incentive package that best meets the City's priorities and that minimizes each company's compliance burden. The City reserves the right to adjust the tax abatement, tax rebate, and/or EDIF assistance considering a cost/benefit analysis, and additional incentives offered, such as cash grants, feewaivers, etc. EDD will negotiate all Agreement terms on a case-by-case basis.
- 5.5 Commitment for Utilization of Certified S/M/W/VBE Companies.** All projects receiving abatements must make a commitment to utilize local Certified S/M/W/VBE Companies for a minimum of 10% of all construction costs (both hard and soft) associated with the Project. Failure to meet the goal will result in a reduction in the calculation of the maximum abatement each by 10 percentage points.
- 5.6 Prevailing Wage.** Recipients of abatements must provide salaries to all employees, including contract employees and employees hired by contractors for construction of Project facilities related to the Agreement for monitoring of general prevailing wage rate.
- 5.7 Good Standing.** Applicants shall not have an uncured breach or default of any prior incentive agreements with any entity.
- 6. Compliance.** All recipients of City funds under Chapter 312 are subject to an annual compliance or semi-annual assessment conducted by the Economic Development Department until such time as stated in the agreement. Each year, the Department will review terms and conditions stated in the agreement to determine if the company has successfully met all obligations prior to receiving rebates, loans, grants, or any other benefit thereunder. Compliance will take place at the time specified under each agreement once the company is awarded an agreement and the agreement has been executed by all parties, however, the City reserves the right to perform additional evaluations for compliance, with reasonable notice to the company, if City deems necessary. Evidence of noncompliance may be grounds for termination in accordance with termination provisions under the agreement. At its discretion, the City may work with the recipient to develop a plan and timeline for becoming compliant. City Council may cancel or modify the Agreement if the property owner and/or lessee fails to comply with any terms of the Agreement.
- 7. Recapture.** Agreements will provide for the recapture of abated property taxes in the event that the company fails to meet any of the terms and conditions of the Agreement. If the recipient of an abatement or incentive pursuant to these Guidelines fails to cure such deficiencies in accordance with the Agreement, the City has the right to amend, suspend, or terminate the Agreement, recapture all or a portion of property tax revenue lost as a result of the Agreement, and/or recapture any other amounts from loans and/or grants or other benefit awarded during the Abatement Term. These recapture provisions will survive any subsequent assignment of the Agreement.

## **8. Definitions**

- 8.1 Abatement Period** – The period of time specified in a Tax Abatement Agreement, but not to

exceed ten (10) years, during which all or a portion of the value of real property or tangible personal property that is the subject of a tax abatement agreement is exempt from taxation.

- 8.2 **Abatement Agreement** – A contractual agreement entered between a property owner and/or lessee and the City for the purposes of a tax abatement, pursuant to Chapter 312 of the Texas Tax Code, that outlines parameters including, but not limited to, a job creation schedule, milestones, capital investment requirements, and other performance requirements that must be demonstrated prior to and in continuation of the Agreement.
- 8.3 **Agreement Term** – The full term of the Agreement, including the Abatement Term.
- 8.4 **Applicant** – A company, firm, entity, or organization that has submitted an executed Joint Incentive Application for consideration by the City’s Economic Development Department.
- 8.5 **Base Year Value** – Assessed value of eligible property, as of January 1<sup>st</sup> preceding the execution of the Chapter 312 Agreement.
- 8.6 **Chapter 312** – Means the Property Tax Code, Chapter 312, popularly referred to as the Tax Abatement Act that allows the City to grant full or partial tax abatement on certain eligible properties as set forth in these Guidelines.
- 8.7 **City** – Means the City of San Antonio, Texas.
- 8.8 **City’s Annexation Program Policy** – Annexation is the legal process that adds land to the corporate limits of a city. Annexation allows cities to extend municipal services, City codes and regulations, voting privileges, and taxing authority to the new annexed territory. The intent of the Annexation Policy is to implement the SA Tomorrow Comprehensive Plan by providing City Council with guidance for making decisions about annexation and other issues within San Antonio's extraterritorial jurisdiction (ETJ).

On December 1, 2017, Senate Bill (S.B.) 6 became effective and required Tier 2 Cities (cities located in counties with more than 500,000 residents) to obtain voter approval of the proposed annexation through an election process. The new law permits cities to hold elections – which allow voters within five (5) miles of military bases – and choose between being annexed or allowing cities to adopt and enforce their land use regulations, per the most recent Joint Land Use Study (JLUS), revising its Annexation Policy in order to provide new strategies and criteria to better manage growth and development issues within its ETJ. The City’s policy is currently being updated to conform to the most recently passed State annexation provisions and goals of the SA Tomorrow Comprehensive Plan and is tentatively scheduled for consideration and approval in Fiscal Year 2023.

