

**ECONOMIC AND WORKFORCE DEVELOPMENT
COUNCIL COMMITTEE MEETING MINUTES
TUESDAY, MAY 4, 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> ; Trey Jacobson, <i>Chief of Staff, Mayor’s Housing Policy Task Force</i> ; Verónica Soto, <i>Director, Neighborhood Housing Services Department</i> ; Colleen Swain, <i>Director, World Heritage Office</i> ; Ian Benavidez, <i>Assistant Director, Neighborhood Housing Services Department</i> ; David McBeth, <i>Assistant Engineer, Public Works Department</i> ; Michael Sindon, <i>Assistant Director, Economic Development Department</i> ; Justina Tate, <i>Assistant Director, Economic Development Department</i> ; Ana Bradshaw, <i>Assistant Director, Economic Development Department</i> ; Ann Eaton, <i>Economic Development Manager, Economic Development Department</i> ; Nancy Cano, <i>Office of the City Clerk</i>
Others Present:	Judith Canales, <i>Executive Director, Southside First</i> ; Jon Hockenyos, <i>President, TXP, Inc.</i> ; Don Quigley, <i>Vice President, Midway</i> ; Peter French, <i>Graystreet</i> ; Edgar Olivas, <i>Chief of Operations, LOCC Management, LLC</i> ; Matt Prosser, <i>Vice President, Economic & Planning Systems, Inc.</i>

Call to Order

Chair Viagran called the meeting to order.

Public Comment

None.

1. Approval of the minutes from the Economic and Workforce Development Committee meeting on April 6, 2021.

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

2. Briefing on the status of updates to the City’s economic development incentive guidelines and timeline for City Council consideration and approval. [Alejandra Lopez; Assistant City Manager and Interim Director, Economic Development]

Assistant City Manager Alejandra Lopez reported that Chapter 380 of the Texas Government Code provided the City with the ability to issue grants for economic projects, and rebate taxes. She stated that City Council approved the Chapter 380 guidelines every two years and staff reviewed them on a bi-annual basis to ensure alignment with the Chapter 312 Guidelines and with community priorities. She

noted that as a result of the COVID-19 Pandemic, on December 17, 2020, City Council re-authorized the 2019-2020 guidelines with the understanding that a comprehensive outreach and review process would be conducted during the first half of 2021.

Justina Tate explained that the Chapter 312 Tax Abatement Code granted local governments the authority to abate 100% of property taxes up to 10 years; however, the governing body must have established guidelines and criteria that govern these tax abatement agreements. She reported that Chapter 380 of the Texas Government Code provided the City with an Economic Development Agreement Code with some flexibility in its use.

Ms. Tate provided an overview of the City’s current guidelines for traditional projects, as follows:

CURRENT GUIDELINES – TRADITIONAL PROJECTS		
Eligibility	Terms of Incentives	Percentage of Abatement
Wages: 100% Living 70% All Industry	Inside Inclusive Growth Area: Up to a 10-year term	<ul style="list-style-type: none"> • 5 qualifying priorities • Meet two priorities: Up to 50% abatement • Meet three priorities: Up to 100% abatement
\$10 million investment or 50 jobs	Outside Inclusive Growth Area: Up to a 6-year term	

Ms. Tate reported that in January 2021, City staff began conducting an extensive community outreach effort and engaged with consultants to develop new guidelines that aligned with City Council, stakeholder, and community priorities. She stated that part of the outreach efforts included in-depth interviews with local economic development practitioners to provide insight into current incentives’ effectiveness and trends. She added a consultant was engaged to conduct focus groups comprised of local traditional practitioners, business owners, advocacy groups, and organizations. Ms. Tate stated that 12 cities were included in comparison studies that were part of the economic development regional strategy.

Ms. Tate stated that a comparative analysis showed that San Antonio’s existing guidelines were comparable to other municipality programs; target industries and geographies were the most common evaluation tool; and cities with broad economic goals for recruitment tended to be more generous and offered incentives. She added that main categories of incentive programs were the use of property taxes, tax abatements, rebates, incentive funds for grants, and grant programs. She cited various project evaluation methods and identified return on investment policies. She cited feedback from practitioners and noted many asserted that tax incentives would not create geographic equity or overcome infrastructure, broadband, and workforce deficiencies of a particular area; and workforce development efforts could compliment incentives, but should not complicate the incentive program.

