

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

AGENDA ITEM NO. _____

58

TO: Mayor and City Council

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

SUBJECT: Amendment to the City's Tax Phase-In Agreement with United Healthcare Services, Inc., and TODAY University Park Tech Center III, L.P.

DATE: December 16, 2004

SUMMARY AND RECOMMENDATIONS:

This Ordinance authorizes the execution of an amendment to the City's Tax Phase-in Agreement with United Healthcare Services, Inc., (UHS) and TODAY University Park Tech Center III, L.P., (TODAY), approved December 20, 2001 by Ordinance No. 95117, to adjust the 6-year term of the Agreement to a 3-year term that will terminate on December 31, 2004 and to amend the job creation requirement from 107 jobs to 54 jobs.

Staff recommends approval of this Ordinance.

BACKGROUND:

On December 20, 2001, City Council approved a Tax Phase-in Agreement with United Healthcare Services, Inc., and TODAY University Park Tech Center III, L.P. United Healthcare Services, Inc., is the corporate administrative entity of UnitedHealth Group (UHG), headquartered in Minnetonka, Minnesota. UHG is the largest healthcare organization in the world with \$28.8 billion in 2003 revenues and 35,000 employees. The 6-year agreement was for 100% abatement of taxes on \$2.45 million of real property improvements. In addition, UHS agreed to create 107 new full-time positions by the end of 2003. However, UHS has to date created 66 new full-time jobs with average wages of \$18.94 per hour.

POLICY ANALYSIS:

UHS and TODAY met the requirements of the City's Tax Phase-In Guidelines. The UHS project supported the City's *Strategic Plan for Enhanced Economic Development* by encouraging the retention and expansion of local businesses. Although UHS has not met the contract requirement of creating 107 new jobs, it has far exceeded the basic requirements of the Tax Phase-in Guidelines for job creation, investment and wages. UHS no longer expects to create 107 jobs at the San Antonio facility, but it has created 66 jobs and maintained an additional 216 jobs locally. The proposed amendment would change the term of the original Tax Phase-in Agreement from 6 years to 3 years.

Criteria in Tax Phase-In Guidelines	UHS/TODAY Contract Terms	UHS/TODAY Status as of September 30, 2004
<u>Investment</u> Real Property => \$1 M Personal Property => \$10 M	<u>Investment</u> Real Property \$2.45 M Personal Property Not eligible	<u>Investment</u> Real Property \$5.45 M
26 New Jobs	107 New Jobs	66 New Jobs
Benefits Package	Yes	Yes
Meets Wage Standard	Yes	Yes

Staff recommends that the City's Tax Phase-in Agreement with UHS and TODAY be adjusted to terminate, 3 years early, on December 31, 2004 and that the job requirement be adjusted to 54 jobs.


By amending the agreement in this manner, other provisions of the contract, including tax recapture options will remain in effect.

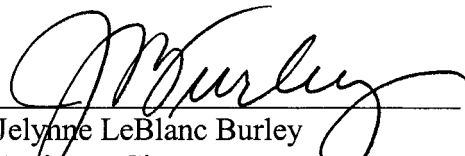
FISCAL IMPACT:


From 2001 through 2003, the City's economic financial impact from sales, property and City Public Service revenues is estimated to be \$196,550.

COORDINATION:

Economic Development Department staff has coordinated this item with the City Attorney's Office. In addition, staff presented to the Economic and Human Development Council Committee on June 1, 2004. The committee recommended that the amendment be brought forth as a council item.


 Ramiro A. Cavazos, Director
 Economic Development Department


 Jelynn LeBlanc Burley
 Assistant City Manager


 J. Rolando Bono
 Interim City Manager

City of San Antonio Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2

Attach additional sheets if space provided is not sufficient.

State "Not Applicable" for questions that do not apply.

* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract:

Not Applicable

(2) the identity of any business entity¹ that would be a party to the discretionary contract:

United HealthCare Services, Inc. and real property owner and lessor TODAY UNIVERSITY PARK
TECH CENTER III, L.P.

and the name of:

(A) any individual or business entity that would be a subcontractor on the discretionary contract:

Not Applicable

and the name of:

(B) any individual or business entity that is known to be a partner, or a parent or subsidiary business entity, of any individual or business entity who would be a party to the discretionary contract:

UnitedHealth Group, Incorporated – parent company for United HealthCare Services, Inc.

