

# City of San Antonio



## AGENDA

### City Council B Session

Council Briefing Room  
100 Military Plaza  
San Antonio, Texas 78205

---

**Wednesday, November 6, 2024**

**2:00 PM**

**City Hall Complex**

---

The City Council will hold its meeting at the above referenced date and time for the following items. Once convened, the City Council will take up the following items in any order during the meeting but no sooner than the designated times.

Once a quorum is established, the City Council shall consider the following

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

5:00 P.M. – If the Council has not yet adjourned, the presiding officer shall entertain a motion to continue the council meeting, postpone the remaining items to the next council meeting date, or recess and reconvene the meeting at a specified time on the following day.

### ACCESS STATEMENT

**The City of San Antonio ensures meaningful access to City meetings, programs and services by reasonably providing: translation and interpretation, materials in alternate formats, and other accommodations upon request. To request these services call (210) 207-2098 or Relay Texas 711 or by requesting these services online at <https://www.sanantonio.gov/gpa/LanguageServices>. Providing at least 72 hours' notice will**

**help to ensure availability.**

Intérpretes en español estarán disponibles durante la junta del consejo de la ciudad para los asistentes que lo requieran. También se proveerán intérpretes para los ciudadanos que deseen exponer su punto de vista al consejo de la ciudad. Para más información, llame al (210) 207-7253.

For additional information on any item on this agenda, please visit [www.sanantonio.gov](http://www.sanantonio.gov) or call (210) 207-7080.

Posted on: 04/10/2025 12:10 PM



# City of San Antonio

## Agenda Memorandum

**File Number:**

---

**Agenda Item Number:** 1

**Agenda Date:** November 6, 2024

**In Control:** City Council B Session

---

**DEPARTMENT:** Economic Development Department

**DEPARTMENT HEAD:** Brenda Hicks-Sorensen

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

City of San Antonio's Economic Development Department Incentives Guidelines.

**SUMMARY:**

Briefing on proposed revisions to the City's Economic Development Department Incentives Policy Guidelines. State of Texas tax code requires incentive guidelines be reauthorized every two years and the current guidelines are set to expire on December 31, 2024.

**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 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.

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 abatements, since the incentive will not move forward until compliance by the company is met. The policy also ensures that recipients of tax abatements must dedicate 10% of their abatement value to wrap-around services in direct support of their employees, which include workforce development, transportation assistance, and childcare support.

Under the existing guidelines City Council fostered competitiveness 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 to receive feedback on impacts of current guidelines and staff's proposed updates. Staff has hosted roundtable events with local chambers of commerce, City of San Antonio departments, labor unions, and other economic development stakeholders, including greater:SATX and its direct work with site selectors. Staff briefed the Economic and Workforce Development Committee (EWDC) on October 22, 2024 to gather input on the proposed revisions. This feedback, along with significant benchmarking against Texas and national communities,

provided the foundation for the current incentive policy and the proposed updates. Prioritized through this policy and proposed updates is the need to intentionally serve the broader community needs while maintaining a streamlined, efficient process that keeps San Antonio competitive.

## **ISSUE:**

State of Texas tax code requires incentive guidelines be reauthorized every two years and the current guidelines are set to expire on December 31, 2024. 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 adjustments to wrap-around services as well as addressing hybrid/remote work.

The policy continues to include a minimum wage mirroring the City of San Antonio's minimum wage for 100% of all jobs, 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.

Staff recommend including provisions that will ensure that projects determined to be "power-intensive users" meet a higher requirement for job creation. CPS Energy defines "power-intensive users" as those projects which require more than 40 MW of energy. This change is recommended to ensure that such projects are not posing a threat to local grid reliability. As part of these discussions, greater:SATX has been convening local leaders to discuss a coordinated position on how economic development stakeholders will balance industry growth with energy demand.

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

Finally, based on recent feedback from a local labor union, staff is engaging with site consultants and general contractors to complete the due diligence on including safety requirements for heat-related illness and occupational hazards, as well as local hiring requirements. Conclusions of this due diligence and any associated policy amendment recommendations will also be included in this briefing.

## **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.

# **2025-2026 Economic Development Incentive Policy Updates**



**City Council B Session  
November 6, 2024**

**Presented by: Brenda Hicks-Sorensen, CEcD  
Director of Economic Development**

# Programs and Resource Summary



## JOB CREATION



- Tax Abatements
- Tax Rebates
- Economic Development Incentive Fund

## PLACEMAKING



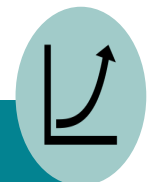
- Outdoor Spaces Grants
- Façade Improvement Grants
- RevitalizeSA: Corridor Leadership Program
- San Antonio Economic Development Corp.

