

# CITY OF SAN ANTONIO

## TAX ABATEMENT GUIDELINES



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**CITY OF SAN ANTONIO  
International and Economic Development Department  
P.O. Box 839966  
San Antonio, Texas 78283-9966  
Telephone: (210) 207-8080  
[www.sanantonio.gov/edd](http://www.sanantonio.gov/edd)**

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## Introduction

Chapter 312 of the Texas Tax Code authorizes local governments to abate 100% of ad valorem property taxes on the value of new property improvements for up to 10 years, including real property, tangible personal property, and inventory and supplies. The City of San Antonio is required by this same statute to develop and review guidelines at least every two years for the eligibility and award of a tax abatement.

*These Guidelines support the City's priorities for attracting new investment and job retention/creation in targeted industries. The City Council is committed to fully evaluating the merits and benefits of each individual project and retaining the flexibility to offer any project up to the maximum tax abatement allowed under the law. City Council has also directed staff to carefully consider high-priority opportunities with significant investment and/or job creation in targeted industries, such as renewable energy and biotechnology, and to exercise flexibility in offering the maximum tax abatement necessary to attract such projects to San Antonio regardless of where they locate in the community.*

The growth, sustainability and diversity of a regional economy are goals that are critical to the long-term prosperity of a community and its citizens. Communities must strategically plan and implement policies and incentive programs to achieve these goals. San Antonio's Tax Abatement Guidelines demonstrate a pro-business environment to help attract, retain and expand targeted industries, increase employment and wages, expand the tax base, and create long-term capital investment and new wealth opportunities in the community.

State law further requires that each taxing jurisdiction enter into a Tax Abatement Agreement with each owner of property or the owner of a leasehold interest in real property receiving an abatement or portion thereof. These agreements are binding legal documents between all parties involved. Additional provisions and requirements are included in those agreements.

The City Council has adopted these Guidelines and will utilize them to ensure that any abatement of property taxes achieves the community's economic development goals. Each taxing jurisdiction independently decides whether or not to abate taxes for any given project and approval from one governmental entity does not guarantee approval from the other.

## **Section 1. Eligibility Criteria**

To be eligible for consideration by City Council for a tax abatement under these Guidelines, a company or project must meet and/or exceed all of the criteria, as described below:

- Minimum amounts of real or personal property investment;
- Minimum levels of full-time job creation, except for multi-family rental only housing, data centers and mixed-use projects in the City designated Inner City Reinvestment/Infill Policy (ICRIP) Area (Appendix D);
- Employee and dependent access to health care benefits;
- Minimum wage requirements for all new and existing employees at project site; and
- Applicant must be in a targeted industry or qualifying project or business activity as identified in Section 8.

1.1. The amount and term of the tax abatement will also be impacted by the location of the facility/project, other public incentives offered for the same project and the overall benefit to the city and community.

## **Section 2. Targeted Areas for Investment and Job Creation**

To promote balanced growth, certain areas are targeted for job creation and investment. Depending on the location of the project, the terms (i.e., length and percentage) of the tax abatement will vary. City Council has adopted an Inner City Reinvestment/Infill Policy which created a three-tiered target area for financial incentives, including tax abatements, to promote growth and development in the inner center city and downtown areas, as well as Brooks City-Base, Port San Antonio annexed portions of City South. These Guidelines are aligned with that policy. Following are the specific tax abatement term areas as identified at Appendix B.

### **2.1 Areas eligible for a tax abatement up to a 10-year term:**

- Projects inside within Loop 410 and in the annexed areas of City South.

### **2.2 Areas eligible for a tax abatement up to a 6-year term:**

- Projects located outside Loop 410, except for projects in the annexed areas of City South.

### **2.3 Areas *not* eligible for tax abatement:**

- Projects located in whole or in part over the Edwards Aquifer Recharge Zone and Contributing Zone are not eligible for a tax abatement.
- New or existing projects that may have a potentially negative impact on military missions are not eligible for a tax abatement.

