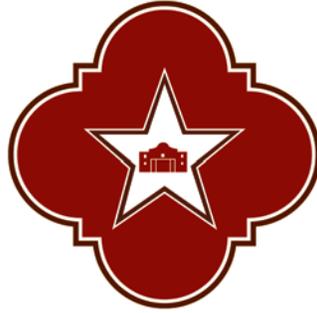


CITY OF SAN ANTONIO
TAX ABATEMENT GUIDELINES



Effective January 1, 2019 through December 31, 2020
(Approved by City Council December 13, 2018)

CITY OF SAN ANTONIO
Economic Development Department
P.O. Box 839966
San Antonio, Texas 78283-3966
Telephone: (210) 207-8080
www.sanantonio.gov/edd

TABLE OF CONTENTS

Introduction.....3
SECTION 1: Eligibility and Evaluation Criteria.....4
SECTION 2: Incentive Application.....7
SECTION 3: Additional Terms and Conditions.....7
SECTION 4: Recapture of Abated Taxes.....7
SECTION 5: Non-Refundable Application Fee8
SECTION 6: Definitions.....8

Appendices

APPENDIX A: Map of the Inclusive Growth Area12
APPENDIX B: Map of the Inclusive Growth Area identifying Tiers I, II, and III13
APPENDIX C: Map of the Edwards Aquifer Recharge and Contributing Zones.....14
APPENDIX D: Summary Table of Tax Abatement Guidelines.....15



CITY OF SAN ANTONIO
Economic Development Department

Introduction

Chapter 312 of the Texas Tax Code authorizes local governments to abate up to 100% of *ad valorem* property taxes on the value of new property improvements for up to 10 years, including real property, and tangible personal property. Chapter 312 also requires the City of San Antonio (**City**) to reauthorize the tax abatement guidelines every two years.

The growth, sustainability, and diversity of a regional economy and the adaptability and competitiveness of its workforce are critical goals to accomplish long-term prosperity. Communities must strategically plan and implement policies and incentive programs to achieve these goals. San Antonio's tax abatement guidelines demonstrate the community's desire to continue to develop a 21st century economy through global industry recruitment, local expansion, entrepreneurial development, and workforce development in accordance with the Jobs and Competitiveness section of the SA Tomorrow Comprehensive Plan and with the Forefront SA Strategic Plan for Economic Development.

These guidelines support the City's priorities of (1) attracting new targeted industry jobs and investment, (2) maximizing the competitiveness of local businesses, and (3) supporting socioeconomic mobility for the residents of San Antonio.

City Council has herein adopted the factors that inform consideration of each prospective project with flexibility to offer the maximum tax abatement allowed under law. The Economic Development Department (**EDD**) staff will prioritize opportunities with significant investment, job creation in the targeted industries, and high-wage jobs, or projects that demonstrate the capacity to promote access to job opportunities and training to distressed populations. EDD will perform a cost/benefit analysis to determine whether a project will benefit the City when abating taxes. EDD may exercise flexibility in offering the maximum tax abatement necessary to attract new projects and to expand existing projects in San Antonio, regardless of where they locate in the community.

State law requires that each taxing jurisdiction enter into a tax abatement agreement (an **Agreement**) with each owner of real and personal property or with the owner of a leasehold interest in real property receiving an abatement or a portion thereof. These Agreements are binding legal documents governing all agreed provisions and requirements between the parties. Each taxing jurisdiction independently decides whether to abate taxes for any given project and approval from one governmental entity does not guarantee approval from any other.

City Council has adopted these guidelines to ensure that any tax abatement achieves the City's economic development goals.

1. Section 1. Eligibility and Evaluation Criteria

1.1. Industry Projects:

1.1.1. **Eligibility:** A new company or an existing company may be eligible for tax abatement if it meets the following eligibility criteria for the Agreement Term:

1.1.1.1. Invests capital of at least \$10M or creates at least 50 New Jobs; and

1.1.1.2. Pays 100% of Full-Time Employees at the project site at least the Living Wage (currently \$12.60 per hour); and

1.1.1.3. Pays 70% of Full-Time Employees at the project site at least the All-Industry Wage (currently \$17.37 per hour); and

1.1.1.4. Makes best efforts to hire a minimum of 25% of its employees from within the San Antonio city limits; and

1.1.1.5. Offers a Healthcare Benefits Package to all Full-Time Employees and their eligible dependents.

1.1.2. **Abatement Term:** An Industry Project may be eligible for an Abatement Term of up to **10 years** if the project is located in the Inclusive Growth Area (**IGA**), or for an Abatement Term of up to **6 years**¹ if not located within the IGA.

