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Credit Human \$8.8 million incentive package at Pearl provokes skepticism

By Richard Webner and Patrick Danner | September 22, 2017 | Updated: September 23, 2017 7:06pm

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Photo: William Luther, Staff / San Antonio Express-News

IMAGE 1 OF 6

The Credit Human credit union headquarters building at 6061 I-10 West is seen Wednesday, Sept. 20, 2017. The building still shows the company's former name, San Antonio Credit Union.

Credit Human touted its deep roots in the Alamo City in its 2016 **annual report**, pointing out it is the official credit union of the Spurs and assuring that “no matter how far and wide our membership grows, San Antonio is still our home.”

But Credit Human, which changed its name from San Antonio Federal Credit Union last fall, was telling local officials something altogether different.

City and county officials say the company told them Credit Human was considering moving its headquarters from 6061 W. Interstate 10 to New Braunfels or Schertz, cities that have lured jobs away from San Antonio before.

Credit Human has been in negotiations with the city and county since around the start of the year over an incentive package of tax abatements and rebates worth more than \$8.8 million.

The deal would require the company to move 435 employees from its current headquarters on the North Side to a state-of-the-art office tower planned at the Pearl. It also would hire another 50 workers.

The incentive package has attracted criticism from some residents, who wonder whether taxpayer dollars should be given to a company that is, essentially, upgrading its headquarters.

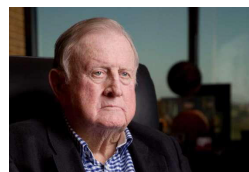
Some question whether local governments still need to give away millions of dollars in

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potential tax revenue to lure development at the Pearl, which is thriving.

“The time has come to end the incentivizing of the Broadway corridor,” District 6 City Councilman Greg Brockhouse said. “Areas where small businesses, medium-sized businesses and folks that are trying to really work and build opportunities outside of the city core don’t get one-hundredth of those incentives.”

The package would be a boon for Silver Ventures, the development firm owned by billionaire Christopher “Kit” Goldsbury that rehabilitated the Pearl, by bringing a flagship tenant to its office market.



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Credit Human would buy the site of the \$112.5 million, 10-story office tower from Silver Ventures and pay for its construction, with Silver Ventures acting as development manager, said Bill Shown, the firm’s director of development. The firm plans to build a six-story office building next to the tower.

Shown pushed back against the argument that the Pearl no longer needs incentives. He pointed out that few major office developments have been built in the urban core over the past three decades.

“There’s a reason for that — it hasn’t made financial sense,” he said. “The Pearl has been successful in many ways but not ... in a class A project of this magnitude.”

To be sure, there's been a resurgence in demand for downtown office space over the past year as more companies build there. Frost Bank is spending \$142 million to build its new headquarters near its existing headquarters downtown, and Zachry Hospitality **decided earlier this year** to double the amount of office space it's building as part of a \$200 million mixed-use project at Hemisfair.

More than \$2.4 billion in development projects currently are underway downtown, including new offices, apartment buildings, renovations and infrastructure improvements, according to an August report by Centro San Antonio, a nonprofit group that promotes downtown development.

Credit Human's incentive package includes \$5.8 million in tax abatements and rebates from the city and an expected \$3 million in property tax abatements from the county.

The project also will be eligible for \$543,000 in city and SAWS fee waivers through the city's Inner City Reinvestment and Infill Policy, a program intended to encourage growth in undeveloped parts of the city.

The City Council and Bexar County Commissioners Court are expected to vote on the package next month.

Competition for jobs

Local leaders say the incentives are necessary to keep a high-quality employer from leaving San Antonio at a time when cities, counties and states compete fiercely for jobs. Two small San Antonio companies already have moved operations to Schertz this year.

“Competitive things are happening in places like Guadalupe County. They have some areas where they may have lower taxes and other incentive packages,” Bexar County Precinct 4 Commissioner Tommy Calvert said. “Corporate relocation can happen. We can never take it for granted. Ever since AT&T, we have to do everything we can in terms of retention.”

AT&T relocated its headquarters from downtown to Dallas in 2008, costing San Antonio its largest Fortune 500 company.

Credit Human has been looking for a new headquarters for three or four years to accommodate its growth and bring employees together in one building, spokesman Chris Armstrong said. He wouldn't specifically comment on moving to the Pearl.

“The vision was to stay in the area but to kind of throw the net pretty wide,” he said. “It would not be our preference to move out, and I don't know that (President and CEO Stephen Hennigan) really looked seriously outside” San Antonio, he said.

Hennigan said in a statement, “We're committed to providing financial services to underserved areas, and a potential lower Broadway location enables us to serve residents of areas such as Government Hill and the East Side.”

Under the deal, more than half of Credit Human's employees would make more than the Bexar County median income of \$47,000 a year, said Rene Dominguez, director of the city's Economic Development Department.

The incentives are intended to cover the cost of building new infrastructure such as burying power lines, sidewalk improvements, street parking and landscaping, he said.

The company would be required to keep the 485 jobs in San Antonio for at least 16 years, said Jordana Decamps, the county's deputy director of economic development.

The 'burbs vs. the Pearl

The Pearl has grown into one of San Antonio's hottest urban neighborhoods over the past decade, a destination for foodies, tourists and millennials who want to enjoy city life. Its weekend farmer's market attracts a crowd an hour or more before opening. Its office space is some of the most expensive in the city.

Office space rents in New Braunfels and Schertz, on the other hand, are on the cheaper end of the local spectrum.

"It's not like this move is about strictly cost measures. If it was, the Pearl wouldn't be in the mix; it would be some office tower off of" Loop 410, former City Councilman Carlton Soules said.