### Section 3. Summary of Capital Investment and Job Creation Requirements

State statute allows the City to offer tax abatements for up to 10 years on up to 100% of real and personal property improvements. The City will consider offering up to this maximum allowable tax abatement on projects that meet or exceed a total capital investment of \$30 million and/or create at least 500 new full-time jobs, except for projects locating over the Edwards Aquifer Recharge and Contributing Zones. However, the City is particularly focused on attracting investment and jobs to the Inner City Reinvestment/Infill Policy area (Appendix D) and is therefore prepared to offer a greater tax abatement and other development incentives to projects in this targeted area. For projects not meeting the exceptional investment and/or job creation thresholds mentioned above, companies can use the following table as a guide in determining the “potential” maximum tax abatement incentive for a qualifying project:

<b>Potential Tax Abatements Available at Minimum Levels of Capital Investment &amp; Job Creation</b>	<b>City of San Antonio</b>		
	<b>6-Year Term Area (see Appendix B)</b>	<b>10-Year Term Area (See Appendix B)</b>	
<b>Investments in Real &amp; Personal Property</b>	\$10 Million Combined	\$1 Million Combined	
<b>New Full-Time Jobs (Note 1)</b>	100	25	
<b>Potential Tax Abatement (Note 2)</b>	up to 50% on real and personal property	Up to 100% on real and personal property in the Inner City Reinvestment/Infill Policy Target Area	Up to 75% on real and personal property in areas outside the Inner City Reinvestment/Infill Policy Target Area

Notes:

(1) Eligible multi-family rental only housing, data centers, solar farms and mixed-use projects are exempt from the minimum job creation requirements.

(2) A project will receive consideration toward achieving the maximum tax abatement allowable in a 6 or 10-year term area based on the following:

- Locating in the Inner City Reinvestment/Infill Policy Area.
- Meeting Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ standards or equivalent acceptable methodology.
- Enrolling in CPS Energy’s Windtricity or another CPS Energy renewable energy program or other renewable product.
- Paying new and existing employees an hourly wage of 25% or greater above the wage requirement.
- Providing jobs and investment through renewable energy, green or clean technology projects.

#### **Section 4. Timing**

In order to be eligible for consideration, the company must submit an application prior to commencement of the project. No tax abatement for a proposed project will take effect until a final negotiated agreement has been approved and fully executed. The timing and acquisition of personal property related to this project will impact its eligibility for abatement.

#### **Section 5. Local Hire Requirement**

Any project seeking a tax abatement must hire at least 25% of its new employees at the project location from residents of the City of San Antonio or Bexar County.

#### **Section 6. Employee Health Care Benefits**

The company seeking a tax abatement under these Guidelines must provide each full-time person employed at the project location and his or her dependents with access to a health insurance program within one year from date of employment.

#### **Section 7. Wage Requirements**

Companies receiving a tax abatement from the City must meet certain minimum wage requirements for all new and existing jobs at the project site.

7.1 Living Wage Requirement: In order to be eligible for a tax abatement, all (100%) of the company's new and existing employees *at the project location* must earn no less than a "living wage" throughout the full term of the Tax Abatement Agreement. This wage is based on the poverty level for a family of four, as determined annually (January) by the U.S. Department of Health and Human Services (HHS). As of January 20, 2011, the living wage requirement is \$10.75 per hour.

7.2 Seventy Percent Wage Requirement: In addition to the "Living Wage" requirement, after one year of initiating full operations at the project location but not more than two years after execution of the agreement, seventy percent (70%) of all new and existing employees, with at least one year of full employment with the company at the project location, must earn a cash wage at or exceeding one of the two following hourly wage requirements, depending on the majority of the company's activities at the project location.

- **Median Hourly Wage for Manufacturing:** This is the median wage requirement that applies to those companies primarily engaged in manufacturing activities at the project location at the time the tax abatement agreement is executed. This median wage is compiled by the Bureau of Labor Statistics (BLS) Occupational Employment Survey and published annually by the Texas Workforce Commission (TWC). This wage reflects the annual median hourly wage for all manufacturers in the San Antonio Metropolitan Statistical Area and is updated in approximately June of each year. Effective September 1, 2010, this wage is \$13.97/per hour.