1.1.3. **Abatement Percentage:** A company may be eligible for up to a **100%** tax abatement for an Industry Project if it meets at least 3 Qualifying Priorities; or a company may be eligible for up to a **50%** tax abatement if it meets 2 Qualifying Priorities for the Agreement Term unless otherwise stated. “**Qualifying Priorities**” include:

1.1.3.1. **Targeted Industries:** The company’s primary business is in one of the City’s Targeted Industries, including bioscience/healthcare, IT/cybersecurity, advanced manufacturing (e.g., aerospace/automotive), and new energy; or

1.1.3.2. **High Wages:** The company pays at least 30% of Full-Time Employees at the project site at least the High Wage (currently \$50,000 annual salary) or more; or

1.1.3.3. **Internships/Continuing Education Support:** The company spends at least 5% of the Estimated Abatement Value over 5 years on City-

¹ Note, EDD will consider an abatement term of up to 10 years for Exceptional Projects or Targeted Industry Projects outside of the IGA.

supported internship initiatives, including the City’s Ambassador Summer Internship Program or SA Works, or Upgrade;² or

- 1.1.3.4. **Inclusive Hiring:** The company commits to filling at least 35% of New Jobs with residents from Tiers I, II, and/or III of the IGA; or
- 1.1.3.5. **Partnership Options:** The company spends at least 15% of the Estimated Abatement Value on at least 2 Partnership Options over 5 years. “Partnership Options” include, but are not limited to, the following:³
 - 1.1.3.5.1. **SMWVBE Utilization:** Utilizing local small, minority, women, or veteran-owned business enterprises (SMWVBEs) certified by the South Central Texas Regional Certification Agency; or
 - 1.1.3.5.2. **Sustainability:** Promoting City-supported sustainability initiatives, including obtaining LEED Certification, or using LID Practices, or obtaining a commercial custom rebate or an irrigation rebate from San Antonio Water System,⁴ or participating in the City’s commercial recycling program or in a City Public Service program designed to reduce energy use;⁵ or
 - 1.1.3.5.3. **Health and Wellness:** Promoting City-supported health and wellness initiatives, including participating in the City’s Healthy Workplace Recognition Program, or offering free annual flu vaccinations, annual blood drives, or access to an Employee Assistance Program; or
 - 1.1.3.5.4. **Commuter Benefits:** Promoting City-supported commuter benefits, including offering free VIA Annual EZ Rider Passes or other alternative transportation, or offering Telework or compressed workweek programs.

² The City may consider as qualifying a company that has not historically provided tuition reimbursement if it commits to implement such a program for the Agreement Term.

³ EDD will work with companies to facilitate Partnership Options that best fit the City’s and the company’s priorities. The parties will document the Partnership Options and associated monitoring in the Agreement.

⁴ See <https://www.saws.org/conservation/commercial/custom.cfm>.

⁵ See <https://commercial.savenow.cpsenergy.com/>.

1.2. Upskill Projects:⁶

1.2.1. **Eligibility:** A new company or an existing company may be eligible for tax abatement if it meets the following eligibility criteria for the Agreement Term:

- 1.2.1.1. Invests capital of at least \$20M; and
- 1.2.1.2. Creates 300 New Jobs or provides opportunity to upskill at least 300 existing jobs; and
- 1.2.1.3. Pays 100% of Full-Time Employees at the project site at least the Living Wage (currently \$12.60 per hour excluding benefits); and
- 1.2.1.4. Makes best efforts to hire a minimum of 25% of its employees from within the San Antonio city limits; and
- 1.2.1.5. Offers a Healthcare Benefits Package to all Full-Time Employees and their eligible dependents; and
- 1.2.1.6. Collaborates annually with the City and with the Upskill Partners Network (UPN) to source and hire from Targeted Populations. “**Targeted Populations**” include residents from Tiers II and/or III of the IGA, or from the UPN Information System, or Work Opportunity Tax Credit-eligible employees.