Ms. Tate reported on focus group feedback that asserted most agreed or were neutral toward maintaining the current wage structure; and most agreed that a minimum wage should be kept, with some stating \$15 as the proposed minimum wage. She noted that most participants favored the following items: larger incentives for companies that created high jobs; a sick leave benefits package that was not forced; and there was a split decision on if corporate benefits should be included in the hourly rate.

Ms. Tate stated that under workforce development, most participants were in favor of, or were unsure about including a ready to work requirement and cited concerns that the interviewing and hiring process

would be too restrictive or would limit a company's talent pool. She stated that training was identified as the best way to incorporate workforce development in the guidelines.

Ms. Tate conveyed that most participants did not feel that small businesses should be required to meet the same wage and benefit requirements. She noted that as to equity, most disagreed with offering incentives "only" to underserved and underrepresented areas, as the word "only" was perceived as too harsh or restrictive and did support larger incentives for those areas. She added that most did agree or were neutral to hiring a historically underserved area and did value the City wanting to include those areas in the tax incentive guidelines. She noted that most were against adding digital access to the tax incentive guidelines. Ms. Tate added that most felt that companies should be required to promote gender pay practices, but that best practices needed to be defined; and as to public infrastructure, most disagreed with company's sharing the cost of compliance review.

Ms. Tate summarized the recommended updates to tax incentive guidelines based on stakeholder feedback as follows:

- Wage requirements and high wage jobs
- Workforce development components
- Address equity – equity matrix
- Small business assistance
- Use of scoring matrix

Councilmember Cabello Havrda asked what were the most impactful economic incentive trends that could be implemented. She requested that the Edgewood area in Council District 6 be considered an economic incentive area for growth. John Hockenyos stated that San Antonio was more competitive and regarded as a value proposition compared to other cities such as Austin that had an extraordinarily expensive workforce market. He noted that attracting and retaining employers was fundamental and a lucrative employer in today's modern economy did not have to have all of its employees and infrastructure located in the same place to inject contracting opportunities and create procurement. Trey Jacobson observed that a focus on geographical equity opportunities could be coupled with investments in infrastructure, digital access or other elements to lift targeted areas of the City.

Councilmember Rocha Garcia requested further clarification and information on focus group and stakeholder group components. She added that she would provide the Committee and City staff with additional research data obtained by the YMCA. Ms. Tate stated that she would provide the Committee with a list of local economic development practitioners and chambers that were consulted. She added that six inner stakeholder focus group meetings were held with only 3-6 members in a group to encourage extended dialogue over more open-ended questions.

Councilmember Gonzales voiced equity concerns for Council District 5 because it was not able to benefit from economic incentive packages. She pointed out that Council District 5 did not have adequate new development space to attract large employers and lost employers once they outgrew their infrastructure and had no choice but to move out of the Council District in search of more space. She added that missed opportunities for Council District 5 included broadband limitations, and the inability to convert existing space into commercial space as it required too much investment for CPS Energy. Assistant City Manager Lopez noted that the outlined recommendations were not necessarily a one-size-fits all solution, and research and feedback received would allow the City to address more community

benefits with updated tax incentive guidelines for 2021-2022. She stated that final recommendations would be presented to the Committee next month.

Councilmember Pelaez stated that pre-COVID-19, economic development trends were not coming back and the City needed to adapt accordingly. He observed that large employers would no longer renegotiate leases with large office spaces and would not bring all their employees back into the workplace.

Chairwoman Viagran referenced the Summary of Criteria by City and asked how San Antonio performed in the comparative analysis. She asked of the definition of high wage and what entity determined it. She stated that it was important that the City had the flexibility to make changes for high wage increases in certain targeted industries, and noted that it was not easy to buy a house with an annual salary of \$50,000. Ms. Tate stated that San Antonio was not included in the analysis but the City's requirements were similar to other cities with a set criteria for minimum hourly wages, investment levels, job creation requirements, with a focus on targeted industries and targeted populations to determine percentages for investments and abatements. Ms. Tate replied that the high wage threshold was \$50,000 (\$24/hour) and was determined by the City.

