

**ECONOMIC AND WORKFORCE DEVELOPMENT
COUNCIL COMMITTEE MEETING MINUTES
TUESDAY, JUNE 1, 2021 2:00 PM
VIDEOCONFERENCE**

Members Present:	Councilmember Rebecca Viagran, <i>Chair, District 3</i> Councilmember Adriana Rocha Garcia, <i>District 4</i> Councilmember Shirley Gonzales, <i>District 5</i> Councilmember Melissa Cabello Havrda, <i>District 6</i> Councilmember Manny Pelaez, <i>District 8</i>
Staff Present:	Alex Lopez, <i>Assistant City Manager</i> ; Christina Ramirez, <i>Assistant City Attorney</i> ; Justina Tate, <i>Assistant Director, Economic Development Department</i> ; Heber Lefgren, <i>Director, Animal Care Services</i> ; Nancy Cano, <i>Office of the City Clerk</i>
Others Present:	John Hockenyos, <i>President, TXP, Inc.</i>

Call to Order

Chair Viagran called the meeting to order.

Public Comment

None.

Approval of the minutes from the Economic and Workforce Development Committee meeting on April 22, 2021.

1. Approval of the minutes from the Economic and Workforce Development Committee meeting on April 22, 2021.

Councilmember Cabello Havrda moved to approve Item 1. Councilmember Rocha Garcia seconded the motion. The motion prevailed unanimously.

2. Briefing on recommended updates to the City's economic development incentive guidelines.
[Alejandra Lopez; Assistant City Manager and Interim Director, Economic Development]

John Hockenyos reported on the summary of findings from a comprehensive analysis of San Antonio's existing economic development incentive guidelines. He observed that because the State of Texas imposed very little taxes, it was largely uninvolved with abatements nor economic incentives compared to other States and looked to local communities to create economic development.

Mr. Hockenyos explained that tax incentives mattered more at the local level and influenced company decisions to relocate or expand. He noted that the value proposition for companies was more about remote work, labor force, labor force capacity, and workforce development, and less about physical proximity to a workplace location. He described workforce development and training as the raw material of the modern economy and noted that a firm could be headquartered and technically based in one place and have employees scattered literally all over the world, working remotely. He observed that location mattered in

terms of economic development and where one chose to live, work, and raise a family was an important part of the equation.

Mr. Hockenyos stated that the framework for development of balanced incentives was based on three factors:

- Need to compete, retain, and reinvest
- Need for net positive economic and fiscal transactions
- Need to serve the broader community equitably and sustainably

Mr. Hockenyos recommended that a cost-benefit analysis be performed when contemplating incentives. He stated that direct expenditures, expanded utility infrastructure costs, and increased public safety and City services would account for the costs associated with returns on incentives. He noted that clarity was an important theme and a developed scoring system would assess a company's potential economic impact, diversity policies, type of employees sought, employment and advancement opportunities offered, corporate citizenship and philanthropic participation, and why an incentive was deserved. He added that a flexible evaluation approach was key to providing different paths for different companies and was explicitly conscious of the fact that almost every incentive transaction was different. Mr. Hockenyos recommended a modification to the City's wage requirements within an evaluation matrix where details could be adjusted over time, instead of a one size fits all wage requirement.

Justina Tate provided an overview of recommended changes to the City's current incentive guidelines:

RECOMMENDED CHANGES TO CURRENT INCENTIVE GUIDELINES			
Requirement Criteria	Current Guidelines	New Chapter 312 Tax Abatement Requirements	New Chapter 380 Agreement Requirements
Number of Jobs/ Capital Investment	50 jobs or \$10 million	50 jobs and \$200 million	50 jobs or \$10 million
Wages	100% Living Wage (\$12.74) 70% All Industry (\$17.37)	100% meet \$15 75% meet All Industry	
Healthcare Benefits Package	Must offer Healthcare Benefits Package	Must offer Healthcare Benefits Package	
Workforce Development	Engage in preferential interview and hiring	15% of employees hired from Ready to Work Program or develop internship opportunities	
Equal Pay	Not required	Gender pay parity practices in the workplace	
Other	Best effort to hire 25% from San Antonio	Included in evaluation criteria	

Ms. Tate reported that the City would only rebate the operations and maintenance portions of the property tax and the City's debt portion. She stated that the evaluation criteria for Chapter 312 and Chapter 380 Agreements would be based on economic benefit, character of the jobs, and infrastructure impact. She noted that lengths of the agreements for Chapter 312 and Chapter 380 would shift to a targeted focus using the equity matrix and regional centers to identify inclusive growth areas. She added that regional centers

were eligible for an additional two years and rebates would provide some flexibility for Chapter 312 Agreements that were limited to 10 years, per State law.