1.2.2. **Abatement Term:** An Upskill Project may be eligible for an Abatement Term of up to **10 years** if the project is located in the IGA or otherwise for an Abatement Term of up to **6 years**.⁷

1.2.3. **Abatement percentage:** A company may be eligible for up to a **100%** tax abatement if it hires at least 35% of the total workforce from Targeted Populations annually. If during the Agreement Term the company cannot meet the Target Populations hiring goal, the company will have the option to invest an amount equal to 50% of the prior-year property taxes abated into a Workforce Development Fund for City-approved, on-site training that will effectively raise the income of existing employees.

1.2.4. **Upskill Project Limit:** EDD will consider up to 2 Upskill Projects per calendar year.

⁶ EDD does not pursue Upskill Projects on a competitive basis, but may offer this partnership as a means to upskill residents through training dollars and support services by working with companies unable to meet current wage thresholds.

⁷ Note, EDD will consider an abatement term of up to 10 years for Exceptional Projects outside of the IGA.

2. Section 2. Incentive Application

- 2.1. **Incentive Application:** A company seeking a tax abatement or other economic development incentives must submit an executed incentive application and the appropriate fee to the City (see Section 5). The incentive application describes how the project meets the above criteria.

3. Section 3. Additional Terms and Conditions

- 3.1. **Timing:** City Council will not consider projects if the company has already applied for any building permits (including any conditional permits) or for a certificate of occupancy for the facility for which taxes are to be abated.
- 3.2. **City Council Approval:** City Council approval is required for each Agreement.
- 3.3. **Ineligible Projects:** Regardless of the investment or number of jobs created, the following types of businesses and projects are not eligible for tax abatement:
 - 3.3.1. Projects involving new construction over the Edwards Aquifer Recharge or Contributing Zone (see **Appendix C**) that will result in additional impervious cover at the project site;
 - 3.3.2. Retail operations, including stores selling goods and services directly to customers and medical services;
 - 3.3.3. Hotels and motels;
 - 3.3.4. Outbound or contract call centers; and
 - 3.3.5. Projects encroaching on military operations as defined in the SA Tomorrow Comprehensive Plan, Department of Defense Joint Land Use Studies, or the City's Annexation program.
- 3.4. **Flexibility and Transparency:** The City will work with each eligible company to recommend an incentive package that best meets the City's priorities and that minimizes each company's compliance burden. The City reserves the right to adjust the tax abatement considering a cost/benefit analysis, and additional incentives offered, such as cash grants, fee waivers, etc. EDD will negotiate all Agreement terms on a case-by-case basis.

4. Section 4. Recapture of Abated Taxes

- 4.1. Agreements will provide for recapture of abated property taxes in the event that the company does not meet Agreement terms and requirements during the Abatement Term and for a prescribed number of years following the Abatement Term (the **Recapture Period**). These recapture provisions will survive any subsequent assignment of the Agreement. The following are the standard schedules that show the percentage of taxes abated that will be

recaptured if a company is not in substantial compliance of the Agreement terms as determined by the City (multiply the amount of taxes abated by the percentage in the recapture period):

6-Year Abatement Term (4-Year Recapture Period)		10-Year Abatement Term (6-Year Recapture Period)	
Abatement Term	100%	Abatement Term	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%

5. Section 5. Non-Refundable Application Fee

- 5.1. A company seeking a tax abatement must submit a non-refundable \$1,500 application fee with its application.
- 5.2. Any project that requires an assignment of or an amendment to an existing Agreement may be required to pay an additional fee of \$1,500 to the City. If an Agreement has not been finalized within six months of application, the City may terminate a pending application. Any submission of a subsequent application following such a termination will require another application fee for reconsideration of the tax abatement request.

6. Section 6. Definitions

- 6.1. **Abatement Term:** The period in which the City abates *ad valorem* taxes pursuant to an Agreement.
- 6.2. **Agreement:** A tax abatement agreement entered into between the City and a company pursuant to Chapter 312 of the Texas Tax Code.
- 6.3. **Agreement Term:** The full term of the Agreement, including the Abatement Term and the Recapture Period.
- 6.4. **All-Industry Wage:** The Bureau of Labor Statistics compiles this hourly wage (also known as the “All Industries Median Hourly Wage”) by conducting an Occupational Employment Survey in the San Antonio Metropolitan Statistical Area. The Texas Workforce Commission publishes this wage annually and the City adjusts the All-industry Wage rate accordingly. The current wage is \$17.37 per hour, exclusive of benefits, bonuses, overtime, commissions, shift differentials, and any other non-guaranteed wages.
- 6.5. **Ambassador Summer Internship Program:** An internship program for currently-enrolled college students sponsored by the City. The program exposes students to professional opportunities and innovative career paths through paid internships, peer-to-peer networking sessions, and community service projects. Program participants are placed with government

entities, non-profit agencies, and private organizations to gain experience in high-demand occupations in an effort to attract San Antonio's graduating professionals to career opportunities within the local community.