3. Briefing of the Lone Star District Project generally located at 500 and 600 Lone Star Blvd. within the Inner City TIRZ in Council District 5. [Lori Houston, Assistant City Manager; Verónica R. Soto, FAICP, Director, Neighborhood and Housing Services]

Verónica Soto stated that the Lone Star District Project was a 32-acre mixed-use development that would include multi-family housing, retail space, commercial space, entertainment, hospitality, office space, and open market space. She noted that the core of the development would be the adaptive reuse of the historic Lone Star brewhouse and the project would be built in multiple phases starting in the fourth quarter of 2021 and continuing for approximately a decade. She added that the total built space would exceed 1,000,000 square feet, including approximately 1,282 housing units of which 20% (approximately 256 units) would be affordable.

Ms. Soto reported that the total development cost of approximately \$709,267,533 would have both an economic impact and a community impact and was estimated to create approximately 3,900 direct jobs and 7,734 indirect jobs during construction; once completed, approximately 1,550 full-time jobs were estimated to be created. She noted that new public greenspaces would be created, additional portals to the Mission Reach Trail were included, and utility work would be developed to serve the proposed commercial retail and housing units. She added that additional public improvements would be included in future bond projects.

Ms. Soto stated that the developer, GrayStreet Lone Star, LP. in partnership with Midway, requested Tax Increment Reinvestment Zone (TIRZ) funding for public infrastructure and public improvements for an amount not to exceed \$24,000,000.00. She noted that the funding would be structured as a TIRZ reimbursement and a tax rebate using a Chapter 380 Economic Development Grant Agreement and would be reimbursed over 15 years. She added that the public improvements for the first two years would be reimbursed at 100% by the Inner City TIRZ in an amount not to exceed \$2,000,000.00; the remaining 13 years would be a tax reimbursement; and the final 12 years would be reimbursed using the City's General Fund Operations & Maintenance (O&M) rate, currently at 62.15%. Ms. Soto highlighted that as part of the agreement, the developer would contribute to the City's Affordable Housing Fund over 10 years for an estimated amount of \$818,000 that would go towards creating

additional affordable housing. She emphasized that the current assessed value of the product of the site was approximately \$10.5 million, and after completion the assessed value would be over \$700 million.

Councilmember Gonzales asked of the demolition criteria under TIRZ funding. Ms. Soto clarified that a combination of funding was utilized that included additional tax rebates which allowed for public infrastructure improvements and would cover the demolition needed to clear the site for new construction.

Peter French stated that one of the community developments would include a substantial public art initiative.

Don Quigley stated that it was ideal for the first phase of the project to be smaller in order to create momentum for the later phases and to create the right size for each space. He noted that the plan was to selectively demolish the buildings that did not have any historical significance and no long-term utility to ensure the site was safe from both an access and environmental standpoint. He expressed his excitement for the building plans that would attract residents to live in a space that offered great access to all the amenities the San Antonio River had to offer.

Chairwoman Viagran asked if the new proposed road would run through the property and if it would be open to the public. She asked if the historic public swimming pool would be incorporated into the plan. Mr. Quigley confirmed that the master plan would connect Lonestar Boulevard and Steves Street, and active negotiations were underway with CPS Energy regarding an access easement. Ian Benavidez stated that the pool would not be restored and its historical significance would be captured by outlining the area with added water features. Mr. Quigley explained that the pool in its existing condition was dangerous to the public and the goals were to create a safe space for people to congregate on the site. He indicated that creative murals, displays and interactive elements would add to the green space that would be developed in the space during the Phase 2 construction process. He added that the water rights to a previous aquifer well that filled the pool and the pond on that site were long gone and the City would have no right to pump water from the ground. He stated that the plan was to partner with the Roosevelt Park Association to help make improvements to their neighborhood amenity pool.

Councilmember Gonzales acknowledged for the record the commitment for the redevelopment of the Roosevelt Swimming Pool that was built in the 1950s and was in desperate need of rehabilitation.

Councilmember Gonzales moved to approve Item 3. Councilmember Cabello Havrda seconded the motion. The motion prevailed unanimously.

Item 5 was addressed at this time.

5. Briefing and update on the Southside Opportunity Zones Strategic Plan. [Alejandra Lopez; Assistant City Manager and Interim Director, Economic Development]

Matthew Prosser reported that Southside Opportunity Zones Strategy (SOZS) Plan effort was a partnership between the Economic Development Department, the World Heritage Office, and Southside First with the goal to attract capital investment and mitigate negative impacts within two areas made up of four census tracts that were identified as opportunity zones: 1) The Quintana Road area, including the East Kelly Railport at Port San Antonio (SA); and 2) The Mission San Jose/Brooks Development Authority area, which also encompassed the Stinson Municipal Airport Facility.

