



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 4

Agenda Date: December 12, 2024

In Control: City Council A Session

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Ordinance approving amendments to the City’s Economic Development Incentive Fund (EDIF) Guidelines pursuant to Chapter 380 of the Local Government Code, originally adopted by City Council on June 3, 2004.

SUMMARY:

Chapter 380 of the Local Government Code authorizes municipalities to offer incentives such as loans and grants of city funds or services at little or no cost to promote economic development and to stimulate business and commercial activity. In order to provide a grant or loan, a city must establish a program to implement the incentives. This ordinance provides updates to the Economic Development Incentive Fund Guidelines.

BACKGROUND INFORMATION:

The City of San Antonio is committed to supporting the growth, sustainability, and diversity of our regional economy. This includes enhancing the adaptability and competitiveness of the San Antonio’s workforce, as well as our business community. In FY2023, the City’s Economic Development Department’s (“EDD”) Strategic Plan was adopted which set forth key guiding principles and goals. Those five guiding principles included: Economic Healing, Resilience, Investment & Growth, Tax Base, and Equity. The guiding principles serve as the foundation for

the plan's four goals of Innovation & Industry, Placemaking & Real Estate, Talent & Workforce, and Capacity & Resources.

To implement the adopted economic development goals, the City developed detailed policies concerning Chapter 312 Economic Development Agreements and Chapter 380 Economic Development Agreements. Chapter 312 of the Texas Tax Code provides local governments with the authority to enter into tax abatement agreements to promote the attraction of new companies and the retention and expansion of existing businesses to create new jobs and investment. State law requires the adoption of the Tax Abatement Guidelines by City Council every two years.

Chapter 380 of the Texas Government Code provides the City with the ability to issue grants for economic projects, and rebate taxes. While Chapter 380 does not mandate that City Council approve the Chapter 380 guidelines every two years, staff reviews on a bi-annual basis to ensure alignment with the Chapter 312 Guidelines.

In December 2022, City Council approved comprehensive changes to incentive guidelines that further supported 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 San Antonio residents.

The current guidelines for Chapter 312 and Chapter 380 created an objective approach to incentives that allow companies and consultants to better calculate the value and term on a potential incentive. The policy emphasizes the City's desire to recruit high-paying and high-quality jobs to San Antonio by increasing minimum criteria for wages, investment, and job creation. Additional incentive value is available for those projects locating within a regional center, locating within an area with an Equity Atlas score of 7 or higher, or are within one of the target industries identified in the Economic Development Strategic Framework. These industries include IT Security & Infrastructure, Mobility, Sustainable Energy, Corporate Services, and Bioscience Anchors & Catalysts.

A shift to performance-based contracting in the previous update has changed the compliance process to require the contracted company to perform prior to an abatement or rebate. This approach to performance-based contracting eliminated the need for a recapture period or recapture payments, including partial prorated rebates, since the incentive will not move forward until compliance by the company is met. The policy also ensures that recipients of tax rebates must dedicate 10% of their incentive value to wrap-around services in direct support of their employees, which include workforce development, transportation assistance, and childcare support.

The Council accepted policy revisions have allowed San Antonio to be more competitive on time-sensitive projects by allowing the Economic Development Director to provide prospective companies and site consultants with a qualified incentive offer letter for projects that fit the policy. Any such letter clearly articulates any incentive are contingent on City Council approval.

Staff has engaged stakeholders via roundtables and one-on-one meetings to receive input on impacts of current guidelines and proposed revisions. Staff briefed the Economic and Workforce

Development Committee (EWDC) on October 22, 2024, to gather input on the proposed revisions. Subsequently, staff briefed City Council during the November 6, 2024, B Session.

Following this briefing, staff re-engaged partners via additional roundtables and one-on-one meetings, for additional feedback. In total over 33 organizations were engaged and provided feedback throughout the process, in addition to input from clients and site selectors. Furthermore, staff met with representatives of Texas municipalities to understand how similar elements in their incentive guidelines have been implemented and tracked for compliance purposes.

The feedback, along with significant benchmarking against Texas and national communities (see Attachment A), provided the foundation for the proposed revisions, which balance the need to be competitive with serving the broader community needs and maintaining a streamlined, efficient process.

ISSUE:

As part of this routine review, staff is recommending updates to the incentive guidelines. These updates include administrative revisions, such as updated wages, and clarifications based upon experiences the past two years. Staff is also recommending the addition of language regarding hybrid/remote work.

The policy continues to include a minimum wage mirroring the City of San Antonio's minimum wage for 100% of all full-time jobs. The policy also includes that for, and for 90% of all jobs, the wages must be at or above 80% of the median income. This wage, based off the U.S. Census American Community Survey's median household income, is currently at \$22.92 compared to \$20.54 in current policy. Staff recommends that the indexing of the wages for the life of the agreement, which will help ensure that wages growth tracks throughout the term of the agreement. Additionally, staff is recommending that the wage requirements apply to all employees at the project site, not just those positions related to the project.

The proposed amendments address hybrid/remote jobs that balance flexibility for employers and benefit to the community. This will help ensure that San Antonio is attracting high-wage companies that rely on some level of remote/hybrid employees, while the proposed residency and/or in-office requirements ensure that these workers are spending money in the community and strengthening the local economy.

Staff recommend including provisions that will allow staff and City Council to prioritize job creation for those companies determined to be power-intensive economic development projects. Specifically, "power-intensive" projects, defined by CPS Energy as projects requiring more than 40MW of energy, annually, would be required to create at least 200 jobs.

Additional revisions include the following:

- Projects that meet the Equity Atlas combined score of 7 or higher may also be offered additional support for Project-related costs;
- Require contractors and recipients to submit their safety program/plan information to include heat-related safety and OSHA-10 training or an equivalent, as well as their Experience Modification Rating (EMR);

- Ensure recipients demonstrate a good faith effort to hire 30% of all employees residing within City of San Antonio, Extraterritorial Jurisdiction (ETJ), or Bexar County; and
- Require recipients to develop a custom Ready to Work plan that includes interviewing and hiring qualified candidates.

The draft guidelines also include a cap on tax rebate values, which will be based on the level of investment that the company commits to when entering into the agreement.

ALTERNATIVES:

Without adoption of amendments to the EDIF Guidelines, the City will not be able to promote the goals outlined in the Economic Development Strategic Framework as effectively as it might otherwise be able.

FISCAL IMPACT:

There is no fiscal impact to the City through this action. Future agreements proposed under the EDIF Program will require City Council approval.

RECOMMENDATION:

EDD staff recommends approval of the amendments to the City's Economic Development Incentive Fund Guidelines.