



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 18

**Agenda Date:** April 4, 2024

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development Department

**DEPARTMENT HEAD:** Brenda Hicks-Sorensen

**COUNCIL DISTRICTS IMPACTED:** District 4

**SUBJECT:**

A public meeting and City Council consideration of an ordinance authorizing: A) terms and conditions of a 10-year Tax Abatement Agreement for a 90% abatement of real and personal ad valorem taxes and Chapter 380 Economic Development Agreement in an amount not to exceed \$2,350,000 with associated City and SAWS fee waivers not to exceed \$1,500,000 with JCB Texas, LLC.; and B) a Resolution nominating JCB Texas, LLC for designation as a “qualified business” under the Texas Enterprise Zone Program.

**SUMMARY:**

The following items relate to JCB Texas, LLC manufacturing facility in San Antonio: A) An ordinance approving an incentive package to include a 10-year, 90% Tax Abatement Agreement based on a capital investment of at least \$265.7 million in real and personal property improvements and the creation of at least 1,580 new full-time jobs, and to include up to \$3,850,000 in Economic Development Incentive Fund (EDIF) grant funds and City and SAWS fee waivers, contingent on job creation and investment milestones, and authorizing the execution of a Chapter 380 Economic Development Incentive Fund grant agreement with JCB Texas, LLC,. Funding in the amount of \$2,350,000 is available from the Economic Development Incentive Fund FY 2024 Adopted Budget, up to \$1,000,000 is available from the General Fund FY 2024 Adopted Budget for City fee waivers, and up to \$500,000 in SAWS fee waiver; and B) A public meeting and resolution designating JCB Texas, LLC (JCB) as a Triple Jumbo Texas Enterprise Zone Project (TEZ) in

support of their planned manufacturing facility at the project area site located at 13610 State Highway 16 S., San Antonio, Texas 78224.

### **BACKGROUND INFORMATION:**

JCB (Joseph Cyril Bamford Excavators Ltd.) is a privately held heavy equipment manufacturing company headquartered in the U.K. The company was founded in October 1945 and is a multinational manufacturer of equipment for construction, agriculture, waste handling, and demolition. It is the third largest heavy equipment manufacturer in the world.

In 2000, JCB opened its North American headquarters and manufacturing facility in Pooler, GA, a suburb of Savannah. The Savannah area manufacturing facility also produces all 18 models of JCB's skid steer and compact track loaders.

JCB plans to expand its existing North American manufacturing footprint. JCB has identified real property located at 13610 State Highway 16 S., San Antonio, Texas 78224. The company plans to build an approximately 750,000 square foot facility which would produce equipment that is currently produced in the UK and India, to bring its product closer to the consumer and create capacity within their other facilities.

### **ISSUE:**

To secure this project, staff recommends approval of an incentive package to include a 10-year, 90% tax abatement agreement on real and personal property valued at approximately \$10,394,696. JCB's investment level is classified as a Tier 6 project under the Tax Abatement Guidelines approved by City Council in 2022, qualifying it for a 70% tax abatement and the 10-year term. The project is eligible for the additional 20% abatement because of its location within a census tract with a Combined Equity Atlas Score of 7 and JCB being with the targeted industry of mobility-advanced manufacturing.

The investment level also qualifies as a Catalytic Project under the EDIF Guidelines approved by City Council in 2022. For this reason, staff recommends approval of an EDIF grant of up to \$2,350,000. Of the total EDIF grant funds, up to \$1,500,000 is dedicated to reimbursement for site development, road, and utility infrastructure improvements, and \$850,000 in reserve funds for unforeseen site development costs. The \$1,500,000 grant would be disbursed to JCB Texas, LLC after each semiannual certification that will include the request for payment detailing the specific costs expensed for eligible site improvements in the previous six-month period. The \$850,000 reserve funds will follow the same disbursement structure, however, will require prior City Manager approval.

Staff also recommends issuance of eligible City Fee Waivers of up to \$1,000,000 and up to \$500,000 in SAWS fee waivers to be included in the incentive package to JCB Texas LLC for the project. The City shall recapture all EDIF funds and fee waivers disbursed to JCB Texas, LLC, if it fails to satisfy the capital investment and job creation requirements by December 31, 2028, or otherwise fails to comply with the Ch. 380 Economic Development Agreement. Funds for the EDIF grant in the amount of \$2,350,000 and for the City and SAWS fee waivers are available from

the FY 2024 Adopted Budget.

The project will conform to the City Council approved EDIF guidelines, Tax Abatement Guidelines, and Fee Waiver policy for business development. EDIF grants are authorized by the State of Texas through Chapter 380.

The agreement is contingent on the company investing a total of \$265.7 million in real and personal property improvements and creating 1,580 jobs by December 31, 2028, with the abatement period beginning after this target date. Of the \$265.7 million investment, \$132.8 million is estimated in real property improvements, \$132.9 million in personal property improvements, and 100% of the 1,580 full time jobs created will earn \$20.54 per hour.

The total City investment over the length of the agreement for the entire incentive package is estimated at \$13,744,697, which has a net present value of \$8.48 million, and an estimated return on investment of nearly 41%.

In addition to the City of San Antonio investment, JCB intends to apply for the Texas Enterprise Zone (TEZ) program. 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 Triple-Jumbo Texas Enterprise Zone Project designation will make JCB eligible to apply for State sales and use tax refunds on qualified expenditures of up to \$3.75 million over five years.

In order to nominate JCB for designation as a Texas Enterprise Zone Project, City Council must approve said nominations 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. If the JCB Enterprise Zone Project designation is approved by the State, the City will have six of its Enterprise Zone Project designations remaining for this State biennium, ending on August 31, 2026.

#### **ALTERNATIVES:**

Based on the City's competitive offer of these incentives and local support for this project, JCB has stated intent to proceed with the creation of a manufacturing facility, which includes 1,580 new full-time jobs and at least \$265.7 million in capital investment. If City Council chooses not to approve the ordinances and resolutions authorizing the incentive agreements, such decision may adversely impact JCB's decision to invest in San Antonio.

#### **FISCAL IMPACT:**

This ordinance authorizes an incentive package to include a 10-year, 90% Tax Abatement Agreement based on a capital investment of at least \$265.7 million in real and personal property improvements and the creation of at least 1,580 new full-time jobs.

This ordinance would also authorize up to \$3,850,000 in Economic Development Incentive Fund

(EDIF) grant funds and City and SAWS fee waivers, contingent on job creation and investment milestones, and authorizing the execution of a Chapter 380 Economic Development Incentive Fund grant agreement with JCB Texas, LLC,. Funding in the amount of \$2,350,000 is available from the Economic Development Incentive Fund FY 2024 Adopted Budget, up to \$1,000,000 is available from the General Fund FY 2024 Adopted Budget for City fee waivers, and up to \$500,000 in SAWS fee waiver.

**RECOMMENDATION:**

Approval of A) an ordinance authorizing terms and conditions of a 10 year Tax Abatement Agreement for a 90% abatement of real and personal ad valorem taxes and Chapter 380 Economic Development Agreement in an amount not to exceed \$2,350,000 with associated City and SAWS fee waivers not to exceed \$1,500,000 with JCB Texas, LLC.; and B) a Resolution nominating JCB Texas, LLC for designation as a “qualified business” under the Texas Enterprise Zone Program.