- 6.6. **Edwards Recharge and Contributing Zones:** The Edwards Aquifer 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. Here 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 (see **Appendix C**).
- 6.7. **Employee Assistance Program (EAP):** An "Employee Assistance Program" (**EAP**) is an employer-provided, voluntary, confidential program that helps Full-Time Employees work through various life challenges that may adversely affect job performance, health, and personal well-being to optimize an organization's success and include services such as assessments, counseling, and referrals for additional services.
- 6.8. **Estimated Abatement Value:** A dollar amount representing the estimated total City tax abatement incentive value (based on a cost/benefit analysis performed by EDD) as documented in the Agreement for purposes of monitoring investments in Workforce Initiatives and Partnership Options. This number may vary from the actual tax abated over the Agreement term.
- 6.9. **Exceptional Projects:** Projects in which a company meets the criteria for Industry Projects or Upskill Projects and fulfills at least one of the following Exceptional Criteria:
 - 6.9.1. Invests capital of at least \$60M; or
 - 6.9.2. Creates at least 600 New Jobs; or
 - 6.9.3. Locates or expands company Headquarters in San Antonio; or
 - 6.9.4. Commits to filling at least 35% of New Jobs with residents from Targeted Populations.
- 6.10. **Full-Time Employee:** Employees associated with the project site on a permanent basis (approximately 2,080 hours per year). A full-time, permanently contracted employee will be considered a Full-Time Employee for the purposes of meeting total job number milestone commitments, if the annual salary meets the wage requirements for the specified project type and provides substantially similar benefits as those of a regular, Full-Time Employee.
- 6.11. **Headquarters:** A company with at least 5 officers or directors (specifically including the Chief Executive Officer residing in the San Antonio Metropolitan Statistical Area) of the

company based in San Antonio at the project site and that represents San Antonio as its company headquarters on the primary company website.

