



City of San Antonio

Agenda Memorandum

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Agenda Date: November 9, 2022

In Control: City Council B Session

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Briefing regarding the City's Economic Development Department Revised Incentives Policy.

SUMMARY:

This briefing will provide the recommended updates to the Economic Incentive Guidelines set to expire on December 31, 2022.

BACKGROUND INFORMATION:

The City utilizes several tools to support the recruitment of new jobs and private investment to San Antonio and the expansion of existing San Antonio companies. These tools include 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 in order 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 2018, City Council approved a set of guidelines that support 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.

Under these guidelines, the Economic Development Department (EDD) has prioritized high wage job opportunities, job creation in targeted industries, and projects that demonstrate the capacity to promote access to job opportunities and training to distressed populations.

The current guidelines for Chapter 312 and Chapter 380 prioritize projects that are within the SA Tomorrow Comprehensive Plan's Regional Centers or the City's Inclusive Growth Area (IGA). The IGA was developed by staff as part of the 2018 guideline updates and represents traditionally under invested areas in San Antonio where a given census tract has a poverty rate greater than twenty percent (20%). Additionally, staff takes into consideration other factors, including whether a project is in a targeted industry, wages for jobs created, and level of private capital investment.

As a result of the COVID-19 pandemic, staff shifted focus in 2020 and primarily engaged with the City's Recovery and Resiliency Plan, assisting the residents and business community with the ongoing crisis. This shift limited the traditional outreach efforts to the residents and business community for major updates to the guidelines. In December 2020, staff requested that City Council re-authorize the 2019-2020 Tax Abatement guidelines through 2022 with minor modifications. City Council extended the guidelines on December 17, 2020.

In February 2022, TIP Strategies was engaged to help establish a strategic framework for EDD which would guide any new incentive strategy. During this process, EDD staff also conducted targeted stakeholder discussions with an innovation/cybersecurity group, real estate developers/brokers, site consultants, labor unions, chamber representatives and economic development organizations specific to incentives to expand upon key themes and topics raised during the framework discussion. This feedback, along with significant research, provided the foundation for the revised incentive policy, which balances the need to be competitive with serving the broader community needs.

ISSUE:

This new incentive policy creates an objective approach to incentives that allows 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.

The recommended policy revisions will also allow 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. This letter will clearly articulate any incentive would still be contingent on City Council approval.

Lastly, the new incentives policy changes the compliance process to require the contracted company to perform prior to an abatement or rebate. This approach to performance-based contracting eliminates the need for a recapture period or recapture payments, including partial pro-rated abatements, since the incentive will not move forward until compliance by the company is met.

ALTERNATIVES:

This item is for briefing purposes only.

FISCAL IMPACT:

This item is for briefing purposes only.

RECOMMENDATION:

This item is for briefing purposes only.