Mr. Prosser stated that purpose of SOZS Plan was to guide future actions and investments to attract capital investments to these areas that aligned with community priorities and were sensitive to the existing residents and small business community. He reported that Economic and Planning Systems (EPS) performed community outreach and engagement virtually due to the COVID-19 Pandemic and held two rounds of stakeholder meetings to discuss opportunities and challenges within the two opportunity zones. He added that a phone bank was established for a more robust outreach in the Quintana Road area and two MBA students conducted phone surveys and provided hardcopy questionnaires to local residents. He noted that an online survey produced over 200 responses.

Mr. Prosser presented a highlight of the SOZS Plan survey results that reflected small businesses, restaurants, neighborhood commercial businesses, and mixed-use developments were most desired types of private development for both opportunity zones. He reported that the types of community amenities or assets desired were parks, trails or trail connections, community fitness and event spaces, and public arts. He added that residents expressed concerns with an increase in traffic, crime, and taxes, and pushing out current residents. He stated that residents perceived the top two barriers or issues preventing development or investment were quality infrastructure and access to capital to attract further investments.

Mr. Prosser reported that initial high-level SOZS Plan strategies were based on engagement feedback. He identified opportunities and challenges for the two opportunity zones, as follows:

QUINTANA ROAD		
Opportunities	Challenges	Strategy Themes
<ul style="list-style-type: none"> • Desire for quality neighborhood retail • Strong employment base at Port SA • Strong community assets • Recent infrastructure improvements 	<ul style="list-style-type: none"> • Deterring undesirable uses • Vacant buildings • Lack of recent market activity • Barriers to connectivity and opportunity (physical and social) • Access to capital for existing property owners or small businesses 	<ul style="list-style-type: none"> • Create community gathering place • Connectivity to Port SA opportunities • Attract businesses to East Kelly Railport • Address vacant and negligent owners/properties • Support reinvestment in existing buildings

MISSION SAN JOSE/BROOKS AREA		
Opportunities	Challenges	Strategy Themes
<ul style="list-style-type: none"> • Major destination for cultural tourism <ul style="list-style-type: none"> ○ Creative City of Gastronomy designation • Abundant green space • Investment at Brooks (live/work/play) • All major tools in place to attract investment 	<ul style="list-style-type: none"> • Preservation of historic assets and cultural heritage • Risk of displacement • Reinvestment in older commercial parcels/areas • Access to capital for existing property owners or small businesses 	<ul style="list-style-type: none"> • Strategies to incentivize/encourage development that provides community benefits • Strategies to attract desired development projects and uses to the area: Neighborhood retail, hotel, new housing • Address vacant and negligent owners/properties

		<ul style="list-style-type: none"> • Toolkit for addressing displacement
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Mr. Prosser reported that industrial buildings, multi-family projects, boutique hotels or existing motel renovations were compatible public investment projects that were identified as both desirable and compatible for both opportunity zones. He provided highlighted SOZS Plan recommendations, as follows:

- Increase access to capital for property owners and small businesses
- Neighborhood improvements and anti-displacement tools
- Support for World Heritage designation

Chairwoman Viagran expressed her support for a neighborhood investment fund and asked that an anti-displacement fund for legacy homeowners be considered as area property appraisals would increase with new developments and investments. She called for the City to continue to be proactive and inform the U.S. Treasury Department that local governments had a voice in opportunity zone tax structuring.

Councilmember Gonzales asked of recommendations for Small Business Administration (SBA) programs or private sector banking programs that could provide bridge financing for local small businesses. She noted the opportunity for small business owners to collaborate in a collective pool fund and investor funding and for small scale multifamily projects.

Councilmember Rocha Garcia asked if EPS utilized some of the findings from a recent UTSA study in their assessment. Mr. Prosser stated that some displacement data from the study was used and EPS subsequently worked with Verónica Soto, Director, Neighborhood Housing Services Department, to identify areas and vulnerable populations at risk for displacement to inform anti-displacement recommendations.

4. **Briefing on the FY 2020 Small Business Economic Development Advocacy (SBEDA) Annual Report.** [Alejandra Lopez; Assistant City Manager and Interim Director, Economic Development]

Chairwoman Viagran stated that Item 4 would be tabled at this time.

Adjournment

There being no further discussion, the meeting was adjourned at 4:15 PM.

Rebecca Viagran, Chairwoman

Respectfully Submitted,

DRAFT