

City of San Antonio



Minutes

Economic and Workforce Development Committee

2023 – 2025 Council Members

Chair: Manny Pelaez, Dist. 8

Phyllis Viagran, Dist. 3 | Dr. Adriana Rocha Garcia, Dist. 4

Teri Castillo, Dist. 5 | Marc Whyte, Dist. 10

Tuesday, October 22, 2024

2:00 PM

City Hall Complex

The Economic and Workforce Development Committee convened a regular meeting in the City Hall Council Briefing Room beginning at 1:03 PM. Deputy City Clerk Aurora Perkins took the Roll Call noting a quorum with the following Committee Members present:

Members Present: Manny Pelaez *Chair*, Phyllis Viagran *Member*, Dr. Adriana Rocha Garcia *Member*, Teri Castillo *Member*, Marc Whyte *Member*

Members Absent: None

Approval of Minutes

1. Approval of the minutes from the Economic and Workforce Development Committee meeting on August 30, 2024.

Councilmember Rocha Garcia moved to Approve. Councilmember Viagran seconded the motion. The motion carried by the following vote:

Aye: Pelaez, Viagran, Rocha Garcia, Castillo, Whyte

Public Comments

There were no Public Comments.

Briefing and Possible Action on the following items

2. Briefing and possible action on a proposed contract for Latin American strategic business coordination services. [Alejandra Lopez, Assistant City Manager; Brenda Hicks-Sorensen, Director, Economic Development]

Alfred Breuer, Economic Development Manager with the Economic Development Department (EDD) presented a briefing on the proposed contract for Latin American strategic business coordination services beginning with a history of the Foreign Direct

Investment (FDI) Strategy which began in 2019 with the adoption of a Metro Priority Plan for Mexico, Canada, Japan, Germany, and Korea. The Economic Development Strategic Framework was accepted in 2022 with an emphasis on expanding FDI efforts. In 2023 the FDI was refocused and included in the EDD FY 2024 Budget. Finally, the Economic and Workforce Development Committee (EWDC) was provided an international update, Greater: SATX Regional Economic Partnership (gSATX) Operations Plan and FDI Investments and an Economic Framework Update in FY 2024 and EDD's FY 2025 Budget continued this work.

Breuer said Latin America Strategy and engagements included an expanded focus to Latin America markets, District 8 Councilmember Manny Pelaez' City Council Consideration Request (CCR) to explore Sister Cities with Central and South America, and creation of the Latin America Taskforce in 2021. In 2022, the focus was on increasing relationship building activities, trade, and FDI and there was a cultural mission in October 2022 and again in 2023 to Colombia and Panama.

In 2023, EDD adjusted their Latin America Plan to increase engagement, according to Breuer. He mentioned the evolution of Casa San Antonio to broaden its scope beyond Mexico to all FDI.

In 2024, a revised Request for Proposals (RFP) was issued for Latin America consultant focused on FDI and four proposals were received. The evaluation panel recommended Xstrategy US, LLC, a leading corporate and institutional expansion firm, specializing in partnering with public institutions to drive the internationalization of cities and countries. The Firm had offices in the U.S., Colombia, and Panama, and would be supported by Market Intelligence Latin America, S.C. (MILA) and Ongresso Colombia. Xstrategy had direct FDI experience supporting U.S. State offices and strong public and private networks throughout Latin America.

Breuer proposed that EDD would work with Xstrategy to establish a pro-active investment promotion strategy focused on target industries and create a target list of companies with short and mid-term investment plans. The firm will be required to host a minimum of 30 meetings from the target list, annually and generate three (3) leads from large companies (\$20+ million annual revenue) with immediate or near-term investment plans that would be 24-36 months or less, annually.

The Xstrategy contract term was for a 1-year term with two additional 1-year renewals at an annual payment of \$50,000.00 for a total payment of \$150,000. Funding in the amount

of \$50,000.00 was available from the General Fund FY2025 Adopted Budget. Funding for future years was contingent upon City Council approval of future budgets.

