

AGENDA ITEM NO. **55**

**CITY OF SAN ANTONIO
ECONOMIC DEVELOPMENT DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Ramiro A. Cavazos, Director, Economic Development Department

SUBJECT: Nomination of Avanzar Interior Technologies, Ltd.; Vutex Inc.; and Texas Automotive Manufacturing as State Enterprise Zone (EZ) Projects

DATE: November 18, 2004

SUMMARY AND RECOMMENDATIONS:

The purpose of this resolution is to nominate three business prospects to the Office of the Governor, Economic Development and Tourism, for designation as State Enterprise Zone Projects. These three business prospects are Avanzar Interior Technologies, Ltd.; Vutex Inc.; and Texas Automotive Manufacturing. These companies have not yet made a final decision to locate business operations in San Antonio.

Staff recommends approval of this resolution.

BACKGROUND INFORMATION:

The State EZ Program is an economic development tool that allows communities to partner with the State in promoting development in economically distressed areas. Under this program, census block groups with a poverty rate of at least 20 percent (as identified during the 2000 census) automatically qualify as EZ areas. San Antonio has 413 qualifying census block groups that now qualify as EZ areas. The City's Federal Empowerment Zone areas, including the developable sites at Brooks City-Base, KellyUSA/Toyota, and the Fredericksburg Road corridor, also qualify as state EZ areas.

The State is authorized to award up to 85 EZ projects per biennium (every two years) and to date has awarded 67 projects. The City may nominate up to six EZ projects each State biennium and has three projects remaining through August 31, 2005. The State and the City will get a new allocation of EZ projects on September 1, 2005, provided the program is renewed by the State Legislature. As a State EZ project, a company qualifies for State sales and use tax refunds on taxes paid on labor and materials for construction and for franchise tax credits based on investment and job creation.

Staff has been working with each of these three companies over the past several months to attract their business operations to various locations in San Antonio. Staff has extended a number of available business incentives to each of these prospects, to include nomination for State EZ designation. Each nominated business prospect will qualify for a "single" project EZ designation based on their planned investment and job creation. Avanzar plans to invest \$40 million and create approximately 530 jobs. Vutex plans to invest \$12 million and create approximately 450 jobs. Texas Automotive Manufacturing plans to invest \$25 million and create approximately 150 jobs.

State EZ designation will qualify each company for a State sales tax refund of up to a maximum of \$1,250,000 (\$2,500 per job up to 500 jobs) and for franchise tax credits based on 25 percent of the wages and salaries of jobs created and 7.5 percent of qualified capital investment. To qualify for State EZ designation, a business must locate within an approved enterprise zone area and fill 25 percent of all new jobs with either zone residents or economically disadvantaged individuals. Nominating the three companies for "single" EZ project designations will use up the remainder of the City's EZ project designations. Staff is recommending action at this time, since the State anticipates awarding all remaining authorized project designations during the next round of applications, due on December 1, 2004.

POLICY ANALYSIS:

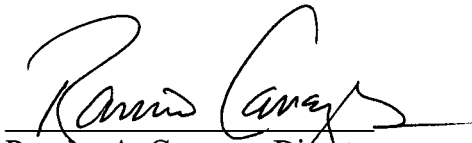
As required by State statute, the City Council held a public hearing and approved an ordinance on August 26, 2004, declaring the City's intent to participate in the State EZ program. The three nominated companies are business prospects who are considering San Antonio as a potential location for their business operations. Specifically, the companies may locate in the City's Federal Empowerment Zone, which meets the State's criteria for qualification as a State Enterprise Zone area. If approved by the State, these Enterprise Zone project designations will qualify each company for State sales and use tax refunds and franchise tax credits based on job creation. These companies have yet to make a final location decision regarding their business operations.

FISCAL IMPACT:


The EZ program is awarded by the State of Texas. As such, there is no direct fiscal impact to the City of San Antonio.

COORDINATION:

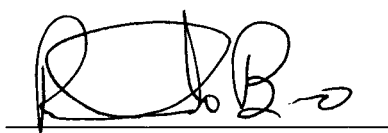
The Economic Development Department (EDD) staff coordinated this item with the City Attorney's Office and the Office of the Governor, Economic Development and Tourism.



Ramiro A. Cavazos, Director
Economic Development Department



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Assistant City Manager



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