- Median Hourly Wage for All Industries (Companies): This is the wage requirement that applies to those companies whose primary activities at the project location are non-manufacturing (e.g., financial services) at the time the tax abatement agreement is executed. This median wage is also compiled by the Bureau of Labor Statistics (BLS) Occupational Employment Survey and published annually by the Texas Workforce Commission (TWC). This wage reflects the annual median hourly wage for all industries in the San Antonio Metropolitan Statistical Area and is updated in approximately June of each year. Effective September 1, 2010, this wage is \$13.76/per hour.

7.3 If the company does not meet and maintain these wage requirements for all new and existing employees at the project location, the company will be in default of their Tax Abatement Agreement, which could result in termination of the Agreement and the recapture of all or a portion of the previously abated property taxes.

### **Section 8. Qualifying Industries/Business Activities or Projects**

The majority of the company’s business at the project location must be engaged in one of the following qualifying industries, business activities or projects, as defined in Appendix A:

- Agribusiness
- Aviation/Aerospace
- Biotechnology
- Creative Services
- Environmental Technology (includes Green Technology)
- Finance
- Information Technology and Cyber Security
- Logistics and Distribution
- Manufacturing (any industry)
- Oil and Gas Industry, excluding storage and distribution facilities
- Telecommunications
- Corporate and Regional Headquarters activities
- Commercial, mixed-use and multi-family rental only housing projects locating in the Inner City Reinvestment /Infill Policy Target Area.

### **Section 9. Companies and Projects Not Eligible for a Tax Abatement**

Regardless of the investment or jobs created, the following types of businesses and projects are not eligible for a tax abatement:

- Retail stores, retail centers, or businesses that competitively provide goods or services to consumers are not eligible except in Reinvestment Plan Areas (Appendix C).
- Multi-family housing and mixed-use projects located outside the ICRIP area and multi-family “for sale” housing within the ICRIP area.
- Hotel or motel facilities.
- Projects over the Edwards Aquifer Recharge Zone and Contributing Zone.
- New or existing projects that may have a potentially negative impact on military missions.

**Section 10. Additional Terms and Conditions**

Recipients of tax abatements must agree to work with Workforce Solutions Alamo to facilitate the posting and advertisement of new jobs at the property of interest, as well as for the recruitment of potential qualified applicants for these positions. Workforce Solutions Alamo offers other employer services, such as assessment of basic skills and work aptitudes of potential employees, job matching services, labor market information, assistance in arranging workforce training, and outplacement services which the recipient may access.

**Section 11. Recapture of Abated Taxes**

Tax abatement agreements will provide for recapture of abated property taxes in the event contract terms and requirements are not met. These recapture provisions will survive any subsequent assignment of the Agreement. The following are the standard schedules that show what percentage of taxes abated will be recaptured (multiply the amount of taxes abated by the percentage in the recapture period):

6-Year Abatement Period		10-Year Abatement Period	
Termination of Abatement	Recaptured Taxes	Termination of Abatement	Recaptured Taxes
During Abatement Period	100%	During Abatement Period	100%
Year 1 of Recapture Period		Year 1 of Recapture Period	
Year 2 of Recapture Period	75%	Year 2 of Recapture Period	80%
Year 3 of Recapture Period	50%	Year 3 of Recapture Period	60%
Year 4 of Recapture Period	25%	Year 4 of Recapture Period	40%
		Year 5 of Recapture Period	20%
		Year 6 of Recapture Period	10%

**Section 12. Non-Refundable Application Fee**

Companies must submit separate non-refundable application fees with their respective applications based upon the following schedule:

Jurisdiction	# of Employees in Applicant Firm	Fee (\$)
City of San Antonio	Minimum Fee	\$500
	100-499	\$1,000
	500+	\$1,500

12.1 Any project that requires an assignment or amendment will pay a fee of \$1,000 to the City of San Antonio. If a proposed project’s investment, job creation, wages or construction schedule change significantly following the submittal of a completed application and payment of the fee to the City of San Antonio, or if an Agreement has not been finalized within one calendar year following application, the City of San Antonio may close out a pending application. Any submission of a new and subsequent application following such a close out will require another application fee for reconsideration of the tax abatement request.

## APPENDIX A

### Definitions

**Agribusiness:** Businesses engaged in the research, development, manufacturing, or refining of agricultural products into foodstuffs or for use as intermediate products in the processing of other agricultural finished goods or products.