Breuer recommended continuing with a Latin America FDI Strategy including the contract with Xstrategy US, LLC, for full City Council consideration.

DISCUSSION:

Councilmember Viagran supported moving into Latin America and recommended setting goals and expectations and working on relationships with elected officials and partnerships with gSATX.

Councilmember Rocha Garcia asked why the item was being sent back to the committee. Chair Pelaez noted that this was the first time San Antonio was venturing into Latin America beyond Mexico and he thought that even though it was a small contract, the committee should review. Councilmember Rocha Garcia asked how the effectiveness of the contract would be measured. Breuer said the pilot program had resulted in several smaller Latin American companies moving to San Antonio, but moving forward, EDD would monitor the meetings and follow-up to ensure progress was made with the larger companies that were targeted and reevaluate strategy as needed.

Councilmember Rocha Garcia noted there had been six trade missions since 2022 and asked how these were measured and when we might know if our efforts needed to be abandoned. Breuer said he would provide information on the results of each mission. Sherry Dowlatshahi, Chief Global Engagement Officer, said the idea was to leverage trade and cultural visits to create visibility in neighboring cities to develop San Antonio brand recognition internationally. Assistant City Manager Alex Lopez noted there was data to be able to give us information on effectiveness of the strategies which were being constantly evaluated.

Councilmember Whyte asked if Xstrategy and gSATX would be partners. Breuer said EDD would be the convener between the two and manage the contract. Councilmember Whyte requested a briefing on the effectiveness of past FDI projects. Chair Pelaez clarified that a briefing focusing on FDI had already been provided but supported an update. Councilmember Rocha Garcia said the briefing was held on September 2023.

Councilmember Whyte asked if there was a requirement that the companies move to San Antonio to retain them. Breuer said this was the long-term goal. Councilmember Whyte requested an analysis of the efforts 5-8 years back to bring international companies to San Antonio and provide good paying jobs.

Councilmember Viagran said she was aware of what gSATX was providing and suggested they host an event to provide the information to all councilmembers.

Chair Pelaez recommended an update to the Council for the FDI and invited Sarah Carabias Rush, Chief Economic Development Officer for gSATX to speak. Carabias

Rush said that international investments tend to be very large, and that they needed to be successful as the losses could be great.

Councilmember Viagran moved to recommend the contract to full City Council for approval. Councilmember Rocha Garcia seconded the motion. The motion carried by the following vote:

Aye: Pelaez, Viagran, Rocha Garcia, Castillo, Whyte

3. Briefing on proposed revisions to the City of San Antonio's Economic Development Department Incentives Policy Guidelines. [Alejandra Lopez, Assistant City Manager; Brenda Hicks-Sorensen, Director, Economic Development]

Brenda Hicks-Sorensen, Director of Economic Development Department (EDD), summarized programs and resources. She stated that the incentives should balance competitiveness, retention, and reinvestment with net positive economic and fiscal transactions while serving broader community needs. The Incentive Policy updates continue to: prioritize high wage jobs and competitiveness, simplify accessible policy tied to key areas, streamline efficient processes and objective metrics, according to Hicks-Sorensen.

For Wage Requirements, Hicks-Sorensen recommended updating the Abatement/Rebate Policy to require 100% of the jobs match the City of San Antonio's current minimum wage of \$18 per hour and for 90% of jobs be required to be paid 80% of the median wage. Strategic Jobs Grant (SJT) through the Economic Development Incentive Fund (EDIF) would require 100% of jobs at the City's median income of \$28.65 per hour and 90% of jobs at 150% of the median income which was \$89,389 or \$42.97 per hour. Hicks-Sorensen proposed a new requirement that all wages should be indexed annually, and all employees (existing and new) should be paid the minimum of current wage levels.

