

**ECONOMIC AND WORKFORCE DEVELOPMENT
COUNCIL COMMITTEE MEETING MINUTES
TUESDAY, OCTOBER 2, 2018
1:30 PM
MUNICIPAL PLAZA BUILDING, B ROOM**

Members Present:	Councilmember Rebecca Viagran, <i>Chair, District 3</i> Councilmember Manny Pelaez, <i>District 8</i> Councilmember John Courage, <i>District 9</i> Councilmember Clayton Perry, <i>District 10</i>
Members Absent:	Councilmember Shirley Gonzales, <i>District 5</i>
Staff Present:	Carlos Contreras, <i>Assistant City Manager</i> ; Rene Dominguez, <i>Director, Economic Development Department</i> ; John Jacks, <i>Director, Center City Development and Operations Department</i> ; Michael Shannon, <i>Director, Development Services Department</i> ; Alex Lopez, <i>Interim Chief Equity Officer, Office of Equity</i> ; Melissa Ramirez, <i>Assistant Director, Development Services Department</i> ; Michael Sindon, <i>Assistant Director, Economic Development Department</i> ; Veronica Garcia, <i>Interim Assistant Director, Center City Development and Operations Department</i> ; Victoria Gonzalez, <i>Mayor's Office</i> ; Denice F. Trevino, <i>Office of the City Clerk</i>
Others Present:	Natalie Griffith, <i>President, Habitat for Humanity</i> ; Mike Taylor, <i>Executive Director, Cross Timber</i> ; Leilah Powell, <i>Executive Director, LISC San Antonio</i> ; David D. Garza, <i>President, LDZG Corporation</i> ; John Butchkosky, <i>Community Liaison, Texas Alliance for Human Needs</i> ; Sophia Erian, <i>Port San Antonio</i> ; Ernesto Salinas, <i>staff, Representative Bernal</i> ; Anita Fernandez, <i>Representative Bernal</i> ; Anna Chowdhury, <i>Texas State University</i>

Call to Order

Chairperson Viagran called the meeting to order.

- 1. Approval of the Minutes from the September 4, 2018 Economic and Workforce Development Committee Meeting.**

Councilmember Pelaez moved to approve the Minutes of the September 4, 2018 Economic and Workforce Development Council Committee Meeting. Councilmember Courage seconded the motion. The motion carried unanimously by those present.

Briefing and Possible Action on:

- 2. A Briefing on the new Federal Opportunity Zones Program, a New Economic Development Tool Designed to Encourage Long-Term Investment in Low-Income**

Areas. [Carlos Contreras, Assistant City Manager; Rene Dominguez, Director, Economic Development]

Rene Dominguez stated that no official guidelines had been issued for the Federal Opportunity Zones Program (Program) but were expected at any time. He noted that the Economic Development Department received information on the Program one month ago. He stated that the Program was created in December 2017 by the Tax Cuts and Jobs Act of 2017. He noted that the Program encouraged private investment in distressed communities to foster economic inclusive growth. He stated that the Program allows deferment and reduction of capital gains taxes and would expire in December 2028. He noted that the Program includes an estimated \$6.1 trillion investment potential nationwide. He stated that 84 million Americans lived in a prosperous zip code, while 52 million lived in a distressed one. He noted that in San Antonio, 22% of zip codes fell within the distressed category. He stated that Governors were able to designate up to 25% of eligible census tracts in the State of Texas for inclusion in the Program. He noted that on March 5, 2018, Mayor Nirenberg submitted San Antonio's eligible census tracts to the Governor with 27 census tracts identified as high priority. He stated that on March 21, 2018, the Governor recommended 24 of the San Antonio census tracts to the U.S. Treasury Department for designation as Opportunity Zones. He noted that to be eligible, said Opportunity Zones must have:

- Poverty Rate of at least 20%, or
- Median family income at or below 80% of the region's Area Median Income (AMI)

Mr. Dominguez stated that individuals and corporations could invest unrealized capital gains in designated Opportunity Funds and those funds could then be invested in stocks, interest in a partnership, or property. He noted that the three main financial benefits to individuals and corporations were:

- 1) Temporary deferral: defer capital gains taxes until 2026
- 2) Reduction: deferred taxes are reduced by:
 - 10% if the Opportunity Fund investment is held for 5 years
 - 15% if held for 7 years
- 3) Tax exemption: Gains grow tax-free as long as investment is held for at least 10 years.

