



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 20

Agenda Date: December 1, 2022

In Control: City Council A Session

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

City Council consideration and adoption of amendments to the City's Economic Development Incentive Fund (EDIF) Guidelines pursuant to Chapter 380 of the Local Government Code, originally adopted by City Council on December 11, 2014.

SUMMARY:

Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development. Chapter 380 provides for offering loans and grants of city funds or services at little or no cost to promote state and local economic development and to stimulate business and commercial activity. In order to provide a grant or loan, a city must establish a program to implement the incentives. This ordinance provides updates to the Economic Incentive Guidelines.

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 Tax Abatement Agreements and Chapter 380 Economic Development Agreements.

Chapter 380 of the Texas Government Code provides the City with the ability to issue grants or

loans for economic projects. While Chapter 380 does not mandate that City Council approve the guidelines every two years, staff reviews on a bi-annual basis to ensure alignment with the Chapter 312 Guidelines.

Established in 2004, the Economic Development Incentive Fund (EDIF) provides funding for grants and loans for economic development projects and is used to attract new companies to San Antonio and help local companies expand. City Council adopted the original EDIF Guidelines on December 11, 2014. In 2018, City Council adopted the most recent updates to the 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) 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 EDIF Guidelines 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 incentive guidelines updates and represents traditionally underinvested areas in San Antonio where a given census tract has a poverty rate greater than twenty percent (20%). Other factors included whether a project was 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 February 2022, TIP Strategies was engaged to help establish an Economic Development Strategic Framework for EDD to help guide new incentive tactics. During this process, EDD staff 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 desire to be competitive for economic development opportunities while serving the broader community needs.

The proposed updates to the Economic Development Incentive Fund Guidelines were presented at a B Session of City Council on November 9, 2022. The proposed guidelines incorporate recommendations from Council members including the expansion of wrap-around support programs to include Internet and IT equipment training, Career Coaching for transitioning employees, and revising carpools and van pools to alternative modes of transportation so as to also include bicycles, scooters, and walking. Additionally, the commitment for companies to provide salaries to all employees has been expanded to include contract employees and employees hired

by contractors for construction of Project facilities related to the EDIF Agreement for monitoring of general prevailing wage rate.

ISSUE:

The proposed amendments to the EDIF Guidelines creates an objective approach to incentives that allows companies and consultants to better calculate the value and term on a potential incentive. The guidelines emphasize the City's desire to recruit high-paying, high-quality jobs to San Antonio by increasing the 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 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 guidelines also include updates to the amount of EDIF incentive per project; and eligible use of funds for projects, programs, and initiatives that promote entrepreneurial developments, spur innovation, and support workforce development initiatives.

The recommended EDIF Guidelines amendments 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 fall within the guidelines. This letter will clearly articulate any incentive would still be contingent on City Council approval.

Lastly, the EDIF Guidelines update changes to the disbursement process requiring the contracted company to meet performance metrics prior to an EDIF benefit. This approach to performance-based contracting eliminates the need for a recapture period, including partial pro-rated incentives, since the incentive will not move forward until performance conditions are met by the company.

ALTERNATIVES:

Without adoption of amendments to the EDIF Guidelines, the wage requirements will not reflect updated figures, and the City will not be able to promote the goals outlined in the Economic Development Strategic Framework as effectively as it might otherwise be able.

FISCAL IMPACT:

There is no fiscal impact to the City through this action. This consideration is associated with adoption of amendments to the EDIF Guidelines and each agreement proposed under the EDIF Program requires City Council approval.

RECOMMENDATION:

EDD staff recommends approval of the amendments to the City's Economic Development Incentive Fund Guidelines.