Hicks-Sorensen said the City was required by State law to review and update its Chapter 312 policies every two years. For Chapter 312 Tax Abatements, Hicks-Sorensen recommended clarifying and limiting work not conducted at project site to no more than five percent of the full-time jobs which would be hybrid but must still be physically present at the project site at least twice per week. For Chapter 380 Tax Rebates and Grants for companies with hybrid schedules, employees would be required to spend at least 60% of their annual hours at the project site engaged in services on-site; or reside within City of San Antonio, City of San Antonio ETJ, or Bexar County.

Power Intensive Users were defined as a CPS Energy customers requiring, or projected to require, 40 MW or more. This level of power typically required the development of an electric substation. Hicks-Sorensen proposed aligning the approach for incentivizing and recruiting power-intensive economic development projects with emphasis on job-

producing investments; Power Intensive Users must meet Tier 2 Requirements of 200 jobs.

Hicks-Sorensen described the stakeholder engagement conducted by the department to discuss the impact of these potential updates. Hicks-Sorensen closed her presentation by requesting feedback from which would be taken to a full council B Session November 6, 2024

DISCUSSION:

Chair Pelaez clarified that State law required an update of Chapter 312.

Councilmember Viagran recommended expanded requirements for worker safety, including heat related illnesses. Councilmember Viagran asked if the power intensive user policy was only for new buildings or for those businesses moving into an old building that might require more power to retrofit which in the latter instance, she would want to be more flexible. Hicks-Sorensen said most of the power-intensive users were typically building new facilities. Councilmember Viagran supported moving power intensive users to Tier 2 job requirements and noted data centers raised the tax base. She was also interested to see what COPS Metro had to say since EDD had not yet met with them.

Councilmember Rocha Garcia noted there was more clarity in the matrix and asked about the definition of full-time jobs. Hicks-Sorensen said full time meant full benefits, workers comp and 2080 hours of work. Councilmember Rocha Garcia requested clarification on the monitoring of the contracts for tax abatements and rebates. Hicks-Sorensen said compliance was monitored every six months and if they did not meet the requirement, the incentive could be withheld; if withheld for two years, the agreement could be cancelled and there was an incentive recapture.

Councilmember Rocha Garcia asked about the flexibility in residing in San Antonio or working remotely but spending 60% of their hours on site. Hicks-Sorensen said it was important to meet these requirements for San Antonio to get the expected economic benefit and staff confirmed home addresses. Councilmember Rocha Garcia asked if there was a drawback to capping the incentive on the Chapter 312 abatement. Hicks-Sorensen said capping the benefit helped the City with its planning but businesses might not like it. Councilmember Rocha Garcia recommended coordination with Ready-to-Work.

Councilmember Whyte asked how many companies currently receiving incentives could be considered Power Intensive Users. Hicks-Sorensen said JCB and Toyota were the two companies that were considered power intensive users that received an incentive, but it was significantly increasing. Councilmember Whyte urged caution on disincentivizing companies to come here. Hicks-Sorensen said it could eventually become a balance of funding as to which companies we could incentivize, and her recommendation was to emphasize the number of jobs.

Councilmember Whyte noted salary and wages were prioritized higher than attraction of new businesses and retention. Hicks-Sorensen clarified that both were priority, but it needed a truly good project and not a standard investment. Councilmember Whyte requested data on how many projects and jobs were staying in San Antonio post incentive. He also asked about the input from different stakeholders.

Chair Pelaez asked how these policies compared to other cities. Sarah Carabias Rush, Chief Economic Development Officer with Greater San Antonio Texas (gSATX), felt the policies were competitive and responsive. Carabias Rush said she had heard from the Governor that prospects for San Antonio had increased due to competitive incentives and improved branding and value propositions offered through gSATX and its partners including the City of San Antonio.

Councilmember Castillo suggested the wage updates include part time and contracted employees and recommended an amendment to include prevailing wages. Councilmember Castillo stated she understood the recommendation was a compromise based on stakeholder feedback and the City should not just incentivize high power users as it conflicted with our Climate Adaptation Plan and our messaging to residents to conserve energy.