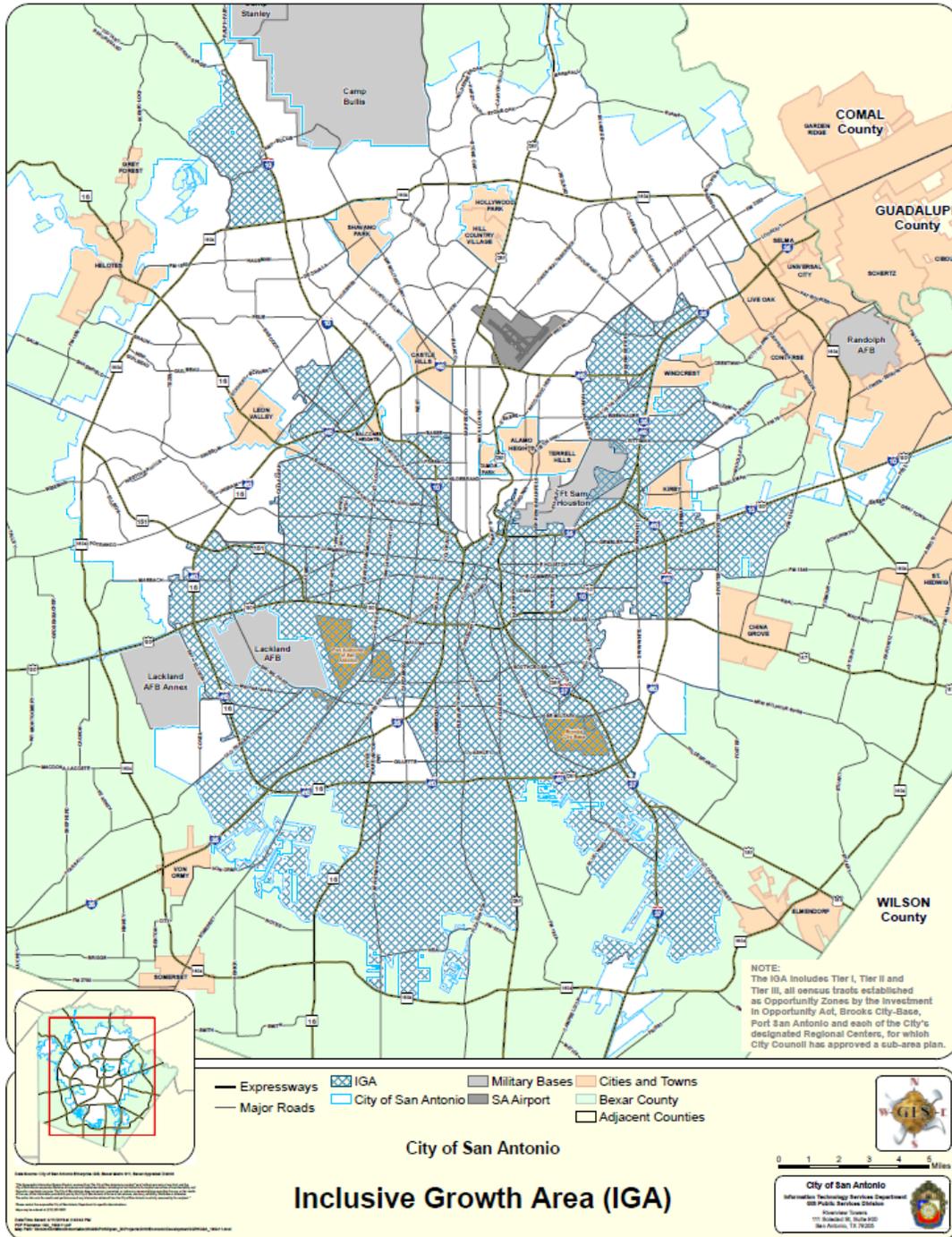
- 6.12. **Healthcare Benefits Package:** A Qualified Health Plan (otherwise known as minimum essential coverage) as defined in the Affordable Care Act.
- 6.13. **Healthy Workplace Recognition Program:** An initiative of the San Antonio Business Group on Health in collaboration with the Mayor's Fitness Council. The program was designed to recognize local employers who create or maintain a culture of wellness within their organizations and make a commitment to support their employees' health and wellness needs. See <https://www.fitcitysa.com/at-work/san-antonio-business-group-on-health-sabgh/> for additional details.
- 6.14. **High Wage:** \$50,000 annual salary, based on a minimum to exceed the Bexar County Average Weekly Wage as determined by the Bureau of Labor Statistics, and to align with incentives such as the State Enterprise Zone Program. This wage is exclusive of benefits, bonuses, overtime, commissions, shift differentials, and any other non-guaranteed wages.
- 6.15. **Inclusive Growth Area (IGA):** City Council adopted the Inclusive Growth Area on December 13, 2018 as the focus for targeted investment, and for sourcing of job candidates and job training candidates. This area includes Tier I, Tier II and Tier III, all census tracts established as Opportunity Zones by the Investment in Opportunity Act, Brooks City-Base, Port San Antonio and each of the City's designated Regional Centers, for which City Council has approved a sub-area plan (see **Appendices A and B**).
- 6.16. **LEED Certification:** Leadership in Energy and Environmental Design certification as designated by the US Green Building Council.
- 6.17. **Living Wage:** The US Department of Health and Human Services determines this hourly wage based on the poverty level for a family of four. The current wage is \$12.60 per hour, exclusive of benefits, bonuses, overtime, commissions, shift differentials, and any other non-guaranteed wages and the City adjusts the Living Wage rate accordingly.
- 6.18. **Low Impact Development (LID) Practices:** Systems and practices modeling nature to manage storm water runoff. A company must have at least one employee with an active and applicable certification (Construction Inspection or Annual Inspection and Maintenance) from the San Antonio River Authority to qualify as following LID Practices for the purpose of the Partnership Options.
- 6.19. **New Jobs:** Full-Time Employees associated with the project site within one year of the start of operations. These jobs must be dependent upon the proposed project (i.e., the positions would not exist if the project is not completed). These jobs must not simply relocate current employees from within the San Antonio Metropolitan Statistical Area. A full-time, permanently-contracted job will be considered a New Job if the annual salary meets the wage requirements for the specified project type and provides substantially similar benefits as those of a regular, full-time employee.

