



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 19

Agenda Date: December 1, 2022

In Control: City Council A Session

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

A public hearing and City Council consideration of the adoption of the City of San Antonio Tax Abatement Guidelines effective from January 1, 2023, through December 31, 2024.

SUMMARY:

The Texas Tax Code provides local governments the authority to enter into tax abatement agreements to promote the attraction of new companies and the retention and expansion of existing businesses to create jobs and investment. State law requires the adoption of the Tax Abatement Guidelines by City Council every two years. The current Tax Abatement Guidelines were approved by Council on December 17, 2020, effective January 1, 2021 through December 31, 2022. Staff requests City Council consider an Ordinance adopting the 2023 to 2024 Tax Abatement Guidelines as required by Chapter 312 of the Texas Tax Code.

BACKGROUND INFORMATION:

The City utilizes several tools to support the recruitment of new jobs and private investment to San Antonio and the expansion of existing San Antonio companies. These tools include Chapter 312 Tax Abatement Agreements and Chapter 380 Economic Development Agreements.

Chapter 312 of the Texas Tax Code provides local governments with the authority to enter into tax

abatement agreements to promote the attraction of new companies and the retention and expansion of existing businesses in order to create new jobs and investment. State law requires the adoption of tax abatement guidelines by City Council every two years.

In 2018, City Council adopted a set of guidelines that support the City's priorities of:

1. Attracting new targeted industry jobs and investment;
2. Maximizing the competitiveness of local businesses; and
3. Supporting socioeconomic mobility for San Antonio residents.

Under the guidelines, the Economic Development Department (EDD) prioritized high wage job opportunities, job creation in targeted industries, and projects that demonstrated the capacity to promote access to job opportunities and training to distressed populations.

The current guidelines for Chapter 312 prioritize projects that are within the SA Tomorrow Comprehensive Plan's Regional Centers or the City's Inclusive Growth Area (IGA). The IGA was developed by staff as part of the 2018 guideline updates and represents traditionally under invested areas in San Antonio where a given census tract has a poverty rate greater than twenty percent (20%). Other factors included whether a project was in a targeted industry, wages for jobs created, and level of private capital investment.

As a result of the COVID-19 pandemic, staff shifted focus in 2020 and primarily engaged with the City's Recovery and Resiliency Plan, assisting the residents and business community with the ongoing crisis. This shift limited the traditional outreach efforts to the residents and business community for major updates to the guidelines. In December 2020, staff requested that City Council re-authorize the 2019-2020 Tax Abatement Guidelines through 2022, with minor modifications. City Council extended the guidelines on December 17, 2020.

In February 2022, TIP Strategies was engaged to help establish an Economic Development Strategic Framework for EDD to help guide new incentive tactics. During this process, EDD staff conducted targeted stakeholder discussions with an innovation/cybersecurity group, real estate developers/brokers, site consultants, labor unions, chamber representatives and economic development organizations specific to incentives to expand upon key themes and topics raised during the framework discussion. This feedback, along with significant research, provided the foundation for the revised incentive policy, which balances the desire to be competitive for economic development opportunities while serving the broader community needs.

The proposed Tax Abatement Guidelines were presented at a B Session of City Council on November 9, 2022. The proposed guidelines incorporate recommendations from Council members including the expansion of wrap-around support programs to include Internet and IT equipment training, Career coaching for transitioning employees, and revising carpools and van pools to alternative modes of transportation to also include bicycles, scooters, and walking. Additionally, the commitment for companies to provide salaries to all employees has been expanded to include contract employees and employees hired by contractors for construction of Project facilities related to the Tax Abatement Agreement for monitoring of general prevailing wage rate.

ISSUE:

The proposed Tax Abatement Guidelines create an objective approach to abatements that allow companies and consultants to better calculate the value and term on a potential incentive. The guidelines emphasize the City's desire to recruit high-paying, high-quality jobs to San Antonio by increasing the minimum criteria for wages, investment, and job creation. Additional tax abatement is available for those projects locating within a regional center, locating within an area with an Equity Atlas score of 7 or higher, or are within one of the target industries identified in the Economic Development Strategic Framework. These industries include IT Security & Infrastructure, Mobility, Sustainable Energy, Corporate Services, and Bioscience Anchors & Catalysts.

The recommended Tax Abatement Guidelines will also allow San Antonio to be more competitive on time-sensitive projects by allowing the Economic Development Director to provide prospective companies and site consultants with a qualified incentive offer letter for projects that fall within the guidelines. This letter will clearly articulate any incentive would still be contingent on City Council approval.

Lastly, the proposed Tax Abatement Guidelines changes the disbursement process requiring the contracted company to meet performance metrics prior to an abatement. This approach to performance-based contracting eliminates the need for a recapture period, including partial prorated abatements, since the incentive will not move forward until performance conditions are met by the company.

ALTERNATIVES:

Without adoption of the proposed Tax Abatement Guidelines, the current guidelines governing Chapter 312 abatements will expire on December 31, 2022 and the City will be unable to offer tax abatement incentives. Chapter 312 requires cities to adopt guidelines and criteria before entering into tax abatement agreements.

FISCAL IMPACT:

There is no fiscal impact to the City as this pertains to the adoption of the proposed Tax Abatement Guidelines. Each proposed tax abatement agreement requires City Council approval.

RECOMMENDATION:

EDD staff recommends adoption of the 2022–2023 Tax Abatement Guidelines effective January 1, 2022 through December 31, 2023.