"We're incentivizing (Credit Human) to be in a premium location. That makes no sense."

Schertz, in particular, has had success in using incentives to attract companies to expand within its borders.

Two San Antonio companies have chosen to move there so far this year, news reports indicate: Ace Mart Restaurant Supply Co. is relocating its main distribution hub there, while biopharmaceutical company Evestra is moving its headquarters to the city. CST Brands considered **shifting its headquarters** there in 2014.

In 2012, New Braunfels persuaded National Flight Services to **move an aircraft engine repair facility** there from San Antonio after offering \$400,000 worth of incentives.

Schertz Mayor Michael Carpenter declined to comment on whether the city has talked with Credit Human, but he noted it doesn't actively recruit companies from other parts of the local area.

A call to New Braunfels' economic development office was referred to the Greater New Braunfels Chamber of Commerce. Rusty Brockman, the chamber's vice president of economic development, said he wasn't familiar with Credit Human.

When it comes to the Pearl, city and county investments have played a key role in its redevelopment over the past decade.

Not counting the Credit Human project, the city has awarded about \$27.7 million in incentives for developments around the Pearl and along the Broadway corridor, while the county has given about \$2.2 million, records of incentive programs obtained from the city and county show.

Of that, about \$13.1 million from the city and \$1.1 million from the county have gone to Silver Ventures. That includes \$3.7 million for the **Cellars at Pearl apartment complex** that opened in May, which features San Antonio's most expensive apartment, a penthouse renting for \$13,975 a month.

The city is encouraging further development on Broadway by setting aside \$42 million for new sidewalks, bicycle lanes, landscaping and other infrastructure improvements there from the \$850 million municipal bond package approved by voters earlier this year.

Precinct 3 County Commissioner Kevin Wolff is leaning toward supporting the incentive package because it would keep jobs in San Antonio, he said. But he doubts whether officials still need to give up tax dollars to attract development to the Pearl and Broadway.

“We put a whole lot of incentives into the development of the Pearl. I would argue at this point we really don't need to be doing that much anymore,” he said. “We jump-started it, and now it's taking off — you can tell just by the prices.”

80-year history in S.A.

Credit Human has called San Antonio home more than eight decades. It was one of the first credit unions in the city when it was founded in 1935 as the National Federation of Federal Employees Local No. 28. Civilian workers at Kelly Field pooled their money to launch the financial institution, its website states.

The credit union, with more than \$2.9 billion in assets as of June 30, has been trying for years to broaden its customer base beyond San Antonio and Texas, according to its annual reports. It recently changed its name to reflect “the national scope of our organization,” the 2016 report said.

San Antonio still is home to more of Credit Human's 240,000 members than any other city, but about 55 percent of them live elsewhere, and 40 percent are outside Texas, according to Armstrong, the credit union's spokesman. Most of its 550 to 600 employees work in San Antonio, but it has regional offices in Colorado, North Carolina, Vermont and Washington State.

Fourteen of Credit Human's 16 branches are in San Antonio - including the branch at its headquarters.

At the same time, the credit union has continued to invest in San Antonio. Last year, it opened its first "Financial Health Center," a new retail concept designed for underserved neighborhoods, in Southtown, according to the 2016 report. It plans to install six new "technology-enhanced" ATMs here this year.

The city and county have provided incentives before to companies that threatened to leave the local area, including \$2.2 million for CST Brands in 2014 and \$1.3 million for HOLT Cat in 2015, city and county records show.

Security Service Federal Credit Union, a competitor of Credit Human, was awarded city incentives worth \$10.5 million in 2014 to **build a new headquarters** near the crossing of Interstate 10 and Loop 1604.

San Antonio-based health care tech company CaptureRx wringed more than \$1 million in tax breaks and other incentives out of city and county officials to keep it from moving out of state earlier this year.

It's already based downtown but plans to expand around the corner to the old San Antonio Light building on Broadway when it's fully renovated next year, CaptureRx Chief Financial Officer **Craig Howard said** earlier this month.

Kevin Wolff, the county commissioner, speculated that companies might feel entitled to incentives after seeing other companies get them.

"Think about it this way: You're a local business, you're invested in our community, you give back to our community. ... You're watching all of these new companies coming in, who some may be actual competitors to you, and they're being given economic development incentives," he said. "If I'm one of those local people, I'm like, 'I don't know if that's the fairest thing in the world.'"

Local officials said they weren't sure how seriously Credit Human is considering other cities. District 7 City Councilwoman Ana Sandoval said she is asking herself how competitive Schertz would really be with San Antonio, considering Credit Human's roots here. But she noted that she doesn't know what amount of incentives Schertz might be offering.

It's not always necessary for a company's headquarters to be in a location where most of the business is, said Dale Craymer, president of the Texas Taxpayers and Research Association, a nonprofit specializing in tax and fiscal research.

"Obviously, Toyota can't easily pick up and move its operations outside of San Antonio," he said. "But when you're talking headquarters staff, you're talking about more upwardly mobile white-collar workers, and you can move computer systems and put everything on the cloud and you can access that data whether you're in San Antonio, Dallas, Cleveland or Pittsburgh."

Companies can take advantage of the anxiety of local officials worried about losing a large employer to get incentives, said Dick Lavine, a senior fiscal analyst with the Austin-based Center for Public Policy Priorities, a nonprofit focused on economic policy. Local officials, in turn, may feel they have no choice but to offer them.

"It seems like there is a valuable commodity in part of the San Antonio and Bexar community that is worth something to the credit union, that you're correct in questioning whether they would just give that up," he said.

He added, "The unknowable is, if not for this incentive, what would they do?"

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