- 6.20. **Partnership Options:** See paragraph 1.1.3.5.
- 6.21. **Recapture Period:** A period after the Abatement Term during which a company must maintain its investment in San Antonio and continue to meet all of contractual obligations, as defined in the Agreement.
- 6.22. **Qualifying Priorities:** See paragraph 1.1.3.
- 6.23. **SA Works:** A local workforce development intermediary focused on providing work-based learning opportunities. Web address: <http://www.sanantonioworks.org/>.
- 6.24. **Work Opportunity Tax Credit-eligible employees:** Employees as defined by the Internal Revenue Code Section 51, including, for example, qualified IV-A recipients, qualified veterans, ex-felons, vocational rehabilitation referrals, supplemental nutrition assistance program recipients, supplemental security income recipients, long-term family assistance recipients, and qualified long-term unemployment recipients.
- 6.25. **Targeted Populations:** See paragraph 1.2.1.6.
- 6.26. **Telework Program:** A company program focused on promoting sustainability, by allowing Bexar County residents to work from home for up to, but no more than, half of employee's standard working hours.
- 6.27. **Tier I:** Zip code tabulation areas within the IGA that exhibit 20% to 30% of the population in poverty (see **Appendix B**).
- 6.28. **Tier II:** Zip code tabulation areas within the IGA that exhibit 30.1% to 40% of the population in poverty (see **Appendix B**).
- 6.29. **Tier III:** Zip code tabulation areas within the IGA that exhibit 40.1% or greater percentage of population in poverty (see **Appendix B**).
- 6.30. **Upgrade:** A program focused on helping adults who have some college credit but who have not yet earned a degree or certificate attain such degree of certificate.
- 6.31. **UPN Information System:** A database of potential job applicants maintained by the City and by the Upskill Partners Network that allows employers to post jobs and to evaluate skills matches.
- 6.32. **Upskill Partners Network:** Non-profit partners contracted by the City to provide counseling and wrap-around services for clients seeking literacy and numeracy training, GED or high school equivalency, occupational training or targeted industry certification training.

6.33. **Workforce Development Fund:** A City fund designated to support workforce initiatives used in partnership with employers or through EDD initiatives that are designed to provide job opportunities, wrap-around services, training and education for Targeted Populations.

