

Agenda item #6

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

**TO:** Sheryl Sculley, City Manager  
**FROM:** Ramiro A. Cavazos, Director  
**SUBJECT:** Joint Tax Phase-In Guidelines  
**DATE:** June 15, 2006

**SUMMARY AND RECOMMENDATIONS**

This ordinance adopts the Joint Tax Phase-In Guidelines for the City of San Antonio as required by Chapter 312 of the Texas Tax Code. The Guidelines will be effective for two years following adoption by City Council.

Staff recommends approval of this ordinance.

**BACKGROUND INFORMATION**

State law requires municipalities to adopt new tax abatement guidelines every two years. Tax abatements are used by local governments to attract new companies and to encourage the retention and expansion of existing companies. The statutes governing tax abatements are located in Chapter 312 of the Texas Tax Code which authorizes the abatement of taxes on real and personal property improvements up to 10 years.

These Guidelines establish the City and County's criteria for offering tax abatements. The priorities outlined in the proposed Joint Tax Phase-In Guidelines include: (a) protection of the Edwards Aquifer Recharge Zone; (b) a "living wage" to all employees at the project site; (c) the promotion of growth in a targeted industry; (d) certain investment and job creation thresholds; and (d) location of the development in a targeted area.

In order to be eligible for a tax abatement, a company's project must meet or exceed certain thresholds in the following categories: (a) positive cost-benefit for the City; (b) full-time, permanent job creation; (c) "living wage" and durable/nondurable wage standards; (d) targeted industry development; (e) real and/or personal property investment thresholds; and (f) healthcare benefits.

Staff recommends no change to the following eligibility criteria in the previous Joint Tax Phase-In Guidelines: (a) three levels of abatement based on investment and job creation; (b) wage requirements for a "living wage" and the durable/nondurable wage standards; (c) Edwards Aquifer Recharge Zone restrictions; (d) recapture provisions; and (e) exceptional investment projects.

Staff is proposing the following improvements to the proposed Joint Guidelines: (a) add two new eligible targeted industries – Finance and Creative Services; (b) eliminate inbound call centers as eligible projects (outbound centers already ineligible); (c) expand the 10-year term targeted area to include the areas around Windsor Park Mall and Walzem Road in Districts 2 and 10; (d) revise the

eligibility for Central City Multi-Family Housing to include only mixed-use, rental projects in the Central City area; and (e) increase the application fees for applications and assignment requests.

### **POLICY ANALYSIS**

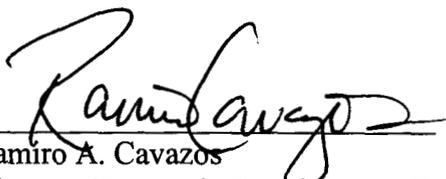
The Tax Phase-In Program is an important economic development tool that has been used to facilitate the growth of the San Antonio regional economy with a positive fiscal impact to the City of San Antonio. Since the inception of this program in 1988, the City has entered into 73 tax phase-in agreements resulting in a capital investment of \$1.76 billion and 26,899 direct jobs.

### **FISCAL IMPACT**

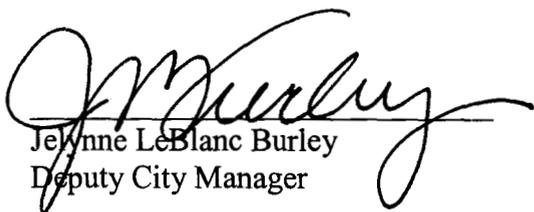
There is no fiscal impact associated with approval of the Guidelines. Each request for a tax abatement is presented individually to City Council for action. The increase in application fees will result in an increase of approximately \$25,000 annually in City revenues.

### **COORDINATION**

The City's Tax Phase-In Advisory Committee recommended approval of the new Guidelines on March 29, 2006. In addition, this item was coordinated with the City Manager's Office, City Attorney's Office, Finance, Office of Management and Budget, the Bexar County Economic Development and Special Programs Office, the San Antonio Economic Development Foundation, San Antonio Manufacturers Association, and COPS/Metro Alliance.

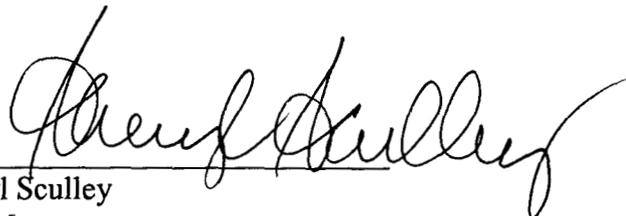


Ramiro A. Cavazos  
Director, Economic Development Department



Jeynne LeBlanc Burley  
Deputy City Manager

Approved for Council Consideration:



Sheryl Sculley  
City Manager