

99699

AN ORDINANCE

AUTHORIZING THE CITY MANAGER TO EXECUTE A 10-YEAR, 100% TAX PHASE-IN AGREEMENT WITH DPT LABORATORIES, LTD. ("DPT") TO EXEMPT FROM AD VALOREM TAXATION APPROXIMATELY \$1.3 MILLION IN REAL PROPERTY (LEASEHOLD INTEREST) IMPROVEMENTS, \$2.5 MILLION IN NEW PERSONAL PROPERTY IMPROVEMENTS, AND \$18.8 MILLION IN INVENTORY AND SUPPLIES FOR NEW FACILITIES AT BROOKS CITY-BASE; AND APPROVING AN EXCEPTION TO THE JOINT CITY/COUNTY TAX PHASE-IN GUIDELINES.

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WHEREAS, DPT Laboratories, LTD. ("DPT") is a privately-owned local pharmaceutical manufacturer founded and located in the City of San Antonio (the "City") in 1938 with additional operations in Fort Worth; Lakewood, New Jersey; Ithaca, New York; and Ahrensburg, Germany; and

WHEREAS, DPT currently employs a total of 1,572 people at these locations, 607 of whom are employed in the City with an annual City payroll of \$27.5 million and with an average annual salary of \$45,000; and

WHEREAS, the company occupies 420,000 square feet in four facilities downtown at 318 McCullough (DPT headquarters), 200 Josephine, 307 Josephine and 4040 Broadway; and

WHEREAS, the company also occupies 210,000 square feet of warehouse and production space in facilities located at 5303 Distribution Drive and 5713 Business Park Drive, as well as 5,000 square feet of leased space at Brooks City-Base utilized for bio-science research with the Air Force; and

WHEREAS, the company specializes in the development, manufacture and distribution of cosmetic products for several Fortune 500 pharmaceutical companies and plans to add to its local warehouse operations as well as increase its research and development capacity; and

WHEREAS, DPT is currently considering an 18.7 acre site at Brooks City-Base for this project (the "Project"), to include a 228,000 square foot warehouse/laboratory facility and a 30,000 square foot research and development facility; and

WHEREAS, an adjacent 20 acres for future expansion that would accommodate additional pharmaceutical manufacturing is also under consideration; and

WHEREAS, the Project would relocate 131 existing jobs (including 36 scientists) to the new facilities and add at least 74 new jobs, 49 of which would be for research and development, over the next 10 years; and

WHEREAS, a capital investment of \$19.8 million is planned for the facilities that will be owned by the BDA and leased to DPT for 15 years, of which DPT will invest \$5 million in real property improvements, \$2.5 million in new personal property and maintain an annual inventory of \$18.8 million; and

WHEREAS, the BDA is investing approximately \$3,629,000 in the Project for land, road improvements, storm water detention and landscaping; and

WHEREAS, the City plans to invest \$1.3 million, proposed in the FY 2005 Budget to be funded by a HUD 108 loan, toward road infrastructure at Brooks City-Base that supports this Project; and

WHEREAS, the BDA is competing with the city of Schertz as well as DPT's existing sites in Fort Worth and Lakewood, New Jersey in order to keep jobs and operations located in San Antonio; and

WHEREAS, DPT is requesting a 100%, 10-year tax abatement on its investment of \$2.5 million in new personal property improvements, \$1.3 million in real property leasehold interest (the annual cost of DPT's lease on the BDA-owned land and facilities) and \$18.8 million in inventory and supplies (of which approximately 90% is expected to be eligible for exemption under the Freeport Exemption program based on the Project site); and

WHEREAS, if DPT purchases the real property from the BDA at a later date, or if the BDA were to lose its tax-exempt status or sell the real property to a taxable entity other than DPT, then DPT is also requesting that the real property taxes be abated for any remaining term of an agreement; and

WHEREAS, although granting an exemption of the ad valorem taxes on the personal property, based on the level of investment, and the inventory and supplies would require an exception to policy under the Tax Phase-In Guidelines (the "Guidelines"), the Project supports the Strategic Plan for Enhanced Economic Development and the requirements in the Guidelines for real property investment, as a targeted industry, wages and benefits and term of the abatement; and

WHEREAS, the City Council finds that approving the tax abatement referenced herein is in the best interest of the City; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Council hereby approves an exception to the Joint City/County Tax Phase-In Guidelines and approves a 100%, ten-year Tax Phase-In Agreement with DPT Laboratories, LTD. to exempt improvements from ad valorem taxation for approximately \$1.3 million in real property leasehold interest, \$2.5 million in new personal property and \$18.8 million in inventory and supplies, as well as the real property improvements for any remaining term of the Agreement if DPT becomes subject to taxes on this property. A copy of the Agreement is attached hereto as Attachment 1.

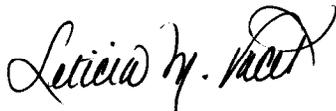
SECTION 2. The City Manager or designee is authorized, for a sixty (60) day period from the effective date of this ordinance, to execute an Agreement as approved in Section 1. The final Agreement shall be filed with this Ordinance upon execution.

SECTION 3. This ordinance shall be effective on and after the tenth (10th) day after passage hereof.

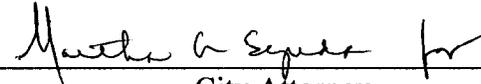
PASSED AND APPROVED this 9th day of September, 2004.


M A Y O R
EDWARD D. GARZA

ATTEST:


City Clerk

APPROVED AS TO FORM:


City Attorney

Agenda Voting Results

Name: 26.  99699

Date: 09/09/04

Time: 06:44:55 PM

Vote Type: Multiple selection

Description: 26. An Ordinance authorizing the City Manager to execute a 10-year, 100% Tax Phase-In Agreement with DPT Laboratories, LTD. ("DPT") to exempt from ad valorem taxation approximately \$1.3 million in real property (leasehold interest) improvements, \$2.5 million in new personal property improvements, and \$18.8 million in inventory and supplies for new facilities at Brooks City-Base; and approving an exception to the Joint City/County Tax Phase-In Guidelines. [Presented by Ramiro A. Cavazos, Director, Economic Development; J. Rolando Bono, Deputy City Manager]

Notes: Motioned: RICHARD PEREZ Seconded: RON H. SEGOVIA Notes:

Voter	Group	Status	Yes	No	Abstain
ROGER O. FLORES	DISTRICT 1		x		
JOEL WILLIAMS	DISTRICT 2		x		
RON H. SEGOVIA	DISTRICT 3		x		
RICHARD PEREZ	DISTRICT 4		x		
PATTI RADLE	DISTRICT 5		x		
ENRIQUE M. BARRERA	DISTRICT 6		x		
JULIAN CASTRO	DISTRICT 7		x		
ART A. HALL	DISTRICT 8		x		
CARROLL SCHUBERT	DISTRICT 9		x		
CHRISTOPHER "CHIP" HAAS	DISTRICT_10		x		
MAYOR ED GARZA	MAYOR		x		