He stated that Federal guidance was expected in mid-October 2018 and would provide clarity on technical aspects of the Program. He noted that part 1 of a 2-part conference sponsored by LISC and UTSA would be held on October 16, 2018 and part 2 would be held in January or February 2019 with the intent to provide information and support community efforts. He stated that an "Investment Prospectus" would be developed to showcase distinctive assets and investable projects and the leveraging of city incentives would be explored to encourage specific types of development within the Opportunity Zones.

Councilmember Perry asked if private investors had approached the city regarding the Program. Mr. Dominguez replied that private investors had expressed a general interest in the Program.

Councilmember Courage asked of the city's experience with Opportunity Zones in the past. Mr. Dominguez stated that this was the first program of its kind. Councilmember Courage asked if the projects would require City Council approval. Mr. Dominguez replied that they would not.

Councilmember Pelaez asked if there was a benefit that the city could offer to investors. Mr. Dominguez replied that the Economic Development Department intended to layer incentives into the Opportunity Zones.

No action was required for Item 2.

3. A Briefing on Proposed Amendments to the Center City Housing Incentive Policy (CCHIP) and Inner City Reinvestment/Infill Policy (ICRIP). [Lori Houston, Assistant City Manager; John Jacks, Director, Center City Development and Operations]

Veronica Garcia stated that the Inner City Reinvestment and Infill Policy (ICRIP) was approved by the City Council in 2010 to encourage infill activity and the creation of sustainable neighborhoods that were safe, walkable, mixed-use, compact, and well designed. She noted that eligible projects included housing, commercial, mixed use development, and major economic development projects. She stated that these projects were eligible for City and SAWS Fee Waivers. She noted that since 2010, the City has issued 11,017 fee waiver applications which represent a total investment of \$4.4 billion and have resulted in the creation of 10,000 housing units (42% affordable). She reviewed the following ICRIP amendments:

- Remove boundaries (Edward Aquifer Recharge Zone excluded)
- Change the name to City of San Antonio Fee Waiver Program
- Inclusion of the following four components:
 1. Affordable Housing
 2. Owner Occupied Rehabilitation
 3. Historic Rehabilitation
 4. Business Development/Legacy Businesses

Ms. Garcia reviewed the details of the four components. She stated that in 2012, City Council adopted the Center City Housing Incentive Policy (CCHIP), an as-of-right housing incentive program designed to encourage economic development in the center city. She noted that CCHIP was a comprehensive incentive package which included:

- City and SAWS Fee Waivers
- Tax reimbursement grant
- Low-interest loan or grant

She stated that since its creation, CCHIP facilitated 64 projects representing a total investment of \$1.4 billion. She noted that for every \$1 of City-provided incentives for these projects, there was a return of over \$13 in private investment. She stated that these projects would yield 6,810 housing units, of which 1,544 or 23% would be workforce or affordable housing. She reviewed the program assessments provided by Dr. Steve Nivin to measure the economic impact of CCHIP projects and TXP, Inc. to study CCHIP and the downtown housing market. She presented the following proposed CCHIP amendments:

- Extend the program for 2 more years
- Remove single family areas from boundary (decreases from 5.4 square miles to 2.64 square miles)
- Create a tiered system based on land values, rental rate attainment, and occupancy levels with Tier 1 providing the maximum amount of incentives and Tier 2 requiring more density or that 20% of the units be affordable housing
- Develop an affordable housing fund and designate 25% of the ad valorem taxes paid by the developer of a CCHIP project to a fund to support affordable housing projects
- Alignment with city priorities

Ms. Garcia stated that to qualify as affordable housing where provided under this policy:

- At least 10% of total units must be reserved for households earning at or below 60% AMI for San Antonio
- At least 10% of total units must be reserved for households earning at or below 80% AMI for San Antonio

She noted that rents charged for affordable units must not exceed 30% of a household's gross monthly income. She stated that all CCHIP projects would contribute to the Affordable Housing Fund (25% of taxes paid to the city). She reviewed the ways that the CCHIP Program was in line with the SA Tomorrow Comprehensive Plan and the Mayor's Housing Policy Task Force recommendations. She stated that presentations on the proposed amendments were given to neighborhood associations, affordable housing providers, local developers, and other partner organizations. She noted that feedback received at the presentations include:

- Ensure affordable for-sale housing is made available for families earning up to 120% AMI.
- Short Term Rental (STR) Permits should still be permitted for owner-occupied units ("Type I" STRs).
- The new Affordable Housing Fund should be available for use citywide and prioritize proximity to transit.