## SMALL BUSINESS



- Zero Percent Loan Program
- LaunchSA
- Supply SA
- Capacity Building & Bond Assistance
- Small Business Economic Development Advocacy (SBEDA)
- Construction Mitigation Program and Grants

## GROWTH COMPANIES



- SBIR/STTR Matching Grant Program
- Phase 0 SBIR/STTR Grant Program
- Second Stage Company Grant Program



# Incentive Policy Review

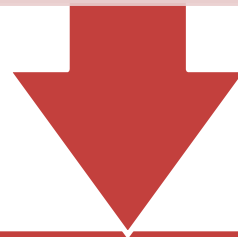


Incentives should balance:

Competitiveness,  
retention, and  
reinvestment

Net positive economic  
and fiscal transaction

Serving broader  
community needs



Incentive policy updates continue to:

Prioritize high wage jobs  
and competitiveness

Simplify accessible  
policy tied to key areas

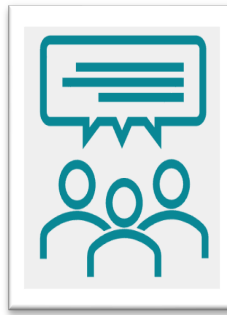
Streamline efficient  
processes and objective  
metrics

# Overview of Updates



## Administrative

- Wage updates and indexing
- Clarification on a “Qualified Employee” and hybrid work
- Capping abatement values



## Programmatic

- Continue to support goals identified by other departments
- Contruction considerations
- Intensive Power Users



## Other

- Clarified prevailing wage reporting
- Changes recommended from CAO based on recent negotiated projects

# Wage Updates



## Tax Abatement/Rebates

Wage Type	Current Wage	New Wage
COSA Minimum	\$ 17.50/hr	\$ 18.00/hr
80% of San Antonio Median Wage	\$ 20.54/hr	\$ 22.92/hr

- 100% of jobs required to be paid COSA minimum wage
- 90% of jobs required to be paid 80% median wage

- Require ALL employees (existing and new) be paid minimum of current wage levels
- Index annually

## Strategic Job Grants (EDIF)









Minimum Annual Wage Rate	Maximum Amount per New Position
\$89,389 – 99,389	\$1,000
\$99,890 – 109,389	\$1,500
\$109,390 – 119,389	\$2,000
\$119,390+	\$2,500

- 100% of jobs require the city median income of \$28.65/hr
- 90% of jobs require 150% of the median income (\$89,389 or \$42.97/hr)

# Proposed Tax Abatement/Rebate Matrix



## Tax Abatement and Rebate Eligibility Matrix

	 <b>Hourly Wage</b>		 <b>Capital Investment</b>		 <b>No. of Jobs Created</b>	 <b>Base Tax Abatement/Rebate %</b>	 <b>Exceptional Enhancements</b>
Tier 1	<b>\$22.92</b>	AND	<b>\$10M</b>	AND	<b>50</b>	<b>20%</b>	
Tier 2	\$28.00	OR	\$25M	OR	200	30%	 + 10% Regional Center
Tier 3	\$33.00	OR	\$50M	OR	400	40%	 + 10% Targeted Industry
Tier 4	\$38.00	OR	\$100M	OR	600	50%	
Tier 5	\$43.00	OR	\$150M	OR	800	60%	 + 10% Equity Matrix
Tier 6	\$48.00	OR	\$250M	OR	1000	70%	

Note: All projects for Tax Abatement must meet initial minimum investment, wage and job creation requirements (Tier 1). To be eligible for Tiers 2 - 6, only one of the corresponding wage, capital investment, or job creation levels must be met.

