



City of San Antonio

Agenda Memorandum

File Number:
{{item.tracking_number}}

Agenda Item Number: 3

Agenda Date: September 27, 2022

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 findings of the Economic Development Department's (EDD) Incentive Return on Investment (ROI) Study.

SUMMARY:

This item is a briefing to the Economic and Workforce Development Committee (EWDC) on the findings of the City's Economic Development Department's Incentives Return on Investment (ROI) Study conducted by Dr. Steve Nivin.

BACKGROUND INFORMATION:

The purpose of the study was to calculate a return on investment for active projects in which the City of San Antonio has invested business incentives. The analysis also includes the staff time associated with the creation and administration of program and incentive guidelines, compliance monitoring and reporting, and the funding for additional economic development initiatives.

The City utilizes several economic development tools to support both the recruitment of new jobs and private investment to the community and the retention and expansion of existing San Antonio companies, primarily Chapter 312 Economic Development Agreements (tax abatements) and Chapter 380 Economic Development Agreements (tax rebates and grants). The City currently has sixty-nine (69) active projects. In addition to program costs, the study analyzed these existing projects to measure the return on investment per dollar spent by the City.

The study covers a period from 2005-2040 to account for revenue generated beyond the term of the incentive as most companies maintain their presence in San Antonio after termination of their incentives and thereby continue generating economic benefits to the community. Since the analysis involved projecting costs and revenues into the future, a conservative approach was adopted, and no growth was assumed in the projected figures.

The return on investment is measured in terms of the fiscal impact to the City of San Antonio in terms of CPS Energy revenues generated by these projects, and property tax revenues generated from the real and personal property investment. It also includes revenues generated by the sales taxes from the company's direct spending, spending by suppliers, and spending by employees.

ISSUE:

In May 2022, EDD engaged Steven R. Nivin PhD, LLC to provide an update to the Return on Investment Study that was conducted in 2017 by the department. The study was concluded in August 2022.

Based on the information gathered from various City departments, CPS Energy, the Bexar County Appraisal District, the Bexar County Tax Assessor Office, and from IMPLAN to calculate sales tax revenue, the study produced the following results:

Table 1. Return on Investment of City of San Antonio Economic Development Incentives

Total Expenditures on Economic Development Programs	\$71,397,359
Total Amount of Incentives	\$179,629,100
Total Revenues to City of San Antonio	\$670,412,941
Net Revenues to City of San Antonio	\$419,386,482
Total Private Sector Investment	\$5,615,390,424
Private Sector Investment Per Dollar of Incentives	\$31.26
Revenues Per Dollar Spent on Programs	\$9.39
Revenues Per Dollar of Incentives	\$3.73
Revenues Per Dollar Spent on Programs and Incentives	\$2.67

Based on this conservative analysis, the City of San Antonio receives \$3.73 for every incentive dollar invested. The table below provide a comparison between the most recent data and a similar study completed in 2017.

Table 2. Return on Investment of City of San Antonio Economic Development Incentives 2017 and 2022

	2017	2022
Number of projects	72	69
Total Expenditures on Economic Development Programs	\$121,073,847	\$71,397,359
Total Amount of Incentives	\$100,693,610	\$179,629,100
Total Revenues to City of San Antonio	\$632,552,460	\$670,412,941
Total Net Revenues to City of San Antonio	\$410,785,003	\$419,386,482
Total Private Sector Investment	\$3,686,571,815	\$5,615,390,424
Private Sector Investment Per Dollar of Incentives	\$36.61	\$31.26
Revenues Per Dollar Spent on Programs	\$5.22	\$9.39
Revenues Per Dollar of Incentives	\$6.28	\$3.73
Revenues Per Dollar Spent on Programs and Incentives	\$2.67	\$2.85

The report shows a substantial return of \$3.73 to the City for every dollar spent on incentives. This figure is lower than 2017 figure (\$6.28) for various reasons, including fewer projects in the portfolio (most significantly – the original Toyota project), challenges in isolating CPS revenue based on project addresses, data centers producing less revenue than previously projected, and relatively newer incentives (with fiscal benefits yet to be achieved). Although the original Toyota project is no longer included in the calculation, a separate assessment of this project was conducted and will also be shared with EWDC.

FISCAL IMPACT:

This item is for briefing purposes only.

ALTERNATIVES:

This item is for briefing purposes only.

RECOMMENDATION:

This item is for briefing purposes only.