Councilmember Castillo recommended aligning Chapter 380 and 312 agreements to ensure heat illness prevention requirements were included for workers. Hicks-Sorensen said staff was reviewing the balance of compliance and competitiveness. Councilmember Castillo noted the City of Fort Worth had included a local hiring requirement in their incentives. Councilmember Castillo requested clarification on Tax Abatement and Rebate Eligibility Matrix and recommended more assurances for employees.

Chair Pelaez closed the discussion by commenting that his litmus test was that if we were to take the guidelines back to 2006 Toyota would still invest in San Antonio. Chair Pelaez noted the Item was for briefing only so no action was taken.

4. Briefing on the Capacity Building & Bonding Assistance Program [Alejandra Lopez, Assistant City Manager; Brenda Hicks-Sorensen, Director, Economic Development]

Michael Sindon, Economic Development Administrator with the Economic Development Department (EDD) explained that Texas law required construction contractors to provide Payment and Performance Bonds in the amount of 100% of the contract. The City first developed an educational program in 2010 through the SBEDA Ordinance that would build the capacity of small, minority, woman-owned business (S/M/WBE) construction contractors and provide technical and financial assistance.

According to Sindon, a workgroup was established that consisted of City staff and external small business stakeholders to evaluate the program. Recommendations included the establishment of a pool of funds to assist S/M/WBEs who incur costs related to bonding requirements.

Sindon noted that City Council approved 2-year pilot with the San Antonio Economic Development Corporation (SAEDC) on June 23, 2022, to establish the Contractor Capacity & Bonding Assistance Program with Alamo Surety Bonds serving as program administrator offering a \$500,000 Revolving Loan Fund, \$100,000 for Administrative Services (\$50k per year). He added that an amendment was executed by the SAEDC on September 9, 2024, extending the program for one additional year at an additional \$50,000 in program administration services.

Sindon explained that to be eligible for the program, a firm must be located in San Antonio, classified as a small business per the United States Small Business Administration (SBA), and work in the construction industry. The program had the capacity to serve 30 participants, provide funding for 10 participants in need of assistance to cover costs related to City bonding requirements to bid on a City solicitation. The program provided assessment, training and support, and bidding and financial support

Sindon reported Pilot Program Accomplishments for the period of October 2022 through August 2024 which included 24 participating firms that attended 41 classes and received 91 hours of consultation hours. Overall, according to Sindon, the program increased participants bonding capacity by 561% from \$1.4 million to \$9.3 million and submitted 25 bids with 5 awarded public contracts for a combined \$3.2 million.

Based on pilot results and participant feedback, Sindon recommended amending the scope to include: helping participants submit two bids monthly with San Antonio regional public agencies, with one bid specifically with COSA, and hosting quarterly workshops in coordination with COSA to share resources and opportunities as well as facilitating participant referrals to additional owners.

DISCUSSION:

Councilmember Viagran spoke in support of the pilot noting its success.

Councilmember Whyte asked what the challenges with the program were. Jim Swindell with Alamo Surety Bond said the contractors were reluctant to provide financial information and some of the smaller program participants did not have the capital. Councilmember Whyte supported making it easier to do business with the city but recommended a follow up evaluation of the project and contractor after the project was completed.

Councilmember Rocha Garcia commented that access to capital was an issue as was the limitations by state law. She requested feedback from the 24 business owners that participated in the program as well as resulting contracts. Councilmember Rocha Garcia also requested information about the locations of the businesses. She asked if it made sense to add funding to the program at mid-year or grant opportunities and potentially have an outside evaluation completed. Assistant City Manager Alex Lopez said SAEDC had funding to continue the program in FY 2025.

Councilmember Castillo expressed support for helping vendors apply for City or other contracts including the Home Minor Rehabilitation Program. She recommended offering the classes in other languages or be translated.

Chair Pelaez thanked staff for work on the program and noted that the Item was for briefing only so no action was taken.

ADJOURNMENT

There being no further discussion, the meeting was adjourned at 3:46 p.m.

APPROVED

Manny Pelaez, Chair

Debbie Racca-Sittre, City Clerk