APPENDIX A

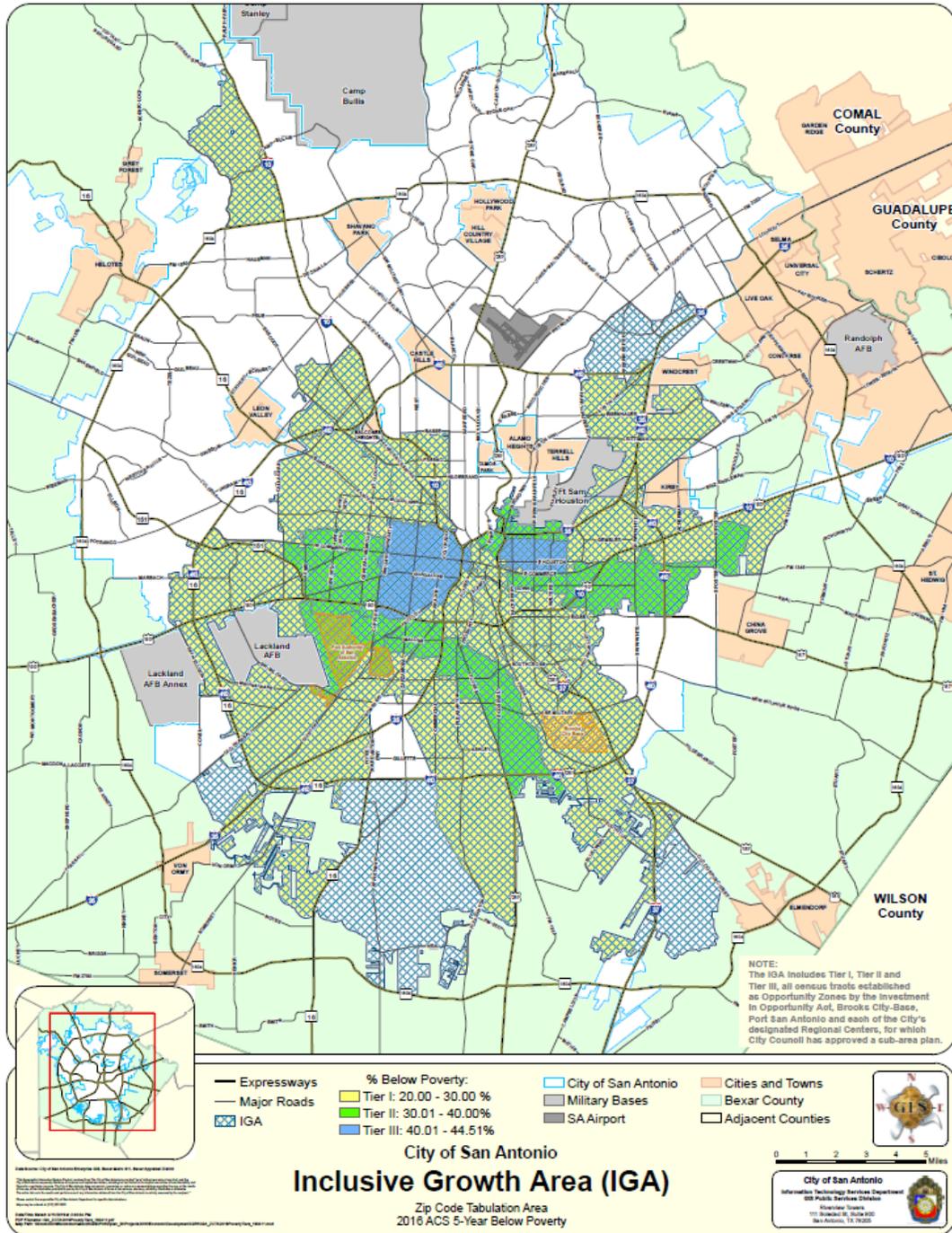
Map of the Inclusive Growth Area, including Tiers I, II, II, Regional Centers, and Opportunity Zones⁸



⁸ Note that projects involving new construction over the Edwards Aquifer Recharge or Contributing Zone (see **Appendix C**) that will result in additional impervious cover at the project site are ineligible for tax abatement.

