

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

**TO:** Sheryl Sculley, City Manager

**FROM:** Ramiro A. Cavazos, Director

**SUBJECT:** Sino Swearingen Aircraft Corporation Expansion Project at San Antonio International Airport

**DATE:** June 29, 2006

**SUMMARY AND RECOMMENDATIONS**

This item provides for a public hearing and consideration of an ordinance designating the *Sino-Swearingen Reinvestment Zone* consisting of approximately 36.6 acres located at 1170 Sky Place Boulevard and authorizes the City Manager to enter into a Tax Phase-In Agreement with Sino-Swearingen Aircraft Corporation ("Sino") for an expansion project at the San Antonio International Airport. This expansion includes the construction of a new aircraft manufacturing facility, a capital investment of \$70 million and the creation of 850 new jobs. This ordinance also recommends funding from the CPS Energy Community Infrastructure and Economic Development (CIED) Fund in an amount up to \$200,000 for public infrastructure improvements related to the expansion and authorizes the negotiation and execution of a long-term lease agreement of up to 30 years with Sino Swearingen and a ground rental abatement for the project.

Staff recommends approval of this ordinance.

**BACKGROUND INFORMATION**

Sino Swearingen Aircraft Corporation (Sino) was formed 17 years ago in 1989 as a partnership between Swearingen Aircraft Corporation of San Antonio and Sino Aerospace Investment Corporation of Taiwan to develop a new corporate business jet -- the SJ30-2 jet. This jet will become the world's fastest and longest-range light business aircraft and the first new American corporate jet designed for manufacture in 45 years. The SJ30-2 will have a range of 2,500 nautical miles and will seat seven people.

Sino maintains four facilities in the United States with its company headquarters and research/testing operations located in a 129,838 sq. ft. facility at the S.A. International Airport (District 9). Presently, Sino employs 469 aerospace executives, engineers and mechanics at this facility, with an additional 148 employees at locations in West Virginia and Orange County/ John Wayne Airport in Santa Ana, California and Long Beach, California.

Sino is currently considering S.A. International Airport and its site in West Virginia as potential sites for a final 214,000 square foot manufacturing/assembly facility that will produce 100 aircraft per year. The company has received final FAA certification on the SJ30-2 jet and expects to begin final assembly and production of the jet in 2006.

Sino is seeking up to 24.9 additional acres of land adjacent to their current 11.7 acre airport site for construction of a new manufacturing facility. The project involves a total capital investment of about \$70 million, including \$20 million for the building, furniture and fixtures, tools and equipment and about \$50 million in annual aircraft inventory. Sino intends to create a minimum of 850 jobs by the end of 2012, with an annual average wage of \$50,000/year, and an estimated total annual payroll of \$55 million.

To locate this project in San Antonio, Sino is seeking a tax abatement, as well as a single airport long-term lease and ground rental abatement. Staff is recommending the following: (1) a 10-year; 100% tax abatement on the new real and personal property investment of about \$20 million; (2) a 10-year, 65% tax abatement on all new inventory; (3) up to \$200,000 from the CPS Energy CIED Fund for related infrastructure improvements; and (4) a 10-year 40% ground rental abatement on the new lease footprint. Staff has also offered to provide Sino \$100,000 over two years for customized training from the approved ACCD Settlement Agreement.

Following City Council approval, the Aviation Department will finalize a long-term lease agreement with Sino Swearingen that will include the 11.7 acres currently leased, as well as the proposed expansion of up to 24.9 acres. The terms of this lease will include standard provisions that are consistent with the current lease agreement; including a 40% partial ground rental abatement of the appraised value of the property for a period of ten (10) years for the expansion tract, in consideration of the anticipated capital investment of over \$12 million.

### **POLICY ANALYSIS**

The Sino expansion project qualifies under the Joint Tax Phase-In Guidelines for a 10-year, 100% tax abatement. This project supports the City's *Strategic Plan for Enhanced Economic Development* by: (1) encouraging the retention and expansion of local businesses; and (2) promoting continued growth in the targeted industries of aerospace and manufacturing. This project also establishes San Antonio as an aerospace manufacturing center and strengthens the community's efforts to improve the aerospace and manufacturing sectors of our economy.