Ms. Garcia stated that the proposed amendments to the ICRIP and CCHIP Programs would be brought before the full City Council for consideration on October 11, 2018.

No action was required for Item 3.

4. A Briefing on a Proposed Economic Development Department (EDD) Business Development Fee Waiver Program to Spur Business Development, Job Creation, and General Economic Growth in San Antonio. [Carlos Contreras, Assistant City Manager; Rene Dominguez, Director, Economic Development]

Michael Sindon stated that the Business Development Fee Waiver Program offsets city development fees and SAWS sewer and water impact fees for small businesses and targeted industry development projects. He noted that the as-of-right small businesses fee waiver projects were managed by the Center City Development and Operations (CCDO) Department and the competitive targeted industry fee waiver projects were managed by the Economic Development Department (EDD). He stated that in October 2017, a Council Consideration Request (CCR) was issued requesting:

- Broaden fee waivers to local small, medium, and large businesses citywide
- Ensure that funds are distributed equitably among local small, medium, and large businesses

Mr. Sindon stated that the goals of the Small Business Fee Waiver Program were:

- ❖ Foster business development and job growth
- ❖ Direct financial assistance
- ❖ Address disparities for minorities/women owned businesses
- ❖ Target distressed and city prioritized areas
- ❖ Connect to other city small business programs

He provided the City and SAWS Fees that typical businesses were required to pay and reviewed the Small Business Pilot Program guidelines. He stated that it was estimated that the Small Business Fee Waiver Program could assist 30 small businesses annually. He noted that small business consultations:

- Repurpose the City's small business liaison to assist small businesses seeking fee waivers
- Clarify the Development Services Department's process from start to finish
- Connect small businesses with City and SAWS Staff
- Inform them of City small business programs such as Launch SA and the Loan Interest Buydown Program

Mr. Sindon reviewed the following goals of the Industry Development Fee Waivers:

- Attract, retain, and expand targeted industries
- Foster employment and high-wage jobs
- Create long-term capital investment
- Target distressed and City prioritized areas
- Layered into City's competitive incentive proposal

He stated that EDD and CCDO coordinated to request \$1.5 million of the total City and SAWS Fee Waiver Budget. He noted that of that; \$500,000 would be relegated to the small business

portion of the program and \$1 million would be relegated to the industry development portion of the program. He stated that the program would be brought before the Committee in December 2018 and it would be aligned with the tax abatement guidelines.

Chairperson Viagran asked of projects which were in the ICRIP boundaries and did not fit into one of the four categories. Ms. Garcia stated that a customized incentive package would be created for those projects.

Councilmember Courage asked of the city's affordable housing goal. Ms. Garcia stated that said goals were identified in the Mayor's Housing Policy Task Force Report. Victoria Gonzalez stated that the Mayor's Housing Policy Task Force identified a 10-year funding goal and implementation plan that outlines year-by-year goals.

Councilmember Pelaez asked how the San Antonio AMI differed from the U.S. Department of Housing and Urban Development's (HUDs) AMI. Ms. Garcia replied that the AMI for HUD (\$69,000) was significantly higher than the AMI for San Antonio (\$49,000). A discussion ensued regarding which AMI to utilize. Councilmember Pelaez requested a review of the use of both AMIs. Ms. Gonzalez stated that the intent of the Mayor's Housing Policy Task Force was to target the affordability level.

Councilmember Perry asked of the cost to citizens to provide incentives. Ms. Garcia stated that the cost to citizens would be nominal. Councilmember Perry requested that Veteran Small Businesses be tracked separately. He suggested that previous applicants be given priority.

Councilmember Courage moved to recommend and forward amendments to the CCHIP and replacing the ICRIP with the City of San Antonio Fee Waiver Program to the full City Council for consideration on October 11, 2018. Councilmember Pelaez seconded the motion. The motion carried unanimously by those present.

Adjourn

There being no further discussion, the meeting was adjourned at 3:16 p.m.

Rebecca Viagran, Chairperson

Respectfully Submitted,

Denice F. Trevino