APPENDIX B

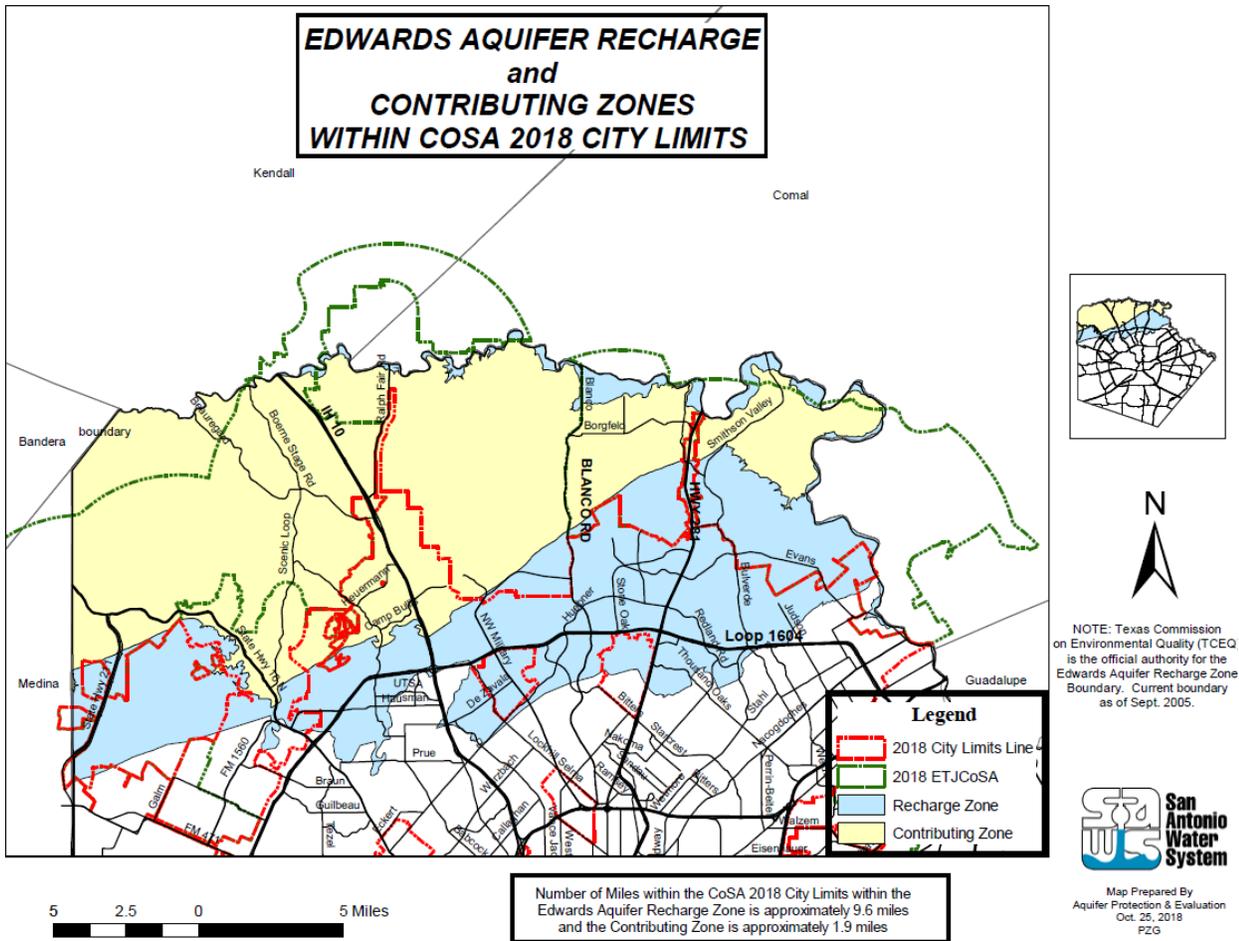
Map of the Inclusive Growth Area Tiers I, II, and III⁹



⁹ Note that projects involving new construction over the Edwards Aquifer Recharge or Contributing Zone (see **Appendix C**) that will result in additional impervious cover at the project site are ineligible for tax abatement.

APPENDIX C

Edwards Aquifer Recharge and Contributing Zones



APPENDIX D
Summary Table of Tax Abatement Guidelines

Project Type	Eligibility Requirements, Term, and Percentage
Industry Projects	<p>Eligibility:</p> <ul style="list-style-type: none"> • \$10M capital investment or 50 New Jobs; and • 100% Living Wage; and • 70% All-Industry Wage; and • Best efforts to hire 25% of employees from San Antonio; and • Healthcare Package; and • Meets at least 2 Qualifying Priorities: <ul style="list-style-type: none"> ○ Targeted Industry, or ○ High Wages, or ○ Inclusive Hiring, or ○ Internships/Continuing Education Support, or ○ 2 Partnership Options (SMWVBES, sustainability, health and wellness, and commuter benefits) <p>Abatement Term:</p> <ul style="list-style-type: none"> • Up to 10 years if in IGA, a Targeted Industry, or an Exceptional Project (Invests capital of at least \$60M; or Creates at least 600 New Jobs; or Locates or expands company Headquarters in San Antonio; or Commits to filling at least 35% of New Jobs with residents from Targeted Populations); or • Up to 6 years <p>Percentage:</p> <ul style="list-style-type: none"> • Up to 50% if meets 2 Qualifying Priorities; or • Up to 100% if meets 3 Qualifying Priorities
Upskill Projects (2 per calendar year)	<p>Eligibility:</p> <ul style="list-style-type: none"> • \$20M capital investment; and • 300 upskilled or New Jobs; and • 100% Living Wage; and • Best efforts to hire 25% of employees from San Antonio; and • Healthcare Package; and • Collaborates with the Upskill Partners Network; and • Invests 50% of the prior year actual property tax abated in a Workforce Development Fund or hires and maintains for one year 35% of its total workforce from Targeted Populations <p>Abatement Term:</p> <ul style="list-style-type: none"> • Up to 10 years if in IGA; or • Up to 6 years if not in IGA <p>Percentage:</p> <ul style="list-style-type: none"> • Up to 50% if invests in Workforce Development Fund; or • Up to 100% if meets Targeted Populations hiring threshold