¹ A business entity means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

Not Applicable

Political Contributions


Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
Not Applicable		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Not Applicable

Signature:  Beth Leaf	Title: Vice President Company: United HealthCare Services, Inc.	Date: 12/2/04
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² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

**AMENDMENT ONE TO THE TAX PHASE-IN AGREEMENT BETWEEN
THE CITY OF SAN ANTONIO, UNITED HEALTHCARE SERVICES, INC. AND
TODAY UNIVERSITY PARK TECH CENTER III, L.P.**

STATE OF TEXAS

COUNTY OF BEXAR

Section 1: Parties and Purpose

The CITY OF SAN ANTONIO (hereinafter "CITY"), a subdivision of the State of Texas, acting by and through its City Manager pursuant to Ordinance No. _____, dated _____, 200__ and UNITED HEALTHCARE SERVICES (hereinafter "UHS") and TODAY UNIVERSITY PARK TECH CENTER III, L.P. (hereinafter "TODAY") do hereby agree to amend the Tax Phase-In Agreement (the "Agreement") authorized and approved by City Council Ordinance No. _____, dated _____, 200__.

The parties hereto severally and collectively agree, and by execution hereof are bound, to the mutual obligations herein contained and to the performance and accomplishments of the tasks hereinafter described:

Section 2: Article 4 "TODAY'S AND UHS'S REPRESENTATIONS" Paragraphs B and F are deleted and replaced with the following language:

- B. UHS represents that it is retaining in San Antonio a minimum of two hundred sixteen (216) permanent, full-time employee positions at it Optum San Antonio Facility and will hire a minimum of fifty four (54) additional permanent, full-time employees meeting the wage requirements, with benefits, to work at the Optum San Antonio Facility, by December 31, 2004.
- F. UHS represents that it will retain the aforementioned two hundred sixteen (216) current permanent, full-time jobs and will hire an additional fifty four (54) permanent, full-time employees by December 31, 2004 to conduct its Business Activities at the Optum San Antonio Facility during the term of this Agreement.

Section 3: Article 5 "TERMS OF AGREEMENT" Paragraph A is deleted and replaced with the following language:

- A. For TODAY and UHS to receive the tax abatement authorized herein, TODAY shall own the Property and be responsible for payment of ad valorem taxes on the Property and UHS will lease the Property and use the Property to conduct its Business Activities at the Optum San Antonio Facility. TODAY will invest approximately one million four hundred fifty thousand dollars (\$1,450,000) based on twenty five dollars (\$25) per square foot of space leased by UHS and UHS will invest approximately one million dollars (\$1,000,000.00) to renovate and finish out the Optum San Antonio Facility. TODAY will be responsible for: (1) paying ad valorem taxes on the real property improvements of approximately four million seven hundred twenty four thousand five hundred ten dollars (\$4,724,510) related only to the approximately 58,000 square feet of Property to be

leased by UHS for the Optum San Antonio Facility; and (2) otherwise complying with the applicable terms of this agreement. UHS will be responsible for: (1) occupying and using the Optum San Antonio Facility for its Business Activities; (2) retaining a minimum of two hundred sixteen (216) full-time permanent employees at the Optum San Antonio Facility at all times during the term of the Agreement; (3) creating at least fifty four (54) new permanent, full-time jobs by December 31, 2004; and (4) otherwise complying with the applicable terms of this Agreement.

Section 4: Article 6 "BASE YEAR AND TAX PHASE-IN TERM (PERIOD)" Paragraph A is deleted and replaced with the following language:

A. The Tax Phase-In Period (the "Term") for the Property shall be for three (3) years beginning on January 1, 2002 and terminating December 31, 2004.

Section 5: Except to the extent amended herein, all of the terms and conditions of the Agreement are ratified and confirmed and shall remain in full force and effect.

EXECUTED THIS _____ DAY OF _____, 2004.

UNITED HEALTHCARE SERVICES, INC.,
Subsidiary of UnitedHealth Group and
Parent Company of Optum

BY: Beth Leaf
Authorized Agent of United Healthcare
Services, Inc.

Title: **Beth Leaf, Vice President**
~~United Healthcare Services, Inc.~~

ATTEST:

BY: Diane Ken
Title: VP, Lease Admin.

APPROVED AS TO FORM:

CITY ATTORNEY

INTERIM CITY MANAGER

**TODAY UNIVERSITY PARK TECH
CENTER III, L.P.**
A Texas Limited Partnership

By: **TODAY UNIVERSITY PARK
TECH CENTER III GP, INC.**
A Texas Corporation

BY: Sue Sheldon
Title: Executive Vice President

ATTEST:

BY: Dandy Ken
Title: Lease Administrator

ATTEST:

Leticia Vacek
CITY CLERK