- 8.9 **Compliance Process** – Post-execution performance process by which terms and conditions are demonstrated by the company and verified by the Economic Development Department.
- 8.10 **CPS Energy** – CPS Energy is the nation’s largest municipally owned energy utility providing both natural gas and electric service in and around San Antonio, the nation’s seventh largest city.
- 8.11 **Department of Defense Joint Land Use Studies** – The AACOG Compatible Use Program facilitates communication and collaboration between local Joint Base San Antonio (JBSA)

military installations and municipal, county and community stakeholders. The Compatible Use Program promotes compatible civilian development and activities in support of the local military mission; preserves and protects the public health, safety, and general welfare; enhances the security of installation missions; protects and preserves military readiness and quality of life; and enhances civilian, and military communications, and collaboration.

- 8.12 DOD SkillBridge Program** – The DOD SkillBridge program is an opportunity for Service members to gain valuable civilian work experience through specific industry training, apprenticeships, or internships during the last 180 days of service. SkillBridge connects Service members with industry partners in real-world job experiences. Website: <https://skillbridge.osd.mil/program-overview.htm>
- 8.13 EDD** – Refers to City of San Antonio Economic Development Department.
- 8.14 EDIF** – Refers to City of San Antonio Economic Development Incentive Fund.
- 8.15 Edwards Recharge and Contributing Zones** – The Edwards Aquifer Recharge Zone is that area where the stratigraphic units constituting the Aquifer crop out, including the outcrops of other geologic formations in proximity to the Aquifer, where caves, sinkholes, faults, fractures or other permeable features would create a potential for recharge of surface waters into the Aquifer. The Contributing Zone is the drainage area or the catchment area. Here the land surface "catches" water from rainfall that averages about 30" per year, and water runs off into streams or infiltrates into the of the Edwards Plateau (see Appendix C).
- 8.16 Entry Wage** – The starting wage for all non-uniformed City employees as determined by the City's Annual Adopted Budget. As of Fiscal Year 2023, the current Entry Wage is \$17.50 per hour, exclusive of benefits, bonuses, overtime, commissions, shift differentials, and any other non-guaranteed wages.
- 8.17 Equity Atlas** – The City of San Antonio's [Equity Atlas tool](#) highlights the disparities within the City and assigns rankings that identify areas that experience higher or lower equity levels based on race and income. To be eligible for the 10% Equity Atlas enhancement, the project site must have an equity score of 7 or higher.
- 8.18 Full-Time Employee** – Employees associated with the Project Site on a permanent basis (approximately 2,080 hours per calendar year).
- 8.19 Headquarters** – A company with at least 5 officers or directors (specifically including the Chief Executive Officer residing in the San Antonio Metropolitan Statistical Area) of the company based in San Antonio at the Project Site and that represents San Antonio as its company headquarters on the primary company website.
- 8.20 Healthcare Benefits Package** – A Qualified Health Plan (otherwise known as minimum essential coverage) as defined in the Affordable Care Act.
- 8.21 Median Wage** – San Antonio Median Household Income per 2016-2020 US Census Bureau Data. Hourly Median Wage is \$25.67 per hour.
- 8.22 Minority-, Women-, or Veteran-Owned Business Enterprise** – A business certified by the

South Central Texas Regional Certification Agency (SCTRCA).