Ms. Tate stated that abatements and rebates would be allocated through a scoring system that evaluated each company based on economic benefit, character of the jobs, and infrastructure impact. She explained that the higher the points scored would determine the higher percent of abatement or rebate a company would be eligible for. Ms. Tate presented a timeline and noted that next steps were to provide the recommendations to City Council next week; thereafter, in August 2021, the actual incentive guidelines would be finalized and presented to the Small Business Commission, and final consideration by the City Council and adoption would occur by the end of August 2021.

Ms. Tate reported that a small business grant program would be included in the City's economic incentive program. She stated that grants would be awarded under Chapter 380 under the same criteria for wages and healthcare benefits as Chapter 312. She added that grants would be evaluated based upon the number of employees and gross revenues met under the Small Business Administration (SBA) standards and would be capped at \$1,500 annually.

Councilmember Gonzales asked if the consensus was shifting back to a focus on targeted industries rather than quality of life. Ms. Tate noted that targeted industries were an important part of the evaluation criteria. Mr. Hockenyos stated that his recommendation was to add more flexibility in an evaluation approach regarding targeted industries.

Councilmember Rocha Garcia noted that each Council District had different economic development needs and asked if the incentive guideline research provided insight on what could be done in each Council District to become self-sustaining. Mr. Hockenyos noted that having dedicated staff and dedicated resources for economic development made a huge difference. He added that specific needs could be addressed by identifying each neighborhood's current needs and figuring out how to get people to work on those efforts on a daily basis. He noted that non-profit and community organizations could be of assistance.

Councilmember Rocha Garcia asked for further information on the point scoring system. Mr. Hockenyos explained that every situation was different and the point scoring system would allow staff to apply some judgment on a case-by-case basis within the parameters and guidelines of a balanced evaluation matrix.

Councilmember Cabello Havrda requested more data on focus groups and research in support of regional centers. She requested that the evaluation criteria be expanded to include targeted geographic locations that were outside areas of economic growth. She asked what industries were targeted for incentives. Mr. Hockenyos observed that incentives alone could not overcome problems with infrastructure and noted that the City was faced with an excellent opportunity to allocate funding from Federal programs for infrastructure, as such programs were designed to help industries that were impacted by the COVID-19 Pandemic. Ms. Tate replied that the targeted industries were healthcare, bioscience, information technology, cybersecurity, advanced manufacturing and new energy.

Councilmember Pelaez asked if non-profit organizations (NPO) could qualify for economic incentives. He invited the Committee to consider allowing NPOs to be eligible for economic incentives and noted the only difference between NPOs and for-profit organizations was their tax filing status. He added that non-profit organizations reinvested their revenues in expansion and some local NPOs had a considerable economic impact on the local community in terms of their spending in the areas of payroll, property

ownership, and workforce development and training. He voiced concern about not offering incentives for employers in the targeted industries of biosciences and medical fields. He pointed out that those employers would have to choose to relocate elsewhere and offer jobs to other cities instead. He stated that he would be in favor of removing the restriction against NPOs.

Assistant City Manager Alex Lopez explained that economic incentives were tools for economic growth, job expansion, and investment expansion that for-profit companies embarked upon. She added that agreements under Chapter 312 and Chapter 380 would be subject to incremental taxes, which did not apply to NPOs. Mr. Hockenyos reported that the State Tax Code tended to be focused on transactions and physical property and many NPOs were located in rental spaces. He concurred that many NPOs spent a considerable amount of money on private business and observed that a small job grant approach would be a better vehicle to consider for NPO incentives, as opposed to expanding the tax base for NPOs.

