



City of San Antonio

Agenda Memorandum

File Number:
{{item.tracking_number}}

Agenda Item Number: 4

Agenda Date: March 26, 2024

In Control: Economic and Workforce Development Committee Meeting

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Briefing on the Texas Enterprise Zone Program and project nomination process.

SUMMARY:

Briefing on the Texas Enterprise Zone (TEZ) Program, including the local process for nominating projects for the program.

BACKGROUND INFORMATION:

With the authority granted by Chapter 2303 of the Texas Government Code, the State of Texas administers and monitors the Texas Enterprise Zone (TEZ) Program, which is the state's sales and use tax refund program designed to encourage private investment and job creation in economically distressed areas of the state. Under the TEZ program, Texas communities may nominate economic development projects for TEZ designation.

The program is managed on a biennium-basis with the current FY 2024 – FY 2025 Biennium

running from September 1, 2023, to August 31, 2025. During each biennium, Texas communities – both municipalities and counties – receive a limited allotment of designations based on population. Statewide, a maximum of 105 designations may be awarded per biennium, and only up to 12 designations per quarterly “round.” Quarterly project deadlines for applications to the state during the given biennium are due on the first business day of March, June, September, and December.

Approved projects under the TEZ Program receive a state sales and use tax refund, based on a project’s planned capital investment and job creation and/or retention at the business project site, and job-specific eligibility criteria.

The table below summarizes the project designation type, maximum number of jobs allocated, maximum potential refund, and the maximum refund broken down on a per job allocation basis.

| Type of Designation | Level of Capital Investment | Maximum Number of Jobs Allocated | Maximum Potential Refund | Maximum Refund Per Job Allocated |
|-------------------------|--------------------------------------|----------------------------------|--------------------------|----------------------------------|
| Half Enterprise Project | \$40,000 – \$5,000,000 or more | 250 | \$625,000 | \$2,500 |
| Enterprise Project | \$5,000,000 – \$149,999,999 | 500 | \$1,250,000 | \$2,500 |
| Double Jumbo Project | \$150,000,000 – \$249,999,999 | 500 | \$2,500,000 | \$5,000 |
| Triple Jumbo Project | \$250,000,000 or more | 500 | \$3,750,000 | \$7,500 |

ISSUE:

At the request of the Economic and Workforce Development Committee (EWDC), staff will brief the committee to provide background and greater insight into the TEZ Program nomination process in San Antonio, as well as the process for supporting nominations by Bexar County within the City limits.

During each TEZ Program biennium, San Antonio receives nine (9) designations, which allows the City to make at least nine (9) nominations across the eight quarterly reporting periods. The analysis of proposed TEZ projects and nominations is managed by the Economic Development Department (EDD). Staff emphasizes the use of TEZ nominations to further bolster or supplement other incentive recommendations. However, an associated incentive agreement is not required, and the City can show local support through other avenues (permitting and development support, fee waivers, etc).

When a business expresses interest in a potential TEZ project nomination, staff reviews the remaining nominations available, the broader economic development incentive discussions surrounding the project, the proposed capital investment and job creation, and opportunities for

local support for the project. Although the TEZ program does not include any refund of local sales and use tax, the City still requires that the business submit a Joint Incentive Application.

When staff recommends a TEZ nomination, the process will include a briefing to City Council in Executive Session on the proposed project, and any other proposed incentives. Once staff briefs Council, the project then moves to a public hearing and formal Resolution nominating the proposed project as a TEZ Project and demonstrates the City's local support for the project.

Bexar County may also nominate a TEZ project within the City of San Antonio's city limits. However, the state requires TEZ project nominations by Bexar County within the City's jurisdiction be approved by the City. This approval occurs via an Interlocal Agreement (ILA) between the City and Bexar County. The ILA is also intended to confirm the City's jurisdiction and administrative authority over the project area being nominated. The approval of Bexar County's nomination and the ILA between the City and Bexar County must be authorized by the adoption of a resolution by City Council.

In both the case where the City nominates a project and where Bexar County uses a nomination for a project within the City's jurisdiction, the incentive tied to the program and qualified expenditures only utilizes the state's sales and use tax rate of 6.25%. None of the City's sales tax levy is used as part of the TEZ Program incentive.

FISCAL IMPACT:

This briefing is for information purposes only.

ALTERNATIVES:

This briefing is for information purposes only.

RECOMMENDATION:

This briefing is for information purposes only.