**Aviation/Aerospace:** Companies primarily engaged in one or more of the following activities:

- (1) Manufacturing complete aircraft, missiles, or space vehicles
- (2) Manufacturing aerospace engines, propulsion units, auxiliary equipment or parts
- (3) Developing and making prototypes of aerospace products
- (4) Aircraft conversion (i.e., major modifications to systems)
- (5) Complete aircraft, missile, or space vehicle or propulsion systems maintenance, repair, overhaul and rebuilding (i.e., periodic restoration of aircraft to original design specifications)
- (6) Research and development
- (7) Regional air passenger operations

**Biotechnology:** This industry comprises establishments primarily engaged in conducting research, development, and manufacturing in the physical, bio-engineering, and life sciences, such as pharmaceutical, agriculture, environmental, biology, botany, chemistry, food, fisheries, forests and health.

**Corporate and Regional Headquarters:** The firm's corporate or regional legal principal place of business is located in the County of Bexar, and its total assets will be at least \$500,000,000 and/or its total revenues will be at least \$500,000,000 for the corporate fiscal year preceding the date of the filing of its application for Tax Abatement with the County of Bexar or the City of San Antonio. This excludes the corporation's retail outlets.

**Creative Services:** Includes businesses or divisions of corporations that are primarily engaged in the following sectors having general or specific activities and business efforts – printing, publishing, broadcasting, design services, advertising, public relations, architecture, digital media, and businesses involved in film and video production.

**Environmental Technology:** (also known as Green Technology and Clean Technology) is the application of the environmental sciences to conserve the natural environment and resources, and to curb the negative impacts of human involvement. Includes solar farms and projects whose primary business activity is the research, development, or manufacturing of products such as pollution control devices and systems, waste treatment processes and storage facilities, and site remediation technologies

**Finance:** Includes companies whose main business is engaged in finance, accounting, insurance, and risk management. It does *not* include any retail component of these businesses.

**Information Technology and Cyber Security:** This industry comprises establishments primarily engaged in planning and designing computer systems that integrate computer hardware, software and communication technologies. The hardware and software components of the system may be provided by this establishment or company as part of integrated services or may be provided by third parties or vendors. These establishments often design and develop software, install the system, train and support users of the system. Companies in this industry are engaged in producing and distributing information and cultural products, providing the means to transmit or distribute these products as well as data or communications, research, development and processing data.

**Inner City Reinvestment/Infill Policy (ICRIP) Area:** Specific targeted areas indentified in the City Council approved Inner City Reinvestment/Infill Policy that are currently served by public infrastructure and transit, but underserved by residential and commercial real estate markets. This area is identified at Appendix D.

**Leadership in Energy and Environmental Design (LEED):** Green Building Rating System™ developed by the U.S. Green Building Council (USGBC), provides a suite of standards for environmentally sustainable construction. In LEED for new construction and major renovations for commercial buildings there are 69 possible points and buildings can qualify for four levels of certification.

**Logistics and Distribution:** Businesses involved in the receiving, storage, service, or distribution of goods or materials, where a majority of the goods or services are distributed to locations outside the San Antonio metropolitan statistical area.

**Manufacturing:** Businesses engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. This includes related research and development.

**Mixed-Use Project:** A residential project with units for sale and/or rent that has a retail and/or commercial component of no more than twenty-five percent (25%) and a residential component of at least seventy-five percent (75%).

**Oil and Gas (“Petroleum”) Industry:** The petroleum industry includes the global processes of exploration, extraction, refining, transporting (often by oil tankers and pipelines), and marketing petroleum products. The largest volume of products for the industry are fuel oil and gasoline (petrol). Petroleum is also the raw material for many chemical products, including pharmaceuticals, solvents, fertilizers, pesticides and plastics.