Chairwoman Viagran noted that policy conversations regarding NPOs were important and it was also important to consider the potential conflict of an NPO that could apply for a small business grant while it received funding from the City at the same time. She asked how many abatements and rebates could be awarded in a year at the \$1,500 cap. Ms. Tate reported that the Economic Development Incentive Fund would support abatements and rebates and a closer review of the Fund was needed, as it was currently not at the level needed to meet the small business grant program proposed.

3. Update on the Hospitality Grants Program that assists businesses during the COVID-19 pandemic. [Alejandra Lopez; Assistant City Manager and Interim Director, Economic Development]

Ann Eaton reported that in February 2021, City Council approved \$14 million in funding to create a new Hospitality Grants Program (HGP) to assist local small businesses that continued to be negatively impacted by the COVID-19 Pandemic. She provided an itemized breakdown on the HGP budget and HGP grants allocated by sector, as follows:

Hospitality Grants Program Budget	
Grants Funding	\$13,068,000
LiftFund Administrative Fee	\$882,000
Technical Assistance	\$25,000
Marketing	\$25,000
Total:	\$14,000,000

Hospitality Program Grants Allocated by Sector				
Hospitality Sector	% of Awards	Available Funding	Average Award per Subsector	Max Award per Subsector
Food & Beverage	71.8%	\$9,408,690	\$30,399	\$75,000
Lodging	7.1%	\$1,568,160	\$22,308	\$50,000
Entertainment	10.4%	\$1,306,800	\$16,711	\$75,000
Transportation/Travel	10.7%	\$784,080	\$17,692	\$75,000

Ms. Eaton stated grants were based proportionately on the number of employees within the hospitality sectors: Self-employed: \$10,000; 1-10 Employees: \$20,000; 11-20 Employees: \$50,000; and 21+ Employees: \$75,000.

Ms. Eaton reported that eligible small businesses were defined based on Small Business Administration (SBA) guidelines and outlined eligibility criteria, as follows:

- Annual gross business revenue less than \$8 million
- Demonstrated loss of 25% revenue beginning March 1, 2020 due to the COVID-19 Pandemic
 - Increased operational costs such as purchase of protective equipment eligible in calculation
- Business must be in operation and not filed bankruptcy
- Business must have been in operation prior to February 1, 2020
- Business must commit to the Greater. Safer. Together. Pledge

Ms. Eaton presented itemized applicant data by Council District and geographic location. She provided demographic data for the HPG recipients, as follows:

- Gender: Male-owned: 54%; Woman-owned: 45.7%; and No answer: .3%
- Race/Ethnicity: Hispanic: 49%; White: 20%; Asian: 20%; African-American: 7.3%; Other: 3.7%
- Industry: Service: 35.3%; Food Service: 13.2%; Retail: 14.5%

Ms. Eaton stated that the program was launched on March 15, 2021 through April 5, 2021, and all awards were scheduled to be distributed by June 7, 2021. She reported that approximately 740 applications were received, of which only 677 applicants met the eligibility requirements. She noted that 177 applications were ineligible due to being located outside of the City limits, being a sexually-oriented business, or being a franchise that was not locally owned. She indicated that 366 of the 500 eligible applicants were identified for awards totaling \$9.9 million, which were distributed on May 18, 2021 (\$5.7 million) and May 27, 2021 (\$4.2 million). She noted that the balance of \$3,178,000 would fund 70-90 additional grants for the 134 remaining applicants. She highlighted that the program was successfully completed within 60 days and acknowledged the efforts of the LiftFund partners who administered the program.

Councilmember Cabello Havrda asked what were the common HGP disqualifiers. Ms. Eaton reported that the three most common disqualifiers were: Sexually-oriented businesses: 31.6% (56); national franchises: 28.8% (51); and unproven percent losses: 17.5% (31).

Councilmember Rocha Garcia asked how many applicants were rejected due to unproven revenue/losses by Council District and asked how many national franchises were located in each Council District. Ms. Eaton stated she would provide national franchise data. She explained that most bookkeeping disparities were due to a lack of accounting skills, as noted in the City's initial recovery grants program; therefore, the HGP provided LiftFund with an additional \$25,000 to expand their technical assistance program. She added that LiftFund's expectation was to be sensitive, to avoid creating barriers, and to provide flexibility for reporting. She indicated that businesses could show loss percentages by producing quarterly or yearly revenue comparisons and stated she would confer with LiftFund again to ensure that no barriers were missed.

