



TO: BOARD OF DIRECTORS

FROM: EXECUTIVE COMMITTEE

SUBJECT: AMENDMENTS TO THE CITY'S TAX ABATEMENT GUIDELINES

STATUS: ADOPTED

DATE: 6/24/2010

RECOMMENDATION: That the Board of Directors of The Greater San Antonio Chamber of Commerce adopt the following position statement as policy.

STATEMENT: The Chamber supports the City's proposed amendments to the tax abatement guidelines, which will include three distinct areas for tax breaks, greater incentives for inner-city investment, and language expressing the City's flexibility to offer the maximum tax abatement necessary to bring a project to San Antonio.

BACKGROUND: Chapter 312 of the Texas Tax Code authorizes local governments to abate ad valorem property taxes on the value of new improvements to the property, including real property, personal property and inventory/supplies. Taxing jurisdictions such as the City of San Antonio are required by this statute to develop and review guidelines at least every two years for the eligibility and award of this tax incentive. The current incentives were most recently reviewed on December 11, 2008 and are effective from January 1, 2009-December 31, 2010 (two years).

The tax abatement guidelines are used to help attract, retain, and expand targeted industries in San Antonio. They are also used to increase employment, expand the tax base and help create major capital investments and new wealth opportunities in the community.

The City is recommending changes to the existing guidelines, six months prior to their expiration, to make them consistent with the recently adopted Inner City Reinvestment/Infill Policy (ICRIP). The ICRIP is a three-tiered target area for financial incentives established by San Antonio City Council on February 4, 2010 to promote growth and development in the inner-city and downtown areas. The proposed amendments include:

- Adding the three-tiered incentive areas of the ICRIP into the tax abatement guidelines;
- Increasing the investment threshold from \$5 million to 10 million and job creation number from 50 to 100 to qualify for incentive in the regions farthest from the inner-city;
- Adding retail as an eligible project, but only in the City's three reinvestment plan areas and as long as they meet the job, wage and investment criteria; and

- Establishing an exception investment and job creation threshold of \$30 million or 500 jobs, and allowing City staff to negotiate and offer the maximum allowable tax abatement regardless of the location of the project.

Furthermore, language in the amended guidelines will state the City Council's flexibility to approve tax abatements for 10 years, up to 100%, as allowed by the state statute.

REASONS FOR SUPPORT OF THIS STATEMENT:

- The guidelines will state the City Council's ability to offer the maximum tax abatement allowed by law, which will keep San Antonio from being eliminated by economic developers during the early stages of their site selection processes.
- The new guidelines will be consistent with the Inner City Reinvestment/Infill Policy (ICRIP) adopted by City Council on February 4, 2010.
- While tax abatements may be considered a major factor influence in the site selection process for companies, the fact is it just one of many criteria used by companies in choosing a location for investment.

REASONS FOR OPPOSING THIS STATEMENT:

- The proposed amendments may not result in companies being interested in an inner-city investment.
- The proposed amendments reduce current levels of abatement incentives for selected geographic areas in favor of targeted growth areas; thereby potentially limiting opportunities for attracting new business development in the community.
- The current incentives must be reviewed in Dec. 2010. The proposed amendments should be presented for review as part of the bi-annual renewal process at that time.

IMPLEMENTATION: The Chamber will communicate its support for the proposed amendment to the tax abatement guidelines to the City of San Antonio, the Mayor and City Council, as well as the media and Chamber membership.