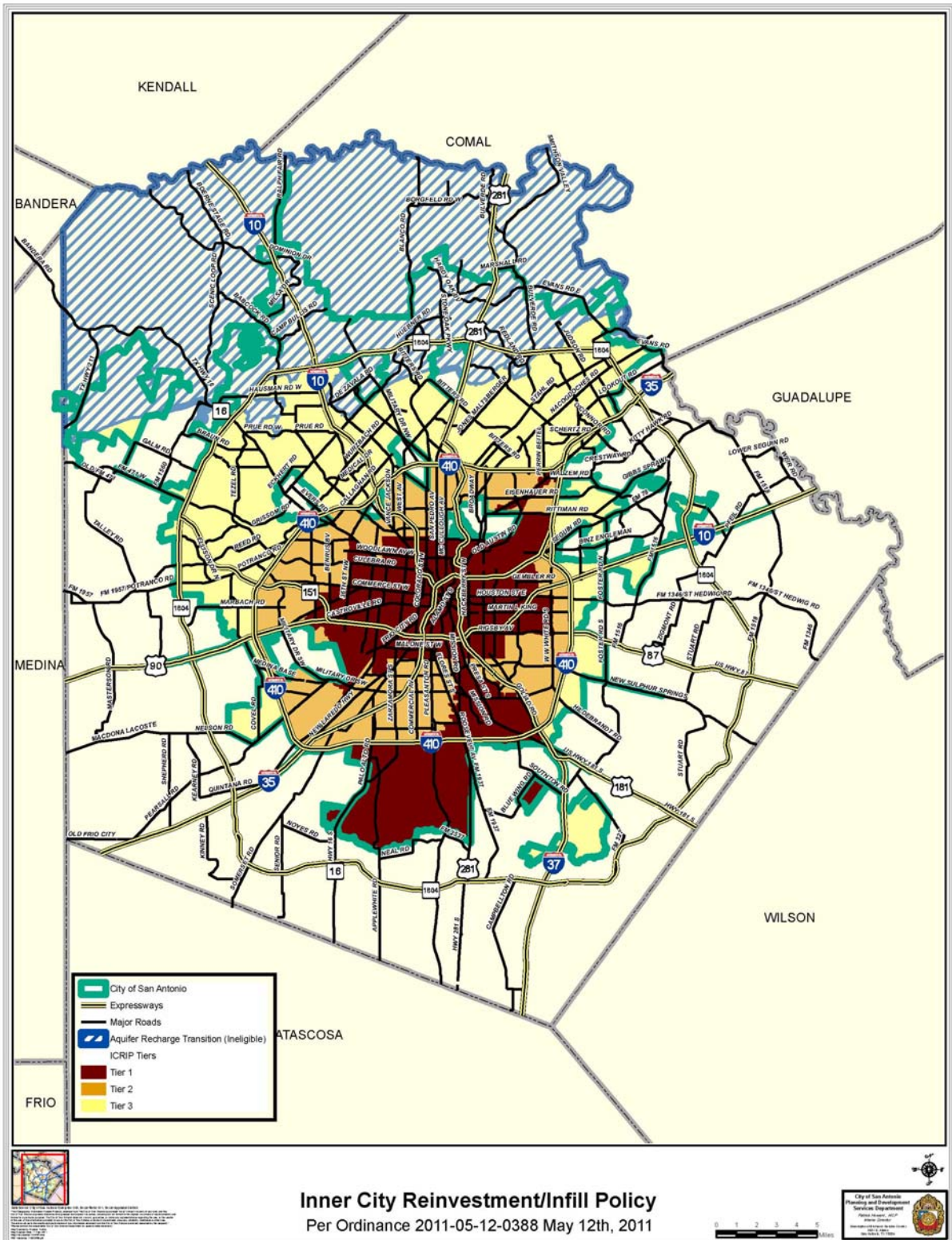
**Edwards Aquifer Recharge Zone and Contributing Zone (Appendix B):** The Recharge Zone is that area where the stratigraphic units constituting the Aquifer crop out, including the outcrops of other geologic formations in proximity to the Aquifer, where caves, sinkholes, faults, fractures, or other permeable features would create a potential for recharge of surface waters into the Aquifer. The Contributing Zone is the drainage area or the catchment area. In these locations, the land surface "catches" water from rainfall that averages about 30" per year, and water runs off into streams or infiltrates into the water table aquifer of the Edwards Plateau.

**Reinvestment Plan Areas:** Areas selected annually by the City's Community Development Advisory Committee and adopted by City Council in accordance with the City's Strategic Plan for Community Development. See Appendix C for a map.

**Telecommunications:** Businesses primarily engaged in research and development, regional distribution and the manufacturing of telecommunication-related products and services. It does not include operations involved in the retail sale of telecommunications products and services.