Councilmember Viagran requested a breakdown of applications not considered by their geographic location throughout the City. She asked of the total amount of funds requested for the 740 total applications received. She called for City staff to continue to build relationships with local businesses. Ms. Eaton reported that approximately \$29 million was initially requested and approximately \$14 million

in funding was designated. Ms. Eaton stated that a post-program outreach would be conducted to receive feedback from the businesses about how they were able to use the funds and to connect them with other resources and City's economic development partners, if needed. She reported that since the inception of the City's recovery program, the City had developed a robust database of approximately 10,000 local businesses and eblasts were distributed approximately every two weeks.

4. Briefing on the Train for Jobs SA program, which implements the Workforce Development Pillar within the COVID-19 Community Recovery and Resiliency Plan. [Alejandra Lopez; Assistant City Manager and Interim Director, Economic Development]

Heber Lefgren shared the success stories of Jared Anthony and JessaLynn Adams who were able to start new career paths through the Train for Jobs (TFJ) SA Program. He indicated that both residents completed their training certifications through the Alamo Colleges District, which was one of the City's key workforce development partners. He reported that TFJ had 5,758 enrolled participants and another 1,400 were in the exploratory beginning enrollment phase.

Mr. Lefgren provided demographic data for the TFJ participants, as follows:

- Gender: Women: 66%; Men: 33%
- Race/Ethnicity: Hispanic: 65%; African-American: 17%; White: 14%; Other: 3%; Asian: 1%
- Education Level: High school degree: 36%; Vocational/Associates/Some College: 38%; High School Degree: 36%; College degree or above: 9%
- Living in Poverty: 61%; Formerly incarcerated: 7%; Veterans: 3%
- Hardest Hit Industry (Hospitality, retail, food): 37%
- Long-term Training: 46% (1,082); Short-term Training: 38% (912); High School Equivalent: 15% (363); and On the Job Training: 1% (15)
- Short or Long-Term Training Industries: Medical: 47% (943); Information Technology: 22% (433); Business: 15% (297)

Mr. Lefgren reported that 1,853 participants were currently in the career exploration stage and were working with partners to identify their skill sets and their needed areas of growth in a process that took approximately one month to complete. He indicated that 1,801 participants were currently enrolled in a training programs that could take as little as one month or significantly longer. He stated that 416 participants had successfully graduated, and 186 had been in their new careers for more than 90 days. He noted that only 49 participants dropped out and 1,400 participants left the program during the career exploration stage, and the majority that left was due to the inability to make contact with them. He highlighted that the TFJ Program had a successful retention rate of 97%.

Mr. Lefgren stated that 1,598 participants received an average stipend of \$1,950, which was lower than initially anticipated, in part because many were already receiving other forms of assistance, such as unemployment benefits. He reported that COVID-19 unemployment benefits would end in June 2021, which would result in an expected increase in TFJ enrollment. He noted that 75% (161,941) of unemployed residents remained unemployed one year later.

Chairwoman Viagran asked if all the individuals unemployed a year ago were still unemployed, or were some now under-employed in part-time jobs. She asked of the wages for OJT participants. Mr. Lefgren stated that the reported focused on individuals that were still receiving unemployment benefits which would indicate they were still unemployed. He stated he would provide OJT wage data.

Councilmember Rocha Garcia asked for further clarification on the 97% retention rate. She asked if the 49 that dropped out provided a reason for leaving the program and asked of the methods used to try to contact those that left the program. Mr. Lefgren stated that the calculation was based on the number of participants that started the education program and excluded those in the exploratory stage and those that had dropped out. He added that he would take a closer review of the 49 dropout cases and noted that when participants had gone missing from their programs, partners made additional efforts to reach out to them by several phone calls, emails, and mailings before they closed the case.

Chairwoman Viagran asked if participants had to undergo drug testing. Mr. Lefgren confirmed that the TFJ Program did not have a drug testing requirement; however, case managers informed participants that certain careers in certain industries would require background checks, credit checks and sometimes drug test screening.

Adjournment

There being no further discussion, the meeting was adjourned at 3:58 PM.

Rebecca Viagran, Chairwoman

Respectfully Submitted,

Nancy Cano, Office of the City Clerk