# Matrix Application:






## Project XYZ:

- Base wage: \$30/hour
- Capital investment: \$110M
- Jobs created: 100
- Industry: IT/Cybersecurity

✓ **Rebate/Abatement Percentage: 60%**

✓ **Recommended Length: 7-9 years**

**Tax Abatement and Rebate Eligibility Matrix**

							
	Hourly Wage		Capital Investment		No. of Jobs Created	Base Tax Abatement/Rebate %	Exceptional Enhancements
Tier 1	<b>\$22.92</b>	AND	<b>\$10M</b>	AND	<b>50</b>	20%	
Tier 2	<b>\$28.00</b>	OR	\$25M	OR	200	30%	
Tier 3	\$33.00	OR	\$50M	OR	400	40%	
Tier 4	<b>\$38.00</b>	OR	<b>\$100M</b>	OR	600	<b>50%</b>	<ul style="list-style-type: none"> <li>+ 10% Regional Center</li> <li>+ 10% Targeted Industry</li> <li>+ 10% Equity Matrix</li> </ul>
Tier 5	\$43.00	OR	\$150M	OR	800	60%	
Tier 6	\$48.00	OR	\$250M	OR	1000	70%	

# Remote and Hybrid Employees



## Ch. 312 Tax Abatements

- Clarifying and limiting work not conducted at project site:
  - No more than five-percent (5%) of the Full Time Jobs may be hybrid, but must still be physically present at project site at least twice per week

## Ch. 380 Tax Rebates and Grants

- For companies with hybrid schedules, employees must:
  - 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



## Grab Power While You Can

Electricity is the new gold in the race to build more data centers.



Airlines headquarters in Mount Prospect.

## BISNOW

## A Fight Between Big Tech And An Ohio Utility May Preview Turmoil Ahead For Data Centers

September 22, 2024 | Dan Rabb, Data Centers



TAB Chair VILLARREAL: To Help U.S. Lead, Texas Needs to Maintain Tech & AI Dominance Over China

## THE HILL

## The US must secure its supremacy against China in AI and cloud computing



## Cloud AI building boom propels server, storage market to record highs



# Power Intensive Users

---

- User requiring, or projected to, 40 MW or more
- Typically requires the development of a substation

Align 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



# Construction Considerations



Requests submitted by Laborers' International Union of North America (LIUNA!):

- Safety standards:
  - Prior to starting construction work all:
    - construction workers receive and complete OSHA-10 training
    - supervisors receive and complete OSHA-30 training
  - Mitigating heat-related illness (Ordinance 2023-08-31-0585)
    - Ensure ordinance applies to employees of construction projects receiving incentives
- Local hiring efforts:
  - Required to demonstrate effort to hire 50% of all construction workers during construction period residing within City of San Antonio
- Prevailing wages:
  - Recipients of incentives must provide salaries (general prevailing wage or COSA entry wage rate, which is ever is higher) to all employees



## Stakeholder Engagement

- Bexar County Economic & Community Development
- BioMedSA
- Brooks
- Business and Community Development Organizations
- Chambers of Commerce
- COPS/Metro
- COSA Departments
- CPS Energy
- General Contractors/Associations
- greater: SATX
- LiUNA!
- NAACP
- NALCAB
- Port SA
- SAWS
- Site Consultants
- Small Business Advisory Commission (SBAC) Members

✓ 80% Median Income

⊖ Base wages and indexing

- Existing companies impacted
- Target industry impact

✓ Hybrid/Remote Work

- Change “and” to “or”
- Ease of compliance

✓ Capped Tax Abatement Value

⊖ Power Intensive Users

- “Open for Business”
- SA Climate Ready

✗ Construction Considerations

# Summary: Recommended Ch. 312/380 Revisions



REQUIREMENT/CRITERIA	CURRENT GUIDELINES	PROPOSED GUIDELINES
Base Wages and Indexing	Entry Wage (\$17.50); AND 80% of Median Wage (\$20.54)	Entry Wage (\$18.00); AND 80% of Median Wage (\$22.92); Both indexed throughout the life of the agreement; Applies to both new and existing jobs
“Qualified Employee” Definition	Employees associated with the job site, working at least 2,080 hours/year	Ch. 312: No more than 5%; 2 days/week at site; Ch. 380: Spend at least 60% of their annual hours (1,248 hours) at the project site engaged in services on-site; <b>or</b> reside within City of San Antonio, City of San Antonio ETJ, or Bexar County
Tax Abatement Value	Assigned a percentage based on matrix, which could result in larger value if investment increases	Capping rebates and abatement using the value that the company is eligible for, based on the estimated investment indicated in their incentive application
Power Intensive Users		40MW or higher must meet minimum of Tier 2 Requirement of 200 Jobs

# Next Steps:

---



City Council A Session  
Consideration

- November 21

Implementation

- January 1, 2025

# **2025-2026 Economic Development Incentive Policy Updates**



**City Council B Session  
November 6, 2024**

**Presented by: Brenda Hicks-Sorensen, CEcD  
Director of Economic Development**