Under the Joint Tax Phase-In Guidelines, a project is considered a Level III "exceptional investment" if the project involves a total capital investment of at least \$50 million and the creation of at least 500 new, full-time jobs. Such projects are eligible for a 10-year, 100% tax abatement on all property improvements. Sino intends to invest \$70 million and create 850 new, additional jobs. The project is also located at the San Antonio International Airport which is a targeted 10-year term area. Finally, this project meets the wage standards in the Guidelines that require all employees to earn the minimum "living wage" of \$9.06/ hour, and after one year at least 70% of all employees must earn the durable goods wage of at least \$11.03 hour.

| <b>Tax Phase-In Criteria for Level 3 Project<br/>for Real and Personal Property<br/>Improvements, Inventory and Supplies</b>    | <b>Sino Swearingen Project<br/>(San Antonio International Airport)</b> |
|---|--|
| Total Capital Investment $\geq$ \$50 Million in Real<br>and Personal Property   | \$70 Million   |
| <b>AND</b><br>Job Creation $\geq$ 500 New, Full-Time Jobs   | 850 Jobs   |
| <b>AND</b><br>Pay at least \$9.06/hour to all employees and<br>after one year pay 70% of all employees<br>at least \$11.03/hour | Yes  |
| <b>AND</b><br>Benefits Package  | Yes  |

Sino offers its employees a benefits package that includes health, dental, vision, short-term disability, long-term disability, life insurance, sick and vacation days. The same benefits are available for a spouse or family at a cost partially subsidized by the company. Sino offers a 401k plan matched up to 3% by the company.

The project also qualifies for a 40% partial ground rental abatement on the additional lease of 24.9 acres under the City's Airport Economic Development Program, since Sino's projected capital investment will exceed \$4.5 million and creates over 100 new jobs.

### **FISCAL IMPACT**

This ordinance recommends funding from the CPS Energy Community Infrastructure and Economic Development (CIED) Fund in an amount up to \$200,000 for public infrastructure improvements related to the expansion. In addition, this action authorizes the negotiation and execution of a long-term lease agreement of up to 30 years with Sino Swearingen and a ground rental abatement for the project.

The following table details the overall estimated fiscal impact to the City resulting from the Sino project. Over a 20-year period the net fiscal benefit to the City is approximately \$3,813,268.

| <b>Years</b> | <b>New Property and Sales<br/>Taxes and CPS Energy<br/>Revenue Collected on<br/>Sino Swearingen Project<br/>(Present Value)</b> | <b>Taxes Abated on Real<br/>and Personal Property,<br/>plus Inventory and<br/>Supplies, and Training<br/>Grant Allocations<br/>(Present Value)</b> | <b>Net Fiscal Benefit<br/>(Present Value)</b> |
|--------------|---|--|---|
| 1-10         | \$ 2,452,418  | \$ 2,374,988   | \$ 77,430                                     |
| 11-20        | \$ 3,735,838  | 0  | \$ 3,735,838                                  |
| <b>Total</b> | <b>\$ 6,188,256</b>   | <b>\$ 2,374,988</b>  | <b>\$ 3,813,268</b>                           |

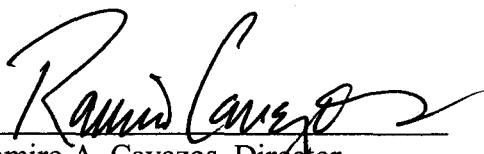
The Tax Phase-In Agreement includes terms that will allow the City to recapture up to 100% of abated taxes from Sino during the 10-year term, if the company decides to cease or relocate its business operations. The City may also terminate the Agreement if Sino fails to meet the minimum wage standards in the Agreement.

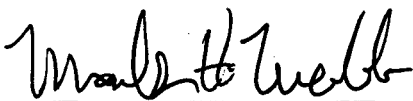
### COORDINATION

The Economic Development Department (EDD) staff has met with the City Attorney's Office and Aviation Department to finalize the Agreement. EDD has coordinated with relevant City departments and determined that the project has no appreciable impact on the delivery of City services. These departments include Public Works, Development Services, Planning, Finance, Police and Fire. EDD has also coordinated this project with Bexar County, CPS Energy, SAWS, Bexar Appraisal District, and Northeast Independent School District.

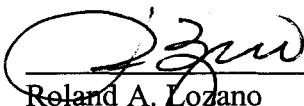
### SUPPLEMENTARY COMMENTS

The Discretionary Contracts Disclosure Form for Sino Swearingen is attached.

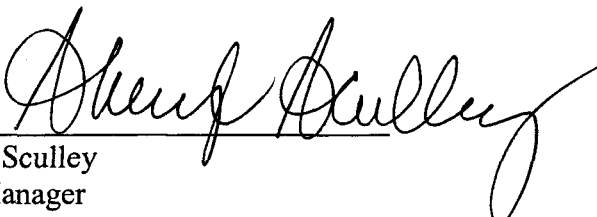
  
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Ramiro A. Cavazos, Director  
Economic Development Department

  
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Roland A. Lozano  
Assistant to the City Manager

Approved for Council Consideration:

  
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Sheryl Sculley  
City Manager

Attachment