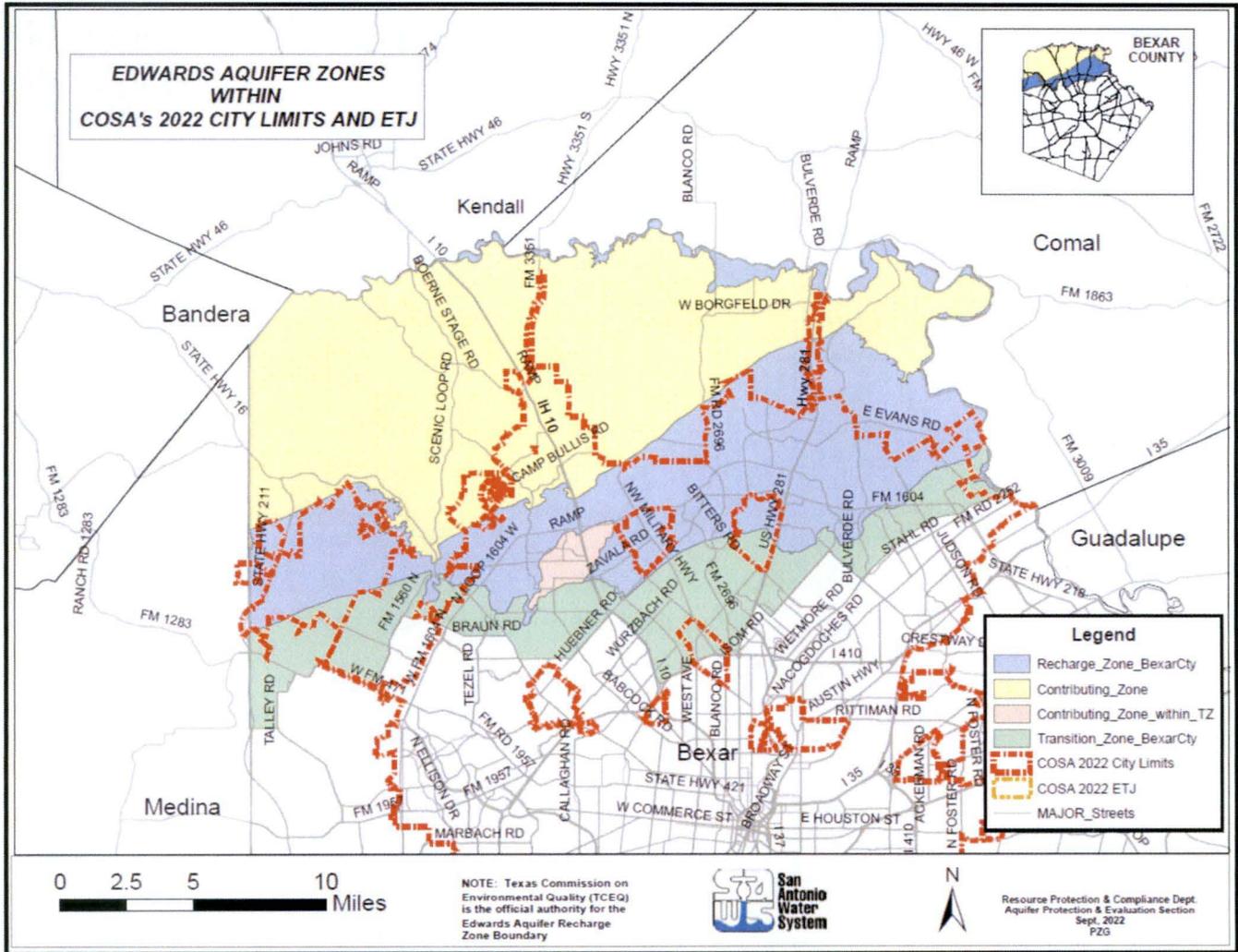
- 8.23 New Full-Time Employee** –A person who is hired by the company on a permanent basis (approximately 2,080 hours per calendar year), after execution of an Agreement in a “New Full-Time Job” associated with the Project Site.
- 8.24 New Full-Time Job** – A position created after the execution of an Agreement that is dependent upon the proposed project (i.e., the position would not exist if the project is not completed). These jobs must not simply relocate current employees from within the San Antonio Metropolitan Statistical Area. A permanently contracted job will not be considered a New Job.
- 8.25 Project Site** – The geographic area as laid out in the metes and bounds of the property within any future incentive agreement and includes the proposed investment, and as needed, serving as the Reinvestment Zone designation for a Tax Abatement Agreement.
- 8.26 Regional Centers** – Regional Centers are one of the major building blocks of San Antonio’s city form and a major component of the Comprehensive Plan and the overall SA Tomorrow effort. While most cities have one or two larger employment centers, the city has 13. A major organizing element for the Comprehensive Plan is to focus growth on these regional centers, building on the existing pattern of development. They are envisioned as new “places” where we live, work, and play.
- 8.27 Retained Jobs** – Full-time equivalent positions in existence at the time a company enters into an abatement Agreement with the City.
- 8.28 SA Tomorrow Comprehensive Plan** – Between 2010 and 2040, Bexar County’s population is expected to increase by approximately 1 million people. SA Tomorrow is an innovative, three-pronged planning effort to guide the city toward smart, sustainable growth. The Comprehensive Plan addresses land use, urban design, and municipal policy to coordinate City resources and incentive programs to pro-actively accommodate projected growth and provide more choices for current and future residents.
- 8.29 Small Business** – must meet the regulations as defined by the SBA at Small Business Size Regulations are in Title 13 of the Code of Federal Regulations, part 121(13 CFR §121).
- 8.30 S/M/W/VBE Companies** – Refers to Small/Minority/Women/Veteran-Owned Business Enterprises.
- 8.31 Target Industry** – The City has designated the following five (5) industries as Target Industries: Mobility, IT Security/Infrastructure, Sustainable Energy, Corporate Services, and Bioscience Anchors & Catalysts.
- 8.32 TXFAME** – Texas Federation for Advanced Manufacturing Education (TX FAME) is a partnership of regional manufacturers whose purpose is to implement dual-track, apprenticeship-style training that will create a pipeline of highly skilled workers. The purpose of TX FAME is to be the catalyst for developing world-class technical talent for manufacturing. TX FAME strives to be a conduit between industry and training providers with a primary focus on meeting the needs of manufacturers. Website: <https://www.txfame.com/>

**8.33 VIA** - VIA Metropolitan Transit connects our community to opportunity, supports economic vitality, and enhances quality of life throughout our region. VIA serves 14-member cities and the unincorporated areas of Bexar County, operating seven days a week on 92 routes.

**8.34 Workers' Compensation Coverage** - insurance providing wage replacement and medical benefits to employees injured in the course of employment.

# APPENDIX A

## Edwards Aquifer Recharge and Contributing Zones Map (2022)



## APPENDIX B

### SA Tomorrow Comprehensive Plan Regional Centers Map

