

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Briefing on the status of the City's economic development incentive guidelines update.

SUMMARY:

This item is a briefing to the Economic and Workforce Development Committee (EWDC) on the status of proposed changes to the City's Economic Development Incentive Guidelines.

BACKGROUND INFORMATION:

The City utilizes several economic development tools to support both the recruitment of new jobs and private investment to the community 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 to San Antonio, as well as the retention and expansion of existing businesses that create new jobs and investment in the community. State law requires that City Council adopt Tax Abatement Guidelines every two years.

Additionally, Chapter 380 of the Texas Government Code provides the City with the ability to issue grants and tax rebates for economic development projects. While Chapter 380 does not mandate that City Council approve the Chapter 380 guidelines every two years, Economic Development Department (EDD) staff reviews the Chapter 380 program guidelines on a bi-annual basis to ensure alignment with the Chapter 312 Guidelines.

In 2018, City Council approved updates to the Chapter 312 and Chapter 380 guidelines that emphasized the following priorities:

1. Attracting new, targeted industry jobs and investment;
2. Maximizing the competitiveness of local businesses; and
3. Supporting socioeconomic mobility for San Antonio residents.

Since then, EDD has prioritized incentive projects with significant capital investment, job creation in targeted industries, and that demonstrate the capacity to promote access to job opportunities and training to distressed populations.

The guidelines for Chapter 312 and Chapter 380 guidelines also prioritize projects within the City's Inclusive Growth Area (IGA). As part of the 2018 guideline updates, staff developed the IGA, which represents traditionally underserved areas in San Antonio, where a majority of residents in a given census tract have a low economic status. Additionally, the IGA incorporates geographic areas identified as Regional Centers in the *SA Tomorrow Comprehensive Plan* and State-approved Opportunity Zones.

Due to the COVID-19 pandemic, EDD shifted its efforts in 2020 to focus on the City's Recovery and Resiliency Plan and the needed, pandemic-related assistance to residents and the business community. This shift limited the outreach efforts traditionally undertaken for major updates to the guidelines. In December 2020, staff requested that City Council re-authorize the 2019-2020 Tax Abatement Guidelines with the understanding that a comprehensive outreach and review process would be conducted during the first half of 2021. Council approved the 2021-2022 guidelines on December 17, 2020 with minor changes to include updating the IGA and began to incorporate Ready to Work into the requirements.

ISSUE:

In January 2021, staff began a community outreach effort and engaged a pair of consultants to help develop and align new guidelines with City Council, stakeholder, and broader community priorities.

Based on the information gathered in the interviews, focus groups, and comparative community research, staff proposed an initial set of recommended updates, which focused on the following areas:

- Increasing initial wage requirements;
- Incorporating gender pay parity practices and workforce development components into the standard incentive eligibility requirements;
- Adding a Chapter 380 small business grant program;
- Replacing the IGA framework by refocusing on the City's Equity Matrix with Regional Center geographies in staff's evaluations;
- Developing a formal Scoring Matrix to evaluate incentive applications; and
- Evaluating a potential project's links to the local economy, workforce development, the quality of jobs, infrastructure and sustainability.

Staff presented these initial recommended updates to EWDC on June 1, 2021 and incorporated feedback into the updates that were presented at full City Council "B" Session on June 9, 2021, with the intention of returning in Fall 2021 for additional consideration by EWDC and new City Council members.

Since then, EDD leadership has implemented a strategic plan initiative to better position the City on the path toward a more resilient economy, and to specifically define the role EDD should play in that effort. This includes analyzing and understanding the current state of San Antonio's

economy and developing a focused plan that emphasizes implementable strategies for EDD in growing the City's economic base, which includes the City's economic development incentive policies.

Given this ongoing strategic plan initiative, staff recommends that EDD continue to utilize the current guidelines approved by City Council in December 2020, which will allow EDD the opportunity to:

- Gather additional feedback and analysis on best practices and changes to the economic incentive guidelines within the context of the strategic plan;
- Continue to educate City leadership and the community on incentive policy best practices and the effective, efficient administration of incentive policies;
- Develop an updated set of economic development incentive guidelines that align with the broader findings and changes identified in the strategic plan; and
- Present the updated guidelines to City Council for consideration in Fall 2022 and for approval in December 2022.

Staff will ensure that partners are aware that the current policy will remain in place through the end of 2022.

ALTERNATIVES:

This item is for briefing purposes only

FISCAL IMPACT:

This item is for briefing purposes only and has no fiscal impact.

RECOMMENDATION:

This item is for briefing purposes only