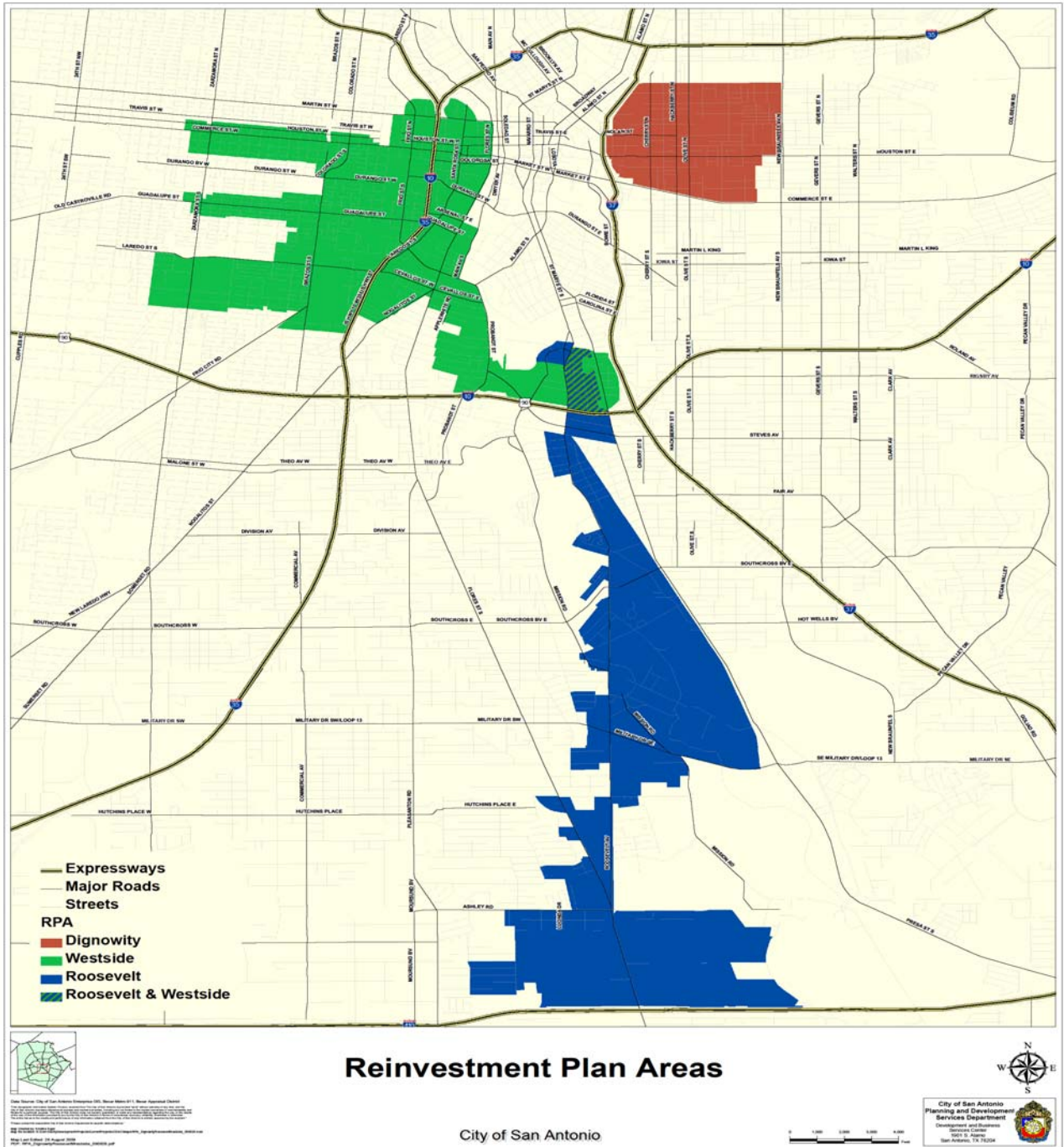
# APPENDIX B

## City Tax Abatement Term Areas and Edwards Recharge and Contributing Zones



# APPENDIX C

## Map of Reinvestment Plan Areas



# APPENDIX D

## Map of the Inner City Reinvestment/Infill Policy Area

